

2018 Annual Meeting Agenda

1. Call Meeting to Order & Ascertain Presence of Quorum
(15 members required)
2. Chairman's Announcements
3. Approval of Minutes for 2017 Annual Meeting
4. Accept Treasurer's Report for 2017
5. Accept Chairman & Board of Directors' Report for 2017
6. Accept Supervisory Committee's Report for 2017
7. Old Business (if any)
8. New Business
(Approval of Nominating Committee's report)
9. Adjournment

2017 Supervisory Committee Report

The Supervisory Committee hired Kwock & Company, Certified Public Accountants to conduct a comprehensive annual audit of Maui County Federal Credit Union's (MCFCU) records and operations for the period ended September 30, 2017. 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."

Based on the findings of the annual audit report, the Supervisory Committee would like to recognize the Board of Directors, management and staff of MCFCU for performing their duties in a commendable manner to keep your credit union in sound financial condition.

The Board of Directors, management and staff also 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 Operating Income	2017	2016	Variance %
Loan Income	\$6,456,068	\$6,299,051	2.49%
Investment Income	\$2,608,038	\$1,891,546	37.88%
Other Operating Income	\$1,085,315	\$976,704	11.12%
Total Operating Income	\$10,149,420	\$9,167,301	10.71%

Operating Expense	2017	2016	Variance %
Compensation	\$2,405,210	\$2,151,267	11.80%
Employee Benefits	\$686,749	\$592,216	15.96%
Travel & Conference	\$100,707	\$97,016	3.80%
Dues	\$47,940	\$40,499	18.37%
Occupancy Expense	\$418,672	\$369,123	13.42%
Office Operating Expense	\$615,294	\$501,514	22.69%
Education & Marketing	\$123,552	\$101,287	21.98%
Loan Servicing	\$306,161	\$331,510	-7.65%
Outside Services	\$1,775,701	\$1,619,901	9.62%
Provision for Loan Losses	(\$308,057)	(\$643,566)	-52.13%
Member Insurance	\$0	\$0	-
Examination Fees	\$62,942	\$46,821	34.43%
NCUA Stabilization	\$0	\$0	-
Misc. Operating Expenses	\$104,318	\$184,307	-43.40%
Total Operating Expenses	\$6,339,190	\$5,391,895	17.57%

Total Expenses	\$6,339,190	\$5,391,895	17.57%
Net Operating Income	\$3,810,231	\$3,775,406	0.92%
Gain/(Loss) on Sale of Assets	\$5,607,591	(\$2,439)	-230013.53%
Net Income before Dividends	\$8,801,708	\$3,772,966	133.28%
Dividends			
Dividends - Shares	\$675,551	\$982,948	-31.27%
NET INCOME	\$8,126,158	\$2,790,018	191.26%

Statement Of Condition Assets	2017	2016	Variance %
Net Loans	\$139,196,417	\$130,390,062	6.75%
Receivables	\$ 28,000	\$25,444	10.05%
Cash	\$4,343,679	\$3,207,417	35.43%
Investments	\$158,854,375	\$131,534,516	20.77%
Fixed Assets	\$5,771,983	\$2,463,652	134.29%
Other Assets	\$8,908,829	\$8,005,326	11.29%
Total Assets	\$317,103,284	\$275,626,417	15.05%

Liabilities	2017	2016	Variance %
Payables	\$1,443,032	\$601,702	139.82%
Other Liabilities	\$149,177	\$128,199	16.36%
Total Liabilities	\$1,592,209	\$729,901	118.14%

Member Equity	2017	2016	Variance %
Shares & Certificates	\$269,573,247	\$236,899,055	13.79%
Reserves & Undivided Earnings	\$45,937,828	\$37,997,461	20.90%
Total Member Equity	\$315,511,075	\$274,896,516	14.77%
Total Liabilities & Equity	\$317,103,284	\$275,626,417	15.05%

MAUI COUNTY FEDERAL CREDIT UNION

Wailuku Branch

1888 Wili Pa Loop
Wailuku, HI 96793-1272

Lahaina Branch

270 Lahainaluna Rd
Lahaina, HI 96761-1525

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



AMERICA'S
CREDIT UNIONS™
Where people are worth more than money.™



EQUAL HOUSING
LENDER

NCUA Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government
National Credit Union Administration, a U.S. Government Agency

2017 ANNUAL REPORT

WE CROSSED THE PALI!



WEST MAUI community
FEDERAL CREDIT UNION

2017 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 Thursday, March 9, 2017 at the Wailuku Community Center. Chairman Okubo reported that approximately 575 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 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, and the members' trust in our credit union; the credit union had another very successful year in 2016. He also reported on the following:
 - The credit union had a net income of \$2,790,018;
 - Total assets increased from \$257,223,416 to \$275,626,417 or by 7.15%;
 - The delinquent loans to total loans ratio is a manageable 2.43%;
 - The net charge offs to average loan ratio was at a low 0.24%;
 - The credit union's net worth to total assets ratio increased from 13.95% to 14.03%;
 - The credit union had a market growth rate of 7.08% and we now have a total of 15,279 members.and stated that all of these factors contributed to the credit union being in a very strong financial position.
4. He requested that members review the 2016 annual report which was distributed, 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 2016 annual meeting that are shown on pages 3, 4 & 5, and the Chairman and Board of Directors' report that is shown on pages 5 & 6.
5. He took a few minutes to recognize the service of former volunteer Ty Yoshimi, who had served on the Supervisory Committee for four years and on the Board of Directors for almost five years. He also reported that Ty and his wife Debra had moved to Honolulu in 2016 to be closer to their family members, and asked the credit union members to join him in thanking Mr. Yoshimi for his dedicated service to the credit union.

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

Meeting Recessed: Chairman Okubo recessed the meeting at 6:05 p.m.

Meeting Reconvened: Chairman Okubo reconvened the meeting at 7:07 p.m.

Approval of Minutes: Chairman Okubo requested a motion to approve the Minutes of MCFCU's March 5, 2016 annual meeting. Upon motion duly made and seconded, it was unanimously voted to approve the minutes of the 2016 annual meeting of the members.

Acceptance of The Treasurer's Reports: Chairman Okubo requested a motion to accept the Treasurer's financial reports for 2016. Upon motion duly made and seconded, it was unanimously voted to accept the Treasurer's financial reports for 2016.

Acceptance of The Chairman and Board of Directors' Report: Chairman Okubo requested a motion to accept the Chairman and Board of Directors' Report for 2016. Upon motion duly made and seconded, it was unanimously voted to accept the Chairman and Board of Directors' report for 2016.

Acceptance of The Supervisory Committee's Report: Chairman Okubo requested a motion to accept the Supervisory Committee's Report for 2016. Upon motion duly made and seconded, it was unanimously voted to accept the Supervisory Committee's report for 2016.

Recognition of Volunteers: Chairman Okubo introduced the following MCFCU volunteers on the Board of Directors, and asked those in attendance to stand when their name is called:

*Vice Chairman Clifford Zane
Secretary/Treasurer Karen Oura
Director Frederico Asuncion
Director Richelle Lu
Director Robert Kawahara
Director Glenn Okimoto (not in attendance)
Chairman Edwin Okubo*

Chairman Okubo then reported that the members of the Supervisory Committee were unable to attend the annual meeting. He stated that the volunteers on the Supervisory Committee were:

*Chairman Robin Tanaka
Member Greg Takahashi
Member Ralph Nagamine
and Member Wesley Yoshioka*

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

2017 ANNUAL REPORT



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

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

Mr. Kawahara reported that the Nominating Committee was nominating Clifford Zane, Karen Oura, Richelle Lu and Glenn Okimoto to fill the four up-coming vacancies on the Board of Directors for a term of two years.

Chairman Okubo thanked Mr. Kawahara 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, Clifford Zane, Karen Oura, Richelle Lu and Glenn Okimoto 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 7:17 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

The Maui County Federal Credit Union (MCFCU) has continued to retain the services of Catalyst Strategic Solutions' Advisory Service (Catalyst), a premier financial management consulting 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 2017 fourth quarter Financial Management Assessment and Strategy report for MCFCU was not available prior to the publication of MCFCU's 2017 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 14.7 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 increased 9.1 percent.
- The credit union's allocation profile supports additional lending without adversely impacting the balance sheet.
- The investment portfolio contributes to earnings, supports future lending activities, and has a conservative interest rate risk profile that is consistent with that of the overall balance sheet. The average life is 3.75 years.
- Share allocations are appropriate and provide the credit union with an effective cost-of-funds structure (0.23%). Non-term shares represent 77 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 2.93 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 stable liquidity profile with no funding concerns.
- The credit union's short-term and long-term interest rate risk profiles are low/moderate.

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

**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*