

2020

ANNUAL REPORT



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NCUA

National Credit Union Administration, a U.S. Government Agency

JSC FEDERAL CREDIT UNION

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BOARD OF DIRECTORS

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Interim Chief Financial Officer

WES TURNER
Chief Technology Officer

ALEXIS LEWIS
General Counsel

SUPERVISORY COMMITTEE

RENEE FALLS
Interim Chair

THOMAS REYNA

VANESSA BHAN

IVELINA PAVLOVA-STOUT

A LETTER FROM OUR CHAIR

■ It goes without saying that 2020 was a year like few others. We each faced challenges and disruptions in all aspects of our lives. Despite the unprecedented year, JSC Federal Credit Union remains strong, financially stable, and well-positioned to deliver exceptional experiences, products, and services to our members.

I first want to recognize and share my appreciation for our team members – the heart of JSC FCU – who showed resilience, innovation, and dedication throughout 2020. The team came together to adapt to significant changes in our business operations due to the pandemic, and through it all, they exemplified care and respect for the safety of our members and one another. All that we accomplished and provided to our members during this challenging year could not have been possible without their hard work and commitment.

It is a monumental time at JSC FCU. We are in the midst of a significant transformation, including bringing our membership new digital solutions and offering member experiences unparalleled by other financial institutions – all expected to be initially implemented by the end of 2021. Included within our strategic plans is evolving our brand to honor our legacy and better position us to serve current and future generations for the next 60 years.

Along the same lines, 2020 encouraged us to reflect and respond to many social issues that the year brought to light on behalf of our organization, members, and community. Our newly updated corporate responsibility strategy, which includes our plans to make JSC FCU more diverse,

equitable, and inclusive. This strategy will help us better engage and develop our workforce, drive growth, enhance member and team member experiences, and increase our strategic performance.

Our 2020 Annual Report provides additional details on these key initiatives, and I am proud of the work we have accomplished amidst the incredible amount of change and uncertainty the year brought.

The year also brought change to the JSC FCU Board of Directors with three long-tenured board members' retirement. In 2020, Curtis Collins retired from his board position after five decades of dedicated commitment to JSC FCU and the credit union industry. Additionally, Grady Perdue retired from the board after many years of devoted service, and Harry Guss transitioned to emeritus status. We are grateful to these board members for their leadership, guidance, and commitment to JSC FCU.

Our commitment to creating an enduring organization that advocates and drives positive change on behalf of our members begins with my fellow board members and me. Aligning to our purpose and bold, strategic vision, we selected three new exceptional board members that bring great diversity of thought, experience, and competency to the JSC FCU Board of Directors: Dwayne Busby, Lavonne Hopkins, and Portia Keyes.

I want to share my appreciation with all my fellow board members for their invaluable support and for offering their experiences, insights, and expertise to strategically guide

I also want to share my sincere thanks with you, our members. It is a distinct pleasure to serve as Chair of the JSC FCU Board of Directors, and I am grateful for your flexibility in making this year one of strength and perseverance.

JSC Federal Credit Union is a strong financial institution focused on helping you live life uninterrupted. As we grow, we're proud to continue our legacy and power our members' prosperity. Our focus remains on you and your needs, and we will always find ways to be better for future generations and future dreamers.

It's time to believe in dreams, and to make them real, together.

DEBORAH ACOSTA CONDER
Chair, Board of Directors



FINANCIALLY SOUND

■ JSC Federal Credit Union's Supervisory Committee has two primary purposes: to ensure the organization's financial reporting is in accordance with generally accepted accounting principles and that its practices and procedures safeguard members' assets. These goals are met, in part, by ensuring that JSC FCU's leadership properly administers policies established by the organization's board of directors and maintains effective procedures to comply with laws and regulations, to minimize the risk of fraud, and to avoid conflicts of interest.

In carrying out its duties, the committee oversees and reviews the internal audit department's activities and is also responsible for ensuring that JSC FCU's financial condition is accurately presented in the credit union's financial statements by engaging an independent audit firm annually.

BKD CPAs & Advisors, LLP (BKD), a certified public accounting (CPA) advisory firm, serves as JSC FCU's independent external auditor. As one of the nation's leading and oldest CPA firms, BKD assists the organization with its annual audit.

JSC FCU had an audit of the 2020 financial statements performed. In all substantial respects, the credit union's accounting practices, cash flows, and operations aligned with generally accepted accounting principles in the United States of America.

Additionally, the National Credit Union Administration (NCUA), the regulatory agency for all federally insured credit unions, performs annual examinations. The NCUA conducted the 2020 audit as of June 2020, and JSC FCU received an overall rating indicative of a well-managed

credit union serving its members' needs.

The NCUA looked at seven major risk areas: credit risk, interest rate risk, liquidity risk, transaction risk, compliance risk, strategic risk, and reputation risk. Based on the NCUA examination report, the supervisory committee is pleased to report that JSC FCU continues to comply with laws and regulations, operating soundly and capable of withstanding business fluctuations.

The Supervisory Committee is pleased to report these positive results and serve the JSC FCU membership. For assistance with issues that cannot be resolved through normal channels, members are encouraged to contact the committee at the following email address: SupervisoryCommittee@jscfcu.org.

Respectfully,

RENEE FALLS

Interim Chair, Supervisory Committee





A LETTER FROM OUR INTERIM PRESIDENT & CEO

■ While 2020 introduced unprecedented changes for our members and their families, as well as our organization and team members, JSC Federal Credit Union was able to respond to challenges faced and rise above. Through our passion and purpose, we continued assisting our members, focusing on their financial wellbeing.

It is an honor for me to serve as Interim President & CEO. I could not be prouder of our team. We recognize we have areas to work on - and we are and will continue to do so. I am pleased to share some of the 2020 focus areas that help propel us forward in our journey to help you live life uninterrupted.

2020 Posed Unprecedented Challenges & JSC FCU Emerged Strong Than Ever

- We identified deficiencies that caused member pain points like call wait times and limited mobile functionality.
- We listened, looked inward, examined our strategies, and adapted our thinking.
- We pivoted to introduce new ways of working and interacting with our members.

Our Purpose-driven and Member-led Culture Differentiate Us

- We're building one of the most sought-after member experience models in the industry.
- We're creating seamless, intuitive banking in a way that reflects our increasingly technological and digital world.
- We're digital-first and have an unwavering passion for serving our members and our communities beyond banking and technology.

New Technology Will Enable Innovation

- We're launching a new core banking system in Q4 2021.
- Through technology, we'll enable

best-in-class product offerings.

- We're modernizing how you interact with us - for the better!

Listen First, Act Second

- We're taking every opportunity to listen to our membership about their experiences.
- We're getting to know your expectations, preferences, and concerns and using this data to help drive our business decisions.
- We recognize our need to improve and appreciate you sharing feedback.
- With your help, we will do better!

Our Diversity Is Our Strength

- Our commitment to diversity, equity, and inclusion is woven into every aspect of our member and team member experience.
- We're cultivating a DE&I organization where team members feel valued and empowered.
- We look forward to sharing our progress as we embark on a multi-year DE&I journey.

Expanding Our Geographic Footprint

- We've been an integral part of the greater Southeast Houston community for nearly six decades.
- We continue to expand our presence to wherever our members need us.
- We remain committed to the people and community who put the first person on the moon.
- Exciting announcements to come in Q3 of 2021!

Thank you for your trust and support from all of us at JSC Federal Credit Union as we transform to become better than ever before.

CHRISTIE JORDAN

Interim President & CEO



**WE REMOVE
THE FEAR OF
DREAMING, SO
YOU CAN LIVE LIFE
UNINTERRUPTED.**

OUR STRATEGY IN ACTION

■ This year marks sixty years of unwavering service to the greater Houston community. In 1961, JSC Federal Credit Union was founded to serve the people who put the first person on the moon - some of the biggest dreamers in history. Decades later, we continue to be inspired by our members' legacy, build on our organization's rich history, and prepare for our next sixty years of providing unparalleled member experiences.

Like the many brave people who helped execute the Apollo 11 mission bringing prosperity to our nation, we too have a similar mission of bringing prosperity to the communities we serve. Our mission, the reason we exist, is to help our members and their families achieve their dreams. At JSC FCU, we believe in every dream, and our goal is to support each any way we can - no matter what.

The world drastically changed a year ago as we experienced something unlike anything many have ever witnessed in their lifetime. COVID-19 fundamentally changed nearly everything about our lives: customs, behaviors, needs, lifestyles, relationships, and more. Our community was impacted - our members and team members included.

What our members needed from JSC FCU in 2020 was unprecedented as well. Among many things, we saw trends

and member behavior shift significantly to digital platforms. In 2020, our path forward was dependent on our ability to respond to your needs and the changing world around us with speed and stability. Without hesitation, JSC FCU did just that. Fortunately, having carefully observed consumer behavior trends shift digitally before the impacts of COVID-19, JSC FCU embarked on a long-tailed transformation to offer technology-based, member-led banking in 2019. As a result, our organization was primed to respond to the challenges 2020 brought. With the pandemic, we saw these trends accelerate, which underscored the importance of our vision to significantly improve our digital product and service offerings to provide the kind of experiences our members expect today and in the future.

Many of these new digital capabilities will replace our legacy systems soon and be available to members as early as October 2021 and throughout the year. We selected our new cutting-edge systems due to their ability to support modern consumer expectations. Specifically, they address member pain points regarding deposit-taking ATMs, digital banking applications, contact center capabilities, member service, and more.

Here are a few of the many improvements you can look forward to toward the end of 2021 and beyond:



Digital experiences that our members desire

- A new, visually immersive, interactive, and easy-to-navigate website with a responsive mobile-first design.
- A modern digital banking experience designed specifically for members with intuitive self-service features like enhanced bill pay, person-to-person payments, and more.
- Enhanced online digital applications, making it easier for our members to fulfill many more requests for new products in one digital interaction.



Solution Center updates to enhance our members' in-person experience

- Interactive Teller Machines (ITMs) that combine the ease and conveniences of an ATM with a live teller experience. This state-of-the-art technology offers advanced, personalized service through self-service options or concierge assistance.
- 24/7 access to more capabilities that can be completed on an ITM when compared to a traditional ATM.
- Renovations and upgrades to several existing solution center locations.
- New solution centers in areas of Houston we do not yet have locations, but our members live, work, and play.



Contact Center improvements to elevate our member experience from anywhere

- Expanded contact center hours to support members' sales and service needs.
- Video banking capabilities, as we have missed the faces of our members over the past year.



Experience-based member service you know and love

- A continued focus on upskilling and developing team members to offer best-in-class member service that prioritizes your experience.
- Planned workforce growth that involves recruiting and developing the right talent who can expeditiously embrace innovation and transformation, ensuring we employ it in a way that is relevant today and in the future.

The future is bright for JSC Federal Credit Union, and we are incredibly excited to bring these enhancements to our membership. While doing so requires us to work harder than ever before on our members' behalf, we welcome the challenge because it matters to us if it matters to our members.

Our JSC FCU mission is successful when we help our members find the financial success they deserve through the right technology, powerful partnerships, and trusted JSC FCU experience. As a result, we will never stop trying to find new ways to ensure we put your dreams first, anticipate your needs, and strive to provide the best experience. Adequately investing in your member experience helps ensure that we will continue to offer the banking and financial services you want and need for many more decades to come.

Thank you for your continued trust and commitment to our dynamic organization. We will continue to work hard to remove the fear of dreaming so you can live life uninterrupted because we believe that when dreams become reality, we all thrive.

FINANCIALS

\$2.57B
IN TOTAL ASSETS

\$307M
IN TOTAL EQUITY

\$2.26B
TOTAL DEPOSITS

ASSETS			
	2018	2019	2020
Total Loans	\$711,016,583	\$1,012,024,958	\$1,187,780,858
Less Allowance	(\$2,465,986)	(\$3,201,321)	(\$6,701,629)
Net Loans	\$708,550,597	\$1,008,823,637	\$1,181,079,228
Cash & Cash Equivalents	\$174,201,951	\$111,513,350	\$214,119,052
Net Investments	\$1,199,588,107	\$1,060,336,970	\$1,102,607,234
OTHER ASSETS			
Fixed Assets	\$25,648,849	\$35,439,832	\$35,126,263
NCUA Share Insurance Deposit	\$18,358,400	\$18,011,357	\$20,074,891
Other Assets	\$8,918,393	\$13,901,580	\$20,717,754
TOTAL ASSETS	\$2,135,266,297	\$2,248,026,726	\$2,573,724,423

LIABILITIES, SHARES & EQUITY			
	2018	2019	2020
Total Liabilities	\$2,295,848	\$4,762,474	\$11,245,844
Total Shares & Deposit	\$1,893,648,213	\$1,973,448,661	\$2,255,517,879
Total Equity	\$239,322,236	\$269,815,591	\$306,960,699
TOTAL LIABILITIES, SHARES & EQUITY	\$2,135,266,297	\$2,248,026,726	\$2,573,724,423

OPERATING INCOME			
	2018	2019	2020
Total Interest on Loans	\$23,866,765	\$34,569,767	\$44,839,499
Income from Investments	\$25,515,401	\$26,249,188	\$20,978,699
Fee and Other Operating Income	\$17,355,166	\$15,857,176	\$14,094,881
TOTAL GROSS INCOME	\$66,737,332	\$76,676,131	\$79,913,078
TOTAL OPERATING EXPENSE	\$35,309,461	\$39,400,914	\$46,844,355
INCOME (LOSS) FROM OPERATIONS	\$31,427,871	\$37,275,217	\$33,068,724
Less: Provision for Loan Losses	\$3,393,677	\$3,233,086	\$6,648,354
Interest Paid to Members	\$11,086,851	\$14,701,933	\$13,892,015
ADJUSTED NET INCOME (LOSS)	\$16,947,343	\$19,133,701	\$15,532,587

DRIVING SUSTAINABLE CHANGE

■ JSC Federal Credit Union was formed for those who were not satisfied with simply dreaming of a better world but for those who worked tirelessly to create it. The dream-doers. The change-makers. As our organization has grown and evolved over the past six decades, we continue to be inspired by our legacy and purpose – to help you live life uninterrupted. Now, we are even more committed to helping our members and communities put their dreams within reach because when dreams become reality, we all thrive.

In 2020, we strengthened our commitment to corporate responsibility and several other key initiatives to continue transforming JSC FCU into an enduring organization our members are proud to be a part of. As a not-for-profit financial cooperative, we are passionate about supporting, promoting, and driving experience-driven sustainable change in the communities we work and live in, embracing our differences through our shared purpose, and doing well by doing good.

Last year, we began carefully examining all aspects of our organization to ensure that every element of what we do truly aligns with who we are. In 2020, a prominent focus area revolved around our strong commitment to diversity, equity, and inclusion.

JSC FCU proudly serves the most diverse city in the country, and as a people-focused organization, we are driven to ensure we reflect the communities we serve and serve the communities we reflect. Part of driving sustainable change includes ensuring calls for social justice are addressed internally and externally at JSC FCU.

We firmly believe our diversity is our strength

– that what makes us each different is also what unites us. At JSC FCU, we embrace different perspectives and experiences to achieve greater equity and inclusion for our members, communities, and team. We have meaningfully invested in transforming how we purposefully integrate and measure diversity, equity, and inclusion into every aspect of our member and team member experience.

As a member-owned organization, fiscal responsibility is another prime area of focus for JSC FCU. Being responsible and conscious stewards of our members' capital is something we take seriously. By ensuring we are transforming JSC FCU into an organization that is enduring and experience-driven through well-managed change allows us to adequately, responsibly, and confidently invest into the credit union on behalf of our membership.

Our journey to transform JSC FCU's member experience to include seamless, intuitive banking through technology will lead to better comprehensive service for our members, more environmentally-friendly and sustainable business operations, and positive impact in our communities –socially and economically. Some of the ways we are creating lasting, measured change inside and out of JSC FCU is by forming strategic partnerships with organizations that are also making positive change among the greater Houston area, exploring a wide variety of products and services to better serve our members, and examining investment opportunities to consciously grow JSC FCU to impact positive change beyond southeast Houston. Advancing our local communities, individual lives, and the environment together makes us all stronger.

The past year encouraged and allowed us to look inward and identify areas of focus that will allow us to do the most good for our individual members, team members, collective membership, and communities. In 2021 and beyond, we look forward to continuing efforts to strengthen our key corporate responsibility focus areas:

- Diversity, equity, and inclusion
- Experience-led sustainable change
- Philanthropy and activism to include corporate volunteerism and charitable contributions

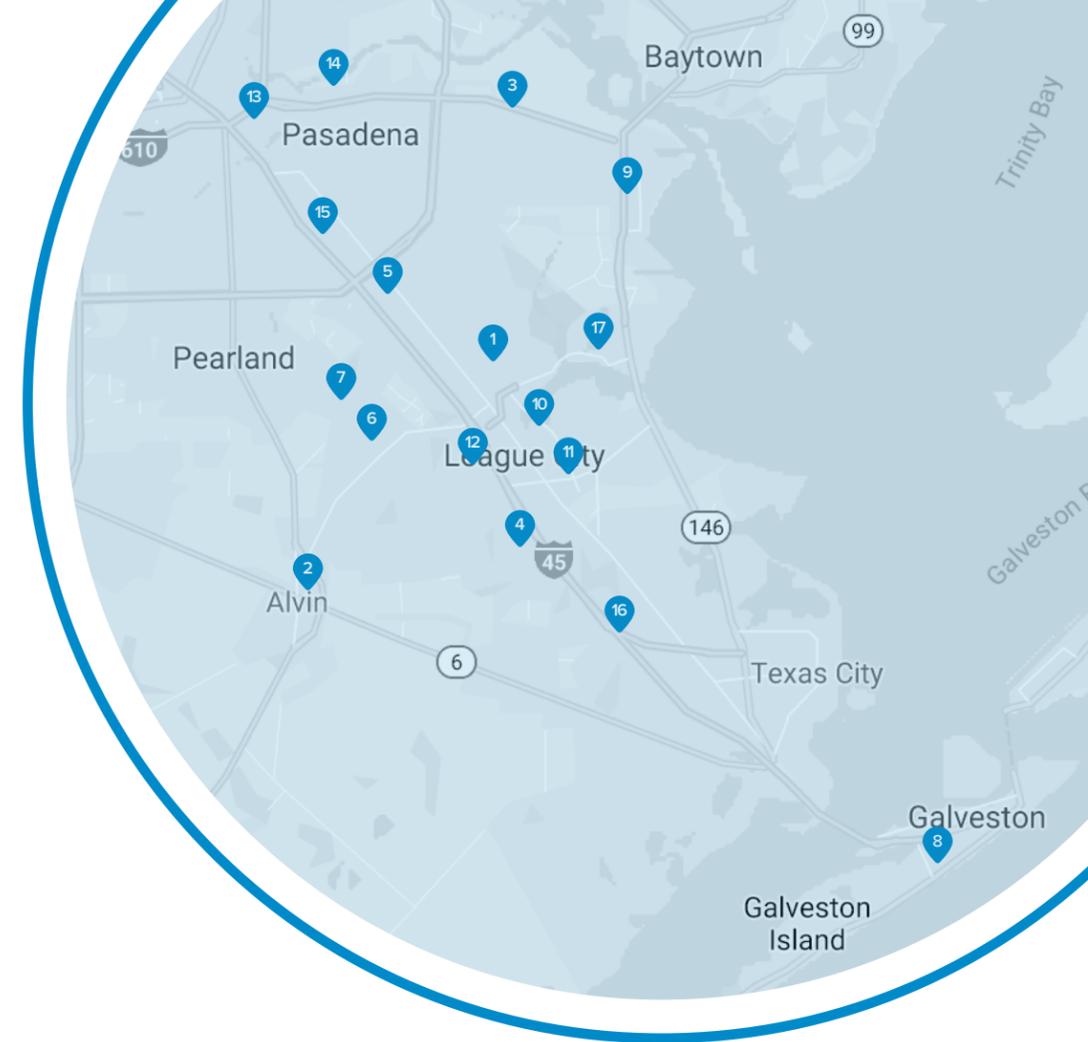
Let us not only dream of a better world but also let us work together to build it. On behalf of JSC FCU, thank you for your membership and being the change the world needs.





LOCATIONS

1. **Clear Lake - Main Office**
1330 Gemini
Houston, Texas 77058
2. **Alvin**
877 E Highway 6
Alvin, Texas 77511
3. **Deer Park - Monument**
2200 East Thirteenth Street
Deer Park, Texas 77536
4. **Dickinson - Bay Colony**
2461 FM 646 W
Dickinson, Texas 77539
5. **Ellington**
404 FM 1959
Houston, Texas 77034
6. **Friendswood**
1320 S Friendswood Drive
Friendswood, Texas 77546
7. **Friendswood North**
307 N Friendswood Drive
Friendswood, Texas 77546
8. **Galveston**
6167 Central City Blvd.
Galveston, Texas 77551
9. **La Porte**
607 West Fairmont Parkway
La Porte, Texas 77571
10. **League City**
501 FM 270
League City, Texas 77573
11. **League City - Tuscan Lakes**
1280 East League City Parkway
League City, Texas 77573
12. **League City - West**
2660 West Main Street
League City, Texas 77573
13. **Park Place**
8424 Park Place Blvd.
Houston, Texas 77017
14. **Pasadena North**
303 W. Shaw
Pasadena, Texas 77506
15. **Pearland - Broadway**
9101 Broadway
Pearland, Texas 77584
16. **Texas City - Mainland**
2300 Gulf Freeway, corner of FM 2004
Texas City, Texas 77591
17. **Seabrook**
3620 NASA Parkway
Seabrook, Texas 77586





www.jscfcu.org