



ANNUAL REPORT 2019

FOR
YOU NOT
PROFIT





2020 ANNUAL MEETING AGENDA

BUILDING FOR TOMORROW

2019 was a year for First Service to make a strong investment in our community, our employees, and our members.



Call to Order

Ascertainment of Quorum

**Designation of Secretary and
Parliamentarian**

Approval of Prior Meeting's Minutes

Board Chair's Report

President and Chief Executive's Report

Supervisory Committee Report

Unfinished Business

Board Election

Adjournment

Door Prize Drawing

Annual Report 2019

2019 HIGHLIGHTS



65,364
Members



\$654,566,770
in Total Deposits



\$265,515,742
Funded in Loans



\$759,272,539
in Total Assets



\$181,730,176
Funded in Auto Loans



\$33,140,841
Funded in Home Loans

Michelle and Ghizal
greet members at
the 2019 Annual
Meeting.



Nolan and Duy
greet members at
the 2019 Annual
Meeting.





Kenneth L.
Member since
2010

First Service members, Kenneth, Olivia, and Maddie, have fun together.

82,569,875

Debit Rewards Points
Earned by Members

806

Hours Volunteered
by Employees in
Local Communities

\$1,383

Paid for Good Grades
Through the Semester
Earnings Program

\$8,249,008

Paid in Dividends
to Members

178

Employees Serving
our Members

221,258

Member Calls Answered
by the Service Center



Members, Christine, Stephanie, and Catherine, ride in the train in the Katy Rice Festival Parade.



Daquan helps First Service Kids Zone visitors at the Katy Rice Festival.



MESSAGE FROM BOARD CHAIR



JANET HILL
Board Chair

Janet Hill

The year 2019 was both an opportunity to reflect on all we've achieved and a moment to prepare for the future. To put our vision into action, we knew we had to invest in our members today to create long-term benefits tomorrow. At the end of the year, we are satisfied with what we've achieved and where we are going.

We've always believed in our city, and Houstonians continue to believe in what we are doing. The word continues to spread about the value we provide, raising our membership numbers above 65,000. Thanks to the trust and loyalty of our members this year, to-

tal assets rose to \$759 million. We were able to help thousands purchase or re-finance their cars by funding over \$181 million in auto loans and to make many home ownership dreams come true with new home loans exceeding \$33 million. We also rewarded our members with over \$8.2 million in dividends.


Of course, numbers don't tell the entire story. We continued to make our branch and digital experiences more convenient, because we know our members' time is just as valuable as money. Members will also notice that we continued to expand the breadth and depth of services, making life's next big financial step more easily within reach.

The digital banking experience continued to move forward in 2019 – including exciting new projects in the works that will provide long-term benefits to members. We continued to refine a comprehensive and innovative digital banking platform that works seamlessly across all devices to make managing your money online as seamless and effortless as our in-branch experience.

This year included several community-facing achievements that made members feel excited to share us with family and friends. In 2019, we completed construction on our new Communi-



WE ARE PROUD TO BE AN INTEGRAL PART OF THE HOUSTON ECONOMY AND COMMUNITY.



ty Center, a 200-person auditorium that will be used to host community events, seminars, and workshops that give members the resources and guidance needed to improve their lives.

We continued to support events that make a difference in our community. Our title sponsorship of the 2019 Katy Rice Festival allowed us to host the First Service Kids Zone, a family-friendly space with a trackless train, inflatables, and crafts. If you attended the event, you saw over 50 First Service employees working hard to make the festivities a fun time for everyone. We were proud that First Service Credit Union could be such a visible part of the community during this special event. In addition, our employees dedicated over 800 volunteer hours in our local communities throughout the year.

As our outreach efforts and infrastructure investment allowed us to grow

First Service membership, we remain grateful to our First Service team of almost 200. Their tireless efforts to meet the needs of our members remain our most important asset. As a local credit union, we are proud to be an integral part of the Houston economy and community. We are proud to help not only people who are members, but also their families, friends, and neighbors.

As we head into a new decade, let me say how excited I am to see technological and service-related enhancements for our members. The year 2019 represented a steady development of all our cherished values. I am proud to serve as the Chair of the Board, and I am enthusiastic about where First Service Credit Union is headed.

MESSAGE FROM THE PRESIDENT AND CEO



to take our technological expertise to the next level and improve the inner workings of our employee culture.

We continue to live our motto "For You, Not Profit" and put our members at the forefront of everything we do, delivering remarkable service and convenience for all of our members. One of our newest innovations for members is the ability to apply for a loan via video conference through virtual banking stations at most of our branches. With this technology, members are able to speak to a loan officer if one is unavailable on location. We believe this new feature saves our members valuable time and makes it more efficient to serve their lending needs.

When I became part of the First Service Credit Union team over 15 years ago, I could hardly predict everything we've achieved since. Membership continues to grow due to the remarkable service efforts of our employees and our strongly competitive products. Our capital position in 2019 was strong and secure, allowing us to invest in the future of our members. We are confident in where we are headed thanks to rising membership and preemptive steps to improve our products and services. This year was an opportunity

Because the Houston community is so important to us, we want to provide support should disaster strike. In 2019, we were proud to implement a stronger disaster recovery system to make our systems even stronger and better prepared for natural disasters. These advancements made it easier for our members to manage their finances and conduct transactions during stressful events.

Taking care of day-to-day member



PUTTING MEMBERS FIRST HAS CONTINUED TO BE A GROWTH MODEL FOR US.




needs begins by strengthening the bonds among our internal team. This year, we renewed our focus on employee culture with the launch of the First Service Compass, which we use to guide our internal quality standards, traits, and behaviors. As a part of this new pledge, all employees received new training and new name tags with both their hometown and language abilities. We also started Compass Calibration Days, where members of our Senior Management Team spend a day working in other departments and branches, promoting camaraderie and giving them a chance to work with members.

I am confident we are making all the right moves to make this one of the best places to work in Houston. I've seen the commitment to make our longtime and new employees feel part of something special. Naturally, we were very pleased but not surprised to

be voted one of the Top Workplaces by the Houston Chronicle for the 7th year in a row. Attracting and retaining the best new talent is a priority, and of course, we'll strive to make sure we reach this achievement again.

All of us at First Service Credit Union are very hopeful about the future — both for ourselves and for our members. Our accomplishments during 2019 put us in a strong position, and we look forward to serving Houston in new ways during the coming year. I would like to thank all of our member-owners, board members, and employees for being an integral part of our story. It is an honor to serve with you and put members first — now and into the future.



SUPERVISORY COMMITTEE REPORT



MARCO CASSO
Supervisory Committee
Chair

A handwritten signature in black ink, appearing to read 'Marco Casso', written over a white background.

The Supervisory Committee monitors the credit union's operations and procedures on behalf of the membership. Our responsibilities include reviewing the internal audit function, initiating an annual external opinion audit of the credit union's financial records and control structures, commissioning member account verification, and ensuring an ongoing review of closed accounts.

The Supervisory Committee members are well qualified with excellent and relevant financial audit experience. We

are committed to maintaining sound management practices and solid reporting, helping to give our members confidence in the strength and stability of their credit union.

Each year, we have an annual opinion audit performed by an independent CPA firm to ensure the credit union's financial statements accurately and fairly present the financial condition of the credit union. The audit also ensures management practices and procedures safeguard members' assets. This past year, we contracted Nearman, Maynard, Vallez, CPAs, to conduct the annual financial audit. In the opinion of Nearman, Maynard, Vallez, CPAs, the financial statements as of December 31, 2019, fairly present, in all material respects, the credit union's financial position, results of operations, and cash flow for 2019.

I want to extend my thanks to the members of the Supervisory Committee, the Board of Directors, and the First Service staff for their continued cooperation, assistance, and support.

We truly appreciate the opportunity to serve the membership and encourage all members to take advantage of the many services and benefits offered by First Service Credit Union



First Service opened the new First Service Community Center, a 200-seat auditorium and event room, in December 2019.



First Service opened the new Fitness Center at its corporate office in December 2019.



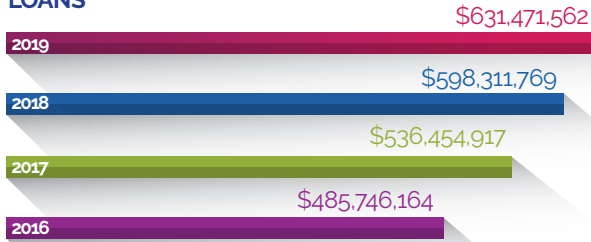
STATEMENT OF FINANCIAL CONDITION

ASSETS	2019	2018
As of December 31		
Cash	\$15,207,637	\$17,705,590
Investments	\$45,337,194	\$63,108,262
Net Loans	\$631,471,562	\$598,311,769
Accrued Interest Receivable	\$2,065,510	\$1,940,463
Premises and Equipment, Net	\$36,887,593	\$36,538,483
National Credit Union Share Insurance Fund Deposit	\$6,524,054	\$5,722,059
Other Assets	\$21,778,988	\$22,972,339
Total Assets	\$759,272,539	\$746,298,965

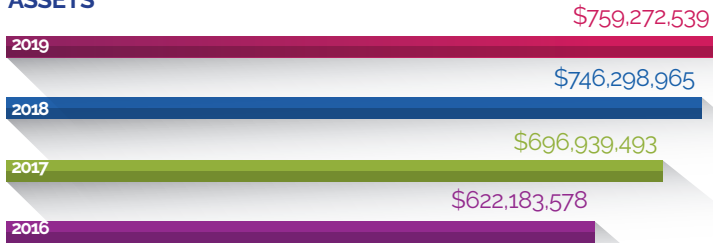
LIABILITIES & MEMBER EQUITY	2019	2018
Liabilities	\$29,851,700	\$70,418,376
Members' Shares and Deposits	\$654,566,770	\$605,255,412
Members' Equity	\$74,854,069	\$70,625,177
Total Liabilities and Members' Equity	\$759,272,539	\$746,298,965

INCOME & EXPENSE STATEMENT	2019	2018
Total Income	\$52,120,965	\$48,788,190
Operating Expenses	\$34,244,117	\$32,315,440
Provision for Loan Losses	\$6,135,894	\$4,286,428
Interest and Dividend Expense	\$8,571,426	\$5,638,654
Non-Operating (Income)/Expense	\$721,694	\$653,818
Net Income	\$2,447,834	\$5,893,850

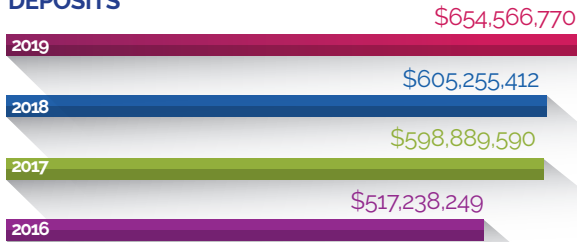
LOANS



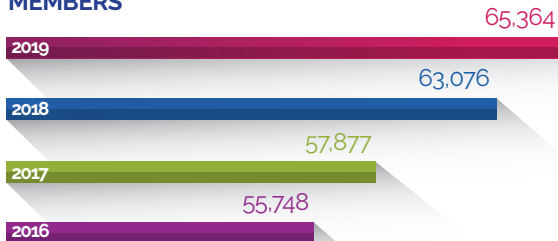
ASSETS



DEPOSITS



MEMBERS



BOARD MEMBERS AND MANAGEMENT TEAM

BOARD OF DIRECTORS



Janet Hill
Chair
Volunteer since 2001
Re-Election 2020



Kourtney Calhoun
Vice Chair
Volunteer since 1996
Re-Election 2022



James Harkrider
Secretary
Volunteer since 2010
Re-Election 2021



Doug Esmond
Treasurer
Volunteer since 1990
Re-Election 2022



Wayne Taylor
Director
Volunteer since 1982
Re-Election 2020



David Itz
Director
Volunteer since 1994
Re-Election 2022



Paul Love
Director
Volunteer since 1984
Re-Election 2020



Marco Casso
Director
Volunteer since 2010
Re-Election 2021

EXECUTIVE LEADERSHIP TEAM



Dave Bleazard
President/Chief
Executive Officer



Mike McWethy
Executive Vice
President



Jon Shurtz
Chief Administrative
Officer/In-House Counsel



Jana Heaton
Chief Financial
Officer



David Dang
Chief Information
Officer



Debi Little
Chief Lending Officer



Frank Halstead
Chief Risk Officer

SUPERVISORY COMMITTEE



Marco Casso
Chair
Volunteer since 2010



Doug Chee
Volunteer since 2007



Mack Mayhew
Volunteer since 2007



Merv Swan
Volunteer since 2010



Tom Bullard
Volunteer since 2018

ADVISORY COMMITTEE



Tom Bullard
Volunteer since 2018



Andrea Mangiavacchi
Volunteer since 1999

BOARD NOMINEES



JANET HILL
Board Chair
Volunteer since 2001

Ms. Hill currently serves as Chair of the First Service Board. She has served as Secretary and Vice Chair of the Board and as Chair of the Executive Compensation Committee and other committees since 2001. Ms. Hill served in similar capacities with Legacy Right Choice Credit Union.

As a career employee with KBR, she had responsibilities for a variety of positions in the Procurement, Human Resources, and Dispute Resolution Departments. Her professional memberships include the Society for Human Resource Management and International Ombudsman Association. Now retired, she loves to travel and spend time with family and her two Cocker Spaniels at the lake.



PAUL LOVE
Director
Volunteer since 1984

Mr. Love currently serves as Vice Chair on the Asset and Liability Committee (ALCO) and Information Technology Committee for First Service Credit Union. He served on the Legacy First Service Credit Union Board since 1984 and held past positions as the Chairman and Vice Chairman.

Mr. Love retired from Kinder Morgan in October 2013. Prior to his retirement, Mr. Love was the Director of Electronic Customer Services for Kinder Morgan and is active in the Westbury Baptist Church, where he has served on numerous financial and administrative committees.



WAYNE TAYLOR
Director
Volunteer since 1982

Mr. Taylor has been a credit union member for over 39 years and an active Board Member for over 34 of those years. He has served on most of the credit union's standing committees at some time or another and has served three terms as Chair of the Board.

After a 45-year career in commercial credit as an analyst or manager, he has used his years of credit-oriented service to help direct and monitor the finances of the credit union during several tumultuous financial periods since the 1980s. Now retired, Wayne devotes his time to gardening, playing senior softball, and volunteering with several charities and his church.





PRIOR MEETING MINUTES

First Service Credit Union Annual Meeting Minutes May 15, 2019

Chair of the Board Janet Hill welcomed everyone to the 41st Annual Meeting of First Service Credit Union (First Service) and called the meeting to order at 6:00 PM. She asked if a quorum was present and Executive Assistant Virginia Dolan affirmed that there was.

Chairman Hill asked Executive Assistant Dolan to serve as Secretary and Parliamentarian. Executive Assistant Dolan answered in the affirmative indicating the recorder and Robert's Rules of Order were in hand. Chairman Hill asked if there were any proposed adjustments to the minutes as presented in the 2018 Annual Report. There were none, and Chairman Hill proceeded to ask for a motion to accept the minutes as presented.

Motion: A motion was made by Secretary Jim Harkrider and seconded by Director Paul Love to accept the 2018 Annual Meeting minutes as presented. The motion passed.

Chairman Hill turned the podium over to CEO David Bleazard who introduced the Board members in attendance: Chairman Janet Hill, Vice-Chair Kourtney Calhoun, Secretary Jim Harkrider, Paul Love, Wayne Taylor, Marco Casso and Advisory Committee member Tom Bullard. CEO Bleazard also recognized those who could not be

with us tonight: Treasurer Doug Esmond, David Itz; Advisory Committee member Andrea Mangiavacchi; and Supervisory members Mack Mayhew, Doug Chee, Merv Swan, and George Gentry III.

Chairman Hill presented the Chairman's Report stating that this past year has been one of peaks and valleys for Houston as our community continues to recover from the devastating effects of Hurricane Harvey and recent decreases in oil prices. Although the economic climate offered financial uncertainty, First Service has remained stable and strong. Our members' trust in what we do allows us to give back and assist more Houstonians than ever before. We now serve over 63,000 members. Their loyalty in 2018 has helped grow our total assets to over \$746 million, and we reached over \$226 million in new loans by being there for our members in their times of need. Additionally we also paid our members back with \$4.9 million in total dividends.

Furthermore, our First Service Cash Rewards program gave members nearly \$90,000 in 2018. We appreciate your loyalty and your trust that allows us to serve you.

Chairman Hill introduced First Service's Executive Leadership Team: CEO Dave Bleazard, EVP Mike McWethy, CLO Debi



Little, CFO Jana Heaton, CRO Frank Halstead, CIO David Dang, and CAO / In-House Counsel Jon Shurtz.

CEO Bleazard presented the CEO Report stating we have opened three branches in 2018, and our digital banking platform is receiving a new face to make banking more convenient for our members. We are proud to say we are at \$746 million in assets with eleven branch locations to serve you. To make sure we can serve you better, we have implemented the Net Promoter Score (NPS), which gives you the opportunity to let us know how we are serving you. We read these comments daily and want to do our best to take care of you — our members. First Service has the best employees in the world who are ready to serve you, and we are happy to report that membership grew from 57,877 to 63,076 in 2018.

Supervisory Chairman Casso presented the Supervisory Committee Report stating that this committee's responsibility is to make sure your financial institution is operating soundly. This committee oversees the direction and focus of the internal audit function and initiates an annual external audit of First Service's financial records and control structure. We appreciate the opportunity to serve you, the membership, and encourage

all members to take advantage of the many services and benefits offered by First Service.

Chairman Hill asked if there was any old business. There was none.

For new business, Nominating Committee Chairman Harkrider introduced the following candidates who have volunteered to serve for another three years: Kourtney Calhoun, Doug Esmond, and David Itz.

Motion: A motion was made by Director Taylor and seconded by Director Love to approve the nominations of Kourtney Calhoun, Doug Esmond, and David Itz to another three-year term. The motion passed.

Chairman Hill thanked everyone for coming and asked for a motion to adjourn.

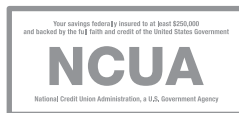
A motion was made by Secretary Harkrider to adjourn, and the meeting ended at 6:23 PM.



FOR YOU, NOT PROFIT

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First Service Credit Union
16430 Park Ten Place, Houston, TX, 77084



Your savings are federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government. National Credit Union Administration, a U.S. Government Agency. First Service Credit Union is an Equal Housing Lender. NMLS #411394

