




ANNUAL REPORT
2014

ANNUAL MEETING AGENDA

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● Call to Order / Ascertainment of Quorum	
● Designation of Secretary / Parliamentarian	
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● Unfinished Business	
● New Business	
- Election of Officials	
● Adjournment	
● Door Prize Drawing	



2014 HIGHLIGHTS

- Grew assets by 14%
 - Grew membership by 7%
 - Grew loans by 26.84%
 - Grew deposits by 13%
 - 16,408 loan requests
12,682 approved for \$178.4 million (77.8%)
 - Interest paid (dividends): \$2,206,641
 - Decision time on loan requests – less than 12 minutes on average
 - Renovated headquarters facility due to major growth in several areas
 - Purchased land in Katy and Atascocita for future branch expansions
 - Tunnel branch completely renovated
 - Paid our first Member Patronage Dividend (bonus dividend)
 - Upgraded Home Banking platform & Bill Pay program
 - Created online loan process making it easier/faster for members to apply
 - Developed eSignature process for member convenience
 - Instant Issue – branches can now issue credit cards at each office
 - Initiated Instant Loan, providing convenient, quick access to cash
 - Corporate Sponsor Leukemia/Lymphoma Society (\$21,000+)
- 

MINUTES - 2014 MEETING

David Itz, Chairman of the Board, welcomed everyone and called the 36th Annual Meeting of First Service Credit Union to order at 6:00 PM. He asked if a quorum was present, and Liz Stephens affirmed there was. Mr. Itz introduced the Board members present, including Gary Godwin, Janet Hill, Jack Bartell, Kourtney Calhoun, Jim Harkrider, Paul Love—also Douglas Chee and Mack Mayhew of the Supervisory Committee—and thanked them for their devoted service. Mr. Itz asked Virginia Dolan to serve as Secretary and Parliamentarian. She answered in the affirmative, indicating the recorder and the Robert’s Rules of Order were in hand. Mr. Itz asked if there were any adjustments to the minutes as presented in the 2013 Annual Report. There were none, therefore, he asked for a motion to accept the minutes as presented.

Motion: Gary Godwin made a motion and Jim Harkrider seconded the motion to accept the 2013 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. He also acknowledged the resignation of Thomas Smith as a Board Director, and thanked him for his 31 years of devoted service.

MINUTES - 2014 MEETING

(CONTINUED FROM PAGE 2)

Dave Bleazard presented the President's Report during which he thanked the membership for their support and reported that, based on our strong financial performance, this credit union has never been better prepared to serve you and your financial needs. He also welcomed the former members of El Paso Corporation Federal Credit Union who merged with us in April of 2013. Mr. Bleazard expressed his sincere appreciation for the vision, hard work and dedication of our Board of Directors, employees, vendors, and volunteers, who have worked countless hours to make this credit union successful. As we look to the future, there are many new changes and improvements coming including a new branch that will be built in Katy by the end of 2014. We are growing and improving to meet your financial needs.

Mack Mayhew presented the Supervisory Report on behalf of Committee Chairman Merv Swan, who was unable to attend. Mr. Mayhew reported that 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. He extended thanks for the members of the Supervisory Committee, the Board of Directors and the credit union staff for their cooperation, assistance and support.

MINUTES - 2014 MEETING

(CONTINUED FROM PAGE 3)

Mr. Itz asked if there were 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 Gary Godwin, Chairman of the Nominating Committee who introduced the nominated candidates who will be elected by acclamation at this meeting. Mr. Itz introduced the five candidates up for re-election; Mr. Doug Esmond, Mr. Paul Love, Ms. Janet Hill, Mr. David Itz, Ms. Kourtney Calhoun for a three-year term. There were no other nominees.

Motion: A motion was made by Jim Harkrider and seconded by CEO David Bleazard to accept Mr. Doug Esmond, Mr. Paul Love, Ms. Janet Hill, Mr. David Itz, and Ms. Kourtney Calhoun up for election as proposed by the Nominating Committee. The motion passed.

A motion was made by Gary Godwin to adjourn, and the meeting ended at 6:25pm.



GARY GODWIN
CHAIRMAN OF THE BOARD

CHAIRMAN'S REPORT

It gives me great pleasure to report on behalf of the board of directors to the membership of First Service Credit Union. I am proud of and humbled by the level of trust our members have placed in me and my fellow board members. In fact, I'd like to take this opportunity to thank my fellow board members for their dedicated service, commitment, and passion, because they have contributed greatly to the success of First Service Credit Union.

As you see in the Annual Report, First Service Credit Union performed very well in fiscal year 2014. Some of your highlights, for example:

- As our CEO notes in his report, membership now stands at 52,232, representing a 7% increase over last year's membership. (It is no coincidence that word is getting out about us.)
- You, our member-owners, have added more than \$55 million to your savings accounts.
- You, the members and owners of this institution, have borrowed more than \$178 million while adding more than 12,682 new loans.
- Whether you were a new homebuyer or a member who may have refinanced your home, I'm thrilled that you turned to your credit union for your mortgage needs. In fiscal year 2014, First Service Credit Union wrote/closed 260 mortgage loans worth more than \$25,000,000.
- Favorable interest rates and a strengthening economy motivated many of you to buy new vehicles. In fiscal year 2014, First Service Credit Union wrote 5,872 auto loans worth more than \$145 million.
- The delinquency ratio in First Service Credit Union is now .70%, which tells me you're staying on top of your debt obligations, and that's a sure sign of a recovering economy.

Your ongoing participation in First Service Credit Union means that we will remain in a strong financial position to continue meeting your financial needs.

I think you all recognize that as not-for-profit cooperatives, credit unions are different than banks. Though we have to make a profit to keep the doors open, we don't have passive shareholders waiting with their hands out—there are no shareholders. There is only you, our member-owners, and our community. When we can, we distribute those profits back to you.

By exercising sound business and service strategies, we help members navigate life-cycle challenges, weather uncertain economic periods, and recognize the true benefits of membership. We hope and plan for a bright future for us all, and as we continue to support our stated mission, we want to look at new and better ways of defining our success and our obligations to you.

For instance . . .

- We want to offer more and better resources that allow us to focus more attention on our members using the most efficient and safe use of technology available.
- We want to grow our community impact through basic interest payouts, financial capability programs, payment deferral during community emergencies, and working with members facing the challenges of the life phase they might be in.
- We want to target particular segments of our community where we can make the greatest impact—for example, helping with financial literacy and account management for our members who are most vulnerable, including pre-high school children, young adults, retirees, and the elderly.
- As members focus more on use and less on ownership, we will consider how our credit union can responsibly finance life activities, such as education, transportation and your other dreams.
- We want to be a knowledge hub that places the credit union at the center of our members' financial lives by providing insight about budgeting, buying, retiring, and saving.
- As a financial cooperative, we understand that we can most effectively serve you and strengthen the credit union movement by working through local, regional, and national structures. That is why we seek to be involved in our local chapter of credit unions, taking advantage of the training, tools, and resources available through our trade association, the Cornerstone Credit Union League.
- We are very supportive of the league's advocacy efforts because we understand the impact legislation has on our ability to serve your financial needs. Unfortunately, tax reform is not yet off the table, and as federal legislators consider tax reform in 2015, we want to reiterate that a federal tax on your credit union is equivalent to a tax on you. We need to remain vigilant in our advocacy efforts against a massive banking lobby doing its best to convince our lawmakers that the credit union tax exemption puts them at an "unfair disadvantage." In support of these efforts, our president, Dave Bleazard, and two board members, Janet Hill and Wayne Taylor, recently attended the Governmental Affairs Conference in Washington, D.C.

My friends, the continued success of First Service Credit Union allows us to offer a wealth of savings tools and other financial products and services that improve our delivery channels, expand our outreach in the community and ultimately enhance your lives.

In closing, let me express my confidence in the leadership of David Bleazard, the guidance of our esteemed board of directors, and the commitment of a dedicated staff. I also want to thank you, our members, for your involvement with our credit union and for the trust you have demonstrated in our employees and board of directors. I am pleased with our accomplishments in 2014, and I am optimistic and excited about the outlook for 2015.



GARY GODWIN
CHAIRMAN OF THE BOARD

BOARD OF DIRECTORS



▲
GARY GODWIN
CHAIRMAN/2016



▲
JANET HILL
VICE CHAIR/2017



▲
JAMES HARKRIDER
SECRETARY/2015



▲
KOURTNEY CALHOUN
TREASURER/2017



▲
JACK BARTELL
DIRECTOR/2015



▲
DOUG ESMOND
DIRECTOR/2017



▲
DAVID ITZ
DIRECTOR/2017



▲
PAUL LOVE
DIRECTOR/2017

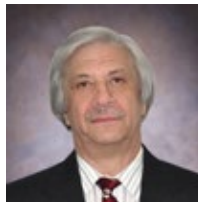


▲
WAYNE TAYLOR
DIRECTOR/2015

ADVISORY COMMITTEE



▲
JAY GALLIA
2015



▲
ANDREA MANGIAVACCHI
2015



▲
MERV SWAN
2015



DAVID BLEAZARD
PRESIDENT / CEO

PRESIDENT / CEO's REPORT

On behalf of the management and staff of First Service Credit Union, I want to say what a pleasure it is to deliver my report to you as president & CEO. Because of your trust and involvement, your credit union has continued to thrive and provide so many important benefits, not only to our members but also to our community.

As a financial cooperative, our success is your success. When you participate in the credit union, you are contributing to its growth. And, because of our cooperative structure, we are able to return our profits back to you, the owners and members, by offering competitive rates, new products, enhanced services, and additional points of service.

You may have noticed a few extra bucks in your account at the start of 2015. That is because the credit union had such a successful year that our board of directors elected to pay a Patronage Dividend (often referred to as a "participation dividend") to accounts in good standing as of December 31, 2014. This is our way of saying thank you for your support and trust in First Service Credit Union.

As a locally owned and governed financial institution, First Service Credit Union has a strong connection to the community, and we are well positioned to support Houston's growing demand for a financial institution that cares about its community's financial future.

2014 was a significant year, not just for our credit union but also for our state and the nation. In addition to the headline-grabbing midterm elections, the credit union movement weathered another round of banker attacks on our credit union tax exemption, cyber security became an ever higher-profile issue, and regulatory issues like risk-based capital continued to be hot-button topics that demanded we devote some of our time and resources to advocating with lawmakers on behalf of credit unions.

As our membership grows, so do our assets, which indicates that you are taking full advantage of the products and services we have to offer. Our current assets exceed \$530 million. Membership at First Service Credit Union increased again in 2014 and stood at 52,232 by end-of-year.

I am pleased that as loan demand has grown almost 27% during 2014; delinquencies remain low at .70%. This tells me that you value the competitive rates we're able to offer and that you have a strong commitment to honoring your financial obligations with your credit union.

Just as you are committed to First Service Credit Union, we are committed to you, and the following are but a few highlights from 2014 that demonstrate this:

- Highest Rate In The Country CD for benefit of our savers
- Refurbished our Tunnel Branch and scheduled opening of Katy Branch for 2015
- Complete upgrade of Home Banking System
- Continued to upgrade and utilize Mobile Banking system
- Developed an eSignature process for member convenience

I'm delighted to point out that First Service Credit Union is a well-capitalized financial institution, with a strong capital ratio of 9.40%. To put that in perspective, 7 percent is the industry standard for "well-capitalized" institutions.

Our 2014 results illustrate that First Service Credit Union is a strong, sustainable, and efficient financial institution. Indeed, we are confident in our ability to meet all of your financial services needs. But, we are far more than an institution that offers financial products and services.

As we grow, we will keep our focus on doing what's right. Locally, we will continue to provide better services and more convenience for our members. We will seek to help more people in our community get on solid ground through financial education and our charitable activities. Nationally and on the state level, we will remain vigilant in making sure our elected officials know that a tax on credit unions is a tax on all our members; and we must be sure they understand the credit union difference.

Through it all, we will continue to focus on people first. It's what makes your credit union different, and what makes us strong.

Many thanks for being an integral part of our credit union family. On behalf of the entire staff, we look forward to a happy and successful 2015 for us all.



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, 2014, we contracted CliftonLarsonAllen LLP to conduct the annual financial audit. The financial statements as of December 31, 2014, 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 FSCU staff for their cooperation, assistance and support.

Thank You!

MERV SWAN
CHAIRMAN - SUPERVISORY COMMITTEE



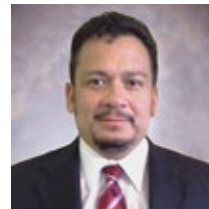
DOUG ESMOND
MEMBER



MACK MAYHEW
MEMBER



DOUG CHEE
MEMBER



MARCO CASSO
MEMBER

STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2014

MEMBERS: 52,232

ASSETS

Cash	\$ 25,455,667
Investments	109,276,859
Net Loans	370,950,858
Accrued Interest Receivable	1,357,096
Premises and Equipment, Net	15,823,252
National Credit Union Share Insurance Fund Deposit	4,396,225
Other Assets	6,454,873
Total Assets	<u>\$ 533,714,830</u>

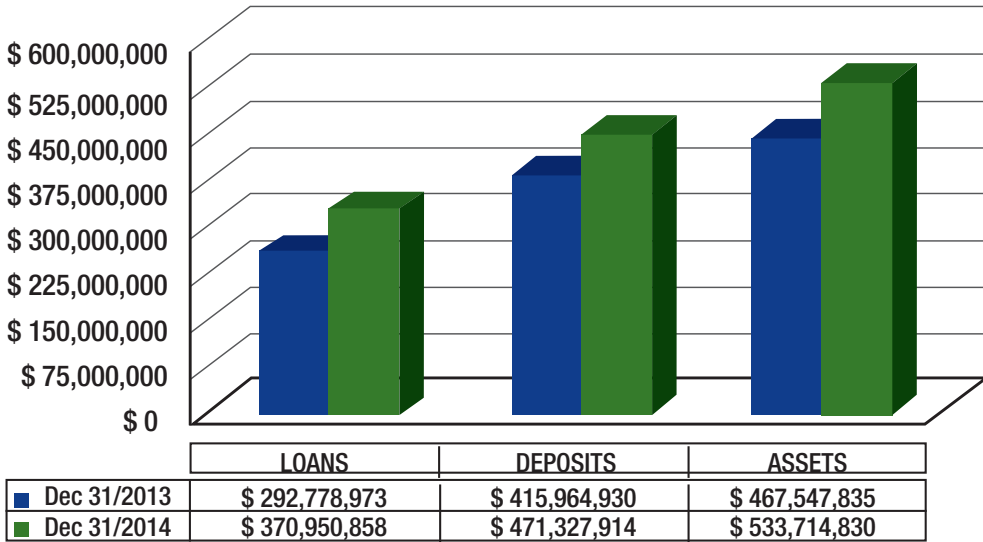
LIABILITIES & MEMBERS' EQUITY

Liabilities	\$ 12,772,159
Members' Shares and Deposits	471,327,914
Members' Equity	49,614,757
Total Liabilities and Members' Equity	<u>\$ 533,714,830</u>

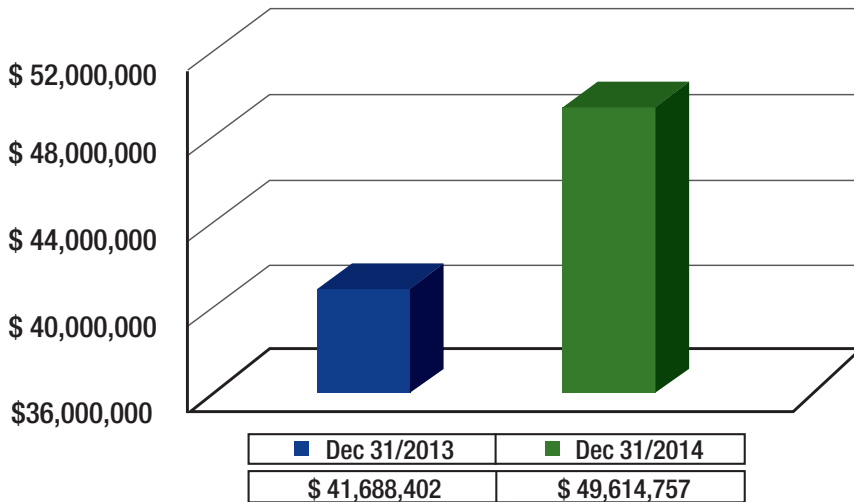
INCOME AND EXPENSE STATEMENT

Total Income	\$ 30,577,932
Operating Expenses	(19,519,099)
Provision for Loan Losses	(2,794,330)
Interest and Dividends Expense	(2,206,918)
Non-Operating Income (Expense)	(456,017)
Net Income	<u>\$ 5,601,568</u>

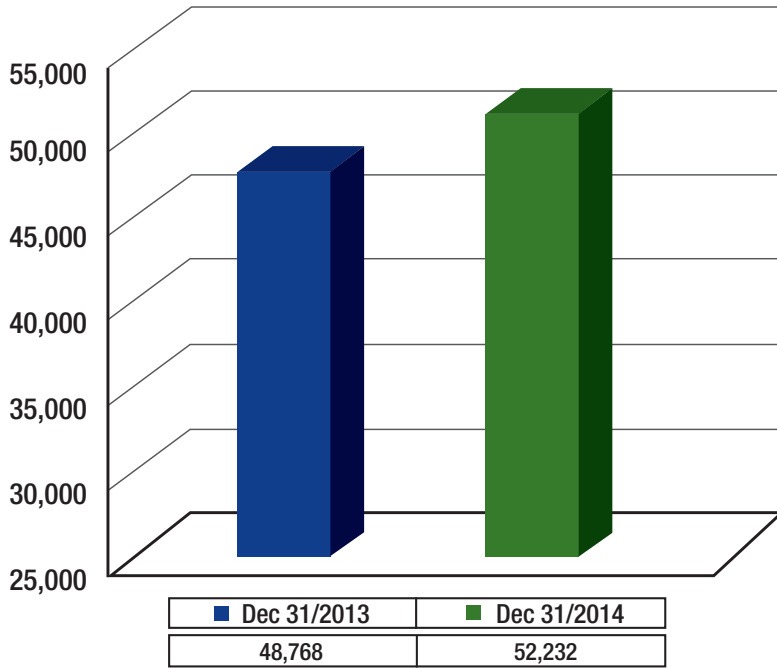
FSCU FISCAL 2013 - 2014



TOTAL EQUITY 2013 - 2014



MEMBERS 2013 - 2014



FSCU BOARD OF DIRECTORS NOMINEES

The First Service Credit Union Nominating Committee has submitted the following candidates for the 2015 Board of Directors Election:



JACK BARTELL

Mr. Bartell has served as an FSCU board member for over 20 years. As a CPA, he has over 30 years financial experience in the energy and chemical industries, including 15 years consulting on financial matters. Mr. Bartell is a native of St. Louis, MO, earning his BS in Accounting and Political Science from Missouri State University and a MBA from Washington University in St. Louis. After starting his career with Price Waterhouse Coopers, Mr. Bartell spent 10 years with Mallinckrodt, Inc., a specialty chemical and healthcare products manufacturer, as controller over several diverse groups of businesses. The next 15 years were spent with Houston Industries (now CenterPoint Energy, Inc.) where he served as corporate secretary and treasurer of Utility Fuels, Inc. He joined IBM Corp. as managing consultant on financial software implementations. Recently he has consulted independently with major corporations, evaluating their internal controls under the Sarbanes-Oxley Act at their U.S. and international locations, and is now manager of corporate accounting for SCI in Houston.



JAMES HARKRIDER

Mr. Harkrider is a current director on the board of First Service Credit Union, serving on the ALCO and Development Committees. Recently he retired from CenterPoint Energy, Inc. after a 37-year career. A native of Shreveport, LA, he holds a BA degree in Economics and a BS degree in Biology from Centenary College of Louisiana. Mr. Harkrider was transferred to Houston with Sears in their Retail Management Training Program and managed two divisions before leaving to join Houston Lighting & Power Co. in their marketing department. Mr. Harkrider and his wife Marilyn enjoy traveling, riding motorcycles and the arts. He has a lifetime membership in the Greater Houston Partnership, was president of the board of directors for Fort Bend MUD 106 for 13 years and is currently serving as a director on the board for Harris County MUD 501. Additionally, he has served as a director on several nonprofit boards in the Houston area.

FSCU BOARD OF DIRECTORS NOMINEES (CONTINUED FROM PAGE 14)



MERV SWAN

Mr. Swan earned an Engineering degree from the University of Calgary and an MBA from Brigham Young University. He has over 40 years of international business experience in operations, sales and executive positions. In the last 20 years, he has worked in the oil and gas sector at Intera, Halliburton and Tervita in various vice president positions and completed Halliburton's President Leadership Excellence Program. Mr. Swan continues to provide consulting and training services and is now semi-retired. He is a member of the credit union and has served on the ALCO, Executive Compensation and Technology Committees. Mr. Swan and his wife love traveling and spending free time with his children and grandchildren.



WAYNE TAYLOR

Mr. Taylor has been a credit union member for 34 years and an active board member for almost 30 of those years. He has served on most committees at one time or another, and several terms as either vice chairman or chairman of the board. After 25 years in the credit department with Brown and Root, he moved to Halliburton, managing the American Express Credit Card Program. His years of credit-oriented service have stood him in good stead as he has monitored the finances of the credit union since the 1980s. Retired since 2010, Mr. Taylor devotes his time to gardening, playing senior softball, and volunteering with several charities and his church.

MANAGEMENT TEAM



▲
JANA HEATON
CHIEF FINANCIAL OFFICER



▲
DAVE BLEAZARD
CHIEF EXECUTIVE OFFICER



▲
MIKE MCWETHY
CHIEF OPERATING OFFICER



▲
DEBI LITTLE
CHIEF LENDING OFFICER



▲
JOHN JACKSON
CHIEF ADMINISTRATIVE OFFICER



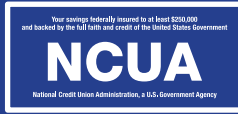
▲
FRANK HALSTEAD
CHIEF INFORMATION OFFICER

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.