

2012 Annual Meeting Agenda

1. Ascertainment of Quorum (15 members)
2. (p. 3,4) Reading and approval (or correction) of minutes of 2011 Annual Meeting
3. (p. 2) Report of the Treasurer
4. (p. 5,6) Report of the Chairman and Board of Directors
5. (p. 1) Report of the Supervisory Committee
6. Election of officers:
 - a. Nominating Committee Report
7. Other business
8. Adjournment
9. Door prizes

Report of the Supervisory Committee

Maui County Federal Credit Union's Supervisory Committee is responsible for ensuring that credit union policies and procedures adequately protect the shareholders' interest; for providing reasonable assurance that regulations, policies and procedures that govern the institution are properly followed; and for providing an annual report on the credit union's financial condition and results of operations.

The Annual Comprehensive audit of our Credit Union conducted by CU Pacific Audit Solutions, LLC was completed in November 2011. The audit covered the period from October 1, 2010 to September 30, 2011. The Federal examiners of the National Credit Union Administration (NCUA) also does an annual examination of the Credit Union. Both the audit and the examination have revealed that Maui County FCU is in sound condition both financially and administratively.

Overall, our Credit Union continues to be financially sound despite the economic downturn. Many of our members have felt the effects of the economy whether it was furloughs, loss of jobs, cut in pay and many other factors. This resulted in higher than normal delinquencies, especially in the real estate loans. Having to reserve a large amount for loan losses caused MCFCU to have negative earnings in 2011. The good news is that our Net Worth (Capital) position at the end of 2011 was at 10.64%. A capital ratio of 7% is considered well capitalized in the industry.

Please remember that your monies are now insured up to \$250,000 by the NCUA further ensuring that your money is safe at MCFCU. We understand that as guardians of your money, the Supervisory Committee must remain ever vigilant and will continue to work towards safeguarding your assets as well as your trust.

Management, Board of Directors and staff deserve to be highly commended for their excellent effort in continuing to provide meaningful and profitable services to the members of MCFCU.

Respectfully submitted,
Robert S. Kawahara
Supervisory Committee Chairperson

Garrett Goo • Lyle Kobashigawa
Glenn Okimoto • Robin Tanaka

Financial Reports

STATEMENT OF INCOME

| OPERATING INCOME | 2011 | 2010 | Variance % |
|---------------------------------|----------------------|---------------------|-----------------|
| Loan Income | \$9,138,987 | \$10,089,796 | -9.42% |
| Investment Income | \$1,147,390 | \$1,285,686 | -10.76% |
| Other Operating Income | \$912,111 | \$837,804 | 8.87% |
| Total Operating Income | \$11,198,488 | \$12,213,286 | -8.30% |
| OPERATING EXPENSE | | | |
| Compensation | \$1,684,138 | \$1,577,166 | 6.78% |
| Employee Benefits | \$496,866 | \$482,811 | 2.91% |
| Travel & Conference | \$64,782 | \$79,869 | -18.89% |
| Dues | \$38,080 | \$35,127 | 8.41% |
| Occupancy Expense | \$297,953 | \$226,453 | 31.57% |
| Office Operating Expense | \$359,562 | \$360,172 | -0.17% |
| Advertising & Promotion | \$101,448 | \$81,464 | 24.53% |
| Loan Servicing | \$387,632 | \$376,811 | 2.87% |
| Professional & Outside Services | \$1,260,197 | \$1,136,206 | 10.91% |
| Provision for Loan Losses | \$5,526,729 | \$3,369,561 | 64.02% |
| Member Insurance | \$159,516 | \$182,969 | -12.82% |
| Examination Fees | \$55,342 | \$57,373 | -3.54% |
| NCUA Stabilization | \$529,393 | \$567,442 | -6.71% |
| Misc. Operating Expenses | \$305,460 | \$144,359 | 111.60% |
| Total Operating Expenses | \$11,267,100 | \$8,677,776 | 8.14% |
| Total Expenses | \$11,267,100 | \$8,677,776 | 8.14% |
| Net Operating Income | (\$68,612) | \$3,535,510 | -101.94% |
| Gain on Sale of Assets | \$152.00 | (\$6,824) | 102.23% |
| Net Income before Dividends | (\$68,460) | \$3,528,686 | -53.27% |
| Dividends - Shares | \$1,830,987 | \$3,115,880 | -41.24% |
| NET INCOME | (\$1,887,533) | \$464,026 | -503.77% |

STATEMENT OF CONDITION

| ASSETS | 2011 | 2010 | Variance % |
|---------------------------------------|----------------------|----------------------|----------------|
| Net Loans | \$162,113,112 | \$176,985,049 | -8.40% |
| Receivables | \$17,793 | \$12,401 | 43.49% |
| Cash | \$2,325,842 | \$1,983,727 | 17.25% |
| Investments | \$62,677,065 | \$56,111,711 | 11.70% |
| Fixed Assets | \$2,904,941 | \$3,015,894 | -3.68% |
| Other Assets | \$4,268,305 | \$4,961,167 | -13.97% |
| Total Assets | \$234,307,058 | \$243,069,947 | -3.61% |
| LIABILITIES | | | |
| Payables | \$945,165 | \$519,013 | 82.11% |
| Other Liabilities | (\$8,645) | (\$245,787) | -96.48% |
| Total Liabilities | \$936,520 | \$273,226 | 242.76% |
| MEMBER EQUITY | | | |
| Shares & Certificates | \$208,432,419 | \$215,971,070 | -3.49% |
| Reserves & Undivided Earnings | \$24,938,118 | \$26,825,652 | -7.04% |
| Total Member Equity | \$233,370,537 | \$242,796,722 | -3.88% |
| Total Liabilities & Equity | \$234,307,058 | \$243,069,947 | -3.61% |



MAUI COUNTY
FEDERAL CREDIT UNION

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BOARD OF DIRECTORS

Donald Terada, Chairman
Edwin Okubo, Vice Chairman
Wesley Wong, Jr., Secretary/Treasurer
Frederico P. Asuncion • Ty Yoshimi
Karen Oura • Clifford Zane

MISSION STATEMENT

Caring For Our Members Needs



MAUI COUNTY
FEDERAL CREDIT UNION



75th ANNIVERSARY

annual report

2011

2011 Annual Meeting Minutes

CALL TO ORDER: The 2011 Annual Meeting of the Maui County FCU was called to order by Chairman Donald Terada at 6:00 p.m. on Saturday, March 5, 2011 at the Wailuku Community Center. The Chairman called on Mr. Wesley Higuchi to say the prayer. The meeting was recessed at 6:15 p.m. for a luau dinner.

QUORUM: Chairman Terada reconvened the meeting at 7:15 p.m. With approximately 585 members in attendance, it was ruled that a quorum was present.

MINUTES: Upon motion duly made and seconded, **it was unanimously voted:**

TO APPROVE the minutes of the 2010 Annual Meeting as printed on Pages 3 and 4 of the Annual Meeting brochure and circulated.

REPORT OF THE TREASURER: Upon motion duly made and seconded, **it was unanimously voted:**

TO ACCEPT the Treasurer's Report as printed on Page 2 of the Annual Meeting brochure.

REPORT OF THE CHAIRMAN AND BOARD OF DIRECTORS: Upon motion duly made and seconded, **it was unanimously voted:**

TO ACCEPT the Report of the Chairman and Board of Directors as printed on Pages 5 and 6 of the Annual Meeting brochure and circulated.

REPORT OF THE SUPERVISORY COMMITTEE: Upon motion duly made and seconded, **it was unanimously voted:**

TO ACCEPT the Report of the Supervisory Committee as printed on Page 1 of the Annual Meeting brochure and circulated.

Chairman Donald Terada introduced the following:

Board of Directors: Chairman Donald Terada, Vice Chairman Edwin Okubo, Secretary/Treasurer Wesley Wong, Jr., Tom Hiranaga, Clifford Zane, Karen Oura and Frederico Asuncion.

Supervisory Committee: Garrett Goo and Ty Yoshimi. Chairman Robert Kawahara, Patrick Ing and Lyle Kobashigawa were not present.

President/CEO Gary Fukuroku recognized the staff and also updated the membership on:

Kahului Branch
Current Financial Condition
Online Services
Online Financial Education Tools

ELECTION OF OFFICERS: Chairman Terada called upon Director Edwin Okubo to conduct the Election of Officers since he was a nominee.

Vice Chairman Edwin Okubo called upon Director Frederico Asuncion to present the Nominating Committee Report.

The election is for three seats on the Board of Directors. Three seats for a two year term.

Mr. Asuncion submitted the following candidates listed on the Nominating Committee Report for election to the Board of Directors:

Karen Oura • Donald Terada • Clifford Zane

Director Asuncion called for a motion to accept the nominating committee report. Vice Chairman Okubo called for a second. Upon motion duly made and seconded, **it was unanimously voted:**

TO ACCEPT the nominating committee report.

Director Asuncion called for a motion to elect the candidates to the Board of Directors. Vice Chairman Okubo called a second. Upon motion duly made and seconded, **it was unanimously voted:**

TO ELECT the nominating committee's candidates to the Board of Directors.

DOOR PRIZES: Door prizes, including merchandise, gift certificates and airfare/vacation coupons were awarded to members whose names were drawn by lottery. The door prizes were made possible by our Credit Union and some generous vendors.

ADJOURNMENT: There being no further business, the meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Donald Terada, Chairman,
Wesley Wong, Jr., Secretary/Treasurer

Report of the Chairman and Board of Directors

Weathering the economic storm describes 2011 for your Credit Union. Maui's economy continued to impact many of our members and resulted in higher than normal delinquencies especially in the real estate loans. The high delinquency and charge offs mandated that MCFCU reserve over 5 million dollars for potential loan losses. The amount caused MCFCU to show negative earnings for 2011. Despite the negative earnings, MCFCU's capital for 2011 is at 10.64%. The industry standard is 7%, so MCFCU is still considered well capitalized in the financial industry.

We continue to work with our members in these difficult times and make every effort to help them in their financial needs. At the same time, we need to ensure the safety and soundness of the credit union is protected. We have modified, consolidated and consulted with members who were impacted in some way.

MCFCU continues to strive to provide the best products and services that you benefit from. Some of the new services include eNotices, where you can receive notices such as certificate maturity notices via email and access through Home Banking, Mobiliti, which is a mobile application for the iPhone.

Online services such as Home Banking, Online Lending, eStatements, and eNotices offer members the convenience of 24/7 banking and best of all its FREE! Please stop by or call the Credit Union for more information.

MCFCU began offering Photovoltaic (PV) and solar water heater loans to members who can take advantage of the federal and state tax credits. Solar water heater or energy saver loans are being offered at 0% interest!

On a day to day basis, providing outstanding member service is our mission. Our mission statement, Caring For Our Members' Needs, is not just a statement but what we truly strive to do every day, for all members. We value your input and hope that we are accomplishing our mission.

Your continued membership is truly valued and if you have family members who are not members of MCFCU, please encourage them to join! All of your immediate family members are eligible to join. Why not have them enjoy the great financial services that you receive!

Thank you for being a MCFCU member and we look forward to your continued patronage.

Respectfully submitted,

Board of Directors

Donald Terada, Chairman
Edwin Okubo, Vice Chairman
Wesley Wong, Jr., Secretary/Treasurer
Frederico P. Asuncion, Director
Karen Oura, Director
Ty Yoshimi, Director
Clifford Zane, Director