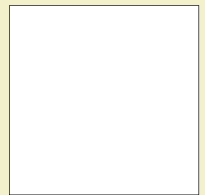




832 South Hotel Street • Honolulu, Hawaii 96813  
www.alohapacific.com



**Return Service Requested**

## 2013 Annual Report

# Local Flavors, Local Favorites

### 76th Annual Meeting Notice

Wednesday, March 12, 2014, 5:00 pm • McCoy Pavilion,  
Ala Moana Park, 1201 Ala Moana Blvd, Honolulu, HI 96814

No RSVP Necessary. Cooler Bag, Bento, Refreshments  
& Door Prizes for Attending Members (while supplies last).  
www.alohapacific.com or call us for more information.



### Contact Us

#### BY PHONE

Oahu: 531-3711  
Neighbor Islands &  
U.S. Mainland  
877-531-3711 (Toll Free)

#### BY MAIL

Aloha Pacific  
Federal Credit Union  
832 South Hotel Street  
Honolulu, HI 96813

#### BY INTERNET

Website: [www.alohapacific.com](http://www.alohapacific.com)  
E-mail: [support@alohapacific.com](mailto:support@alohapacific.com)

#### DIRECTORS

To contact our board members  
and committee members, please  
mail correspondence to:

Aloha Pacific  
Federal Credit Union  
Attn: <Board or Committee  
Member's Name>  
832 South Hotel Street  
Honolulu, HI 96813

## Management Message



**Gary Iwai**  
Board Chair



**Vince J. Otsuka**  
President and CEO

As we begin a new year, our credit union reaffirms its commitment to delivering you the highest value, quality and service with a “local flavor.” This tradition reflects the diversity of Hawaii in which everyone is part of our ohana. We pick the best of our past, present and future to create a mix of “flavors” that is both appealing and satisfying to our members.

### Here is a brief summary of 2013 and a look ahead:

**Profitable & Strong** – While the difficult economy and low interest rates pressured our bottom line, we were able to post positive earnings of \$4.25 million. This will be used to increase our capital reserves to further strengthen our assets and provide for future growth plans.

**Membership & Assets** – Membership declined slightly to 41,704; checking accounts increased to 24,118; portfolio loans ended at \$309 million while total assets rose to \$748 million.

**Member Benefits** – Our rates and fees remain better than the average credit union in Hawaii. We continued our Family Days at the movies, Member Appreciation Day at the 50th State Fair, scholarship and youth programs. Plus, we exponentially increased member services by introducing Surcharge-Free Access at all of First Hawaiian Bank’s 260+ ATMs.

**Community** – We raised \$36,000 in support of the Kapiolani Children’s Miracle Network; participated in both the Honolulu City Lights and Kaimuki Christmas Parades; and supported City employees through our departmental visits and donations to their activities.

**Wallace’s Retirement** – In April 2013, our long-time, beloved President/CEO, Wallace Y. Watanabe, announced his retirement. Over his 40-year career at our Credit Union, he led us through an unprecedented period of growth and change. He envisioned many of the services we enjoy today. We all miss him, but wish him well as he travels and enjoys his golden years and reflects on his legacy.

**New Leadership** – On October 31, 2013, Vince J. Otsuka was appointed as the third President and CEO since 1936. He immediately began addressing new regulatory and economic challenges while expanding member services by refining our strategic plan. In the coming months, our systems will be upgraded, new loan products will be introduced and we will launch several new promotions throughout the year.

During the year, we will be reaching out to our members. We want your feedback and suggestions to help us preserve our “local flavor.” Let us know how we can help you.

As we improve our operational efficiency and product offerings, we remain committed to providing you the best service possible. Thank you for your support.

**Gary Iwai**  
Board Chair

**Vince J. Otsuka**  
President and CEO



## Message from Mayor Kirk Caldwell



**Kirk Caldwell**  
Mayor, City and County  
of Honolulu

I am pleased to offer congratulations to Aloha Pacific Federal Credit Union (APFCU) for another year of excellent service to our City and County employees and to the people of Hawaii.

Since 1936 Aloha Pacific Federal Credit Union has grown from an association of 12 members to 40,000, expanding to become the third largest credit union in the State of Hawaii. A full-service financial institution, APFCU's ten branches are the primary choice for city employees and their families to acquire affordable loans for all their needs.

Mahalo to the staff and management of Aloha Pacific for 77 years of dedication to our community and residents, and for your long-time support of the Honolulu City Lights celebration.

On behalf of the people of the City and County of Honolulu, I extend best wishes for continued success, and a happy and prosperous new year.

A handwritten signature in black ink, appearing to read "Kirk Caldwell".

**Kirk Caldwell**  
Mayor, City and County of Honolulu



## 2013 Annual Meeting Minutes

The 75th Annual Meeting of the members of Aloha Pacific Federal Credit Union was held on Sunday, March 17, 2013, at The Hawaii Okinawa Center in Waipio, Hawaii.

Annual Meeting Committee Chair Darwin Hamamoto welcomed the members and reminded everyone to register for the special 75th Anniversary gift bags. He also encouraged everyone to visit the informational booths of Costco, Eco Solar, CUSO of Hawaii and Kalabash Financial.

Board of Directors Chair Gary Iwai called the meeting to order at 6:02 pm and requested Elections Clerk Lorene Fujimoto to declare a quorum. A quorum was declared with 237 members registered.

Chair Iwai recognized the following volunteers for their dedicated service throughout the year. APFCU Board of Directors: 1st Vice Chair Stanley Inamasu, 2nd Vice Chair Allan Fujimoto, Secretary/Treasurer Ann Gima, Director Darwin Hamamoto, Director Chris Diebling and Director Ben Dimond. He also introduced the Supervisory Committee members who are tasked with the responsibility to ensure that the Credit Union's financial condition is accurately represented in our financial statements and in full compliance with NCUA regulations: Chair Ted Takahashi, Vice Chair Ann Sakurao, Secretary Diane Murata, Howard Okamoto and Nelson Koyanagi.

He expressed his appreciation for the many volunteers and staff who generously gave their time and expertise to plan our 75th Anniversary celebration and especially members of the Annual Meeting Committee chaired by Director Darwin Hamamoto.

Chair Iwai announced that the minutes of the 2012 Annual Meeting along with the current Treasurer's and Supervisory Committee Reports were in the Annual Report distributed to all members. Howard Okamoto made a motion to approve the minutes and reports as circulated. Darwin Hamamoto seconded the motion and it was passed by the membership.

Chair Iwai described the challenges and highlights of 2012 and reported that while faced with a prolonged economic slowdown, working with Management, we continued to meet these challenges by:

- Building our Net Income & Loan Loss Reserves – to provide a financial cushion for the members during these difficult times.
- Refocusing Our Lending Efforts – to prepare for rising interest rates in the coming years, we began reducing our portfolio of long-term loans in favor of shorter-term consumer loans which will help maintain our income.
- Reallocating Fixed Investments – to invest in a new core processing system that will help us become more efficient, we began the process of divesting some of our excess office space. Announcements will be made in the newsletter in the coming months.

Chair Iwai announced that the good news is that we continue to offer account and loan rates that are among the best in the industry and we managed to keep fees among the lowest and still maintained our member benefits and fulfilled our promise to you for a special 75th Anniversary Dinner and Special Member Events.





## 2013 Annual Meeting Minutes (continued)

On behalf of the Board of Directors and the Supervisory Committee, Chair Iwai thanked everyone for their membership and continued support of Aloha Pacific Federal Credit Union and vowed that the Board of Directors has and will continue to do its best in representing our members' interests.

Chair Iwai then called upon Wallace Watanabe, President and CEO, who acknowledged that we could not have achieved the success we enjoy without the team effort of our loyal membership and the dedication and hard work of the many volunteers, management and staff who serve diligently.

President Watanabe introduced the Executive Management team who keeps our Credit Union financially sound and stable and provides you with the best solutions for your financial needs: Vince Otsuka, Senior Vice President, Lending & CUSO; Rand Yamasaki, Vice President and Controller; Keoni Ahlo, Vice President, Information Technology; James Haid Jr., Vice President, Marketing & Business Relations; Ross Inouye, Vice President, Consumer Lending; Thomas Santos, Vice President, Branch Administration; Scott Nishimura, Vice President, Commercial Lending; and Norman Goo, Vice President, Mortgage Lending.

He then announced that as we celebrate our 75th Anniversary, our Credit Union enjoyed another year of vibrant growth with record earnings, record assets and a significant increase to more than 42,000 members in spite of the sluggish economy. He vowed that our commitment is to continue to be a "true credit union" to our loyal members and provide the best affordable financial services with a first-rate personalized service experience. He reported that your money and trust are most important to us and for that reason, we have stayed away from risk-based pricing for loans and instead focused on good underwriting and sound lending advice to members, which kept our loan losses well below the industry averages. He stated that we avoided positive or courtesy pay checking account fees which affect members who can least afford charges on overdrawn accounts and instead, educated our members to be responsible stewards of their money.

### NEW BUSINESS PARTNERS

This year we welcomed the Hawaii Stevedores Castle & Cooke Hawaii Federal Credit Union into our Ohana. We are expanding our market share by offering their 1,300 members loans and other services they did not currently have.

Our solar programs continue to be very popular and we encourage all of our single-family homeowners to look into this before the tax credits are gone. Solar water heaters and photovoltaic systems can dramatically lower your monthly electric bill, raise the value of your property and offer a good return on your investment.

### BEST OF THE BEST & BEST PLACES TO WORK

For the 5th year in a row, we were recognized as one of the Best Places to Work in 2012 and ranked as one of the Top 250 Businesses in Hawaii by Hawaii Business Magazine.

Equally important, the Honolulu Star-Advertiser awarded us the People's Choice Award as one of the best credit unions in Hawaii for 2012.

### LOOKING FORWARD

Looking toward 2013 and beyond, we continue to see great opportunities for our Credit Union. One of our most important projects will be our new Core Computer System. This two-year project promises to streamline workflow and control future operating costs while providing enhanced services, new products and better pricing for all members. He reminded the members to please be sure to read our newsletters and visit our website for additional special notices in the coming months.

President Watanabe closed by saying that we are grateful that you have chosen Aloha Pacific Federal Credit Union as your financial institution and we will honor our promise of "Building Lasting Relationships" through our competitive rates, sound financial products, exceptional customer service and low fees.

President Watanabe announced that Aloha Pacific Federal Credit Union established an award to honor a friend and board colleague, Mr. Moses "Moke" Lum Hoy. "Moke" faithfully served the membership as a Director from 1961 to 2006 for over 45 years and contributed greatly to our growth and the advancement of the credit union movement in Hawaii before passing away in 2010 at the age of 81.

In his memory, we recognize the countless hours our volunteer Board and Supervisory Committee members spend ensuring the safety and soundness of our Credit Union and representing the best interests of the members. This year we are proud to honor Darwin Hamamoto for his 30 years of service on our Board and Ann Sakurao for her 15 years of service on the Supervisory Committee. President Watanabe acknowledged that their tireless dedication is inspiring.

President Watanabe requested Chair Iwai to join him in the announcement of the following employees who have celebrated milestone years of service and congratulated them for a job well done. He stated that the success of the Credit Union is due to the diligence and commitment of the employees and he is honored to present these awards.

### FOR 10 YEARS OF SERVICE

Vince Otsuka, SVP Lending & CUSO  
Agnes Gabat, Mortgage Servicing  
Kathy Tokuda, Consumer Lending  
Deborah Yang, Electronic Services  
Wesley Nagamine, Information Technology  
Dawn Tamayose, Electronic Services  
Merlyn Fernandez, Main Branch  
Ethlyn Kanemura, Fort Street Branch (Not Present)

## 2013 Annual Meeting Minutes (continued)

### FOR 15 YEARS OF SERVICE

Frederick Schultz, Information Technology  
Licie Uchino, Director of Support Services  
Leilani Minei, Consumer Lending

### FOR 20 YEARS OF SERVICE

Andrea Cruz, Call Relations  
Joy Rafael, Teller Relief Pool (Not Present)

### FOR 40 YEARS OF SERVICE

Wallace Watanabe, President & CEO

Chair Iwai resumed the floor and asked if there was any unfinished business. There was no unfinished business.

Chair Iwai then asked if there was any New Business. There was no new business.

He then announced the Election Results and stated that as there were three candidates for three open Board seats there was no election by ballot and declared the candidates elected by general consent. He introduced the elected Board Members as Darwin Hamamoto, Stephen Tabussi and Daniel Keppel.

As there was no further business, Chair Iwai asked for adjournment and upon hearing no objection, the meeting was adjourned at 6:40 pm.



**Gary Iwai**  
Chair



**Susan Hiyoto**  
Recording Secretary

## Who We Are



**Aloha Pacific Federal Credit Union (APFCU)** is the third largest credit union in Hawaii with more than \$748 million in assets. Chartered in 1936 as the Honolulu City & County Employees Federal Credit Union (HCCEFCU), the credit union changed its name on July 1, 2007. It continues to serve its original charter of employees, retirees and families of the City & County of Honolulu but has expanded to include Select Employee Groups (SEGs). NMLS #377314.

**CUSO of Hawaii Services, LLC** is a wholly owned subsidiary of APFCU and was established in 2000. Through its various units, it offers residential mortgage loans, commercial real estate loans and realty services to credit unions and their members in the State of Hawaii. NMLS #325608.

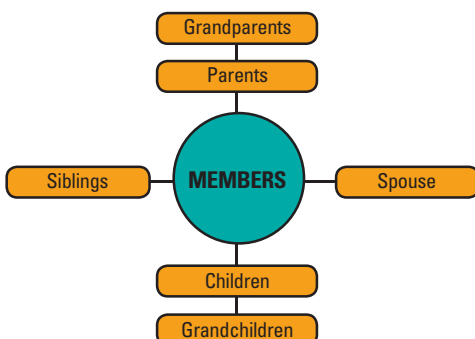


*Employee of the Year Jodi Graham*

## Who We Serve

There are no fees to join. Once a member, always a member. Even if you change jobs or retire, you can continue to enjoy our benefits.

To join, you must belong to one of the groups (or common bonds) listed below and maintain \$100 in your savings account.



- Employees of the City & County of Honolulu, State of Hawaii;
- Immediate family members of a City & County Employee or existing credit union
- Aloha Pacific FCU employees;
- City & County employees who are retired or on leave of absence;
- Members of their immediate families or household; and organizations of such persons;
- SEGs (Select Employee Groups) as approved by the Board of Directors (over 1,700 groups including HGEA, Waipahu Community Association, COSTCO Hawaii Kai, AOA Harbor Court and many others).

## Supervisory Committee Report

According to the National Credit Union Administration's (NCUA) Rules and Regulations, the Supervisory Committee is responsible for ensuring that an annual financial audit is conducted, verification of member accounts is performed at least once every two years, and an annual report is prepared and presented to the members at the annual meeting.

To meet these requirements, Kwock & Company CPAs conducted the annual financial audit in accordance with generally accepted auditing standards and found that, except for the effects of reporting members' share accounts as equity, the consolidated financial statements fairly present, in all material respects, the financial conditions of the Aloha Pacific Federal Credit Union in accordance with generally accepted accounting principles. The financial statements include our credit union service organization CUSO of Hawaii LLC (a for-profit organization). The Supervisory Committee concludes that your Credit Union has accommodated the recommendations by Kwock & Company CPAs and continues to maintain its sound financial condition.

Other Supervisory Committee responsibilities include attending Board of Directors and committee meetings, investigating member complaints, verifying closed accounts, and monitoring the overview and findings of the Federal Examiner, external financial audit and internal control program.

We are grateful to the Board of Directors, management, staff and volunteers for their dedication in serving our members. Their efforts ensure that our Credit Union will continue to perform in a diligent and creditable manner.



**Ann Sakurao**  
Supervisory Committee Chair



## Treasurer's Report

The financial position and operating results of Aloha Pacific Federal Credit Union (APFCU) and its subsidiaries were consolidated for the year ended December 31, 2013, and are presented in this annual report. Despite the economic challenges both nationally and statewide, your Credit Union places the highest priority on the safety of our members' funds and the soundness of our operations, constantly ensuring that comprehensive risk management oversight is exercised.

In 2013, consolidated assets increased \$1.0 million, from \$747 million to \$748 million. Member and business deposits increased \$5.8 million or 1%, from \$656 million to \$662 million. Loans outstanding decreased \$67 million or -18% from \$376 million to \$309 million due to mortgage loan sales and prepayment activity in this continuing low market rate environment. APFCU originated \$60 million in mortgages that were sold on the secondary market. The Credit Union's net worth (or capital) level of \$73.5 million or 9.82% of average assets continues to be deemed well-capitalized by our federal regulator, the National Credit Union Administration (NCUA).

Net income from operations in 2013 was a healthy \$2.8 million after paying the Corporate Stabilization Fund assessment of \$0.5 million. The credit union industry nationwide has not been exempt from the mortgage and consumer loan defaults in the last five years that have cost the financial services industry billions of dollars. Our federal regulator has indicated that credit unions may see

comparable assessments to the entire industry for several more years. Rest assured that your APFCU has had very minimal loan and investment losses in the past several years due to the integrity and creditworthiness of our member borrowers and counterparties.

APFCU paid out almost \$2 million in share dividends in 2013, keeping your deposit rates favorably competitive with Hawaii's largest credit unions and banks. With almost 42,000 member-owners, APFCU continues to attract new member-owners and select employee groups every day. We pledge to minimize fees to member-owners while continually gaining efficiencies in our operations and offering more value and service delivery touch-points.

We are grateful to the employees who worked extremely hard this past year to service the needs of our membership and to our volunteers for their relentless dedication and leadership.

A warm MAHALO to our valued member-owners for your patronage and unwavering support of Aloha Pacific Federal Credit Union.



**Darwin Hamamoto**  
Secretary/Treasurer

## Financials

### ASSETS

	<b>12/31/2013</b>	<b>12/31/2012*</b>
Loans to Members/Non-Members	\$ 308,567,733	\$ 375,917,412
Allowance for Loan Losses	(4,467,422)	(5,424,223)
Cash and Equivalents	55,546,530	68,247,848
Investments	337,470,357	252,686,741
Property & Equipment	36,126,772	41,701,500
Other Assets	15,418,844	14,506,772

### TOTAL ASSETS

**\$ 748,662,814**      **\$ 747,636,050**

#### Liabilities

Accounts Payable	\$ 5,078,802	\$ 4,469,618
Other Liabilities	11,258,503	12,526,475

### TOTAL LIABILITIES

**\$ 16,337,305**      **\$ 16,996,093**

#### Equity

Total Share Deposits	\$ 661,696,463	\$ 655,912,148
Regular Reserves	\$ 22,528,698	\$ 22,528,698
Undivided Earnings	\$ 27,829,828	\$ 22,183,653
Appropriated Undiv. Earn	\$ 20,270,520	\$ 30,015,458

### TOTAL EQUITY

**\$ 732,325,509**      **\$ 730,639,957**

### TOTAL LIABILITIES & EQUITY

**\$ 748,662,814**      **\$ 747,636,050**

### OPERATING INCOME

	<b>2013</b>	<b>2012</b>
Income on Loans	\$ 18,926,086	\$ 19,571,025
(Net of Provision for Loan Losses)		
Income on Investments	4,617,021	5,620,315
Other Income (Includes Service Fees)	7,720,740	7,368,241

### TOTAL OPERATING INCOME

**\$ 31,263,847**      **\$ 32,559,581**

#### Less:

### DIVIDENDS TO MEMBERS

Other Cost of Funds	186,569	231,586
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#### Operating Expenses

Salaries & Benefits	\$ 12,825,361	\$ 12,763,624
Office Occupancy	4,052,034	4,125,018
Office Operations	5,156,398	4,857,129
Education and Promotion	807,734	929,022
Professional Services	1,609,997	1,314,711
Insurance and NCUA Assessment	620,453	716,246
Other Miscellaneous	1,213,308	1,681,348

### TOTAL OPERATING EXPENSES

**\$ 26,285,285**      **\$ 26,387,098**

### NET INCOME FROM CREDIT UNION OPERATIONS

**\$ 2,802,019**      **\$ 3,112,358**

#### Plus:

Non-Operating Items (net)	1,454,255	2,182,261
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### NET INCOME AFTER NON-OPERATING ITEMS

**\$ 4,256,274**      **\$ 5,294,619**

\*revision of December 2012 financial statements was done in March 2013

## 2013 Committee Listing

### SUPERVISORY

Ann Sakurao, Chair  
Ted Takahashi, Vice-Chair  
Diane Murata, Secretary  
Howard Okamoto  
Ben Dimond

### ASSET LIABILITY (ALCO)

Dan Keppel, Chair  
Stanley Inamasu, Vice-Chair  
Allan Fujimoto  
Robert S. Morita  
Samuel Moku  
Vince J. Otsuka  
Rand Yamasaki

### BUDGET

Allan Fujimoto, Chair  
Stanley Inamasu, Vice-Chair  
Darwin Hamamoto

### HUMAN RESOURCES

Robert S. Morita, Chair  
Darwin Hamamoto, Vice-Chair  
Stanley Inamasu  
Allan Fujimoto  
Howard Okamoto  
Samuel Moku  
Ann Sakurao

### NOMINATIONS/ELECTIONS

Stan Miyata, Chair  
Darwin Hamamoto, Vice-Chair  
Lorene Fujimoto

### PLANNING & EDUCATION

Stanley Inamasu, Chair  
Samuel Moku, Vice-Chair  
Allan Fujimoto  
Darwin Hamamoto  
Robert S. Morita

### POLICY

Allan Fujimoto, Chair  
Dan Keppel, Vice-Chair  
Diane Murata  
Stanley Inamasu





## Aloha Pacific Federal Credit Union – Board of Directors



**Gary Iwai**  
Chair  
Director Since 1997



**Stanley Inamasu**  
1st Vice-Chair  
Director Since 2007



**Allan Fujimoto**  
2nd Vice-Chair  
Director Since 2002



**Darwin Hamamoto**  
Director  
Director Since 1982



**Dan Keppel**  
Director  
Director Since 2013



**Robert S. Morita**  
Director  
Director Since 2013



**Samuel Moku**  
Director  
Director Since 2013

## Aloha Pacific Federal Credit Union – Executive Management



**Vince J. Otsuka**  
President and CEO



**G. Keoni Ahlo**  
Vice President  
Information Technology



**Rand Yamasaki**  
Vice President  
Controller



**Thomas W. Santos**  
Vice President  
Branch Administration



**Scott Nishimura**  
Vice President  
Commercial Lending



**Norman Goo**  
Vice President  
Mortgage Lending

## CUSO of Hawaii – Board of Directors



**Stanley Wachi**  
Chair  
Director Since 2000



**Daniel Tully**  
Vice-Chair  
Director Since 2001



**David Takiguchi**  
Treasurer  
Director Since 2005



**Ann Gima**  
Secretary  
Director Since 2010



**Darwin Hamamoto**  
Director  
Director Since 2010



**Dan Keppel**  
Director  
Director Since 2013



**Robert S. Morita**  
Director  
Director Since 2013

## Branch Locations

### MAIN BRANCH

832 S. Hotel Street  
Honolulu, HI 96813  
Mon–Fri: 7:30 am – 5:00 pm

### DOLE CANNERY BRANCH

650 Iwilei Road, Suite 160  
Honolulu, HI 96817  
Mon–Fri: 7:30 am – 5:00 pm

### FORT STREET BRANCH

988 Fort Street Mall  
Honolulu, HI 96813  
Mon–Fri: 7:30 am – 5:00 pm

### HAWAII KAI BRANCH

7192 Kalanianaʻole Hwy.,  
Ste. A 144  
Honolulu, HI 96825  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### KAILUA BRANCH

200 Hamakua Drive, Suite B6  
Kailua, HI 96734  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### KAIMUKI BRANCH

3625 Harding Avenue  
Honolulu, HI 96816  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### KAPOLEI BRANCH

1001 Kamokila Boulevard,  
Suite 104  
Kapolei, HI 96707  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### WAIKELE BRANCH

94-799 Lumiaina Street, Unit 2-A2  
Waipahu, HI 96797  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### WAIMALU BRANCH

98-1277 Kaahumanu St.,  
Ste. 132  
Aiea, HI 96701  
Mon–Fri: 9:00 am – 6:00 pm  
Sat: 9:00 am – 2:00 pm

### WEST CHEYENNE BRANCH

8660 West Cheyenne Ave.  
Suite 110  
Las Vegas, NV 89129  
Mon–Fri: 9:30 am – 5:30 pm