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www.AlohaPacific.com

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2012 Annual Report

MANAGEMENT MESSAGE

What a year we experienced!

From “Remembering the Past” to “Celebrating the Present” and finally “Embracing the Future,” 2012 was dominated by a nearly non-stop celebration of Aloha Pacific FCU’s 75th Anniversary. And even as we marked that major milestone, other exciting events were taking place throughout the year.

The year 2012 in review:

- **Another Good Year:** Even in a still-difficult economy and an extremely competitive financial industry, APFCU continued to be healthy and strong. Our net income of \$4.56 million included additional loan loss reserves, NCUA insurance fund assessments and reduction in other assets to strengthen our balance sheet. This increased the safety of your share deposits and supports future growth.
- **Our Numbers:** By the end of the year, we grew to 42,217 members, 24,035 checking accounts, \$747 million in assets, \$376 million in loans. We now have more than 1,700 Select Employee Groups, all of whom will enjoy the benefits and share in the growth of our credit union.
- **Benefits of Membership:** Part of our 75th Anniversary celebration included members-only promotions, including special loan rates on new and used autos, thousands of HawaiianMiles for select mortgage and other loans, and “Health & Fitness Fair: Because We Care” events during Credit Union Week. Movie fans received discount movie tickets to Consolidated and Regal theaters at our Oahu branches; and our Family Day film screenings continued to be popular events.
- **Another Merger, Another Branch:** We completed a merger with the Hawaii Stevedores/Castle and Cooke Hawaii FCU in December, welcoming 1,358 new members and adding \$11.48 million in assets. HSCCHFUCU’s branch in the Dole Cannery complex is now an APFCU branch. This was APFCU’s fifth merger in five years.
- **A New Website:** Bigger and better, and much easier to navigate, our new website is your primary source for everything you need to know about your credit union. You can log in to your accounts by going to www.alohapacific.com.
- **A New Website:** Bigger and better, and much easier to navigate, our new website is your primary source for everything you need to know about your credit union. You can log in to your accounts by going to www.alohapacific.com.



- **Social Media Initiatives:** We're on Facebook (www.facebook.com/AlohaPacificFCU) and Twitter (www.twitter.com/apfcu)! "Like" us on Facebook and "follow" us on Twitter if you haven't already. Click on the icons on our website, which also includes our YouTube and Yelp links.
- **Special Recognition:** APFCU was one of Hawaii Business magazine's Best Places to Work for the fourth year in a row, and also one of the Top 250 businesses. The Honolulu Star-Advertiser recognized us as one of Hawaii's best credit unions in their Hawaii's Best 2012 People's Choice Awards.
- **Helping Others:** We raised \$25,000 for the Kapiolani Children's Miracle Network through branch bake sales, our 2nd annual Kar Wash for the Keiki and other activities. We again volunteered for an entire Saturday delivery route for Lanakila Meals on Wheels, bringing food to seniors in need.
- **In the Community:** We hosted activities at Children and Youth Day, a fun-filled family event. Our second appearance in the Honolulu City Lights Electric Light Parade was a huge thrill as we added a double-decker trolley and serenades by Island singer Ilona Irvine.

Thank you, members, for helping us reach our 75th Anniversary and celebrating with us. We hope you enjoyed the "Who Is This?" contest, the Scratch 'n Win game and our Facebook activities. Mahalo also for nominating worthy non-profits and others for donations from APFCU in our "Pay It Forward" campaign. And we loved reading your testimonials, some of which we printed in our KalaLine newsletter.

As we look toward the next 75 years, our goal is to continue "Building Lasting Relationships" and deliver what our members want and need from their credit union – great rates, low fees, friendly service and convenience. After all, you are our ohana and our pleasure is to serve you!



Wallace Y. Watanabe
President/CEO

Gary Iwai
Board Chair

CUSO of Hawaii LLC and CUSO of Hawaii Inc. are wholly owned subsidiaries of APFCU and were established in 2000. Through their various units, they offer residential mortgage loans, commercial real estate loans, realty services and technology solutions to credit unions and their members in the State of Hawaii.



KALABASH Financial (KBF) is a division of APFCU offering financial planning, investment and insurance advice to credit union members. Established in 2003, the KBF office is located at 832 South Hotel Street (Main Branch) on the second floor.



Aloha Pacific Federal Credit Union (APFCU) is the third largest credit union in Hawaii with more than \$747 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).



Federally insured by NCUA

2012 ANNUAL MEETING MINUTES

The 74th Annual Meeting of the members of the Aloha Pacific Employees Federal Credit Union (APFCU) was held on Tuesday, March 6, 2012 at McCoy Pavilion in Ala Moana Beach Park, Honolulu, Hawaii.

At 5:00 pm, the Annual Meeting Committee Chair Darwin Hamamoto welcomed the members, advised them of the gift (75th Anniversary cooler bag), reminded them to get a lucky number ticket, and encouraged them to visit the informational booths (Farmers Insurance Group, Costco, CUSO of Hawaii, Kalabash Financial and our credit union).

At 5:05 pm, APFCU's Board Chair Gary Iwai called the meeting to order and asked the Elections Clerk, Lorene Fujimoto to declare a quorum with at least 279 members registered.

Iwai welcomed the Honorable Mayor of the City and County of Honolulu, Mr. Peter Carlisle.

The Mayor mentioned how APFCU generously supports the City and County employees through events, education and a full range of excellent financial services. He said that he, his wife and children were long time members and congratulated APFCU on its 75th anniversary.

Iwai welcomed the Council Chair of the City and County of Honolulu and long time APFCU member, Mr. Ernie Martin. The Chair thanked the members and congratulated everyone on the 75th anniversary. He mentioned that APFCU has always been in the forefront of providing innovative ideas and services that benefit the membership and help to raise the quality of life for everyone.

Iwai recognized the volunteers for their service throughout the year: APFCU Board of Directors – Stanley Inamasu, Allan Fujimoto, Ann Gima, Darwin Hamamoto, Chris Diebling and Ben Dimond (not in attendance); Supervisory Committee – Ted Takahashi, Ann Sakurao, Diane Murata, Howard Okamoto and Nelson Koyanagi; CUSO of Hawaii Board of Directors – Stanley Wachi, Daniel Tully, Ann Kobayashi, Ann Gima, Darwin Hamamoto, David Takiguchi and Wallace Watanabe and the Annual Meeting Committee. Iwai thanked the membership and asked for their continued support.

Iwai announced that the 2011 Annual Meeting Minutes and the current Treasurer's and Supervisory Committee Reports were in the Annual Report distributed to all members. Howard Okamoto made a motion to accept the minutes and reports which was seconded by Darwin Hamamoto and passed by the membership.

Iwai described the highlights of 2011. Faced with a lingering recession, insurance fund assessments, low interest rates and costly regulations, we increased loan loss reserves, expanded lending operations and are implementing new systems. This enabled us to offer some of the best rates, maintain member benefits and provide for a 75th Anniversary celebration.

Iwai introduced the President/CEO of APFCU, Wallace Y. Watanabe who presented the Executive Team: Vince Otsuka, Rand Yamasaki, Keoni Ahlo, James Haid Jr., Ross Inouye, Thomas Santos, Scott Nishmura and Norman Goo.

Prospering in Tough Times

Watanabe reported that it looks like we are thriving in what some call the "Great Recession." In addition to record earnings, membership and loan growth, we managed to offer great deposit and loan rates; maintain member benefits; avoid fee increases (no change over 10 years); keep loan losses low and avoid positive (courtesy) pay programs.

Our Nevada, Las Vegas branch has proven very successful generating more than \$20 million in loans in one year and become operationally profitable on a monthly basis. This offers us greater opportunities for diversification and growth.

Property Update

A deal to purchase some of our administrative offices fell through. Therefore, we decided to keep things as they are and lease the available space while we look for a buyer. Kaimuki Plaza is 90% occupied.

CUSO Consolidation & Partnerships

We merged the CUSO's mortgage staff into the APFCU to contain compliance costs. While CUSO continues to offer services to other credit unions, all APFCU mortgages are now handled by APFCU. This had no effect on members other than a name change.

We welcomed over 1,300 Media Hawaii Federal Credit Union members through a mutually beneficial partnership and expanded our solar programs to include photo voltaic cells with participating dealerships.

Looking Forward

Looking into 2012 and beyond, we see great opportunities for our credit union and a few challenges. Several initiatives were announced: 1) member satisfaction survey; 2) new core system in the next 12-18 months; 3) new credit union partnership may be announced and 4) 75th Anniversary Celebration promotions and events.

Watanabe announced the latest promotion will be a monthly "75th Anniversary Drawing" for a \$750 American Express Gift Card. The first will be drawn at this meeting. Winner is Albert Y. Imamura. Watanabe thanked the members and introduced Iwai.

Moses "Moke" Lum Hoy Volunteer Service Award

Iwai announced a new award in honor of Mr. Moses "Moke" Lum Hoy who served as a Director for over 45 years (1961 to 2006). He contributed greatly to APFCU's growth and advanced the credit union movement before passing away in 2010 at the age of 81. The award recognizes a volunteer's commitment to serve on the board or supervisory committee for many years. The following individuals were recognized:

Karen Shishido	16 Years Board (Retired)
Jimmy Shiramizu	21 Years Board (Retired) – Not able to attend

Employee Service Awards

Iwai recognized the following employees for their years of loyal service:

10 Years – Louise Minatoya (Electronic Services), Wendee An Paakaula-Pang (Consumer Lending), Nicole Shiroma (Dealer Center), Sheri Yorimoto (Support Services), Shanese Kaneshiro (Waimalu Branch) and Julie Kanae (Accounting)

15 Years – Philis Eshima (Support Services)

20 Years – Fe Francisco (Accounting), Yvette Stietzel (Consumer Lending), Shelly Hare (Resource Development) and Theresa Meyer (Accounting)

Iwai asked for any unfinished business. There was none.

For new business, Iwai introduced the candidates for the Board of Directors and thanked them for volunteering:

Chris Diebling	Allan T. Fujimoto
Stanley M. Inamasu	Gary Y. Iwai
Stephen John Tabussi	

Iwai then announced the newly elected Directors were Chris Diebling, Allan T. Fujimoto, Stanley M. Inamasu and Gary Y. Iwai.

As there was no further business, the meeting was adjourned at 5:45 pm.



Gary Iwai, Chair

Respectfully Submitted,



Susan Hiyoto, Recording Secretary

March 6, 2012

2012-2013 COMMITTEE LISTING

ASSET LIABILITY COMMITTEE (ALCO)

Gary Iwai, Chair
Darwin Hamamoto, Vice-Chair
Allan Fujimoto
Stanley Inamasu
Ben Dimond
Ann Gima
Chris Diebling
Wallace Y. Watanabe
Rand Yamasaki
Kristopher Kono
Vince Otsuka

ANNUAL MEETING

Darwin Hamamoto, Chair
Stanley Inamasu, Vice-Chair
Allan Fujimoto
Howard Okamoto
Dale Hishinuma
Daniel Tully
Takao Fujimoto

BUDGET

Allan Fujimoto, Chair
Stanley Inamasu, Vice-Chair
Ben Dimond
Ann Sakurao

BUILDING ADVISORY

Darwin Hamamoto, Chair
Ann Gima, Vice-Chair
Ben Dimond
Dan Takamatsu

EXECUTIVE BENEFITS

Darwin Hamamoto, Chair
Allan Fujimoto, Vice-Chair

EXECUTIVE COMMITTEE

Gary Iwai, Chair
Stanley Inamasu, Vice-Chair
Ben Dimond
Allan Fujimoto
Darwin Hamamoto

HUMAN RESOURCES

Chris Diebling, Chair
Stanley Inamasu, Vice-Chair
Allan Fujimoto
Darwin Hamamoto
Howard Okamoto

NOMINATIONS/ELECTIONS

Stan Miyata, Chair
Stanley Inamasu, Vice-Chair
Nelson Koyanagi
Lorene Fujimoto

PLANNING & EDUCATION

Stanley Inamasu, Chair
Allan Fujimoto, Vice-Chair

POLICY

Ben Dimond, Chair
Allan Fujimoto, Vice-Chair
Chris Diebling
Diane Murata

SCHOLARSHIP

Ann Gima, Chair
Ben Dimond, Vice-Chair
Anthony Akamine
Cathy Maki
Barbara Young
Jean Moku

SUPERVISORY

Ted Takahashi, Chair
Ann Sakurao, Vice-Chair
Diane Murata, Secretary
Howard Okamoto
Nelson Koyanagi

Annual Meeting

The results of the 2013 Board of Directors election will be announced at the Annual Meeting in addition to reports and other business about Aloha Pacific Federal Credit Union. Service awards and other presentations also will be part of the program. Members who have not voted at the branches may vote on site.

When: Sunday, March 17, 2013 - 6:00 p.m.
Where: Hawaii Okinawa Center, Legacy Ballroom
94-587 Ukee Street, Waipio.

Visit www.alohapacific.com or call us for more information.

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.



Ted Takahashi

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, 2012, 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 2012, consolidated assets increased almost \$33 million or 5%, from \$714 million to \$747 million. Member and business deposits increased \$24 million or 4%, from \$631 million to \$655 million. Loans outstanding increased \$1 million or 1% from \$375 million to \$376 million as many members took advantage of historically low real estate and consumer loan rates. APFCU also originated \$64 million in mortgages that were sold on the secondary market. The Credit Union's net worth (or capital) level of \$74 million or 9.18% of average assets continues to be deemed well-capitalized by our federal regulator, the National Credit Union Administration (NCUA).

Net income from operations in 2012 was a healthy \$2.4 million after paying the National Share Insurance and Corporate Stabilization Fund assessment of \$0.6 million. The credit union industry nationwide has not been exempt from the mortgage and consumer loan defaults in recent years that have cost the financial services industry billions of dollars. NCUA has indicated that credit unions may see comparable assessments to the entire industry for many 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.

APFCU paid out over \$2.8 million in share dividends in 2012, keeping your deposit rates extremely competitive amongst Hawaii's largest credit unions and banks. With membership topping 42,000, 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 their patronage and unwavering support of Aloha Pacific Federal Credit Union.



Ann Gima

Secretary/Treasurer

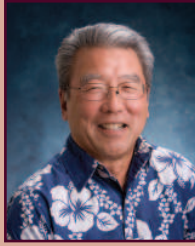
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

ASSETS	12/31/2012	12/31/2011
Loans to Members/Non-Members	\$ 375,917,412	\$ 375,397,974
Allowance for Loan Losses	(5,424,223)	(3,029,776)
Cash and Equivalents	68,247,848	42,883,542
Cash and Equivalents	252,686,741	238,397,092
Property & Equipment	41,358,566	43,584,566
Other Assets	14,148,704	16,778,370
TOTAL ASSETS	\$ 746,935,048	\$ 714,011,768
<i>Liabilities</i>		
Accounts Payable	\$ 4,497,627	\$ 6,427,546
Other Liabilities	12,526,475	7,041,285
TOTAL LIABILITIES	\$ 17,024,102	\$ 13,468,831
<i>Equity</i>		
Total Share Deposits	\$ 655,912,148	\$ 631,270,388
Regular Reserves	22,528,698	22,528,698
Undivided Earnings	21,454,642	16,165,351
Appropriated Undiv. Earn	30,015,458	30,578,500
TOTAL EQUITY	\$ 729,910,946	\$ 700,542,937
TOTAL LIABILITIES & EQUITY	\$ 746,935,048	\$ 714,011,768

OPERATING INCOME	2012	2011
Income on Loans (net of provision for loan losses)	\$ 18,154,047	\$ 18,893,478
Income on Investments (includes service fees)	14,405,534	15,410,903
TOTAL OPERATING INCOME	\$ 32,559,581	\$ 34,304,381
<i>Less:</i>		
DIVIDENDS TO MEMBERS	2,828,539	4,756,307
Other Cost of Funds	231,586	99,026
<i>Operating Expenses</i>		
Salaries & Benefits	\$ 12,763,624	\$ 11,675,781
Office Occupancy	4,125,018	3,968,786
Office Operations	5,399,800	4,825,251
Education & Promotions	1,093,363	934,899
Professional Services	1,319,111	1,484,954
Members' Insurance & NCUA Assessment	716,246	1,686,878
Other Miscellaneous	1,698,946	1,462,067
TOTAL OPERATING EXPENSES	\$ 27,116,109	\$ 26,038,616
NET INCOME FROM CREDIT UNION OPERATIONS	\$ 2,383,347	\$ 3,410,432
<i>Plus:</i>		
Non-Operating Items:	\$ 2,182,261	\$ 1,919,528
NET INCOME AFTER NON-OPERATING ITEMS	\$ 4,565,608	\$ 5,329,960

ALOHA PACIFIC FEDERAL CREDIT UNION

Board of Directors



Gary Iwai
Chair
Director Since 1997



Stanley Inamasu
1st Vice-Chair
Director Since 2007



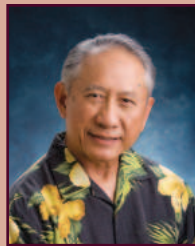
Allan Fujimoto
2nd Vice-Chair
Director Since 2002



Ann Gima
Secretary/Treasurer
Director Since 2008



Chris Diebling
Director
Director Since 2011



Ben Dimond
Director
Director Since 2010



Darwin Hamamoto
Director
Director Since 1982

ALOHA PACIFIC FEDERAL CREDIT UNION

Executive Management



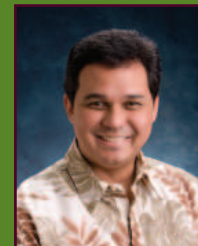
Wallace Y. Watanabe
President and CEO



Vince Otsuka
Senior Vice President
Lending & CUSO



G. Keoni Ahlo
Vice President
Information
Technology



James R. Haid Jr.
Vice President
Marketing & Business
Relations



Rand Yamasaki
Vice President &
Controller



Ross T. Inouye
Vice President
Consumer Lending



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



Ann Kobayashi
Secretary
Director Since 2000



Ann Gima
Director
Director Since 2010



Darwin Hamamoto
Director
Director Since 2010



David Takiguchi
Director
Director Since 2005



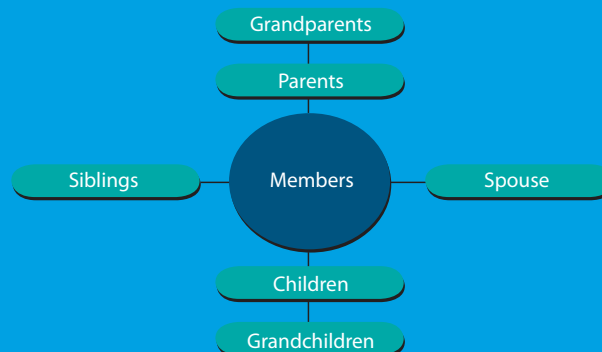
Wallace Y. Watanabe
Director
Director Since 2000

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 member (see chart below);
- 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).



Definitions: "City & County employees" – all full-time or part-time employees, including elected officials and contracted and appointed employees paid salaries and wages by City & County warrants. "Members of their immediate families" include parents, grandparents, siblings, spouse, children, grandchildren, stepchildren, stepparents, stepsiblings and adopted children.

BRANCH LOCATIONS

MAIN BRANCH
832 South Hotel Street
Honolulu, HI 96813

FORT STREET BRANCH
988 Fort Street Mall
Honolulu, HI 96813

DOLE CANNERY BRANCH
650 Iwilei Road
Honolulu, HI 96817

HAWAII KAI BRANCH
Koko Marina Center
7192 Kalanianaʻole Highway
Suite A144, Honolulu, HI 96825

KAILUA BRANCH
200 Hamakua Drive, Suite B6
Kailua, HI 96734

KAIMUKI BRANCH
3625 Harding Avenue
Honolulu, HI 96816

KALIHI BRANCH
2200 Kamehameha Highway,
Suite 201
Honolulu, HI 96819

KAPOLEI BRANCH
1001 Kamokila Boulevard
Suite 104, Kapolei, HI 96707

WAIKELE BRANCH
Waialele Shopping Center
94-799 Lumiaina Street, Unit 2-A2
Waipahu, HI 96797

WAIMALU BRANCH
Waimalu Shopping Plaza
98-1277 Kaahumanu Street
Suite 132, Aiea, HI 96701

WEST CHEYENNE BRANCH
8660 West Cheyenne Avenue
Suite 110
Las Vegas, NV 89129

CONTACT US

BY PHONE

Oahu: 531-3711
Neighbor Island & U.S.
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@kalanet.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