

## Management Message



**Gary Iwai**  
Board Chair



**Vince J. Otsuka**  
President and CEO

Spring is a time of renewal and growth, which is the theme of this year's annual report and of APFCU's plans going forward. Most of 2014 was invested in upgrading our infrastructure in preparation for the future.

### 2014 ACCOMPLISHMENTS:

**Financial Strength** – Persistently low interest rates continue to pressure our bottom line and limit our ability to raise member dividends, but we continue to be profitable with earnings of \$4.96 million. Cost controls and lower loan provisions were key contributors.

**Membership & Assets** – Membership stood at 42,490 with 24,821 checking accounts; portfolio loans ended at \$287.4 million. Assets declined slightly to \$745.4 million due to the pay-off of bank borrowings that were used to fund long-term real estate loans.

**Member Benefits** – Our rates and services remain above average. We continued our Family Day movie screenings, Member Appreciation Day at the 50th State Fair, student scholarships, youth programs and financial planning seminars. We launched our mobile banking application; enabled members to customize their check card PINs; lowered our loan rates; and increased lending opportunities by launching a risk-based lending program.

**Core System Upgrade** – In September, we replaced our aging core system with one that better positions us to offer new products and services for future years.

**Community Activities** – We raised \$20,166 in support of the Kapiolani Children's Miracle Network; delivered meals with Lanakila Meals on Wheels; participated in the Honolulu City Lights and Kaimuki Christmas parades; and supported City employees through our departmental visits and donations to their activities.

### 2015 & BEYOND:

**Mobile & Online Services** – Expect to benefit from Online Financial Management Tools, e-Rewards, Mobile Deposit Capture, Online Account Opening, Automated Loan Approvals and other mobile payment technologies.

**Lending Opportunities** – Loan rates will be more competitive with easier access and faster turn-around times. Mortgage servicing will be integrated with our core system, which means better service. Credit cards will be upgraded with new security features and a new rewards program.

**Upgraded Facilities** – Because the lease expires in 2015, our Las Vegas branch will be relocated and upgraded to enhance personalized service. The search for a larger Waimalu branch site continues.

As you can see, we are focused on protecting your finances; expanding access to credit and other services; offering competitive rates and fees; providing sound financial advice; and investing in the community.

But we can always do better. Please give us your feedback and suggestions to "Build Lasting Relationships." Let us know how we can help you. Thank you for your support.

Aloha and Mahalo,

**Gary Iwai**  
Board Chair

**Vince J. Otsuka**  
President and CEO



Credit Union Week,  
Kaimuki Branch



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



Aloha. I am pleased to congratulate the Aloha Pacific Federal Credit Union (APFCU) officers and board of directors for another successful and profitable year.

Chartered in 1936, APFCU has grown from a membership of 12 to over 42,000, making it the third largest credit union in Hawaii. Throughout its 78-year history, Aloha Pacific has maintained its small town roots while keeping pace with technological advances and regulatory changes in the banking industry. APFCU shareholders are fortunate to enjoy many member enhancements, such as secured technological support and online financial tools to help them with their transactions any time of the day.

Your dedicated and committed staff continues to “build lasting relationships” with members, offering knowledgeable advice and competitive rates for mortgages, HELOCs, credit cards, and personal, auto, and investment loans. Most importantly, your sound financial investments have benefitted members with profitable projections for future growth.

Our community is grateful for your significant contributions, offering Masami Oishi Memorial Scholarship awards to high school and college students each year; assisting children with medical needs through the Kapiolani Children’s Miracle Network; sponsoring the annual Honolulu City Lights; and delivering hot meals to seniors through the Lanakila Meals on Wheels program.

On behalf of the people of the City and County of Honolulu, I extend best wishes for continued success.

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

## 2014 Annual Meeting Minutes

The 76th Annual Meeting of the members of Aloha Pacific Federal Credit Union was held on Wednesday, March 12, 2014, at McCoy Pavilion, Honolulu, Hawaii.

Master of Ceremonies Darwin Hamamoto welcomed the members and reminded everyone to register to receive their meal and door prize tickets and their meeting gift. He also encouraged everyone to visit the informational booths set up by Aloha Pacific FCU and Kalabash Financial.

Board of Directors Chair Gary Iwai called the meeting to order at 5:07 p.m. and requested the Board secretary, Darwin Hamamoto, to declare a quorum. A quorum was declared with 331 members registered.

Chair Iwai then welcomed the 14th mayor of the City and County of Honolulu, the Honorable Kirk Caldwell. Mayor Caldwell started by saying that he has been a proud member of Aloha Pacific FCU since it was still known as the Honolulu City and County Employees Federal Credit Union. He stated that he was honored to be part of the credit union movement in Hawaii in which the main goal is to help people with their financial needs. He thanked the members for utilizing McCoy Pavilion, which he called one of the hidden gems of the city, and congratulated the members, staff and Board of Directors for 76 successful years of helping people.

Chair Iwai thanked Mayor Caldwell for honoring us at today’s meeting and supporting Aloha Pacific FCU.

Chair Iwai stated that the Board of Directors represents the interests of all members by establishing the strategic direction for management. He 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 Darwin Hamamoto, and Directors Daniel Keppel, Robert Morita and Samuel Moku. He also introduced the Supervisory Committee members, who are tasked with the responsibility of ensuring that the credit union’s financial condition is accurately represented in our financial statements and in full compliance with NCUA regulations: Chair Ann Sakurao, Vice Chair Ted Takahashi, Secretary Diane Murata, committee members Howard Okamoto and Ben Dimond.

He expressed his appreciation for the many volunteers and staff led by the Marketing Department who generously gave their time and expertise to plan this meeting.

Chair Iwai announced that the minutes of the 2013 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 2013:

- The retirement of our beloved President and CEO, Wallace Watanabe.
- The appointment of a new President and CEO, Vince Otsuka, and stated that Vince was our CUSO president for over ten years, has more than 20 years of financial experience in Hawaii and represents the next generation that must carry on our values.
- We faced ongoing economic and regulatory pressures, but the credit union continues to be profitable and financially strong.

- The Board instructed management to be more efficient at addressing the challenges and prioritize member enhancements using our member surveys, one of which revealed that convenient ATM access was a priority. Therefore, in 2013, we partnered with First Hawaiian Bank to offer surcharge-free ATM withdrawals at all of their 260+ locations.
- Rates and fees were also important to members and we continue to offer share and loan rates that are very competitive. Our service fees remain below the average for the industry.
- However, most important was the safety and soundness of the credit union, and your Board continues to make this our top priority.

Chair Iwai thanked everyone for their membership and continued support of Aloha Pacific FCU and vowed that the Board has and will continue to do its best in representing members’ interests. Chair Iwai then introduced Vince Otsuka, President and CEO, to share a few words.

President Otsuka acknowledged that we could not have achieved the success we have without the team effort of our loyal membership and the dedication and hard work of the many volunteers, management and staff who serve diligently. He introduced the executive management team that keeps our credit union financially sound and stable and provides members the best solutions for their financial needs:

- **Norman Goo – VP of Lending & Collections** – will lead efforts to offer members new lending solutions while ensuring that they do not take on too much debt.
- **Thomas Santos – VP of Sales & Marketing** – will be responsible for all member touch points and branding.
- **Kristopher Kono – VP of Risk Management** – will oversee finance and operational functions to ensure our business risks are efficiently and effectively managed.
- **Keoni Ahlo – VP of Information Technology** – will handle the security and reliability of our member data and communications network
- **Rand Yamasaki – VP Controller** – will oversee accounting and investment functions.
- **Scott Nishimura – VP of Commercial Lending** – will manage the portfolio of member business loans.

Otsuka then stated that because this was his first meeting as president, he wanted to tell the members about himself: He was born and raised in Hawaii and graduated from McKinley High School and the University of Hawaii with a degree in finance; he was married with three children and has been a member of Aloha Pacific FCU since 1989.

Otsuka then went on to review highlights of the plans for the upcoming year:

- Over the past few years, we outgrew old systems and became less efficient at delivering service. To address this, we placed restrictions on our operating expenses, adjusted our balance sheet and began upgrading our computer system. He stated that we are making

substantial progress in all areas and are on track for a September 1, 2014, system upgrade.

- 2014 will likely be a challenging year for our credit union, but I am confident that we will rise to the challenge.
- Looking beyond 2014, there will be great opportunities for our credit union. Members will see:
  - New and better loan options that will enable us to help more members.
  - New mobile and online services such as mobile check deposit, online loan application and approvals, online account opening and much more.
  - New investment and insurance options for retirement income and growth and asset protection.
  - Improvements to existing branches that will be more comfortable and convenient for members, specifically at the Waimalu and Main branches.

He said that these plans are meant to enhance the member experience and create value, and that although we cannot promise to provide every member everything he or she wants, we will listen and do our very best to help. He thanked the Board for the opportunity to lead our credit union and everyone for their support.

President Otsuka asked 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.

**For 10 Years of Service:** Kristopher Kono, VP Risk Management; Casey Onaga, Consumer Lending (unable to attend); Chad Kunihisa, Kalabash Financial; Reid Saito, Electronic Services; Kaipo Nuuanu, Information Technology

**For 15 Years of Service:** Grant Nakamichi, Information Technology; Linda Cuson, Kapolei branch

**For 20 Years of Service:** Patti Shimoda, Support Services (unable to attend); Keoni Ahlo, VP Information Technology

**For 25 Years of Service:** Dodie Sekimura, Support Services (unable to attend)

**For 30 Years of Service:** Jo Ann Tatsuyama, Main branch

Chair Iwai resumed conducting the meeting and asked if there was any unfinished business. There was no unfinished business. Chair Iwai then addressed the New Business and Election Results:

CUNA Board and Supervisory Committee Certification Program:  
Chair Iwai congratulated several volunteers who demonstrated exceptional professionalism by completing the CUNA Board and Supervisory Committee Certification Program in 2013. This is a 60-credit-hour course of study on a variety of subjects including Finance, Lending, Operations and Strategy.

Robert Morita, Board member  
Samuel Moku, Board member  
Diane Murata, Supervisory Committee secretary

**Board Elections:**

Chair Iwai then explained that because there were five candidates for five open director positions, there was no election by ballot and declared the candidates elected by general consent.

- Gary Iwai
- Stanley Inamasu
- Allan Fujimoto
- Robert Morita
- Samuel Moku

On behalf of everyone, Chair Iwai congratulated the Board members and thanked them for their continued service.

He further advised that credit unions depend on involved members and we are looking for volunteers. It is a great way to meet people, learn new things and make a difference. If you could spare a few hours a year, please contact our Marketing Department for details.

Chair Iwai then asked the membership if there was any other new business. As there was no further business, Chair Iwai asked for adjournment – and upon hearing no objection, the meeting was adjourned at 5:31 p.m.

Respectfully Submitted,

  
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 \$745 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. It offers residential and commercial mortgage loan servicing to 29 credit unions throughout the state of Hawaii. NMLS #325608.

**CUSO of Hawaii Properties**, a subsidiary of CUSO of Hawaii Services, LLC, was established in 2007. It is a full-service real estate company providing personalized realty services to both residential and commercial clients.

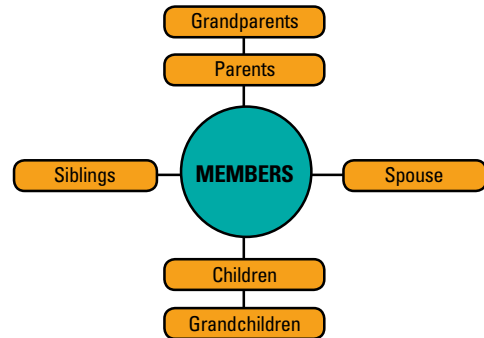


Employee of the Year  
Vivien Salvador

**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 \$5 in your savings account.



- Employees of the City & County of Honolulu, State of Hawaii;
- City & County employees who are retired or on leave of absence;
- Immediate family members of a City & County Employee or existing credit union member
- Aloha Pacific FCU employees;
- SEGs (Select Employee Groups) as approved by the Board of Directors (over 1,800 groups including HGEA, Hawaii Pacific Health, Waipahu Community Association, COSTCO Hawaii Kai, AOA Harbor Court and many others).
- Members of their immediate families or household; and organizations of such persons;

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.

**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, 2014, and are presented in this annual report. Be assured that APFCU officials and management place 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 2014, consolidated assets decreased \$3.2 million or less than 1%, to \$745.4 million. Member and business deposits dropped \$5 million or less than 1%, to \$656.3 million. Loans outstanding decreased \$21 million or 7%, to \$287.4 million due to mortgage loan sales and prepayment activity in this continuing low market rate environment. APFCU originated \$22 million in mortgages that were sold on the secondary market. The Credit Union's net worth (or capital) level of \$78.5 million, or 10.53% of total assets, continues to be deemed well-capitalized by our federal regulator, the National Credit Union Administration (NCUA).

Total net income in 2014 was a healthy \$4.96 million, as we strived for increased productivity while containing operational costs. 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 \$1.67 million in share dividends in 2014, keeping our deposit rates favorably competitive with Hawaii's largest credit unions and banks. With over 42,000 member-owners, APFCU continues to attract new accountholders and select employee groups every day. We pledge to minimize fees to member-owners while continually gaining

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

Family Day




Honolulu City  
Lights Christmas  
Tree Judging



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 volunteer officials for their relentless dedication and leadership.

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

  
**Darwin Hamamoto**  
Secretary/Treasurer

## Financials

	12/31/2014	12/31/2013*
<b>ASSETS</b>		
Loans to Members/Non-Members	\$ 287,373,421	\$ 308,567,733
Allowance for Loan Losses	(2,942,871)	(4,467,422)
Cash and Equivalents	44,305,558	55,546,530
Investments	372,342,937	337,470,357
Property & Equipment	33,636,646	36,126,772
Other Assets	10,715,846	15,418,844
<b>TOTAL ASSETS</b>	<b>\$ 745,431,537</b>	<b>\$ 748,662,814</b>
<b>Liabilities</b>		
Accounts Payable	\$ 4,764,544	\$ 5,078,802
Other Liabilities	5,541,385	11,258,503
<b>TOTAL LIABILITIES</b>	<b>\$ 10,305,929</b>	<b>\$ 16,337,305</b>
<b>Equity</b>		
Total Share Deposits	\$ 656,333,670	\$ 661,696,463
Regular Reserves	\$ 22,528,698	\$ 22,528,698
Undivided Earnings	\$ 49,113,240	\$ 27,829,828
Appropriated Undiv. Earn	\$ 7,150,000	\$ 20,270,520
<b>TOTAL EQUITY</b>	<b>\$ 735,125,608</b>	<b>\$ 732,325,509</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 745,431,537</b>	<b>\$ 748,662,814</b>
<b>OPERATING INCOME</b>	<b>2014</b>	<b>2013</b>
Income on Loans	\$ 15,563,256	\$ 18,926,086
(Net of Provision for Loan Losses)		
Income on Investments	6,011,560	4,617,021
Other Income (Includes Service Fees)	7,687,464	7,720,740
<b>TOTAL OPERATING INCOME</b>	<b>\$ 29,262,280</b>	<b>\$ 31,263,847</b>
<b>Less:</b>		
<b>DIVIDENDS TO MEMBERS</b>	<b>1,672,852</b>	<b>1,989,974</b>
Other Cost of Funds	340,785	186,569
Operating Expenses		
Salaries & Benefits	\$ 10,123,427	\$ 12,825,361
Office Occupancy	3,877,331	4,052,034
Office Operations	4,496,922	5,156,398
Education and Promotion	597,896	807,734
Professional Services	1,771,356	1,609,997
Insurance and NCUA Assessment	11,705	620,453
Other Miscellaneous	1,069,810	1,213,308
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 21,948,447</b>	<b>\$ 26,285,285</b>
<b>NET INCOME FROM CREDIT UNION OPERATIONS</b>	<b>\$ 5,300,196</b>	<b>\$ 2,802,019</b>
<b>Plus:</b>		
Non-Operating Items (net)	(343,634)	1,454,255
<b>NET INCOME AFTER NON-OPERATING ITEMS</b>	<b>\$ 4,956,562</b>	<b>\$ 4,256,274</b>

\*revision of December 2013 financial statements was done in March 2014

## 2014 Committee Listing



Membership  
Appreciation  
Day

### 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  
Robert S. Morita  
Samuel Moku  
Ann Sakurao

### HUMAN RESOURCES

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

### NOMINATIONS/ELECTIONS

Stan Miyata, Chair  
Stanley Inamasu, 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**  
Secretary  
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



**Kristopher C. Kono**  
Vice President  
Risk Management



**Thomas W. Santos**  
Vice President  
Sales & Marketing



**Norman Goo**  
Vice President  
Lending & Collections



**Rand Yamasaki**  
Vice President  
Controller



**Scott Nishimura**  
Vice President  
Commercial Lending



**Michael Camat**  
Vice President  
Information Technology

## 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



**Dan Keppel**  
Director  
Director Since 2013



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



**Samuel Moku**  
Director  
Director Since 2013

## Branch Locations

### MAIN BRANCH

832 S. Hotel Street  
Honolulu, HI 96813  
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

### 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

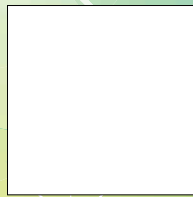
8660 West Cheyenne Ave.  
Suite 110  
Las Vegas, NV 89129  
Mon–Fri: 9:30 am – 5:30 pm

2014 Student  
Scholarship Recipients





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



Return Service Requested

# 2014 Annual Report



Angelina Nakata, Age 7  
Aina Haina School  
1 of 12 drawing contest winners  
2015 APFCU calendar

## 77th Annual Meeting Notice

Tuesday, March 17, 2015, 5:00 pm • McCoy Pavilion,  
Ala Moana Park, 1201 Ala Moana Blvd, Honolulu,  
HI 96814

No RSVP Necessary. Gift, bento, refreshments  
and door prizes for attending primary 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  
E-mail: 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