

2013 Annual Meeting Agenda

1. Ascertainment of Quorum (15 members)
2. (p. 3,4) Reading and approval (or correction) of minutes of 2012 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 2012. The audit covered the period from October 1, 2011 to September 30, 2012. These audit findings of the Maui County FCU's financial statements and internal control practices, have revealed the Credit Union to be in 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 Chairman

Lyle Kobashigawa • Garrett Goo
Glenn Okimoto • Robin Tanaka

Financial Reports

STATEMENT OF INCOME

OPERATING INCOME	2012	2011	Variance %
Loan Income	\$8,022,481	\$9,138,987	-12.22%
Investment Income	\$1,142,913	\$1,147,390	-0.39%
Other Operating Income	\$1,031,762	\$912,111	13.12%
Total Operating Income	\$10,197,156	\$11,198,488	-8.94%
OPERATING EXPENSE			
Compensation	\$1,707,298	\$1,684,138	1.38%
Employee Benefits	\$522,403	\$496,866	5.14%
Travel & Conference	\$86,888	\$64,782	34.12%
Dues	\$39,705	\$38,080	4.27%
Occupancy Expense	\$347,911	\$340,565	2.16%
Office Operating Expense	\$487,144	\$518,049	-5.97%
Education & Marketing	\$98,380	\$101,448	-3.02%
Loan Servicing	\$285,893	\$387,632	-26.25%
Outside Services	\$1,332,678	\$1,260,197	5.75%
Provision for Loan Losses	\$549,365	\$7,126,729	-92.29%
Member Insurance	\$93,279	\$159,516	-41.52%
Examination Fees	\$52,863	\$55,342	-4.48%
NCUA Stabilization	\$197,737	\$529,393	-62.65%
Misc. Operating Expenses	\$55,740	\$92,145	-39.51%
Total Operating Expenses	\$5,8567,284	\$12,854,882	-54.44%
Total Expenses	\$5,857,284	\$12,854,882	-54.44%
Net Operating Income	\$4,339,872	(\$1,656,394)	362.01%
Gain on Sale of Assets	(\$25,546)	(\$152)	16,706.58%
Net Income before Dividends	\$4,314,326	(\$1,656,546)	360.44%
Dividends - Shares	\$1,192,707	\$1,830,987	-34.86%
NET INCOME	\$3,121,619	(\$3,487,533)	189.51%

STATEMENT OF CONDITION

ASSETS	2012	2011	Variance %
Net Loans	\$147,416,146	\$160,513,112	-8.16%
Receivables	\$13,582	\$17,793	-23.67%
Cash	\$2,965,389	\$2,818,130	5.23%
Investments	\$80,389,359	\$62,184,777	29.27%
Fixed Assets	\$2,760,932	\$2,904,941	-4.96%
Other Assets	\$3,616,021	\$4,268,305	-15.28%
Total Assets	\$237,161,429	\$232,707,058	1.91%
LIABILITIES			
Payables	\$1,475,453	\$1,418,413	4.02%
Other Liabilities	(\$45,980)	(\$8,689)	429.17%
Total Liabilities	\$1,429,473	\$1,409,724	1.40%
MEMBER EQUITY			
Shares & Certificates	\$209,826,311	\$208,432,419	0.67%
Reserves & Undivided Earnings	\$25,905,645	\$22,864,915	13.30%
Total Member Equity	\$235,731,956	\$231,297,334	1.92%
Total Liabilities & Equity	\$237,161,429	\$232,707,058	1.91%



MAUI COUNTY
FEDERAL CREDIT UNION

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BOARD OF DIRECTORS

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

MISSION STATEMENT

Caring For Our Members Needs



MAUI COUNTY
FEDERAL CREDIT UNION

annual report
2012

2012 Annual Meeting Minutes

CALL TO ORDER: The 2012 Annual Meeting of the Maui County FCU was called to order by Chairman Donald Terada at 6:00 p.m. on Saturday, March 3, 2012 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 7:25 p.m. With approximately 721 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 2011 Annual Meeting as printed on Pages 3 and 4 of the Annual Meeting brochure which was distributed to the members in attendance.

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 & 6 of the Annual Meeting brochure.

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.

Chairman Donald Terada introduced the following:

Board of Directors: Chairman Donald Terada, Vice Chairman Edwin Okubo, Secretary/ Treasurer, Ty Yoshimi, Clifford Zane, and Frederico Asuncion. Karen Oura and Wesley Wong, Jr. were not present.

Supervisory Committee: Garrett Goo, Glenn Okimoto and Chairman Robert Kawahara. Robin Tanaka and Lyle Kobashigawa were not present.

Special recognition was given to Tom Hiranaga for the years of service on the Board of Directors.

ELECTION OF OFFICERS: Chairman Terada called upon Director Clifford Zane to present the Nominating Committee Report.

The election is for four seats on the Board of Directors. Four seats for a two year term.

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

**Frederico Asuncion
Edwin Okubo
Wesley Wong, Jr.
Ty Yoshimi**

Director Zane called for a motion to accept the nominating committee report. Chairman Terada called for a second. 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. Chairman Terada then called for a second. Upon motion duly made and seconded, it was unanimously voted: **TO ELECT** the nominating committee's candidates to the Board of Directors.

ADJOURNMENT: There being no further business, the meeting was adjourned at 7:40 p.m.

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.

Respectfully submitted,

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

Report of the Chairman and Board of Directors

The economic recovery in Maui County and the rest of the nation has been very slow, but there are indications now that the economy is improving. Many of our members have been enduring difficult times, and the MCFCU has been making every effort to assist these members.

Even in this depressed economy, we are pleased to report that MCFCU was able to generate a net income of \$3,121,619.13 in fiscal year 2012, and that our total assets has increased by \$4,454,371.15 and is now at \$237,161,428.77. MCFCU is considered well capitalized with a net worth ratio of 11.16%, and our loan delinquency rate and net charge-offs were decreased to 3.64% and 1.08% respectively.

In the last few years, the National Credit Union Administration (NCUA), the federal agency that oversees the operations of all credit unions in the United States, has shifted its focus to assessing each credit union's risks in the following areas:

1. Credit Risk (risk of non-payment on credit union's investments or loans)
2. Interest Rate Risk (risk that credit union won't adequately manage changes in market rates to maintain an appropriate net interest margin)
3. Liquidity Risk (risk that credit union won't be able to liquidate assets quickly enough and with minimal loss in value to meet obligations)
4. Transaction Risk (risk that fraud or errors will cause a loss to the credit union)
5. Compliance Risk (risk that failure to comply with laws, regulations, contractual obligations, etc. will harm the credit union)

6. Strategic Risk (risk that poor business decisions or improper implementation of strategic goals will reduce the credit union's earning and net worth)
7. Reputation Risk (risk that the credit union's public image will be tarnished due to improper actions)

This action is being taken to ensure that credit unions will not jeopardize the solvency of the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is the fund that provides insurance for each credit union member's account up to \$250,000. Your Board of Directors and management staff have been working diligently to ensure full compliance in these areas.

We will continue to ensure that MCFCU is operated in a safe and sound manner, and will strive to offer our members the best products and services.

Your membership in the MCFCU is greatly valued and your continued patronage is appreciated.

Respectfully submitted,

Board of Directors

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