

PRESIDENT'S REPORT • RON MOOREHEAD

2017 was a very good year for your credit union. Recording just under \$2 million in income in 2017, with 74,000 members, 15 branches in 9 communities, and over a half billion dollars in assets, First Financial continues to be a strong financial partner for you and our diverse New Mexico communities.

As part of our commitment to you, our member-owners, we regularly invest in refreshing and upgrading our branch environment. In early 2017, we moved the Westside Albuquerque branch located on Coors to a new location at the Northeast corner of Coors and Montano. In May, our Boardman branch was damaged by a fire, and after much analysis and planning, moved the branch to the new location on Aztec in the Downtown Gallup area. In both moves, the new locations are larger, have more parking, and have drive-throughs. The new locations have better technology, but the same great staff as before. We invest in leading edge technology; however, we strive to balance the high tech with high touch personal service delivered in person or over the phone.

Data breaches and large-scale identity thefts continue to be national issues. Your Credit Union worked with others in the state in to help pass New Mexico's first Data Breach Notification Act, legislation that is an important tool in combating fraud and cybercrime. One data breach that affects over half of all adults in the US, the Equifax breach, has significant implications. While neither you nor your credit union did anything to cause the breach, those that had their social security number and other information compromised will be at risk for years to come. Due to that, First Financial implemented enhanced security protocols to help protect you. These protocols at times might seem complicated, but are there to protect you and your money.

We continue to evaluate programs, products, services, and locations, so that we can be the best financial partner for you and our state. I am quite proud of all that my co-workers and our volunteers accomplished in 2017, and want you to know that it is a privilege to work with them as we serve you throughout the year. Thank you!

CHAIR'S REPORT • LORETTA MONTTOYA

Having concluded my first year as being your Board Chair, it is gratifying to see the many ways First Financial Credit Union is serving the financial needs of our members. As a member-owned financial institution, we are committed to helping our members achieve all of their financial goals. Whether it was through our guidance to those who are just starting on their financial journey or helping members navigate their way out of debt, we continue to redefine what it means to be a financial institution.

Our purpose is to deliver the very best service and to offer truly competitive products and services that are tailored to meet your changing needs and help you through the good and sometimes unexpected paths life can take. That commitment is coupled with our dedication to provide you with expert guidance to help you make informed decisions about your financial life.

In 2017, we continued to invest in our members by evaluating operational efficiencies and making improvements to our products and services. We also focused on improving our use of technology and offering our members more convenient ways to access their accounts. We launched a newly designed website, online banking system, and mobile app – all in an effort to be simpler, faster and more convenient.

We stand by our core values focusing on financial education, scholarships and partnerships that enrich people's lives and strengthen our communities. In 2017, First Financial contributed over \$13,000 to various organizations throughout our New Mexico communities. We also invested \$20,400 in college scholarships to our student-members who demonstrated a dedication and commitment to academics.

It is a great privilege to work for you, our Member-Owners, and we stand ready to help you with whatever future goals and aspirations you have. We appreciate your membership and look forward to serving you and your families for many years to come!

The Supervisory Committee ensures that the Board of Directors and credit union management meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets. This is accomplished through a combination of internal audits and external examinations.

Internal audits performed by the Director of Internal Audit evaluate the internal controls established by Credit Union for effectiveness, adherence, and compliance with regulatory requirements. Additionally, a verification of all members' accounts was conducted as prescribed by Credit Union Bylaws as of September 30, 2017.

External examinations are performed periodically. In 2017, examinations were conducted by our federal regulator, National Credit Union Administration (NCUA), our state regulator, NM Financial Institutions Division, and an independent certified public accountant firm, Nearman, Maynard, Vallez CPAs.

The Supervisory Committee is also the advocate for members who have concerns or may need assistance resolving a problem encountered in transacting business. Members may contact the Supervisory Committee at P.O. Box 26926, Albuquerque, NM 87125.

Based on the above actions and results, the Supervisory Committee is pleased to report (i) the accounting records and financial reports of First Financial Credit Union are accurately stated in all material respects, (ii) adequate internal controls are consistently used in daily operations, (iii) examiner issues or concerns have been addressed, and (iv) First Financial Credit Union is financially secure and dedicated to serving its members.

TREASURER'S REPORT • CATHY THOMAS

2017 was a successful year providing solid growth to First Financial Credit Union. Membership increased by 4.5%, deposits grew by 1.9%, loans grew by 2.1%, and assets grew by 2.3% to \$520 million. Net interest income increased \$1.8 million or 11.2% compared to the prior year. The increase in interest income was proportionally more than the increase in loan balances, but was still limited as a direct result of the continuing very low rate interest environment. Short-term interest rates slightly rose in 2017 due to Federal Reserve actions, but long-term interest rates remain near historic lows, due in large part, to worldwide economic conditions. With growth in membership and services, operating expenses increased by \$1.2 million or 5.1% over the prior year. The net income in 2017 was \$1.9 million, the best year since 2012.

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In 2017, First Financial continued to innovate by improving the speed and convenience of its loan delivery channels used to provide loan decisions and funding to members, to enhance the security of member data through information technology enhancements, and place the newest technologies in the remodeled branches in Gallup and Albuquerque.

The credit union's 2017 financial reports reflect that the Credit Union continues to be healthy, with Net Worth ending the year at \$41.7 million and 8.0% of assets. This exceeds the 7% threshold that is required to be considered "well capitalized" by the National Credit Union Administration.

2017 STATEMENT OF FINANCIAL CONDITION
FIRST FINANCIAL CREDIT UNION AS OF 12/31/17

	2017	2016
ASSETS		
Loans	\$ 412,508,215	\$ 404,026,123
Allowance for Loan Losses	(3,924,667)	(3,464,431)
Net Loans	\$ 408,583,548	\$ 400,561,692
Cash & Investments	78,974,018	66,850,977
Fixed Assets	9,573,775	9,892,452
Other Assets	22,580,709	30,516,863
Total Assets	\$ 519,712,050	\$ 507,821,984
LIABILITIES & EQUITY		
Current Liabilities	\$ 7,326,988	\$ 6,246,123
Member Shares	470,713,656	462,133,433
Retained Earnings	41,671,406	39,442,428
Total Liabilities & Equity	\$ 519,712,050	\$ 507,821,984
STATEMENT OF INCOME & EXPENSE		
Interest Income:		
Loans	\$ 18,866,460	\$ 16,938,938
Investments	1,064,291	1,137,408
Interest Expense:		
Dividends to Members	(1,630,556)	(1,625,217)
Interest on Borrowed Funds	(18,458)	(14,713)
Net Interest Income	\$ 18,281,737	\$ 16,436,416
Other Operating Income	11,791,497	10,652,166
Non-Operating Income/Loss	238,510	(758,259)
Operating Expense	(24,317,722)	(23,134,036)
Provision for Loan Losses	(4,080,000)	(3,600,000)
Net Income	\$ 1,914,022	\$ (403,713)

BOARD OF DIRECTORS

CHAIR: Loretta Montoya
 SECOND VICE CHAIR: Vincent Esparza
 DIRECTORS: Boyd Miller, Cindy Kane, John Warner
 FIRST VICE CHAIR: Cassie Kelley
 SECRETARY/TREASURER: Cathy Thomas

SUPERVISORY COMMITTEE
 Chair - Olivia Jimenez
 Member - Christine Duncan
 Member - Cindy Frost
 Advisor - Pablo Rael
 Advisor - Israel Chavez
 Advisor - Gloria Herrera



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