



2013

ANNUAL
REPORT

36TH ANNUAL MEETING



BANK LIKE
YOU OWN
the PLACE...
because
YOU
do!



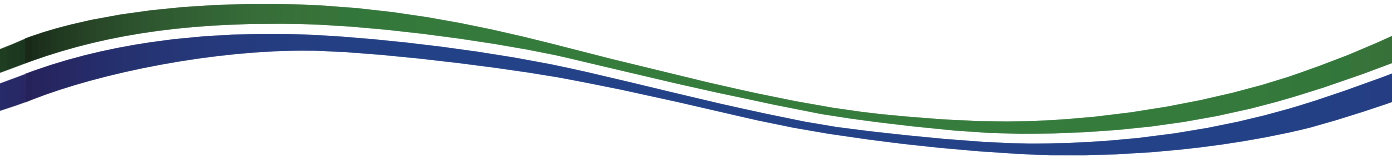
First Service[™]
Credit Union

ANNUAL MEETING AGENDA

	PAGE
● Call to Order / Ascertainment of Quorum	
● Designation of Secretary / Parliamentarian	
● Prior Meeting's Minutes	2
● Chairman's Report	5
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● Unfinished Business	
● New Business	
- Election of Officials	
● Adjournment	
● Door Prize Drawing	



2013 HIGHLIGHTS

- Merged in a large credit union and added to the branch network
 - Created a mortgage company called eCU Mortgage, LLC
 - Expanded Contact Center and branch hours
 - Developed an enhanced online loan application process
 - Introduced a new web site look and feel
 - Introduced electronic form signing
 - Corporate sponsor of Leukemia & Lymphoma Society
 - Renovated the Brookshire branch
 - Grew loans by 18.5%
 - Grew deposits by 42.6%
 - Grew membership by 14%
 - Contact Center handled more than 100,000 phone calls
- 

MINUTES - 2013 MEETING

David Itz, Chairman of the Board, welcomed everyone and called the 35th Annual Meeting of First Service Credit Union to order at 6:00 PM. He asked if a quorum was present and Kevin Morahan stated there was. Mr. Itz introduced the Board members present including Gary Godwin, Janet Hill, Paul Love, Wayne Taylor, Jack Bartell, Thomas Smith, Kourtney Calhoun, James Harkrider; also Mack Mayhew, Douglas Chee and Marco Casso of the Supervisory Committee. He thanked them for their devoted service. Mr. Itz asked Virginia Dolan to serve as Secretary and Parliamentarian. She answered in the affirmative indicating recorder and the Robert's Rules of Order. Mr. Itz asked if there were any adjustments to the minutes as presented in the 2012 Annual Report. There were none, therefore he asked for a motion to accept the minutes as presented.

Motion: Kevin Morahan moved and James Harkrider seconded the motion to accept the 2012 Annual Meeting Minutes as presented. The Motion passed.

David Itz presented the Chairman's Report during which he thanked the directors and members, and discussed several of the highlights of the previous year while encouraging all in attendance to continue utilizing the services provided by FSCU.

David Bleazard presented the President's Report during which he thanked the membership for their support and reported on "the best overall performance in our history". Bleazard went on to discuss the many highlights of the year including upgraded electronic services, microsites, a new tag line, an online account opening service and a new mortgage company, eCU Mortgage LLC, which will be operational in 2014. He also announced the merger with El Paso Corporation FCU which added several thousand members to the FSCU family. In addition, he expressed his sincere appreciation for the vision, hard work and dedication of our Board members,

MINUTES - 2013 MEETING

(CONTINUED FROM PAGE 2)

employees, vendors, and volunteers, who have worked countless hours to make this credit union successful. “Because of the dedicated service of so many, we have enjoyed one of the best years in our credit union’s history and we look forward to another wonderful year in 2014! I’m proud to be a part of this credit union and I’m honored to serve you, and hope that you will ‘Bank Like You Own the Place, because at First Service Credit Union You Do!’”

Marco Casso presented the Supervisory Report on behalf of Committee Chairman Merv Swan who was unable to attend:

The Supervisory Committee monitors the credit union’s operations and procedures on behalf of the membership. Mr Casso reported that the firm, McGladrey, LLP, had conducted its audit and noted the credit union’s compliance and accuracy in all areas.

Each year we have an annual audit performed by an independent CPA firm to ensure that the credit union’s financial statements accurately and fairly present the financial condition of the credit union and that management practices and procedures safeguard members’ assets. This past year, we contracted with McGladrey, LLP, a member of the RSM International Network, to conduct the annual financial audit.

In the opinion of McGladrey, LLP, the financial statements present fairly, in all material respects, the financial position of First Service Credit Union as of December 31, 2012, and the results of its operation and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

David Itz extended thanks to the members of the Supervisory Committee, the Board of Directors and the Credit Union staff for their cooperation, assistance and support.

MINUTES - 2013 MEETING

(CONTINUED FROM PAGE 3)

David Itz asked if there was any old business to address and there was none. He also asked if there was any new business and there was not.

Mr. Itz turned the podium over to Paul Love, Chairman of the Nominating Committee. Mr. Love explained that there were no nominations received other than the committee nomination of Gary Godwin. Gary Godwin was elected per the Credit Union bylaws and will serve a 3 year term.

Motion: A motion was made by Jim Harkrider and seconded by Janet Hill to accept Gary Godwin for election as proposed by the Nominating Committee. The motion passed.

Since no other business was scheduled for this meeting, David Itz asked for a motion to adjourn.

Motion: A motion was made by Paul Love to adjourn.

The Annual Meeting adjourned at 6:27pm.

David Itz – Chairman Janet Hill – Secretary





DAVID ITZ
CHAIRMAN OF THE BOARD

CHAIRMAN'S REPORT

First Service Credit Union continues to be in a strong financial position to meet your lending needs, offer a wealth of savings tools and other essential financial products and services to enhance your life, and expand our delivery channels along with advances in technology. Your participation in all of our services is essential to our ability to meet and exceed our goals.

Some highlights of First Service's performance in fiscal year 2013 are:

- At year end, our membership stood at 48,768, representing strong growth of 14% during the year.
- Our members added more than \$123 million to savings accounts in 2013.
- Feeling more confident in your personal financial circumstances, you – our members and owners – have borrowed more than \$150 million, adding more than 7,649 new loans.
- Whether it was your first home or second, we are thrilled that you turned to your credit union for your mortgage needs. In fiscal year 2013, First Service Credit Union originated home loans worth more than \$27 million. Truly commendable for a young department.
- In the downturn, some of you held onto your vehicles longer, but favorable interest rates and a strengthening economy motivated many of you to trade up. In fiscal year 2013, First Service Credit Union wrote 4,101 auto loans, worth more than \$100 million.
- You are also staying on top of your debt obligations, as our delinquency ratio is now the lowest we've seen in many years.

I am often asked how credit unions differ from banks, so I want to tell you what we at First Service Credit Union believe it means to be a financial cooperative. Obviously, like a bank, we must have a positive bottom line to keep the doors open, but the difference is that we are a not-for-profit organization. We don't have shareholders who expect profits to be paid to them. Our members are our owners, and all earnings are used to enhance our financial strength, increase and improve our services, and keep our interest rates favorable for both deposits and loans.

As a financial cooperative, First Service Credit Union is guided by seven principles:

1. Voluntary and Open Membership: We are a financial cooperative, and cooperatives are voluntary organizations, and are open to all people within certain geographic or employee group guidelines.

2. Democratic Member Control: First Service Credit Union is a democratic organization controlled by you – the member/owners. When we set policies or make decisions about the future direction of First Service Credit Union, we do so with you in mind.

3. Members' Economic Participation: As a member of First Service Credit Union you contribute to, and democratically control, the capital of this institution.

4. Autonomy and Independence: As a financial cooperative, First Service Credit Union is an autonomous, self-help organization controlled by you – the member.

5. Education, Training, and Information: We want to ensure that our staff – from the front line to the executive office, as well as the Board of Directors and other volunteers – are knowledgeable and competent to fulfill their commitment to the organization, and more importantly, to you. Therefore, we provide education and training so we can all contribute effectively to the development of First Service Credit Union. In 2013, staff, management and volunteers at First Service Credit Union collectively completed 5,669 hours of training.

6. Cooperation among Cooperatives: We can most effectively serve you, and strengthen the credit union movement by working together through our local, regional, and national credit union associations. Through everyday experiences, we understand the impact that legislation and regulation has on our ability to serve your financial needs. That is why we would like to encourage you to contact your elected officials in Washington, D.C., and share our message with them, "Don't Tax My Credit Union". As federal legislators consider tax reform in 2014, we want you to know that a federal tax on your credit union is a tax on you. Visit www.donttaxmycreditunion.org to learn more about this critically important fight.

7. Concern for Community: While our primary focus is on meeting your needs, we feel a responsibility to give back to our community, and we made significant contributions in 2013. In addition to donating thousands of dollars to various charities and causes in our community, our staff collectively committed 427 volunteer hours to community service organizations.

I take great pride in that fact that I participate in a financial cooperative and I hope you do as well. I assure you that the level of trust you have in our Board of Directors and employees is not taken for granted. It is with confidence I say that First Service Credit Union is well positioned to seize all opportunities that present themselves in 2014 and to address any challenge we might face.



DAVID ITZ
CHAIRMAN OF THE BOARD

BOARD OF DIRECTORS



▲
DAVID ITZ
CHAIRMAN/2014



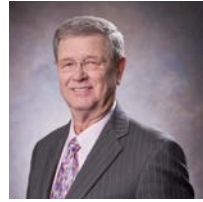
▲
GARY GODWIN
VICE CHAIRMAN/2016



▲
JANET HILL
SECRETARY/2014



▲
PAUL LOVE
TREASURER/2014



▲
WAYNE TAYLOR
DIRECTOR/2015



▲
JACK BARTELL
DIRECTOR/2015



▲
DOUG ESMOND
DIRECTOR/2014



▲
MERV SWAN
DIRECTOR/2015



▲
**KOURTNEY
CALHOUN**
DIRECTOR/2014



▲
**JAMES
HARKRIDER**
DIRECTOR/2015

ADVISORY COMMITTEE



▲
**JAY
GALLIA**
2014



▲
**ANDREA
MANGIAVACCHI**
2014



DAVID BLEAZARD
PRESIDENT / CEO

PRESIDENT / CEO'S REPORT

Welcome Member/Owners,

On behalf of our 49,000-plus member/owners, Board of Directors, supervisory committee, executive management, and employees, we wish you a warm welcome to the annual meeting of First Service Credit Union.

Strong and Financially Fit

In 2013 your credit union continued to grow dramatically and build financial strength. Total assets grew to \$469 million, an increase of over 42%! Loans grew to \$294 million, which is an increase of over 18% for the year. Even with this dramatic growth, we successfully reduced operating expenses to historic lows and greatly improved regulatory net worth, or our rainy-day fund, from 8.80% to 9.53%.

As you can see, based on our strong financial performance, your credit union has never been better prepared to serve you and your financial needs.

Growing and Vibrant

FSCU has been swift and decisive in our actions and efforts to actively shape the future of your credit union. This is especially true during recent years of a national financial crisis. We have emerged stronger from these trials which are reflected in the substantial growth and prosperity we have enjoyed in the past year. The passion and extraordinary commitment of the entire FSCU team made these results possible. I thank our board and employees for their exceptional efforts and the outstanding service they delivered during 2013.

We wish to welcome the former members of El Paso Corporation Federal Credit Union who became part of the FSCU family in early 2013. Together, we have realized even greater economies of scale in our operation and combined, we are better and stronger.

As we look to the future, there are many new changes and improvements to come. Some of the changes you will notice are newly-enhanced electronic account opening software, new electronic loan origination software, and revised and enhanced web-sites. We will be dramatically improving our home banking system in the last quarter of 2014. This will bring to you an easier-to-use, more feature-rich environment to conduct business digitally.

We will be enhancing and expanding our branch network, with the remodeling of our Northwest and Tunnels Systems offices and a brand new branch in Katy by the end of 2014. All of these systems and locations will make it easier for you to do business with FSCU, whether you are near a convenient branch or halfway around the world.

Poised for the Future

FSCU is poised for the future as we have started a new business to meet our members' growing mortgage borrowing needs. We started a new company, called eCU Mortgage, LLC., to originate, underwrite, and service mortgage loans. In our first year of operation, eCU Mortgage originated more than \$27 million in new home loans for our members. We are excited at the prospects of assisting our members to achieve the American dream of home ownership!

Additionally, our mobile deposit system is seeing phenomenal growth with over 1,300 deposits totaling \$1.5 million being made monthly. This wonderful product makes it easier than ever to conduct business remotely with your credit union.

Bank Like You Own the Place...because at FSCU you do!

As a not-for-profit financial cooperative, we exist to help people. When you become a member of a credit union, you are more than just a customer, you become an empowered member/owner. FSCU is a not-for-profit financial cooperative that does not have stockholders or debt holders. We are freed from the mandate to maximize company profits. Rather, our only focus is on serving you, the member/owner. We invite you, your family, and friends to experience the power of member/ownership today.

It is an honor and a privilege to serve you and provide for your financial needs. Thank you for your continued trust, loyalty, and support of FSCU.

Outstanding Regards,



DAVID BLEAZARD
PRESIDENT / CEO



MERV SWAN
CHAIRMAN - SUPERVISORY
COMMITTEE

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee monitors the credit union's operations and procedures on behalf of the membership. Our responsibilities include overseeing the direction and focus of the internal audit function, initiating an annual external audit of the credit union's financial records and control structure, commissioning member account verification and ensuring an ongoing review of closed accounts. We also assist members who have questions regarding the credit union operations.

Each year we have an annual audit performed by an independent CPA firm to ensure that the credit union's financial statements accurately and fairly present the financial condition of the credit union and that management practices and procedures safeguard members' assets. This past year, 2013, we contracted CliftonLarsonAllen LLP, to conduct the annual financial audit. The financial statements as of December 31, 2013, fairly present in all material respects the credit union's financial position, results of operations and cash flows.

I extend thanks to the members of the Supervisory Committee, the Board of Directors and the Credit Union staff for their cooperation, assistance and support.

Thank You!

MERV SWAN
CHAIRMAN - SUPERVISORY COMMITTEE



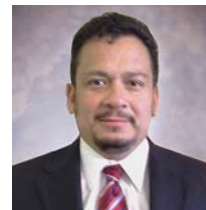
DOUG ESMOND
MEMBER



MACK MAYHEW
MEMBER



DOUG CHEE
MEMBER



MARCO CASSO
MEMBER

STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2013

MEMBERS: 48,768

ASSETS

Cash	8,664,854
Investments	141,499,207
Net Loans	292,778,973
Accrued Interest Receivable	1,129,017
Premises and Equipment, Net	10,589,707
National Credit Union Share Insurance Fund Deposit	4,257,533
Other Assets	8,628,544
Total Assets	467,547,835

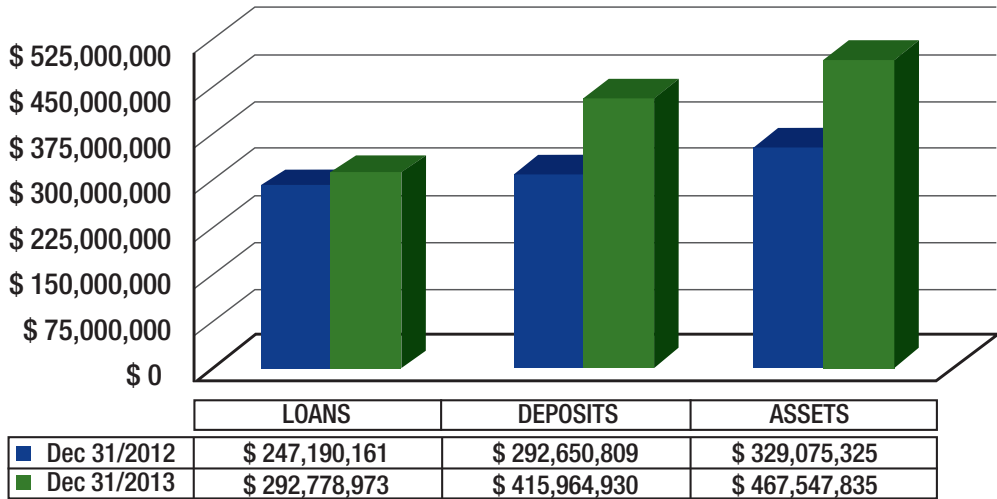
LIABILITIES & MEMBERS' EQUITY

Liabilities	9,894,503
Members' Shares and Deposits	415,964,930
Members' Equity	41,688,402
Total Liabilities & Members' Equity	467,547,835

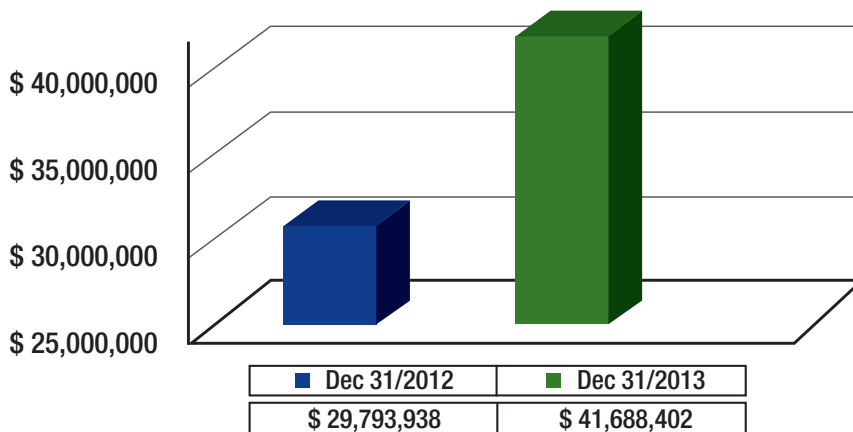
INCOME AND EXPENSE STATEMENT

Total Income	25,747,802
Operating Expenses	18,635,421
Provision for Loan Losses	1,904,260
Interest and Dividends Expense	1,476,689
Non Operating Expenses	546,930
Net Income	3,184,502

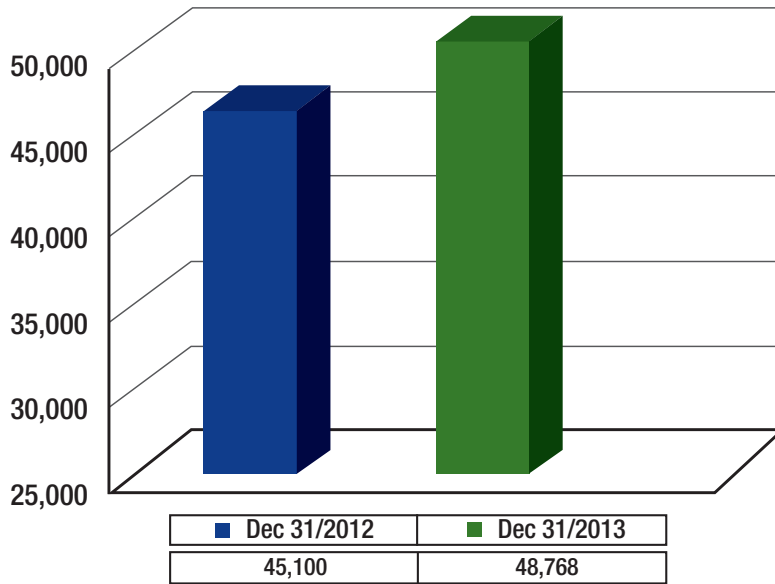
FSCU FISCAL 2012 - 2013



TOTAL EQUITY 2012 - 2013



MEMBERS 2012 - 2013



FSCU BOARD OF DIRECTORS NOMINEES

The First Service Credit Union Nominating Committee has submitted the following candidates for the 2014 Board of Directors Election:



DOUG ESMOND

Mr. Esmond is currently serving as a Director on the Board and is a member of the Supervisory Committee for First Service Credit Union. In the past he has served on the Executive Compensation Committee, the Loan Committee and has been the Chairman of the Board for legacy Right Choice Credit Union. He is the Tax Manager, CPA, for EOG Resources in Houston, TX. Prior to that, he worked for KBR/Halliburton for 13 years. Doug has been a member of the credit union since 1993. He is the proud parent of two grown children and enjoys golf, working out, running, cycling, motorcross, Harley-Davidsons, snow skiing and backpacking. He has a BBA in Accounting from Texas State University (formerly Southwest Texas State University).



PAUL LOVE

Mr. Love currently serves as the Treasurer of the Board and serves on the Executive Compensation Committee and the Asset and Liability Committee (ALCO) for First Service Credit Union. He served on the legacy First Service CU 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.

FSCU BOARD OF DIRECTORS NOMINEES (CONTINUED FROM PAGE 14)



JANET HILL

Ms. Hill currently serves as Secretary of the Board and has served as Chair of the Executive Compensation Committee, Vice-Chair of the Board and several responsible positions on a variety of committees since 2001. (Ms. Hill served in similar capacities with legacy Right Choice Credit Union.) As a career employee with KBR, she has had responsibility for a variety of positions in the procurement and human resource departments before arriving in her current role managing the KBR Dispute Resolution Program. Professional memberships include the Society for Human Resource Management and International Ombudsman Association. In her spare time she loves to travel, both domestically and internationally.



DAVID D. ITZ

Mr. Itz currently serves as Chairman of the Board, a position he also filled with legacy First Service Credit Union. Mr. Itz has over 40 years experience in the energy industry. A native of San Antonio, he earned his BA in geology and economics from Rice University and then held professional and management positions with El Paso Natural Gas, Texas Utilities, Houston Industries (now Centerpoint Energy and Reliant Energy) and Calpine Corporation. Mr. Itz is currently retired but still keeps a hand in business serving as Member/Manager of Energetic Properties, LLC. Over the years, Mr. Itz has served on the Supervisory Committee, Executive Compensation Committee and other committees of First Service Credit Union. Mr. Itz's "spare time" is spent serving on non-profit boards.



KOURTNEY CALHOUN

Ms. Calhoun currently serves as a Board member and formerly was Chairman of the Board of El Paso Corporation Federal Credit Union, a 2013 merger partner with First Service Credit Union. Ms. Calhoun obtained her BA from Houston Baptist University majoring in Accounting and Political Science. She has served in management positions with Tenneco, El Paso Corp. and presently with Kinder Morgan, with a variety of responsibilities in Accounting, Information Technology, Pipeline Commercial Operations and as Director - Records/Information Management. Ms. Calhoun enjoys spending time with her family, especially her four year old twin granddaughters who live in Austin.

MANAGEMENT TEAM



▲
JANA HEATON
CHIEF FINANCIAL OFFICER



▲
DAVE BLEAZARD
CHIEF EXECUTIVE OFFICER



▲
MIKE MCWETHY
CHIEF OPERATING OFFICER



▲
DEBI LITTLE
CHIEF LENDING OFFICER



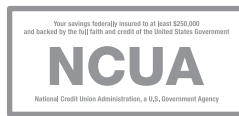
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FRANK HALSTEAD
CHIEF INFORMATION OFFICER

OUR MISSION

Provide Financial
Services that Enhance
Members' Lives.

OUR VALUES

- Treat Others with Honesty and Respect
- Serve with Accuracy, Integrity, and Safety
- Maintain Financial Stability and Strength
- Comply with Laws, Regulations and Policies



Your savings 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.

If you are interested in learning more about our products, services or locations, visit our website at

www.FSCU.com

Or, feel free to contact us at:
713.676.7777 or 800.678.5197.