

2017 Annual Meeting Agenda

1. Call Meeting to Order and Ascertain Presence of Quorum (15 members required)
2. Chairman's Announcements
3. Approval of Minutes for 2016 Annual Meeting
4. Accept Treasurer's Report for 2016
5. Accept Chairman and Board of Directors' Report for 2016
6. Accept Supervisory Committee's Report for 2016
7. Old Business (if any)
8. New Business (Approval of Nominating Committee's report)
9. Adjournment

2016 Supervisory Committee Report

The Supervisory Committee hired Kwock & Company, CPA's to conduct a comprehensive annual audit of Maui County Federal Credit Union's (MCFCU) records and operations for the period ended September 30, 2016. The audit of MCFCU's books and records was performed in accordance with the audit guidelines and procedures recommended in the Supervisory Committee Guide for Federal Credit Unions.

The audit finds that the elected officers, management and staff of MCFCU continues to perform their duties in a commendable manner and that your credit union remains in sound financial condition.

Management, Board of Directors and staff deserve to be highly commended for their excellent effort in continuing to provide effective and outstanding services to the members of our credit union and to preserve the safety and soundness of MCFCU.

On behalf of all the members of the Supervisory Committee, we thank you for the opportunity to serve you.

Respectfully submitted,
Robin S. Tanaka
 Supervisory Committee Chair

Ralph Nagamine • Wesley Yoshioka
 Greg Takahashi

Financial Reports

Statement Of Income	2016	2015	Variance %
Operating Income			
Loan Income	\$6,299,051	\$6,013,536	4.75%
Investment Income	\$1,891,546	\$1,860,757	1.65%
Other Operating Income	\$976,704	\$973,251	0.35%
Total Operating Income	\$9,167,301	\$8,847,544	3.61%

Operating Expense	2016	2015	Variance %
Compensation	\$2,151,267	\$2,035,479	5.69%
Employee Benefits	\$592,216	\$556,436	6.43%
Travel & Conference	\$97,016	\$114,970	-15.62%
Dues	\$40,499	\$40,004	1.24%
Occupancy Expense	\$369,123	\$361,817	2.02%
Office Operating Expense	\$501,514	\$511,690	-1.99%
Education & Marketing	\$101,287	\$120,875	-16.21%
Loan Servicing	\$331,510	\$322,718	2.72%
Outside Services	\$1,619,901	\$1,461,191	10.86%
Provision for Loan Losses	(\$643,566)	(\$1,209,817)	-46.80%
Member Insurance	\$0	\$0	%
Examination Fees	\$46,821	\$45,351	3.24%
NCUA Stabilization	\$0	\$0	%
Misc. Operating Expenses	\$184,307	\$82,626	123.06%
Total Operating Expenses	\$5,391,895	\$4,443,340	21.35%

Total Expenses	\$5,391,895	\$4,443,340	21.35%
Net Operating Income	\$3,775,406	\$4,404,204	-14.28%
Gain/(Loss) on Sale of Assets	(\$2,439)	(\$1,566)	55.75%
Net Income before Dividends	\$3,772,966	\$4,402,639	-14.30%
Dividends - Shares	\$982,948	\$608,736	61.47%
NET INCOME	\$2,790,018	\$3,793,903	-26.46%

Statement Of Condition	2016	2015	Variance %
Assets			
Net Loans	\$130,390,062	\$131,163,695	-0.59%
Receivables	\$25,444	\$13,728	85.34%
Cash	\$3,207,417	\$3,825,234	-16.15%
Investments	\$131,534,516	\$112,058,895	17.38%
Fixed Assets	\$2,463,652	\$2,559,191	-3.73%
Other Assets	\$8,005,326	\$7,602,673	5.30%
Total Assets	\$275,626,417	\$257,223,416	7.15%

Liabilities			
Payables	\$601,702	\$568,360	5.87%
Other Liabilities	\$128,199	\$134,139	-4.43%
Total Liabilities	\$729,901	\$702,499	3.90%

Member Equity			
Shares & Certificates	\$236,899,055	\$221,226,190	7.08%
Reserves & Undivided Earnings	\$37,997,461	\$35,294,727	7.66%
Total Member Equity	\$274,896,516	\$256,520,917	7.16%
Total Liabilities & Equity	\$275,626,417	\$257,223,416	7.15%

MAUI COUNTY FEDERAL CREDIT UNION

Wailuku Branch

1888 Wili Pa Loop
 Wailuku, HI 96793-1272

Office Hours

Monday to Friday
 8:30 a.m. to 4:30 p.m.

Kahului Branch

270 Dairy Rd., #146
 Kahului, HI 96732-2986

Office Hours

Monday to Friday
 9:00 a.m. to 5:00 p.m.
 Saturday
 9:00 a.m. to 1:00 p.m.

(808) 244-7968 Fax (808) 242-1690
 (800) 783-6597 (Neighbor islands)
www.maui-county-fcu.org

Teller Tone Service

(800) 285-2932

"Chartered 1937"

Board of Directors

Edwin Okubo, Chairman
 Clifford Zane, Vice Chairman
 Karen Oura, Secretary/Treasurer
 Frederico Asuncion, Director
 Richelle Lu, Director
 Robert Kawahara, Director
 Glenn Okimoto, Director

Mission Statement Caring For Our Members Needs



Celebrating
80
 Years

2016 ANNUAL REPORT



2016 Annual Meeting Minutes

Welcome By Chairman: Chairman Edwin Okubo introduced himself and welcomed the members to the meeting.

Call To Order and Ascertain Presence of Quorum:

The meeting was called to order by Chairman Okubo at 6:00 p.m. on Saturday, March 5, 2016 at the Wailuku Community Center. Chairman Okubo reported that approximately 550 members were in attendance and that a quorum was present for the meeting. He also informed the members that under our credit union's by-laws, a minimum of 15 members need to be present to have a quorum for the meeting.

Chairman's Announcements: Chairman Okubo made the following announcements:

1. The meeting will be recessed in a few minutes and the meeting will be reconvened after dinner has been served for the business portion of the meeting.
2. Some of the door prizes will be given out before and during dinner, but most of the door prizes will be given out after the business portion of the meeting is concluded and the meeting is adjourned.
3. He reported that thanks to the hard work of the credit union's management, staff and volunteers, the credit union had a very good year in 2015. He also reported that compared to 2014, the credit union's:
 - Net income increased by 23.37% to \$3,793,902. He also reported that because the credit union did so well, the Board authorized a bonus dividend for the members in the total amount of \$350,000, and that the bonus dividend for each member's account was posted in the month of March.
 - Total assets increased by 3.73% to \$257,223,416.
 - Delinquent loans to total loans ratio decreased from 2.82% to 1.42%.
 - Net charges offs to average loan ratio increased slightly from .31% to .45%, but this ratio has decreased significantly from a few years ago.
 - Net worth to total assets ratio increased from 12.9% to 13.95%.

and that all of these factors contributed to the credit union being in a very strong financial position.

4. He requested that the members review the 2015 annual report which was distributed to the members, as action will be taken on the Supervisory Committee's report that is shown on page 1, the Treasurer's financial reports that are shown on page 2, the minutes of the 2015 annual meeting of the members that is shown on pages 3, 4 & 5, and the Chairman and Board of Directors' report that is shown on pages 5 & 6.

Offering of Grace: Chairman Okubo called on Ms. Frances Nelson to offer grace before the members received their food.

Meeting Recessed: Chairman Okubo recessed the meeting at 6:07 p.m.

Meeting Reconvened: Chairman Okubo reconvened the meeting at 7:08 p.m.

Approval of Minutes: Chairman Okubo requested a motion to approve the minutes of MCFCU's March 7, 2015 annual meeting of the members. Upon motion duly made and seconded, it was unanimously voted to approve the minutes of the 2015 annual meeting of the members.

Acceptance of The Treasurer's Reports: Chairman Okubo requested a motion to accept the Treasurer's financial reports for 2015. Upon motion duly made and seconded, it was unanimously voted to accept the Treasurer's financial reports for 2015.

Acceptance of The Chairman and Board of Directors' Report: Chairman Okubo requested a motion to accept the Chairman and Board of Directors' report for 2015. Upon motion duly made and seconded, it was unanimously voted to accept the Chairman and Board of Directors' report for 2015.

Acceptance of The Supervisory Committee's Report: Chairman Okubo requested a motion to accept the Supervisory Committee's report for 2015. Upon motion duly made and seconded, it was unanimously voted to accept the Supervisory Committee's report for 2015.

Recognition of Volunteers: Chairman Okubo introduced the following MCFCU volunteers on the Board of Directors who were in attendance:

*Vice Chairman Clifford Zane • Director Frederico Asuncion
Director Richelle Lu • Director Robert Kawahara
Chairman Edwin Okubo*

Chairman Okubo also reported that Secretary/Treasurer Karen Oura and Director Ty Yoshimi were also volunteers on the Board of Directors.

Chairman Okubo then introduced the following volunteers on the Supervisory Committee who were in attendance:

*Chairman Glenn Okimoto
Member Robin Tanaka (was not in attendance)
Member Greg Takahashi
Member Wesley Yoshioka (was not in attendance)*

Chairman Okubo also reported that Member Ralph Nagamine is also a volunteer on the Supervisory Committee.

Chairman Okubo then asked the members of the credit union to join him in thanking all of the volunteers for their commitment and dedication to the credit union.

Unfinished Business: Chairman Okubo reported that there was no unfinished business to act on.

New Business: Chairman Okubo reported that there was one new business item which was the election of directors, and called on Director Richelle Lu, Chair of the Nominating Committee to present the Nominating Committee's report.

Ms. Lu explained that the Nominating Committee went through the nomination process that is spelled out in the credit union's by-laws, and that the Nominating Committee was nominating Frederico Asuncion, Ty Yoshimi, Robert Kawahara and Edwin Okubo to fill the four up-coming vacancies on the Board of Directors.

Chairman Okubo thanked Ms. Lu for the report and requested a motion to approve the Nominating Committee's report. Upon motion duly made and seconded, it was unanimously voted to approve the Nominating Committee's report.

Chairman Okubo announced that with the approval of the Nominating Committee's report by acclamation, Frederico Asuncion, Ty Yoshimi, Robert Kawahara and Edwin Okubo have been elected to serve on the Board of Directors for a term of two years.

Adjournment of Meeting: There being no other business for the meeting, Chairman Okubo adjourned the meeting at 7:15 p.m.

Door Prizes: Door prizes, including merchandise, gift certificates and air fare/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.

Respectfully submitted,
*Edwin Okubo, Chairman
Karen Oura, Secretary/Treasurer*

Report of the Chairman and Board of Directors

As previously reported in the 2014 annual report, the Maui County Federal Credit Union (MCFCU) has retained the services of Catalyst Strategic Solutions' Advisory Service (Catalyst), a premier financial management partner to credit unions, to ensure that MCFCU consistently achieves superior operating performance.

The advisory service fulfills its mission by:

- Following and researching developments in the economy, financial markets, regulatory environment and competitive landscape that may impact credit unions;
- Working with management to develop and maintain a thorough understanding of MCFCU's balance sheet profile, strategic goals and risk appetite;
- Proactively recommending balance sheet and investment portfolio strategies that enhance margins, while ensuring appropriate levels of liquidity and prudent risk management profile; and
- Serving as an educational expert in the areas of financial management and the regulatory environment.

Catalyst's 2016 fourth quarter Financial Management Assessment and Strategy report for MCFCU was not available prior to the publication of MCFCU's 2016 annual report. Therefore, provided below are Catalyst's assessment of MCFCU from their third quarter report.

- The credit union is well capitalized with a net worth ratio of 14.90 percent and an appropriate risk-based profile to protect long-term capital.
- The credit union's lending portfolio is weighted towards real estate loans. Loan growth improved 1.1 percent with gains in vehicle loans. The credit union's allocation profile supports additional lending without adversely impacting the balance sheet.
- The credit union's investment portfolio has an appropriate duration and cash flow profile that support future loan demand.
- Share allocations are appropriate and provide the credit union with an effective cost-of-funds structure (0.24%). Non-term shares represent 73 percent of shares. The current environment continues to support allocations to non-term shares.
- The credit union's return on assets (ROA) is a strong 1.07 percent and above the peer group average. The credit union's net spread and net operating expense structure are well managed.
- The credit union has a strong liquidity profile with no funding concerns.
- The credit union's short-term and long-term interest rate risk profiles are low.

Thank you for being a member of the MCFCU and for your continued commitment and support.

Respectfully submitted,
Board of Directors
*Edwin Okubo, Chairman
Clifford Zane, Vice Chairman
Karen Oura, Secretary/Treasurer
Frederico Asuncion, Director
Richelle Lu, Director
Robert Kawahara, Director
Glenn Okimoto, Director*