

FIRST

2017
CREDIT UNION

ANNUAL REPORT

This Annual Report contains detailed information about First Credit Union's financial results for 2017. We encourage you to review the Financial Statement and charts along with the reports from our Board of Directors, Supervisory Committee, and Credit Committee.

President's REPORT

Each day brings new opportunities for all of us at First Credit Union to create first class personal solutions for our members. It's what we do. It's how we strive to deliver Financial Sunshine® to our members every day and in every way.

FIRST FORECAST:

Bright with a chance of more
FINANCIAL Sunshine®



Finding new ways to help members achieve their dreams enabled First Credit Union to finance 134 homes, 4,234 vehicles, 853 new credit cards, and fund \$8.7 million in home equity loans. Since our inception in 1929, First Credit Union has financed \$2.9 billion of loans for our members.



Mobile Banking & Payments. Mid-year we introduced our mobile banking 2.0 app featuring improved navigation with a bright new look, increased security with Touch ID™ (iPhone® only), and access to My Budget personal money management tool.

As new ways to pay become available, First Credit Union is keeping pace! Apple Pay, Google Pay (formerly Android Pay), and Samsung Pay can all be used with First Credit Union debit cards and credit cards.

Branch Makeovers. The work continues! Our Tucson branch is the latest location to be refreshed with lively colors, interactive digital displays, and a coffee bar. Two or more locations will receive makeovers in 2018 with all locations completed by the end of the following year.



Chip Cards. It's a tiny chip that makes a big difference in terms of security for members' debit and credit cards. Last year we replaced every First Credit Union Visa® debit card and credit card with new EMV chip cards for added security. By the way, EMV stands for EuroPay, MasterCard, and Visa, which are the three companies that created the original chip technology standard.



Thank you for choosing First Credit Union! We value your membership and appreciate your business. On behalf of every First Credit Union employee, thank you for your trust, your loyalty, and your continued support. We exist to serve you!

JAY CURTIS PRESIDENT/CEO

COOL #'S THIS WAY!

1,081
HOURS
IN THE
COMMUNITY

CHARITABLE GIVING
\$55,002

4,552
NEW MEMBERS

TOTAL LOANS FUNDED
SINCE 1929
\$2,960,629,705

Supervisory Committee REPORT

The role of the Supervisory Committee is important and similar to the role of internal auditors, which is to protect the interests of First Credit Union members. The committee members assume this responsibility by ensuring a quality system of checks and balances is maintained. The committee is appointed by the Board of Directors. Committee members for 2017 were Chris Dunlevy, William Jimro, Shari Mauney, and Brian Walker.

The Supervisory Committee acts as a guardian of the credit union by ensuring operations are conducted in accordance with governing rules and regulations and assets are properly administered. The committee 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 the Supervisory Committee's 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 safe manner and the financial statements presented in this annual report fairly represent the condition of First Credit Union at year end 2017.

Board of Directors' REPORT



CHAIR



VICE CHAIR



SECRETARY

Your Board of Directors' primary responsibility is to ensure the viability and future of First Credit Union. Throughout the year, together with the Executive Management team, we made decisions to help strengthen and grow our credit union, keeping our member-owners' best interests at the forefront. We are your representatives and we are looking out for you.

Your Board of Directors has complete trust in the credit union's Executive Management team. We are confident First Credit Union remains a safe, stable and beneficial financial institution. Thank you for your continued loyalty and commitment to First Credit Union.



TREASURER



DIRECTOR



DIRECTOR



DIRECTOR

Top left to bottom right: Caryn Horvitz-Strauss; William Jimro; Ken Mullins; Russell Puckett; Jay Curtis; Barry Schlegel; Ben Tan

RECAP

2017 Meeting Minutes

The 2017 Annual Meeting was called to order at 6:02 PM on March 28, 2017, 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 2016 Annual Meeting, which were included in the 2016 Annual Report. Lori Gallegos offered a motion to approve the minutes, which motion was seconded by Kenneth Mullins and approved unanimously.

Chairperson Horvitz-Strauss introduced members of the Board of Directors and the Supervisory Committee. She then asked for a moment of silence to honor and remember the Credit Union's prior Board Chair, José Luis Carrera, Sr., who passed away last June.

Jay Curtis, President and CEO, recognized Mr. Carrera's wife, Lucy, who was in attendance, as well as Wayne Sillyman, Emeritus Board Member. He then introduced the leadership team.

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.

The following Bylaw amendments approved by the Board were brought forward by Chairperson Horvitz-Strauss for member ratification:

- Article III, Section 3.1 to reflect that the Membership at the Credit Union is limited to those individuals and entities listed in the Field of Membership Appendix to these Bylaws, which is incorporated into and made a part of these Bylaws by reference. The Field of Membership Appendix may be amended as required in order to add or delete to the Credit Union's field of membership.
- Article VI, Section 6.4 to reflect Board shall meet at a regular meeting as often as is required by law, with the date and time of the meeting to be set by the Board.
- Article VIII, Section 8.2 to reflect that the supervisory committee shall consist of at least three (3) but no more than five (5) members, all of whom shall be members of this credit union.

- Field of Membership Appendix to reflect changes to the Field of Membership of this Credit Union to include:

- American Group
- Carrington College

and to remove from the Field of Membership of this Credit Union:

- Excel Plating Technology
- Faith Lutheran Church Preschool
- R.B. Machine Company, Inc.
- Southwest Pet Products, Inc.
- Todds Enterprises, A division of HJ Heinz Co.

Following the presentation of the Bylaw amendments, Lori Gallegos motioned to ratify the changes, William Jimro seconded the motion, and the Bylaw amendments were ratified unanimously.

Chairperson Horvitz-Strauss delivered the Governance Committee Report. There were three vacancies for the Board of Directors and the Governance Committee nominated three candidates: Jay Curtis; William Jimro; and Kenneth Mullins. Because only three candidates were selected for the three open Board positions, no ballot election was necessary and the three candidates were elected by acclamation.

There being no further business, Lori Gallegos offered a motion to adjourn the First Credit Union annual meeting. The motion was seconded by Russ Puckett and unanimously approved at 6:15 PM.

Credit Committee REPORT

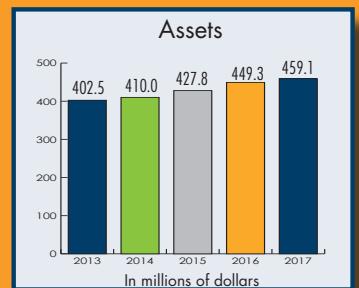
First Credit Union's main objective is to be a safe and stable financial institution for our members. The Credit Committee met regularly throughout 2017 to ensure our credit union is operating within established lending policies and guidelines.

Last year First Credit Union funded \$113.4 million of consumer loans and \$23.5 million of first mortgage loans. Our total loan portfolio grew by \$13.2 million to \$332.5 million, which is a year-over-year increase of 4.1%.

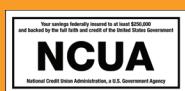
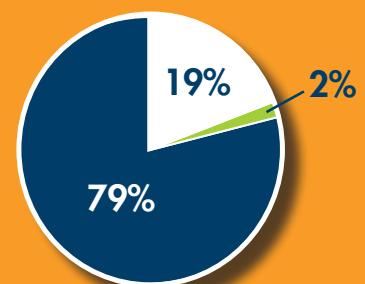
First Credit Union strives to be our members' primary resource for their borrowing needs. We remain committed to offering members innovative loan products, services and delivery channels that meet our members' needs and experience expectations.

STATEMENT OF FINANCIAL CONDITION As of December 31, 2017 (unaudited)

	2017	2016
ASSETS		
Loans to members	332,589,366	319,432,247
Allowance for loan losses	(3,596,470)	(3,589,520)
Investments	55,511,689	61,986,197
Fixed Assets	19,439,525	19,803,378
Cash and cash equivalents	42,369,483	39,811,595
All other assets	12,869,777	11,901,368
Total Assets	459,183,370	449,345,265
LIABILITIES		
Accounts payable	1,859,810	2,340,956
Notes payable	0	0
Other liabilities	2,797,388	4,115,470
Member equity:		
Shares and certificates	418,713,184	408,750,072
Statutory reserves and other comprehensive income (loss)	7,893,343	7,288,514
Undivided earnings	27,919,645	26,850,253
Total Liabilities and Members' Equity	459,183,370	449,345,265
INCOME		
Interest from loans	15,636,983	14,480,279
Investment income	2,459,616	2,373,976
Other income	6,468,870	6,602,004
Total Gross Income	24,565,469	23,456,259
OPERATING EXPENSES		
Compensation and employee benefits	9,966,868	9,749,258
General and administrative expenses	9,432,956	8,730,164
Total Operating Expenses	19,399,824	18,479,422
Income before the following:	5,165,644	4,976,837
Provision for loan losses	(3,124,119)	(2,333,482)
Interest	(590,857)	(303,541)
Dividends to members	(381,277)	(371,533)
Extraordinary item	0	(1,550,000)
Total Net Income (Loss)	1,069,391	418,281



Disposition of Income



- Operating Expenses
- Dividends to Members
- Undivided Earnings & Reserves