

2017 Annual Report

**YOUR COMMUNITY,
YOUR CREDIT UNION.**



Management Report



CEO Linda Bowyer

2017 was a momentous year for First Credit Union. Not only did the organization celebrate its 78th anniversary, but it also prepared for a significant transition in leadership. The retirement of the Credit Union's CEO, Dave Craigen, was announced early in 2017, after more than 25 years of service to the organization. Under Dave's leadership the organization experienced strong employee engagement and tenure, excellent member service and growth, income diversification, and strong financial performance. A report from First Credit Union's management would not be complete without an acknowledgement of Dave's longstanding contributions to the organization, as well as a message of gratitude for his service.

As a result of Dave's retirement, the Board of Directors conducted a thorough CEO search and recruitment process, with the goal of finding a candidate who could blend financial services leadership with a passion for community and cooperative organizations. By the end of the year, the Board was pleased to announce the appointment of Linda Bowyer to CEO, effective February 5th 2018. The organization is pleased to welcome Linda to the team, and looks forward to working together to serve our members and strengthen cooperative banking in our communities.

In 2017, the Board and Management of First Credit Union also spent a great deal of time reflecting on the organization's purpose, how we can best meet the needs of our communities and membership, and on the factors we consider to be critical to our success and

sustainability. This reflection affirmed our belief that our future success lies in maintaining our position as a trusted financial institution, delivering outstanding service and expert advice, while also providing a day-to-day banking experience that is both personal and efficient. Our fundamental goal is to offer products and services that enhance the financial well-being of our member-clients. We believe that by serving our membership this way, we can foster deep and loyal relationships that will reinforce the strength and resilience of our organization, in turn safeguarding our legacy as a significant and meaningful contributor to community.

Throughout 2017, we worked towards clearly identifying the approach that will best enable us to achieve this vision. We began with the development of our three-year strategic plan (which was finalized in the latter half of 2017) and have continued with implementation of our annual operating plans, which set the course for further progress towards accomplishing the goals we defined as integral to our success.

First, a key theme in our planning was a focus on better understanding and improving our member-client experience. Our overall strategy in this regard has included new technological integration, improvements in service delivery, and a continued focus on the services that enhance financial well-being.

Second, we have—and will continue—to implement strategies aimed at financial sustainability, collaboration, and efficiency, as well as strategies directed at improving service to our membership. We have continued to focus on our insurance joint

Management Report

venture, seeking to maintain our existing client base while delivering enhanced value to our membership by offering competitive insurance products and expertise.

Finally, a significant portion of our time and efforts have been dedicated to serving our purpose: to strengthen the financial well-being of our members and make meaningful community impact. We recognize that this is why we exist, and reflected in our planning are strategies intended to increase our contributions to community, clearly define our vision and intended social impact, and prioritize our focus in order to better serve our purpose.

As a result of both the dedicated efforts of our employees and Board of Directors, along with the support and patronage of our loyal membership, First Credit Union also experienced excellent operating results in 2017. Some of the highlights of those achievements include:

- Asset growth of 6.4%, putting the organization at just under \$386 million in assets at year end
- Loan growth of 12.74% or \$37.6 million
- Deposit growth of 4.26% or \$13.0 million
- Wealth Management commissions reached their highest ever at \$1.1 million
- Capital Adequacy at 23.26% at year
- Ongoing delivery of Community Impact Day: participation of 140 employees, volunteering
- 420 hours of service to 13 organizations in 4 communities

- Maintaining excellent overall employee engagement.

Aside from the financial results, throughout this annual report you will read about the many ways in which First Credit Union is making a difference, both in terms of monetary and in-kind contributions to our membership and community. We are pleased to share our positive financial results and talk about effective strategy, but ultimately, our membership and our communities are at the heart of our desire to create a sustainable future for the organization. We exist both for, and as a result of our membership and the communities we serve, and know that together we can build a strong member-owned cooperative for years to come.



Presenting a sponsorship cheque for *Leaders In Training*, 2017

Our Vision

Building Successful Relationships

Community Impact Report



Community Impact Day, 2017

Our Purpose

To strengthen the financial well-being of our member-clients and make a meaningful community impact.

As our name suggests, we are proud of our rich history and designation as the oldest credit union in British Columbia. Since we incorporated in 1939, the way we do business has changed significantly, but what hasn't changed is our personalized, hands-on approach to helping our members and the community.

The purpose of our organization is to strengthen the financial well-being of our members and make a meaningful community impact; this is founded in the belief that we prosper as individuals when we are connected to a healthy, sustainable community. Our community impact program supports our purpose and comprises three major initiatives: building community relations; developing partnerships, and committing to community investment. Each initiative contains activities and programs that positively contribute to the well-being of the communities we serve.

1. BUILDING COMMUNITY PROGRAMS

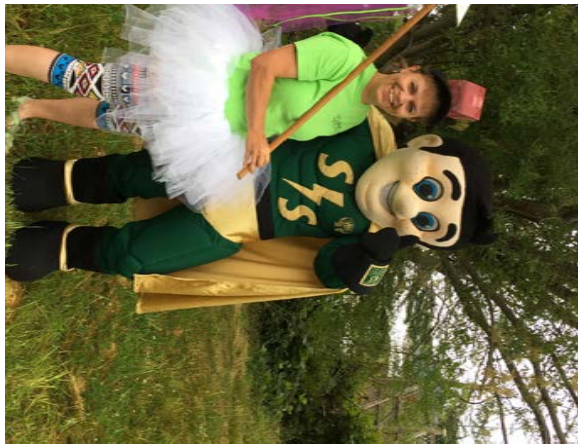
We seek opportunities to build relationships with members of our community with outreach programs and events. Many of these programs focus on developing young leaders because we believe that investing in our youth is paramount to the positive social and economic future of our communities. In addition to a robust scholarship program, we offer a CULEAD young leaders program to grade 12 students planning to further their education. Our CULEAD program gives students the opportunity to gain practical experience and mentoring from business professionals on a wide range of topics. Over 100 students have participated in the young leaders program since it was established in 2001.



CULEAD Students at Canada Day Celebrations, 2017

Community Impact Report

Since 2014, First Credit Union has been a major sponsor of Bowen Island Community Recreation's Leaders in Training program. Every summer Bowen's youth aged 12 – 16 have an opportunity to gain knowledge and skills while volunteering with summer day-camps and special events through Bowen Island Community Recreation and other clubs on the island.



Getting ready for the Texada Island Sandcastle Parade, 2017

We also look for ways to support the non-profit organizations in our communities. In 2015 we celebrated our inaugural Community Impact Day, where we closed all of our branches three hours early to allow all 140 employees to volunteer in their community. Community Impact Day has since become an annual event; in 2017 we tackled many projects for local organizations including cleaning and repairing cages for the Powell River Orphaned Wildlife Society, building a shelter for the Powell River Therapeutic Riding Society, playing cards with residents at Willingdon Creek Extended Care, clearing a field in preparation for a dog park at the Powell River SPCA, weeding gardens at Courtenay Elementary School, planting trees at the Bowen Island Museum and Archives, painting the Texada Island Thrift Store, and baking for the Comox Valley Transition Society.

In addition to hosting our own flagship events like 'Movie Under the Stars', we sponsor many community festivals and activities that showcase our communities and bring people together.

2. DEVELOPING PARTNERSHIPS

By partnering with organizations that share our values, we multiply the power of our efforts to build healthy, sustainable communities. Since 2001, First Credit Union has been a lead partner in Success By 6®, an early childhood development initiative dedicated to providing all children with a good start in life. Success By 6® works to ensure that children ages 0 to 6

develop the emotional, social, cognitive, and physical skills they need as they enter school by engaging citizens in early childhood development, and funding programs for young children and their families.

We believe that when our communities are strong, we all benefit. Similarly, improving lives locally by creating vibrant neighbourhoods and communities is what United Way is all about; with purpose and values that are so closely aligned, it makes sense for First Credit Union to support the United Way as a community partner with annual corporate donations and workplace fundraising campaigns.

In celebration of our co-operative roots, every summer First Credit Union sponsors three youth between the ages of 14-18 to attend YES Leadership Camp. The YES (Youth Excellence Society) works to build the skill-set and resiliency of youth all across British Columbia. These week-long leadership retreats help participants develop skills in the areas of self-awareness, cooperation, communication, global awareness, environmental sustainability and leadership.

First Credit Union is also a proud affiliate of Community Foundations in Powell River, the Comox Valley, and on Bowen Island. Through gifts and bequests, the Community Foundations nurture and support worthy projects and local initiatives.

Community Impact Report

3. COMMUNITY INVESTMENT

In addition to giving back to our members through dividends and patronage, we provide financial support to non-profit, charitable organizations that directly impact the community. In 2017 we proudly donated to many local organizations including \$5000 each to the Bowen Island and Comox Valley Community Foundations, and \$20,000 to the Powell River Hospice Society.

Our annual Community Investment Funds give one-time financial support to local non-profit organizations that contribute to the long-term social, health, economic or environmental well-being of the communities we serve.

Community Investment Funds are different from our donation and sponsorship program. First, each year the size of the funds are calculated based on the size of our business; as our business grows, so does the amount we are able to award. Second, the successful applicants are chosen from a volunteer panel of employees – giving them an opportunity to weigh-in on the projects that will affect the community they serve. Finally, Community Investment Funds are only available once per year. Applications are accepted in February and March; successful applicants are announced at our annual Annual General Meeting held in Powell River in May.

In 2017 recipients of the funds were: the Powell River Technology Co-op for an interactive public

art installation; Powell River Therapeutic Riding Association for supplies to build a two-stall horse shelter; Cumberland Market to support a fresh food coupon program for Cumberland residents in need; Coal Hills BMX for upgrades and maintenance of the track; Vanier Community Garden to provide growing and educational space to students at Vanier High School during the school year and to community members and organizations during the summer months; Texada Food Bank for nutritious food support to those in need; Bowen Island Museum and Archives to create an attractive, wheel-chair

accessible, garden pathway. As a member-owned cooperative, commitment to community is at the heart of our business, but we can only do this work with the support of our membership. We'd like to thank our members and clients for doing business with us. As we grow and continue to get stronger, so does our capacity to positively impact our communities.



Presenting a donation cheque to the Powell River Hospice Society, 2017

Auditors' Report



Community Impact Day in Cumberland, 2017.

To the Members of First Credit Union:

The accompanying summary consolidated financial statements, which comprise the summary consolidated balance sheet as at December 31, 2017 and the summary consolidated statements of income and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of First Credit Union for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 27, 2018.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of First Credit Union.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of these summary consolidated financial statements in accordance with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on these summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary consolidated financial statements, derived from the audited consolidated financial statements of First Credit Union for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Del Mistro Dunn

Chartered Professional Accountants
A partnership of incorporated professionals

www.delmistrodunn.ca

D. Dunn, CPA CGA CA
S. Beck, CPA CGA
D. Southall, CPA CGA FCCA (UK)
L. Del Mistro, BSc CPA CA

Suite 201, 7385 Duncan St.
Powell River, BC, V8A 1W6
T: 604-485-2726
F: 604-485-7910

Balance Sheet

Summary of the Consolidated **Balance Sheet** as at December 31, 2017

ASSETS	2017	2016
Cash	\$22,016,613	\$43,947,582
Treasury Deposits	\$12,401,902	\$5,196,802
Income Taxes Recoverable	\$116,696	-
Investments and Other Assets	\$3,137,169	\$3,060,320
Investment in Joint Venture	\$9,186,676	\$9,895,439
Derivative assets held for risk management	\$680,842	-
Loans and Notes Receivable (net of allowance)	\$332,875,915	\$295,253,507
Property, Plant and Equipment (net of amortization)	\$5,286,503	\$5,130,695
Intangible Assets (net of amortization)	\$35,051	\$52,576
	\$385,737,367	\$362,536,921

LIABILITIES	2017	2016
Accounts Payable	\$1,419,283	\$1,064,434
Demand Deposits	\$171,819,724	\$159,276,699
Accrued Interest and Dividends	\$1,293,236	\$1,364,003
Income Taxes Payable	-	\$131,944
Deferred Income Taxes	\$153,135	\$120,257
Term Deposits	\$83,907,823	\$87,482,854
Registered Savings Plan Deposits	\$63,613,184	\$59,541,413
Secured Borrowings	\$31,648,415	\$21,153,027
Capital Lease Obligations	\$4,311	10,432
	\$353,859,111	\$330,145,063
MEMBERS' EQUITY	\$31,878,256	\$32,391,858
	\$385,737,367	\$362,536,921

Income and Cash Flows

Summary of the Consolidated Statement of Net and Comprehensive Income and Retained Earnings for the year ended December 31, 2017

	2016	2017
Financial Income	\$10,770,294	\$9,870,326
Financial Expenses	(\$3,399,972)	(\$3,255,688)
Financial Margin	\$7,370,322	\$6,614,638
Provision for Credit Losses	(\$116,221)	(\$338,258)
Other Income	\$3,599,045	\$6,996,874
Operating Margin	\$10,853,146	\$13,273,254
Operating Expenses	(\$9,022,896)	(\$12,182,910)
Gain on Investments	\$589,423	11,278,197
Income (Loss) from Joint Venture	(\$737,800)	(\$353,417)
Net Income Before Income Tax	\$1,681,873	\$12,015,124
Provision for Income Tax	(\$309,662)	(\$1,268,988)
NET AND COMPREHENSIVE INCOME	\$1,372,211	\$10,746,136
Retained Earnings, Beginning of Year	\$26,361,550	\$15,968,716
	\$27,773,761	\$26,714,852
Dividends and Patronage	(\$362,855)	(\$440,101)
Amortization of Contributed Surplus	\$7,257	\$86,799
RETAINED EARNINGS, END OF YEAR	\$27,378,163	\$26,361,550

Summary of the Consolidated Statement of Cash Flows, December 31, 2017

	2017	2016
Cash Flows From (Used In) Operating Activities	(\$22,577,091)	\$458,747
Cash Flows From Financing Activities	\$8,602,943	\$1,024,970
Cash Flows From (Used In) Investing Activities	(\$751,721)	\$13,377,578
Net Increase (Decrease) in Cash and Cash Equivalents	(\$14,725,869)	\$14,861,295
Cash and Cash Equivalents, Beginning of Year	\$49,144,384	\$34,283,089
CASH AND CASH EQUIVALENTS, END OF YEAR	\$34,418,515	\$49,144,384

A complete set of financial statements is available from First Credit Union. Please contact your nearest branch for details.



Building Community Since 1939



Powell River
4721 Joyce Avenue
Powell River, BC
V8A 3B5
Tel: 604-485-6206
1-800-393-6733

Texada Island
2021 Legion Road
Van Anda, BC
V0N 3K0
Tel: 604-486-7851
1-800-361-9933

8th Street Location
426 – 8th Street
Courtenay, BC
V9N 1N5
Tel: 250-334-3443
1-800-655-5255

Bowen Island
106-996 Dorman Road
PO Box 190
Bowen Island, BC
V0N 1G0
Tel: 604-947-2022
1-866-947-2022

Cumberland
2717 Dunsmuir Ave.
PO Box 138
Cumberland, BC
V0R 1S0
Tel: 250-336-2272

Follow us on Facebook, Twitter, and Do Some Good to discover the impact First Credit Union is having in your community.

www.firstcu.ca