

2011 Annual Meeting Agenda

1. Ascertainment of Quorum (15 members)
2. (p. 3,4) Reading and approval (or correction) of minutes of 2010 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 2010. The audit covered the period from October 1, 2009 to September 30, 2010. The federal examiners of the National Credit Union Administration (NCUA) also audited the Credit Union. These examinations of the Maui County FCU's financial statements and practices, have revealed the Credit Union to be sound condition both financially and administratively.

Overall, our Credit Union continues to be financially sound and growing at a steady pace despite the continuing economic downturn. Direction by Management and Board of Directors, have ensured that our Credit Union's financial condition is never in jeopardy. By secured investments, the Credit Union has isolated itself from much of the sub-prime and credit crunch debacle occurring in the economy and closing many other less financially fit financial institutions.

Please remember that your monies are now insured up to \$250,000 by the NCUA further ensuring that our money is safe with our Credit Union. 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

Patrick Ing • Lyle Kobashigawa • Garret Goo • Ty Yoshimi

Financial Reports

STATEMENT OF INCOME

| OPERATING INCOME | 2010 | 2009-Restated | Variance % |
|---------------------------------|---------------------|---------------------|-----------------|
| Loan Income | \$10,089,796 | \$10,848,013 | -7.51% |
| Investment Income | \$1,285,686 | \$1,201,009 | 6.59% |
| Other Operating Income | \$837,804 | \$1,373,308 | -63.92% |
| Total Operating Income | \$12,213,285 | \$13,422,329 | 9.90% |
| OPERATING EXPENSE | | | |
| Compensation | \$1,577,166 | \$1,242,414 | 21.22% |
| Employee Benefits | \$482,811 | \$318,697 | 33.99% |
| Travel & Conference | \$79,869 | \$70,538 | 11.68% |
| Dues | \$35,127 | \$34,046 | 3.08% |
| Occupancy Expense | \$226,453 | \$138,406 | 38.88% |
| Office Operating Expense | \$360,172 | \$241,274 | 33.01% |
| Advertising & Promotion | \$81,464 | \$89,792 | -10.22% |
| Loan Servicing | \$376,811 | \$660,353 | -75.25% |
| Professional & Outside Services | \$1,136,206 | \$1,101,497 | 3.05% |
| Provision for Loan Losses | \$3,369,561 | \$3,655,162 | -14.41% |
| Member Insurance | \$182,969 | \$23,727 | 87.03% |
| Examination Fees | \$572,117 | \$52,838 | 90.76% |
| NCUA Stabilization | \$52,698 | \$0.00 | 100.00% |
| Misc. Operating Expenses | \$144,359 | \$148,838 | -3.10% |
| Total Operating Expenses | \$8,677,776 | \$7,977,576 | -8.07% |
| Interest on Notes Payable | \$0.00 | \$18,494 | -100.00% |
| Total Expenses | \$8,677,776 | \$7,996,069 | -7.86% |
| Net Operating Income | \$3,535,510 | \$5,426,260 | 53.48% |
| Gain on Sale of Assets | (\$6,824) | \$12.00 | 100.16% |
| Net Income before Dividends | \$3,528,686 | \$5,426,272 | -53.27% |
| Dividends - Shares | \$3,115,880 | \$4,883,432 | -56.73% |
| NET INCOME | \$464,026 | \$1,598,101 | -244.40% |

STATEMENT OF CONDITION

| ASSETS | 2010 | 2009-Restated | Variance % |
|---------------------------------------|----------------------|----------------------|----------------|
| Net Loans | \$176,985,049 | \$184,815,586 | -4.24% |
| Receivables | \$12,401 | \$8,934 | 38.81% |
| Cash | \$1,983,727 | \$2,406,481 | -17.57% |
| Investments | \$56,111,711 | \$49,312,261 | 13.79% |
| Fixed Assets | \$3,015,894 | \$2,364,585 | 27.54% |
| Other Assets | \$4,961,167 | \$3,742,865 | 32.55% |
| Total Assets | \$243,069,947 | \$242,650,710 | 0.17% |
| LIABILITIES | | | |
| Payables | \$519,013 | \$381,824 | 35.93% |
| Other Liabilities | (\$245,787) | \$35,968 | -783.35% |
| Total Liabilities | \$273,226 | \$417,791 | -34.60% |
| MEMBER EQUITY | | | |
| Shares & Certificates | \$215,971,070 | \$215,871,293 | 0.05% |
| Reserves & Undivided Earnings | \$26,825,652 | \$26,361,627 | 1.76% |
| Total Member Equity | \$242,796,722 | \$242,232,919 | 0.23% |
| Total Liabilities & Equity | \$243,069,947 | \$242,650,710 | 0.17% |

*The 2009 financial statements have been restated. An additional \$2,200,000 was added to the Allowance for Loan & Lease Losses (ALLL) account to ensure enough reserves for potential loan losses. The addition of the \$2,200,000 to the ALLL reduced the Undivided earnings and net income for 2009 by \$2,200,000. The restated net income for 2009 was \$1,598,100.47. The 2009 Annual Report showed a net income of \$3,798,100.47. The restated balance sheet assets for 2009 was \$242,650,709.63. The 2009 Annual Report showed assets of \$244,850,709.63.



MAUI COUNTY
FEDERAL CREDIT UNION

1888 Wili Pa Loop
Wailuku, HI 96793-1272

270 Dairy Rd., #146
Kahului, HI 96732

(808) 244-7968 • Fax (808) 242-1690
(800) 783-6597 (Neighbor islands)
Teller Tone Service (800) 285-2932

www.mauicountyfcu.org

BOARD OF DIRECTORS

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

MISSION STATEMENT

Caring For Our Members Needs



MAUI COUNTY
FEDERAL CREDIT UNION

annual report
2010

2010 Annual Meeting Minutes

CALL TO ORDER: The 2010 Annual Meeting of the Maui County FCU was called to order by Chairman Donald Terada at 6:00 p.m. on Saturday, March 6, 2010 at the Wailuku Community Center. The Chairman called on Ms. Frances Nelson 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 600 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 2009 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 and circulated.

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

TO ACCEPT the Report of the President 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 Hiranaga 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: Robert Kawahara, Chairman, Garrett Goo, Ty Yoshimi. Patrick Ing and Lyle Kobashigawa were not present.

MCFCU staff: Cathy Nakamura, Myron Sakamoto, Lois Akiona, Barbara Pagay, Frances Nelson, Myra Sakai, Regan Ohira, Kyle Iwaishi, Mylene Loque, Lisa Keene, Juliet Cortez, Alia Mae Arcangel, Desiree Echolas-Toda, Renee Saribay, Jersom Buenafe, Robyn Yamashita, Carrie Tam Sing, Shaina Ibanez, Arlene Reglos, Diane Falces, Cheylee Souza, Philip Morillo, Flyuza Kazbekova, Kimberly Llanes, Tiare Maldonado, Anna Kutsunai, Sanoë Elf, Jaimie Sardinha, Brittney Bantilan, Marisa Taketa, Jennifer Dahilig, Kristen Naylor, Heizel Allado, Lynette Borden, Danise Cortez, Charlesy-Al Benz and Mary Cris Paa.

ELECTION OF OFFICERS: Chairman Terada called upon Director Edwin T. Okubo 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. Okubo submitted the following candidates listed on the Nominating Committee Report for election to the Board of Directors:

Karen Oura • Donald Terada • Clifford Zane

Chairman Terada called for a motion to accept the nominating committee report. Upon motion duly made and seconded, it was unanimously voted:

TO ACCEPT the nominating committee report.

Chairman Terada called for a motion to elect the candidates to the Board of Directors. 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 7:30 p.m.

Respectfully submitted,

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

Report of the Chairman and Board of Directors

2010 proved to be another challenging year for your credit union and the credit union members. As the economic environment continued its downturn, the County of Maui was no different. State and County furloughs were still in effect, Maui's unemployment hovered around 8-9%.

The result was increased delinquencies in both the consumer and real estate loans. With decreased market valuations on home and properties, MCFCU has had to realize substantial losses. As a member owned cooperative, when fellow members default on their loans, it has a direct impact on the entire membership. The result was lowering dividend rates and other cost cutting initiatives.

On top of a substantial increase to the Allowance for Loan & Lease Losses, all Federal Credit Unions were subject to 2 assessments from the National Credit Union Administration. These assessments were mandated by our Federal Regulators and will continue over the next 10 years. A total of \$567,442.12 was paid out to the NCUA in 2010. The projected amount for 2011 is double that amount.

In April 2010, as an added convenience we opened our first branch office in the Maui Market Place in Kahului. If you haven't checked it out, please stop by. The Maui Market Place branch is the only branch open on Saturdays.

Financially, the 2009 financials were re-stated due to an additional \$2.2M added to the Allowance for Loan & Lease Losses (ALLL) account. This was done to have enough reserves to cover for potential loan losses. The net worth for 2010 was 11.04%. The industry standard is 7% so your credit union is well capitalized per NCUA guidelines.

As we move into 2011, emphasis is to continue to work with our members through their difficult times, enhance member service, continue to provide electronic services and preserve the credit union's net worth. It's definitely a challenging time, but "Tough Times don't last, Tough People Do", and your Credit Union team is TOUGH!

Respectfully submitted,

Board of Directors

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

