

Management Message



For 2016, we focused on growing our loans and shares while continuing our commitment to member education and improving service. This meant investing money in our branches, marketing and staff training. Our key accomplishments for 2016 and our plans for 2017 are outlined below.

2016 Accomplishments:

Financial Strength – We earned a little over \$2.9 million which strengthened our capital and funded our moderate member growth. Historically low interest rates may be good for borrowers, but it continues to make it difficult to increase dividend rates.

Membership & Asset Growth – Our total membership grew to 45,543 with 26,064 checking accounts. Loans increased \$88.6 million (+27.8%) to \$407.2 million. Member shares increased \$18.0 million (+2.7%) to \$682.5 million. Total assets reached \$779.4 million, an increase of \$25.6 million (+3.4%).

New Member Benefits – We launched several new initiatives to improve your convenience and the safety of your assets. These included new Platinum EMV credit cards (cashback, rewards, preferred rate & affinity); EMV debit cards & ATMs; surcharge-free access at American Savings Bank, Hawaii National Bank and Bank of Nevada ATMs; mobile debit card control application; Overdraft Privilege for checking; ATM cards for savings-only members; LPL Investments; Las Vegas branch relocation; and a redesigned website.

Community Involvement & Education – We continue to build our community involvement and promote financial education. This year we raised \$22,812 for Kapiolani Children's Miracle Network and participated in The Salvation Army's Angel Tree program. We shared our Aloha spirit at the Honolulu City Lights and Kaimuki Christmas parades. Our "Get REAL Financial Reality Fair" continues to grow with presentations at Farrington and McKinley High Schools.

2017 & Beyond:

Upgraded Facilities – As promised, we will complete our Waimalu branch relocation to a much larger location in the same mall and we are looking for a better Kapolei branch location for easier parking and access.

New Products & Services – We expect to make additional improvements to our home banking and introduce a new home equity product that will provide additional options. Mobile wallet (Apple, Samsung and Android Pay) options will be available soon. We are also planning new programs that will reward you for using our services and referring new members.

Brand & Service Enhancement – The member experience is important to us and we are committed to provide better and more responsive services through our new continual feedback programs and process improvements. We are applying the principles of our recently completed Dale Carnegie training and other system improvements. Our advertising and branding reflect our promise to you, "with Aloha, anything is possible."



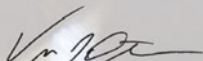
2016

After 80 years, we are continually reminded that we serve our members. You are the reason the credit union was created and as we approach our centennial, we plan to be there for you and future generations. We welcome the opportunity to help you with sound financial advice and services at an affordable price.

Thank you for all of your support and we look forward to 2017 with a renewed sense of purpose and optimism.

Mahalo & Aloha,


 Gary Iwai
 Board Chair


 Vince J. Otsuka
 President and CEO



Who we are



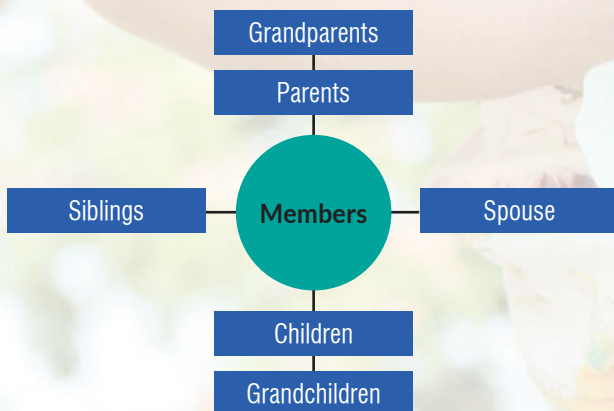
Aloha Pacific Federal Credit Union (APFCU) is the third largest credit union in Hawaii, with over \$779 million in assets. Chartered in 1936 as the Honolulu City & County Employees Federal Credit Union, the credit union changed its name on July 1, 2007. It continues to serve its original charter of employees, retirees and families of the City & County of Honolulu but has expanded to include Select Employee Groups. NMLS #377314.

CUSO of Hawaii Services LLC is a wholly owned company of APFCU and was established in 2000. It offers residential and commercial mortgage loan servicing to 28 credit unions. NMLS #325608.

Aloha Pacific Premier Realty, a division of CUSO of Hawaii Properties LLC, was established in 2006. It is a full-service real estate company providing personalized realty services to both residential and commercial clients. RB-19315.

Aloha Pacific Financial Group, a division of APFCU, offers financial planning, investment and insurance advice to credit union members. Established in 2003, it is located at 832 South Hotel Street (Main branch) and formerly was known as Kalabash Financial.

Who we serve



There are no fees to join. Once a member, always a member. Even if you change jobs or retire, you can continue to enjoy our benefits.

To join, you must belong to one of the groups (or common bonds) listed below and maintain \$5 in your savings account.

- Employees of the City & County of Honolulu, State of Hawaii;
- City & County employees who are retired or on leave of absence;
- Immediate family members of a City & County employee or existing credit union member;
- Aloha Pacific FCU employees;
- SEGs (Select Employee Groups) as approved by the Board of Directors (over 2,000 groups including HGEA, Hawaii Pacific Health, Waipahu Community Association, all Oahu COSTCO stores, AOA Harbor Court and many others);
- And members of their immediate families or household; and organizations of such persons.

2016 Annual Meeting Minutes

The 78th Annual Meeting of the members of Aloha Pacific Federal Credit Union was held on Tuesday, March 8, 2016, at McCoy Pavilion, Honolulu, Hawaii.

Master of Ceremonies and Board Secretary Darwin Hamamoto welcomed the members and reminded everyone to register to receive their meal, door prize ticket and meeting gift. He also encouraged the members to visit the informational booths hosted by Costco Hawaii, Poncho's Solar, Kalabash Financial, Aloha Pacific Premier Realty and Aloha Pacific Mortgage and Consumer Lending Departments.

Board of Directors Chair Gary Iwai called the meeting to order at 5:06 p.m. and requested the Board Secretary to declare a quorum. Hamamoto declared a quorum with 378 members registered.

Chair Iwai then welcomed City Council Chair Ernest Martin, who stated that he has been a member since June 1988, when he first joined the City and County in the Parks and Recreation Department as an assistant groundskeeper. He jokingly related that his credit card limit is still the same at \$500, which proves that whether you are a groundskeeper or the City Council chair, Aloha Pacific Federal Credit Union treats all members equally and provides everyone with the same excellent service. Martin went on to say that while he had an elaborate speech prepared, he wanted to use the time instead to thank Aloha Pacific FCU not only for the many services and benefits provided to its members but also for the many charitable and community events sponsored throughout the year.

Honolulu City Lights is one of the most anticipated city events sponsored by APFCU and enjoyed not only by local residents but by visitors alike with well over 100,000 attending. APFCU is also a very significant sponsor of the Kapiolani Children's Miracle Network, which cares for our keiki; and hosted Salvation Army Angel Trees in each of its Oahu branches, supporting our friends and family who are not so fortunate. He further mentioned that APFCU, along with Matanuska Valley FCU, sponsors financial reality fairs at Farrington and McKinley High Schools to give our young people a head start in the right financial direction. Very close to his heart is APFCU's sponsorship of the Honolulu National Art Program, which showcases art by the many talented employees of the City and County of Honolulu who otherwise would not have a showcase. In closing, he stated that while the city faces many daunting tasks such as homelessness and affordable housing, they are very fortunate to have a dedicated, private partner such as Aloha Pacific Federal Credit Union to participate with them on a daily basis and assist the city in moving these initiatives forward.

Chair Iwai thanked Council Chair Martin for his comments. He then stated that the Board of Directors is responsible for the interests of all members by establishing the strategic direction for management. He recognized the following volunteers for their dedicated service throughout the year: Board of Directors 1st Vice Chair Stanley Inamasu, 2nd Vice Chair Allan Fujimoto (who was out of town), Secretary Darwin Hamamoto, and Directors Robert Morita, Samuel Moku and Geminiano Arre, Jr.

He also introduced the Supervisory Committee members, who are tasked with the responsibility of ensuring that the credit union's financial condition is accurately represented in our financial statements and is in compliance with NCUA regulations: committee members Howard Okamoto and Ben Dimond. Committee Chair Ann Sakurao, Vice Chair Ted Takahashi and Secretary Diane Murata were not able to attend the meeting.

Chair Iwai expressed his appreciation for the many volunteers who serve but receive no special benefits or compensation and stated that as chair of the Board of Directors, he is proud to serve with these dedicated

members. He then thanked the staff, led by the Marketing Department, who generously gave their time and expertise to plan this meeting.

Chair Iwai announced that the minutes of the 2015 Annual Meeting were included in our current Annual Report, which was mailed to each household, posted online on our website and available at the registration desk, and asked for a motion to approve. Geminiano Arre, Jr. made the motion, which was seconded by Howard Okamoto. The 2015 Annual Meeting minutes were approved as presented by the membership.

Chair Iwai described the challenges and highlights of 2015, which was a year of rapid growth and good earnings:

- Management and staff implemented many new products, benefits and services for members. We also served the community through various charitable fundraising events and provided financial education for high school students.
- We are working on the Las Vegas and Waimalu relocation plans to ensure that more convenient and comfortable member access will be provided.
- We continued to improve our financial strength as we strive to reach the 12% capital level, which is important given the economic and regulatory uncertainties in today's market. (For your information, 10.8% is our current capital level as of June 2016.)
- Account rates and fees were held stable in spite of historically low interest rates.

Looking forward, Iwai reported the following:

- Because network and data security remain critical concerns, management is implementing cutting-edge improvements to help ensure reliability and safety. To date, we have had no data breach incidents or major card compromises.
- The 12% capital goal will provide a good financial firewall for any possible future economic crisis.
- You will see service improvements for both facilities and staff, which will allow us to spend more time helping members plan and solve problems, rather than our just processing transactions.
- We will be investing in branding and advertising in 2016. Members may have already seen some advertisements and we believe increasing public awareness of our credit union is vital to grow membership.
- We continue to be committed to our mission – "building lasting relationships through excellence." And our vision – to be your "primary source for financial advice and solutions."

Chair Iwai then introduced President/CEO Vince Otsuka, who introduced his executive management team:

Thomas Santos – Vice President of Sales & Marketing

Norman Goo – Vice President of Lending & Collections

Kristopher Kono – Vice President of Risk Management

Scott Nishimura – Vice President of Commercial Lending

Randy Shinagawa – Vice President/Controller

Michael Camat – VP of Information Technology (who was unable to attend)

(continued on pg. 5)



Kirk Caldwell
Mayor,
City & County of
Honolulu

Message from Mayor Kirk Caldwell

It gives me great pleasure to send my warmest aloha to the officers, directors, staff and members of Aloha Pacific Federal Credit Union. Congratulations on the many initiatives your organization accomplished in 2016, including expansion, improved member service, and enhanced online tools and technologies.

Our community is grateful for your commitment to education, through the Masami Oishi Memorial Scholarships and programs to educate our youth about real-world finances, and your support of charitable programs such as Kapi'olani Children's Miracle Network and Salvation Army Angel Tree. Mahalo nui loa for your enduring support of Honolulu City Lights.

On behalf of the people of the City and County of Honolulu, I extend best wishes to Aloha Pacific FCU for continued success in 2017, and deep appreciation for your contributions to our community and local economy.

Kirk Caldwell
Mayor, City and County of Honolulu

Treasurer's Report

The financial position and operating results of Aloha Pacific Federal Credit Union (APFCU) and its subsidiaries were consolidated for the year ended December 31, 2016, and are presented in this annual report. Be assured that APFCU officials and management place the highest priority on the safety of our members' funds and the soundness of our operations.

In 2016, assets increased \$25.6 million or 3.4%, to \$779.4 million. Member and business deposits increased \$18.0 million or 2.7%, to \$682.5 million. Loans outstanding increased \$88.6 million or 27.8%, to \$407.2 million thanks to increased marketing, more competitive pricing and loan participation. The credit union's equity of \$83.9 million, or 10.8% of total assets, continues to be deemed well-capitalized by the National Credit Union Administration (NCUA).

Total net income in 2016 was \$2.91 million, slightly lower than last year. This was due to needed renovations and investments in marketing loans and new services. We continue to show minimal loan losses. This is due to the integrity and creditworthiness of our member borrowers and sound lending practices.

APFCU paid out \$1.35 million in share dividends in 2016 which was competitive with Hawaii's largest credit unions and banks. With over 45,000 member-owners, APFCU continues to attract new accountholders and select employee groups. We pledge to minimize member fees while adding more value services at competitive rates.

We thank all our loyal employees who worked extremely hard to service our members' needs and our volunteer officials for their tireless dedication and leadership.

ALOHA and MAHALO to all our valued member-owners for your patronage and support of Aloha Pacific Federal Credit Union over the past 80 years and beyond. Together, we make the credit union possible.

Darwin Hamamoto
Secretary/Treasurer



2016 Annual Meeting Minutes (Continued)

Otsuka presented an overview of our accomplishments in 2015:

- 2015 was a great year in which progress was made in moving our credit union forward. Loan growth was the highlight as we increased our portfolio by 10%, with much of the growth coming from competitive rates on mortgage loans, HELOCs and consumer and commercial real estate loans.
- Our mobile banking platform was launched to make banking with our credit union easier than ever. Using smart phones, members can now access accounts, pay bills, deposit checks and receive e-cash rewards by using check cards. We have also increased convenience and security by offering fingerprint account log-in and eye retina scanning log-in.
- Home banking has been upgraded to include FinanceWorks, which helps track income and expenses.
- We continue to offer events such as Family Day at the movies and Member Appreciation Day at the 50th State Fair.
- This will be the 29th year we are offering the Masami Oishi Memorial Scholarship in which 15 deserving members are awarded \$2,000 each.
- Our members and staff also helped raise over \$20,000 for the Kapiolani Children's Miracle Network and participated in Get REAL Financial Reality Fairs at McKinley, Farrington and Waipahu High Schools.

Looking forward toward 2016, Otsuka reported some of the many projects that will support our long-term strategic goals.

- Upgrading service levels that will add value to your experience when you need us.
- Introducing a new branch design concept that will include face-to-face teller pods and interactive video tellers. This design concept will be unveiled at our Henderson, Nevada, branch next month and will be featured at our new, larger Waimalu branch that will open in early 2017.
- Upgrading our check and credit cards later this year to feature the EMV chip. We will also unveil a new credit card program with the option to select rewards, cash back or low rates with enhanced security and mobile card controls.
- Investing heavily in member security, which is very important to us, to ensure your information is safe and secure.

Otsuka thanked the member owners for trusting in Aloha Pacific FCU for all of their financial needs.

Chair Iwai resumed the floor and asked if there was any unfinished business. There was none.

Chair Iwai then addressed the new business and election results by stating that this year we had a total of five Board seats up for election – four two-year terms and one one-year term due to a vacancy. He stated that we are very fortunate to have six highly qualified member volunteers running and introduced the candidates.

Robert K.O. Lum

Geminiano Q. "Toy" Arre, Jr.

Robert S. Morita

Allan T. Fujimoto

Stanley M. Inamasu

Gary Y. Iwai

Elections Clerk Lorene Fujimoto announced that the votes collected at the branches and the Annual Meeting were reviewed and tabulated and announced the candidates with the most votes in order:

Gary Iwai two-year term

Stanley Inamasu two-year term

Allan Fujimoto two-year term

Robert Morita two-year term

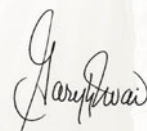
Geminiano Arre, Jr. one-year term

Chair Iwai closed the meeting by encouraging all members to consider volunteering for committees and programs as it is a great way to learn about the credit union and provide community service.

He also reminded the members that the prize drawings would start as soon as the meeting ended and that there was a \$500 first prize as well as a grand prize of a \$1,000 Hawaiian Airlines gift card.

There being no further business, Chair Iwai declared the Annual Meeting adjourned at 6:10 pm.

Respectfully Submitted,



Gary Iwai
Board Chair



Susan Hiyoto
Recording Secretary

Financial Statements

Financial Condition (Unaudited)	Dec 31, 2016	Dec 31, 2015
ASSETS		
Cash & Equivalents	\$ 59,129,407	\$ 48,777,054
Investments	272,451,882	345,703,488
Loans	407,225,282	318,616,880
Allowance for Loan Losses	(3,178,440)	(3,095,865)
Net Loans	404,046,842	315,521,015
Property & Equipment	32,268,393	32,710,446
Other Assets	11,527,787	11,105,665
TOTAL ASSETS	\$ 779,424,311	\$ 753,817,668
LIABILITIES & EQUITY		
Accounts Payable & Other Liabilities	\$ 13,003,225	\$ 7,685,756
Member Shares	\$ 682,502,279	\$ 664,477,610
Equity		
Regular Reserves	22,528,698	22,528,698
Undivided Earnings	56,040,109	52,275,604
Appropriated Undiv. Earn	5,350,000	6,850,000
Total Equity	\$ 83,918,807	\$ 81,654,302
TOTAL LIABILITIES, SHARES & EQUITY	\$ 779,424,311	\$ 753,817,668
Income (Unaudited)		
Interest Income		
Interest on Loans	\$ 14,949,843	\$ 13,454,292
Income on Investments	6,019,148	5,995,848
Total Interest Income	\$ 20,968,991	\$ 19,450,140
Interest Expense		
Dividends to Members	\$ 1,345,255	\$ 1,453,726
Other Cost of Funds	-	-
Total Interest Expense	\$ 1,345,255	\$ 1,453,726
Net Interest Income	\$ 19,623,736	\$ 17,996,414
Provision for Loan Losses	577,864	378,885
Net Int Inc After Provision for Loan Losses	\$ 19,045,872	\$ 17,617,529
Non-Interest Income	\$ 8,223,334	\$ 8,527,138
Non-Interest Expense		
Salaries & Benefits	\$ 11,542,591	\$ 10,573,849
Office Occupancy	3,360,430	3,492,328
Office Operations	4,858,693	4,545,868
Education & Promotion	1,662,546	869,617
Professional Services	1,547,425	1,322,932
Insurance Fund & NCUA Operating Fees	137,180	136,295
Loan Servicing	1,039,348	744,274
Other (Annual Meeting, Travel, Dues, etc.)	677,216	523,610
Total Non-Interest Expense	\$ 24,825,429	\$ 22,208,773
Total Income from Operations	\$ 2,443,777	\$ 3,935,894
Non-Operating Gain / (Loss)	468,464	397
NET INCOME	\$ 2,912,241	\$ 3,936,291

Committees:

SUPERVISORY COMMITTEE:

Ann Sakurao - Chair
 Ted Takahashi - Vice Chair
 Diane Murata - Secretary
 Howard Okamoto
 Ben Dimond

ALCO STRATEGIC:

Geminiano 'Toy' Arre Jr. - Chair
 Stanley Inamasu - Vice Chair
 Allan Fujimoto
 Robert S. Morita
 Samuel Moku
 Vince J. Otsuka
 Kristopher C. Kono
 Randy Shinagawa

OPERATIONAL ALCO:

Vince J. Otsuka - Chair
 Geminiano 'Toy' Arre Jr.
 Norman Goo
 Kristopher C. Kono
 Thomas W. Santos
 Michael Camat
 Randy Shinagawa
 Scott Nishimura

HUMAN RESOURCES

Robert S. Morita - Chair
 Darwin Hamamoto - Vice Chair
 Allan Fujimoto
 Stanley Inamasu
 Howard Okamoto

NOMINATIONS / ELECTIONS

Stan Miyata - Chair
 Allan Fujimoto - Vice Chair
 Lorene Fujimoto

Contact Us:

BY PHONE

Oahu: 531-3711
 Neighbor Island & U.S. Mainland:
 877-531-3711 (toll free)

BY MAIL

Aloha Pacific Federal Credit Union
 832 South Hotel Street
 Honolulu, HI 96813

BY INTERNET

Website: alohapacific.com
 E-mail: support@alohapacific.com

DIRECTORS

To contact our board members and committee members,
 please mail correspondence to:
 Aloha Pacific Federal Credit Union
 Attn: <Board Member's Name>
 832 South Hotel Street
 Honolulu, HI 96813

Aloha Pacific Federal Credit Union - Board of Directors



Gary Iwai
Chair
Director Since 1997



Stanley Inamasu
1st Vice Chair
Director Since 2007



Allan Fujimoto
2nd Vice Chair
Director Since 2002



Darwin Hamamoto
Secretary
Director Since 1982



Robert S. Morita
Director
Director Since 2013



Samuel Moku
Director
Director Since 2013



**Geminiano 'Toy'
Arre Jr.**
Director
Director Since 2015

Aloha Pacific Federal Credit Union - Executive Management



Vince J. Otsuka
President and CEO



Kristopher C. Kono
Vice President
Risk Management



Thomas W. Santos
Vice President
Sales & Marketing



Norman Goo
Vice President
Lending & Collections



Randy Shinagawa
Vice President
Controller



Scott Nishimura
Vice President
Commercial Lending



Michael Camat
Vice President
Information
Technology

CUSO of Hawaii - Board of Directors



Stanley Wachi
Chair
Director Since 2000



Daniel Tully
Vice Chair
Director Since 2001



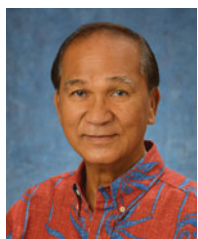
Ann Gima
Secretary
Director Since 2010



David Takiguchi
Treasurer
Director Since 2005



Samuel Moku
Director
Director Since 2013



**Geminiano 'Toy'
Arre Jr.**
Director
Director Since 2015



Stanley Inamasu
Director
Director Since 2016

Supervisory Committee

According to the National Credit Union Administration's (NCUA) Rules and Regulations, the Supervisory Committee is responsible for ensuring that an annual financial audit is conducted, verification of member accounts is performed at least once every two years, and an annual report is prepared and presented to the members at the annual meeting.

To meet these requirements, Kwock & Company CPAs conducted the annual financial audit in accordance with generally accepted auditing standards and found that, except for the effects of reporting members' share accounts as equity, the consolidated financial statements fairly present, in all material respects, the financial conditions of the Aloha Pacific Federal Credit Union in accordance with generally accepted accounting principles. The financial statements include our credit union service organizations.

Other Supervisory Committee responsibilities include attending Board of Directors and committee meetings, investigating member complaints, verifying closed accounts, and monitoring the overview and findings of the Federal Examiner, external financial audit and internal control program.

The Board of Directors and management have met required financial reporting objectives and established procedures to safeguard our members' assets. Their dedicated efforts to serve our members ensure that our Credit Union will maintain its sound financial condition and continue to perform in a diligent and creditable manner.

Ann Sakurao

Ann Sakurao
Supervisory Committee Chair



832 South Hotel Street • Honolulu Hawaii 96813
www.alohapacific.com

79th Annual Meeting Notice

When: Wednesday, March 15, 2017 at 5:00 pm
Member registration begins at 4:00 pm

Where: McCoy Pavilion, Ala Moana Park,
1201 Ala Moana Blvd., Honolulu, HI 96814

No RSVP necessary. Gift, bento, refreshments and door prizes for attending primary members (while supplies last).

Go to alohapacific.com or call us at 531-3711 or 877-531-3711 toll free for more information.



Branch locations:

MAIN BRANCH

832 South Hotel Street
Honolulu, Hawaii 96813
Mon - Fri: 7:30 am - 5:00 pm

KAPOLEI BRANCH

1001 Kamokila Boulevard,
Suite 104
Kapolei, Hawaii 96707
Mon - Fri: 9:00 am - 6:00 pm
Sat: 9:00 am - 2:00 pm

FORT STREET BRANCH

988 Fort Street Mall
Honolulu, Hawaii 96813
Mon - Fri: 7:30 am - 5:00 pm

WAIKELE BRANCH

94-799 Lumiaina Street, Unit 2-A2
Waipahu, Hawaii 96797
Mon - Fri: 9:00 am - 6:00 pm
Sat: 9:00 am - 2:00 pm

KAILUA BRANCH

200 Hamakua Drive, Suite B6
Kailua, Hawaii 96734
Mon - Fri: 9:00 am - 6:00 pm
Sat: 9:00 am - 2:00 pm

WAIMALU BRANCH

98-1277 Kaahumanu Street,
Suite 132
Aiea, Hawaii 96701
Mon - Fri: 9:00 am - 6:00 pm
Sat: 9:00 am - 2:00 pm

KAIMUKI BRANCH

3625 Harding Avenue
Honolulu, Hawaii 96816
Mon - Fri: 9:00 am - 6:00 pm
Sat: 9:00 am - 2:00 pm

HENDERSON BRANCH

9555 S. Eastern Avenue,
Suite 150
Las Vegas, NV 89123
Mon - Fri: 9:30 am - 5:30 pm
Sat: 9:30 am - 2:00 pm