



ANNUAL REPORT



MYFIRSTCCU.ORG

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THIS IS WHAT WE BELIEVE

OUR VISION

We are the financial partner of
choice in our communities.

OUR MISSION

We build lasting partnerships through
personalized financial solutions.

OUR VALUES

Honesty, Integrity & Trust
Member Financial Success & Satisfaction
Community Leadership & Education
Employee Fulfillment

SINCE 1957

BOARD OF DIRECTORS

At the center of any successful financial institution you will find a strong governance model. Credit Union board members are elected by their membership and govern the affairs of the credit union to protect the interests of its members.

The First Community board of directors sets the vision and strategy for the credit union's future. Their individual views and diverse backgrounds help represent the membership interests from their geographic regions and various walks of life. Collectively, they provide a unified direction to guide First Community on a path of success and financial strength.



STEVE MOHRLAND
Chairperson
Pendleton



SHAUN HOBACK
Vice Chairperson
Grants Pass



ROBIN MCALPIN
Secretary
Canby



LINDA FURMAN GRILE
TREASURER
Coos Bay



HALL THOMAS
Myrtle Point



BRIAN MENEFEE
Roseburg



DANIEL GIBSON
Portland



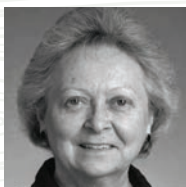
DENNIS ERICKSON
Cornelius



FRANK SPROUL
Salem



GERALD PRICKETT
Myrtle Point



MARY ELLEN ROBBINS
Troutdale



JUNE CHADBOURNE
Midland



ELIZABETH DAVIS
Roseburg

MESSAGE FROM THE BOARD & MANAGEMENT

History and Strategic Growth

First Community Credit Union has a rich and diverse history of serving our members to help them improve their financial wellbeing. The credit union's history is truly a history of many credit unions joined together through mergers over decades. Forming partnerships remains a central theme today. The credit union has and remains focused on building lasting partnerships with those that it serves. First Community is committed to helping "its members to use and control their own money in order to improve their economic and social condition," as stated in the Oregon Credit Union Act.

The Board and Management are committed in our effort to serve the membership focusing on constant improvement. Each year the leadership meets to plan for the coming five years to ensure that needed course corrections are made, and long-term objectives remain in view. The credit union's leaders enter the planning session with the understanding that the results will serve as a foundation for Management to construct the annual business plan and budget. The collaborative effort by all in attendance serves as the primary guide for the credit union as it implements its business plan. The product of our 2020 planning efforts is encapsulated in the long-term strategic objectives below.

2025 Strategic Objectives

1. Maintain a 10.50% or greater regulatory net worth ratio and grow to \$2 billion in assets by EOY 2025.
2. Increase average assets to \$60 million per branch by EOY 2025.
3. Increase online consumer and business loan applications to greater than 50% of all new loan originations by EOY 2025.
4. Increase checking account holders age 35 or less to 30% of all consumer accounts by EOY 2025.
5. Increase the loan to asset ratio to 70% by EOY 2025.

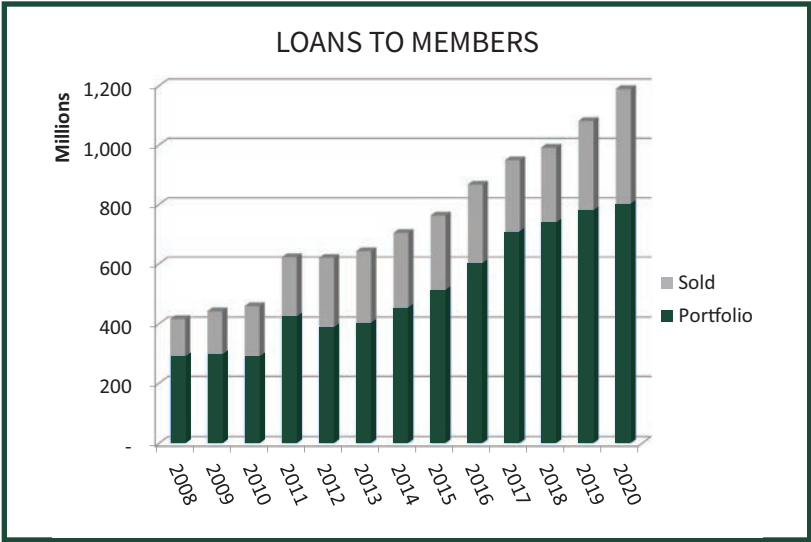
2020 Financial Results

In 2020 First Community helped set legal precedent for Oregon state chartered credit unions by completing a purchase and assumption of three bank branches that included \$100 million in deposits. The transaction was an important strategic success, both for the immediate benefits and the experience gained for future opportunities. Management’s focus on “real growth” through growing core deposits and deepening relationships has proven successful in strengthening the credit union’s balance sheet. Net income ended 26% higher than budget (i.e. ROA of .94%) leading to a regulatory net worth ratio of 10.75%, post-acquisition. These exceptional results were achieved through a balance of strong earnings and expense controls. The credit union has never been financially stronger and its balance sheet and earnings structure has never been more reliable.

Loan volume in 2020 was far beyond the prior record level. Total loan originations exceeded \$437.9 million through December, a 22% increase from 2019. Our branch lending strategy and the low interest rate environment both contributed to these results. The Bend office led all branches with more than \$32.29 million, thanks to strong originations in all categories. The top 10 branches by volume are listed below.

Branch	New Loans (2020)
Bend	\$32.29 million
Klamath Falls	\$26.93 million
Newberg	\$25.40 million
Hillsboro	\$24.37 million
Grants Pass North	\$23.77 million
North Bend	\$22.91 million
Medford	\$21.59 million
Forest Grove	\$20.24 million
Coos Bay	\$20.04 million
Hermiston	\$18.12 million

Loan growth is a hallmark of First Community’s success as illustrated by the historical chart of serviced loans.



Successful lending is critical to every depository financial institution. Such success is measured by growth and quality. First Community’s loan quality is exceptional. At more than 15 times better than the peer average, the credit union’s remarkably low loan losses are a sure sign that the loans being granted are benefiting the membership.

Our values which inspire us to put “people before profits” strengthen our effort to make First Community the best place to bank. We believe that our values directly benefit our members and set us apart from many of our competitors. We remain grateful for the loyalty of the membership and seek to earn your trust for many years to come.

Respectfully,

David S. Elmer
President | CEO

Respectfully,

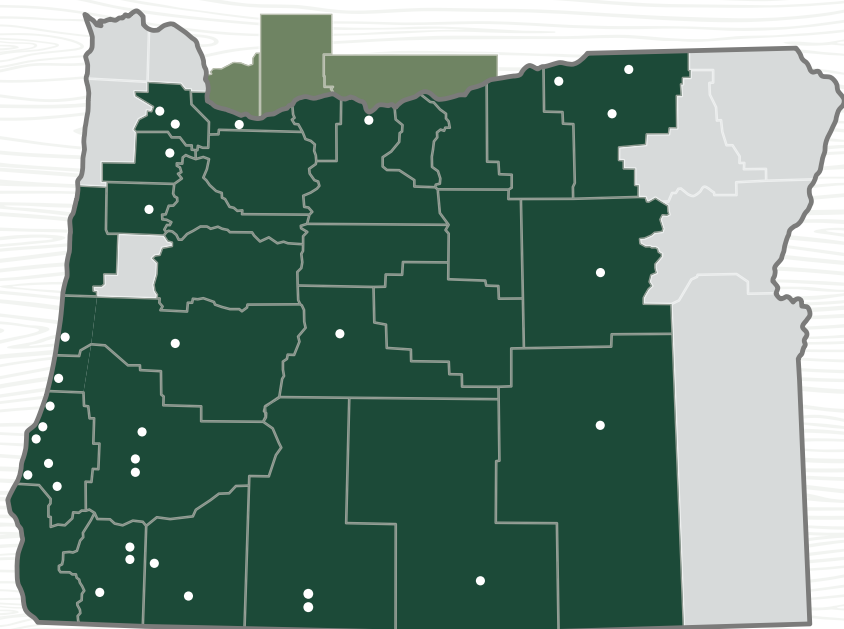
Steve Mohrland
Board Chairperson

WHO WE ARE

We are First Community Credit Union and we have been happily serving Oregonians since 1957. We are among the strongest credit unions in the nation, but still remain true to our local roots. We serve individuals, families and small businesses throughout Oregon.

We aren't some big institution from some big metropolis nowhere near here. We are your neighbors. Your morning commutes are our morning commutes. Our kids play where your kids play. And we certainly share your pride and connection to this beautiful place we get to call home.

OUR BRANCH NETWORK



32 BRANCH
LOCATIONS

OUR MEMBERS

Membership means ownership and that is part of the credit union difference. When our members succeed financially we know we are on the right path. Our members' financial well-being is our first priority. This focus drives us to operate on the lowest possible profit margins and design products and services that cost you less. Your success is our success and we promise to always put people before profits.



LOCAL.
AWESOME.
LIKE YOU.

85K

HAPPY
MEMBERS

\$800

MILLION
IN LOANS

\$1.5

BILLION
IN DEPOSITS

“

Love, love, LOVE this
credit union! I get that
friendly neighborhood
vibe from the
moment I walk in.

*Cherish W.
Hillsboro*

”

OUR EMPLOYEES

First Community is thriving and the key to our tremendous success is hiring only the most talented people in the industry. We are committed to offering our employees rewarding careers, meaningful benefits and opportunities for advancement. Just a few ways we appreciate our employees:

- Competitive Wages
- Annual Bonus & Incentive Plan
- 100% Paid Health Insurance
- Personal, Vacation & Sick Days
- 401k Plan with Generous Match
- Tuition Reimbursement
- Wellness & Lifestyle Benefits
- Paid Volunteer Leave

“

When schools closed due to COVID-19, I was so grateful for the new COVID paid leave benefit so I could stay home and keep my family safe.

Tonya T.

”



EMPLOYEES MAKE A DIFFERENCE.

324

AWESOME
EMPLOYEES

0

LAYOFFS
EVER

59

PROMOTIONS
IN 2020



3 YEARS IN A ROW

NAMED ONE OF FORBES BEST-IN-STATE CREDIT UNIONS

Forbes2020

**BEST-IN-STATE
CREDIT UNIONS**

Powered by STATISTA

We're proud to have been named one of Forbes Best-in-State Credit Unions in Oregon. It's a reflection of how we do business and the latest recognition of what we hope is more to come.

SUPERVISORY COMMITTEE

The Supervisory Committee oversees and relies on the work of qualified external and internal auditors to independently evaluate and monitor the credit union's operations. They ensure that management implements sound internal controls and maintain practices and procedures that adhere to generally accepted accounting principles. In doing so, their primary responsibilities are:

- The protection of credit union members' funds and interest,
- Safeguarding of credit union assets,
- Full compliance with regulations, policies, and procedures, and
- The reliability and accuracy of financial records.



HALL THOMAS
Committee Chairperson
Myrtle Point



GREG HOLDEN
Pendleton



JULIE HARGRAVES
Roseburg



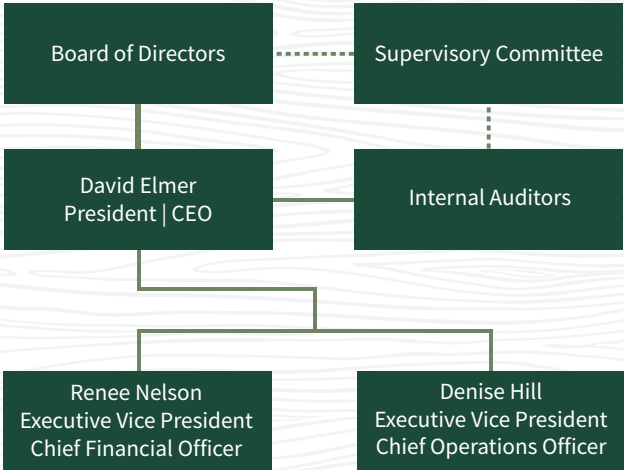
CARL OLSON, JR.
Grants Pass



CHRIS PENDLETON
Grants Pass



JOSEPH DEUTZ
Pilot Rock



SUPERVISORY COMMITTEE REPORT

The Supervisory Committee (Committee) is organized in accordance with the Oregon Credit Union Act and the bylaws of the Credit Union. The Committee fulfills an essential role in ensuring the safety and soundness of the credit union with the help of internal and external auditors. The Committee is formed from the membership and appointed by the Board of Directors.

The Committee meets regularly with the Board of Directors, participates in annual planning activities, and communicates directly with internal and external auditors. Each quarter the Committee holds its meetings and receives reports from the Credit Union's full-time internal auditors and risk management team. Annually the Committee engages with a qualified public accounting firm to ensure that a comprehensive and independent audit is performed. The work of the internal and external auditors provides the Committee with important information to allow them to carry out their required oversight.

Summary of 2020 External Audit

The Committee contracted with Moss Adams, LLP (Moss Adams) to conduct an audit of the credit union's financial statements for the fiscal year ending September 30, 2020. While conducting their audit work, Moss Adams considered the internal controls of the credit union to identify the most appropriate audit procedures. Audit activities included the review of qualitative aspects of accounting practices as well as sensitive estimates made by Management. Member Account verifications as of September 30, 2020 were also included as part of the audit process.

Moss Adams identified no material weaknesses in Management's practices and issued their opinion that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. Their letter summarizing their report is included in this report for reference.

The Supervisory Committee is pleased to present the Credit Union to the membership as being managed in accordance with generally accepted accounting principles and looks forward to the continued cooperation with the Board of Directors and Management in the coming year.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "All Thomas", is written over a light blue horizontal line.

Supervisory Committee Chairman

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Supervisory Committee

First Community Credit Union and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Community Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of September 30, 2020 and 2019, and the related consolidated statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Community Credit Union and Subsidiary as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP
Portland, Oregon
January 21, 2021



CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

Assets

	September 30, 2020	September 30, 2019
Cash and cash equivalents	\$ 295,917,204	\$ 104,731,698
Investments	267,023,507	217,859,038
Loans receivable, net	803,183,103	773,912,580
Accrued interest receivable	2,445,949	2,294,580
National Credit Union Share Insurance Fund	9,940,603	9,506,781
Property and equipment, net	55,300,605	39,488,023
Goodwill and other intangibles	15,654,549	9,011,886
Other Assets	11,673,944	5,832,995
Total Assets	\$ 1,461,139,464	\$ 1,162,637,532

Liabilities

Members' Shares	\$ 1,314,353,029	\$ 1,029,446,532
Accrued expenses and other liabilities	5,986,233	5,434,746
Total Liabilities	1,320,339,262	1,034,881,481

Total Members' Equity

Undivided earnings	110,217,831	97,218,180
Equity acquired in merger	22,900,000	22,900,000
Regular reserves	7,561,911	7,561,911
Accumulated comprehensive income	120,460	75,960
Total Members' Equity	140,800,202	127,756,051

Total Liabilities & Members' Equity	\$ 1,461,139,464	\$ 1,162,637,532
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CONSOLIDATED STATEMENT OF INCOME

	September 30, 2020	September 30, 2019
Interest Income		
Loans Receivable	\$ 31,160,200	\$ 28,533,411
Investments	5,002,913	6,686,554
Total interest income	36,163,113	35,219,965
Interest Expense		
Dividends on member's shares	1,784,081	1,816,919
Net Interest Income	34,379,032	33,403,046
Provision for loan losses	849,230	(174,802)
Net interest after provision for loan losses	33,529,802	33,577,848
Non-Interest Income		
Service charges and fees	11,779,995	10,986,116
Mortgage and servicing	3,746,335	933,846
Total non-interest income	15,526,330	11,919,962
Non-Interest Expense		
Compensation and benefits	22,806,098	20,885,616
General and administrative	13,250,383	11,070,194
Total non-interest expense	36,056,481	31,955,810
Net Income	\$ 12,999,651	\$ 13,542,000



CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Flows from Operating Activities

	September 30, 2020	September 30, 2019
Net Income	\$ 12,999,651	\$ 13,542,000
Reconciliation Adjustments		
Depreciation and amortization	1,347,364	1,411,782
Activities from loans-held-for sale	(931,206)	(317,107)
Changes in other assets and liabilities	(1,542,271)	(849,892)
Other activities	(2,286,141)	(499,790)
Net cash from operating activities	9,587,397	13,286,993

Cash Flows from Investing Activities

Property and equipment acquisitions	(16,462,445)	(9,694,538)
Net increase investment purchases	(49,104,460)	(12,493,853)
Net increase in loans receivables	(18,735,956)	(47,283,621)
Other activities	(64,869)	(409,435)
Cash acquired in branch acquisition	80,997,514	-
Net cash used by investing activities	(3,370,216)	(69,881,447)

Cash Flows from Financing Activities

Net increase in members' shares	\$ 184,968,325	\$ 32,232,290
Net Change in Cash and Cash Equivalents	\$ 191,185,506	\$ (24,362,164)
Cash and Cash Equivalents, beginning of year	\$ 104,731,698	\$ 129,093,862
Cash and Cash Equivalents, end of year	\$ 295,917,204	\$ 104,731,698

Supplement Disclosure of Cash Flow

Dividends paid on members' shares	\$ 1,784,081	\$ 1,816,919
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Supplemental Disclosure of Noncash

Investing/Financing

Unrealized gain on available-for-sale securities	\$ 44,500	\$ 75,960
Assets acquired in acquisition at fair value	\$ 94,228,969	\$ -
Liabilities assumed in acquisition at fair value	\$ 99,937,969	\$ -

MEMBERS' EQUITY

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements.

As of September 30, 2020, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action.

The Credit Union's actual capital amounts and ratios in accordance with regulatory requirements are presented in the following table:

	September 30, 2020		September 30, 2019	
	Amount	Ratio Requirement	Amount	Ratio Requirement
Amount needed to be classified as "adequately capitalized"	\$77,027,521	6.00%	\$68,148,925	6.00%
Amount needed to be classified as "well capitalized"	\$89,865,441	7.00%	\$79,503,579	7.00%
Regulatory net worth (PCA)	\$144,603,492	11.26%	\$131,603,841	11.59%

In accordance with NCUA regulations, the Credit Union has used its trailing four quarter average assets to calculate the capital ratio requirement for the years ended September 30, 2020 and 2019.

LOANS RECEIVABLE, NET

The Credit Union has several classes of consumer loans which carry distinct credit risks. Loan delinquency is a common credit quality indicator that the Credit Union monitors and utilizes in the evaluation of the adequacy of the ALL for the consumer portfolio segment.

The following table presents the outstanding balances from each class within the consumer portfolio by delinquency status at September 30, 2020 and 2019.

	<i>Days Past Due</i>				Total
	Current or 0-29	30-59	60-89	90+ Nonaccrual	
September 30, 2020					
Consumer Real Estate Secured	\$340,992,930	\$59,945	\$393,496	\$152,543	\$341,598,914
Vehicle Loans	224,688,415	216,023	62,187	20,288	224,986,913
Other Consumer Loans	81,043,606	103,295	23,011	1,571	81,171,483
Total consumer	<u>646,724,951</u>	<u>379,263</u>	<u>478,694</u>	<u>174,402</u>	<u>647,757,310</u>
September 30, 2019					
Consumer Real Estate Secured	\$347,772,668	\$777,338	\$306,542	\$681,774	\$349,538,322
Vehicle Loans	207,854,465	218,547	21,553	-	208,094,565
Other Consumer Loans	74,133,277	158,530	51,652	22,402	74,365,861
Total consumer	<u>629,760,410</u>	<u>1,154,415</u>	<u>379,747</u>	<u>704,176</u>	<u>631,998,748</u>

There were no consumer loans over 90 days past due and accruing interest at September 30, 2020 or 2019.

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