



ANNUAL REPORT 2018

President's REPORT

As we enter our 90th year of dedicated service, first and foremost I want to express our sincerest gratitude for your trust, your loyalty and your continued support. Each year presents unique challenges, milestones and accomplishments - Here are a few highlights from 2018.



Forbes Best-In-State Credit Unions. WOW – what an honor! First Credit Union was named one of Forbes Best-In-State Credit Unions. Based solely on consumer feedback, just three credit unions in Arizona and only 2.5% of all credit unions nationwide earned recommendations and high enough scores from consumers to make the Forbes list.

We also received a Net Promote Score (NPS) of 66 during a recent member feedback survey, which is higher than industry average and a ten point improvement from our prior survey results. There is no higher praise than consumer sentiment. It's an indicator of how First Credit Union resonates with consumers and specifically, a measure of how effectively our employees are engaging with members and delivering on our brand promise of Financial Sunshine®. Thank you to our entire First Credit Union team, and most importantly, a huge thank you to our members - YOU are why we exist!

FINANCIAL Sunshine®

is a brand statement, but what does it really mean?! Those words in action are focused on continually evolving our products, services and delivery channels to make your financial life just a bit more sunny.☺ They also mean we stand ready for the inevitable "rain delay" – which are those moments when we strive to deliver a unique solution that brings Financial Sunshine® on those days too! A good example of this happened during the recent government shutdown.

We remain loyal to our founding membership of federal employees and were prepared to assist those who were affected by the government shutdown. We worked with each member individually, helping them to defer upcoming loan payments, keeping them in their cars and homes. While also covering over \$160,000 in missed paychecks with no-interest loans to help our federal members remain financially stable during the uncertainty of the federal shutdown.

Technology.



Expanding convenience and accessibility while maintaining our high standards of stability and security are of utmost importance. With the technology landscape constantly evolving, we continue to invest in our infrastructure to ensure our core systems and fintech toolset provide broad 24/7 capabilities. Our goal is for members to have a "branch" in their pocket, ready to self-serve whenever they want and wherever they go. During 2019, we will be working behind the scenes to enhance our digital banking platform with a digital first mindset and Financial Sunshine® consistency.

Branch refresh. To date, we have completed branch makeovers at our Tempe, Ocotillo, Tucson and Chandler Corporate Plaza locations – adding lively colors, interactive digital displays, and a coffee bar. We have plans for our west valley branches in 2019!

Thank you again for your membership, we're pleased with the positive progress we've made during 2018 and encourage you to review the Financial Statement along with reports from our Board of Directors, Supervisory Committee, and Credit Committee included in this Annual Report. **JAY CURTIS** PRESIDENT/CEO

Board of Directors' REPORT

Your Board of Directors' primary focus is to ensure the well-being of First Credit Union for today, tomorrow and for years to come. We keep our member-owners' best interest at the forefront when, along with the Executive Management team, we make decisions throughout the year to strengthen and grow our credit union. We are your representatives and take our responsibilities to you seriously.

Your Board has complete trust in our credit union's Executive Management team and their ability to make sound decisions for our future success. We're confident First Credit Union remains a safe, stable and beneficial financial institution.



Left to Right: Caryn Horvitz-Strauss; Ben Tan; Ken Mullins; Russell Puckett; Jay Curtis; William Jimro; Barry Schlegel

2018 Meeting Minutes

The 2018 Annual Meeting was called to order at 6:04 PM on March 27, 2018, at the corporate headquarters in Chandler, Arizona, by the Board Chairperson, Caryn Horvitz-Strauss. A quorum was ascertained by William Jimro, Vice Chairperson of the Board.

Following an invocation and recitation of the Pledge of Allegiance, Chairperson Horvitz-Strauss called for a motion to approve the minutes of the 2017 Annual Meeting, which were included in the 2017 Annual Report. Lori Gallegos made a motion to approve the minutes, motion was seconded by Russ Puckett, and motion was approved unanimously.

Chairperson Horvitz-Strauss introduced members of the Board of Directors and the Supervisory Committee.

Jay Curtis, President and CEO, introduced the leadership team and made other special recognitions of members, staff, and volunteers.

Mr. Curtis drew attention to four reports within the Annual Report: the President's Report, the Board of Directors' Report, the Supervisory Committee

Report, and the Credit Committee Report.

Vice Chairperson Jimro delivered the Governance Committee Report. There were two vacancies for the Board of Directors and the Governance Committee nominated two candidates: Caryn Horvitz-Strauss and Ben Tan. Because only two candidates were selected for the two open Board positions, no ballot election was necessary and the two candidates were elected by acclamation.

Chairperson Horvitz-Strauss noted that there being no further business called for a motion to adjourn the Annual meeting. Lori Gallegos offered a motion to adjourn the First Credit Union Annual meeting, which was seconded by Ben Tan and unanimously approved at 6:14 PM.

Supervisory Committee REPORT

The purpose of the Supervisory Committee is to protect the member's funds, ensure accurate records and maintain a quality systems of checks and balances. The committee utilizes the support of internal auditors to review selected areas of credit union operations on an ongoing basis. The 2018 committee members were Chris Dunlevy, William Jimro, Shari Mauney, and Brian Walker.

The Supervisory Committee oversees that operations are conducted in accordance with credit union governing rules and regulations and that assets are properly administered. The committee has normally, and did again in 2018, retained the services of an independent, national Certified Public Accounting firm, to perform an annual financial statement audit in conformance with Generally Accepted Auditing Standards.

Based on their interaction with the Board of Directors, Executive Management, and Internal Auditors, it is the opinion of the Supervisory Committee that First Credit Union is conducting its affairs in a fiscally responsible manner and that the financial statements presented in this annual report fairly represent the condition of First Credit Union at year-end 2018.

Credit Committee REPORT

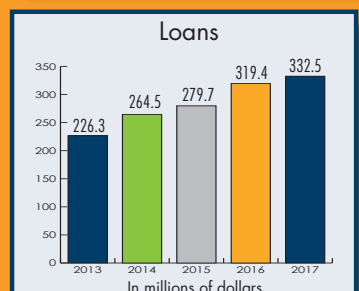
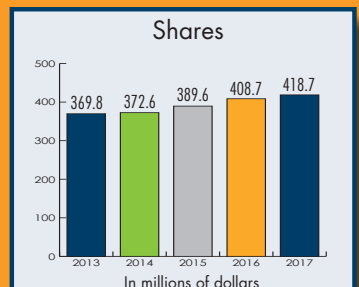
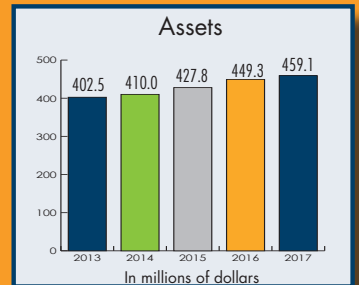
First Credit Union is committed to being a safe and stable financial institution for our members. The Credit Committee met regularly throughout 2018 to ensure the credit union is operating within established lending policies and guidelines.

During 2018, First Credit Union funded \$117.5 million in consumer loans and \$18.3 million in first mortgage loans. The total loan portfolio grew by \$17.6 million to \$350.2 million, which is a year-over-year increase of 5.3%.

Being the "first choice" for your borrowing needs is our goal. Going forward, First Credit Union and the Credit Committee remain committed to offering new loan products, services and delivery channels that meet our members' financial needs and service expectations.

STATEMENT OF FINANCIAL CONDITION As of December 31, 2018 (unaudited)

	2018	2017
ASSETS		
Loans to members	350,238,330	332,589,366
Allowance for loan losses	(3,411,328)	(3,596,470)
Investments	52,619,671	55,511,689
Fixed Assets	18,431,905	19,439,525
Cash and cash equivalents	29,924,009	42,369,483
All other assets	12,518,132	12,869,777
Total Assets	460,320,719	459,183,370
LIABILITIES		
Accounts payable	1,940,510	1,859,810
Notes payable	0	0
Other liabilities	3,970,603	2,797,388
Member equity:		
Shares and certificates	416,532,000	418,713,184
Statutory reserves and other comprehensive income (loss)	7,844,153	7,893,343
Undivided earnings	30,033,453	27,919,645
Total Liabilities and Members' Equity	460,320,719	459,183,370
INCOME		
Interest from loans	16,304,787	15,636,983
Investment income	2,462,477	2,459,616
Other income	6,735,832	6,468,870
Total Gross Income	25,503,096	24,565,469
OPERATING EXPENSES		
Compensation and employee benefits	10,187,367	9,966,868
General and administrative expenses	9,520,277	9,432,956
Total Operating Expenses	19,707,644	19,399,824
Income before the following:	5,795,452	5,165,644
Provision for loan losses	(2,333,981)	(3,124,119)
Interest	(695,312)	(590,857)
Dividends to members	(484,652)	(381,277)
Extraordinary item	0	0
Total Net Income (Loss)	2,113,807	1,069,391



Disposition of Income

