

2017 annual report



Letter from the Chairperson and President/CEO

Service 1st's success in 2017 is attributable to the support of our members and our commitment to continue to grow and meet your changing needs as we navigate the road of life together. We are pleased to share highlights from this past year, which include outstanding financial performance, as well as exceptional efforts to support charitable organizations in our communities.

In many key areas on the financial front, we continue to outperform our peer credit unions, those credit unions similar to our asset size. Our assets increased nearly 10.0% to \$337 million, while peer asset growth was 4.9%. Savings balances increased 9.8% and total outstanding loan balances grew by 12.6%, while our peer credit unions showed savings growth of 4.4% and loan growth of 8.5%. Membership growth topped 5.4% as we added 4,040 new members in 2017. Peer credit unions posted membership growth of 2.4%.

Our return on average assets, one key measure of the overall health of a financial institution, was nearly 1.00%. Our net worth to asset ratio was 8.4%, indicating we are well capitalized. We earned a positive report and the highest rating from the National Credit Union Administration (NCUA), our federal regulatory agency. The report from NCUA, as well as our strong financial trends, show sound financial management.

A noteworthy accomplishment is how much we saved our members as part of our Community Savings Challenge. In 2017, our members saved \$1.8 million! Members took part in a free, five-minute financial checkup. As a result of the checkup, we track what the member is able to save by consolidating or restructuring their loans. In addition to helping members, we also gave back to the community as part of the challenge. SUM Child Development, Mifflinburg; Ruth's Place, Wilkes-Barre; Caring for Kids, Sunbury; AGAPE, Bloomsburg; Firetree Place, Williamsport; Meals on Wheels, Lewisburg; Haven Ministries, Sunbury; and PSPCA, Danville were among the organizations supported through this effort in 2017.

Supporting community is one of our core values. The 24th Annual Service 1st Charity Golf Tournament and Sixth Annual Service 1st Charity Duck Derby raised \$35,000 to support the Janet Weis Children's Hospital, Heart to Hand Ministries and Danville Area Little League. We supported the March of Dimes with donations totaling \$17,000. Our expanded community efforts for "Going Gold" raised awareness about pediatric cancer and \$9,000 to benefit the ThinkBIG Pediatric Cancer Fund. These are just a few of the many organizations we supported in 2017.

As the year came to a close, we were honored to be named Best Bank/Credit Union in the Valley by the Daily Item. This award is extra special because it is a reader's choice award. With so many choices for financial services, we're honored to be among the best of the best.

As we look to 2018, we will continue to keep the best interests of our members in mind as we continue to grow to meet your needs and those of the communities we serve.



Bill Lavage, President/Chief Executive Officer
Dave Cutright, Chairperson of the Board



Management Team

(L-R): **Karen Wood**, Chief Experience Officer; **Brett Johnson**, Vice President Lending; **Linda Brown**, Chief Administrative Officer; **Christopher Court**, Vice President Accounting/Operations; **Scott Temple**, Vice President Specialized Lending; **Elisabeth Taylor**, Assistant VP Audit & Compliance; **Bill Lavage**, President/CEO; **Dave Shope**, Assistant VP Business Development; **Coleen Snover**, Assistant VP Training & Development; **Jeffrey Balestrini**, Chief Lending Officer; **Colleen Phillips**, Vice President Marketing; **Missy Peifer**, Vice President Human Resources; **Michael Thomas**, Chief Financial Officer; **Jay Reed**, Chief Information Officer

Board of Directors

BACK ROW (L-R):

Bill Lavage, President/CEO; **David Cutright**, Board Chairperson; **Tracy Shirk**, Treasurer; **Greg Burke, MD, FACP**, Director; **Steven Endress**, Vice Chairperson; **Lori Wilson**, Director; **Eric Polczynski**, Supervisory Committee Chairperson

FRONT ROW (L-R):

Deborah Petretich Templeton, R. Ph., MHA, Secretary; **Kathy Linn**, Director; **Barbara Criswell**, Director; **Harold Hurst**, Director





Retirement & Investment Center

LEFT TO RIGHT:

Matt Gardill, Registered Member Service Representative; **Shawn Hays**, Registered Member Service Representative; **Gary Surak**, Vice President, Wealth Management; **Missy Thomas**, Registered Member Service Representative; **Ed Moyer**, Registered Member Service Representative.

Offered by CUNA Brokerage Service Inc., the Retirement & Investment Center is staffed by knowledgeable and experienced financial advisors devoted to serving your retirement, insurance and investment needs. Gary Surak, Vice President, Wealth Management, offers over 25 years of experience. The Retirement & Investment Center has grown to serve 1,324 members with \$111,966,433 in total assets under management.

*Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/ FDIC insured, May Lose Value, No financial institution guarantee. Not a deposit of any financial institution. FR-1730457.1-0317-0419



2017 Highlights

TOP ROW (L-R): **1.** Service 1st was voted Best Bank/Credit Union in the Valley for The Daily Item’s Best of the Valley Readers’ Choice Contest! **2.** Throughout September, Bloomsburg, Danville and Lewisburg partnered to “Go Gold” and raise awareness about pediatric cancer. Service 1st Federal Credit Union, Old Forge Brewing Company, Heart to Hand Ministries, Marley’s Brewery and Grille, West End Ale Haus, and Brendan’s Towne Tavern teamed up to “Go Gold,” by hosting several events throughout the month. Together, with support from the community, they raised over \$9,000 to benefit the ThinkBIG Pediatric Cancer Fund. **3.** Service 1st was honored during the dedication of the Danville Area Little League’s Field Lighting Project, (L-R) Matt Hickey, Danville Area Little League; Scott Temple, Service 1st; Jeff Balestrini, Service 1st; and Seth Loff, Service 1st.

BOTTOM ROW (L-R): **4.** Nate Persing was joined by senior automotive students at Milton Area High School to accept his award for Outstanding Teacher. Service 1st partnered with 94.1 WQKX during the month of April to honor local teachers who go the distance for their students. **5.** Crissie, the official mascot of Service 1st and the number one cheerleader when it comes to our Annual Charity Duck Derby, got a new look. **6.** Service 1st Federal Credit Union is proud to sponsor the Bloomsburg Theatre Ensemble and their production of The Diary of Anne Frank. first row (L-R): Missy Thomas, Assistant Branch Manager Bloomsburg, Service 1st; Karen Wood, Chief Experience Officer, Service 1st; Jon White-Spunner, Managing Director, Bloomsburg Theatre Ensemble. second row: A’nie Kirchner, Company Stage Manager, Bloomsburg Theatre Ensemble; Michael Yerges, Production Stage Manager, Bloomsburg Theatre Ensemble; and Daniel Roth, Ensemble Member, Bloomsburg Theatre Ensemble.

STATEMENT OF INCOME
 As of December 31, 2017 and December 31, 2016 (Unaudited - Subject to revisions. *)

	2017	2016	% Change
OPERATING INCOME			
Income from Loans	\$ 12,115,338	\$10,739,956	12.8%
Income from Investments	376,802	370,716	1.6%
Member Services Income	238,065	249,379	-4.5%
Mortgage Fee Income	193,415	229,247	-15.6%
Other Income	4,812,696	3,940,543	22.1%
TOTAL OPERATING INCOME	17,736,316	15,529,841	14.2%
OPERATING EXPENSES			
Employee Compensation	5,058,308	4,767,048	6.1%
Employee Benefits	1,238,606	1,202,480	3.0%
Travel and Training	172,365	154,773	11.4%
Association Dues	85,709	77,807	10.2%
Office Occupancy	765,088	772,343	-0.9%
Office Operations	1,715,129	1,569,044	9.3%
Marketing	648,446	596,156	8.8%
Loan Servicing	1,068,917	1,037,050	3.1%
Professional & Outside Services	614,960	441,918	39.2%
FIS Operating Expense	902,595	860,311	4.9%
Provision for Loan Losses	558,300	495,342	12.7%
Interest on Borrowed Funds	91,484	91,101	0.4%
NCUA Operating Fee	70,004	51,172	36.8%
Annual Meeting	24,686	31,550	-21.8%
Other Expenses	126,191	112,862	11.8%
NCUSIF Stabilization Expense			
TOTAL OPERATING EXPENSES	13,140,788	12,260,957	7.2%
NET OPERATING INCOME	4,595,528	3,268,884	40.6%
NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	0	0	—
Gain (Loss) on Disposal of Assets	25	25	—
TOTAL NON-OPERATING INCOME (EXPENSE)	25	25	—
ALLOCATION OF INCOME			
Net Income Before Dividends	4,595,553	3,268,909	40.6%
Dividends	1,489,177	1,296,639	14.8%
NET INCOME AFTER DIVIDENDS	\$ 3,106,376	\$ 1,972,270	57.5%

STATEMENT OF FINANCIAL CONDITION

As of December 31, 2017 and December 31, 2016 (Unaudited - Subject to revisions *)

ASSETS	2017	2016	% Change
VISA Loans	\$ 7,626,811	\$ 7,370,782	3.5%
Home Equity Loans	95,171,079	89,162,358	6.7%
Commercial/Business Loans	38,673,143	34,509,623	12.1%
Auto Loans	98,286,207	82,316,408	19.4%
Student Loans	4,404,510	5,128,110	-14.1%
All Other Loans	49,530,282	42,442,727	16.7%
Total Loans	293,692,032	260,930,008	12.6%
Allowance for Loan Losses	(1,225,790)	(1,315,777)	-6.8%
NET LOANS OUTSTANDING	292,466,242	259,614,231	12.7%
Cash	4,369,096	3,855,680	13.3%
Investments	25,285,452	27,312,268	-7.4%
Other Assets	15,075,844	15,834,575	-4.8%
TOTAL ASSETS	\$ 337,196,634	\$ 306,616,754	9.9%
LIABILITIES			
Total Liabilities	\$7,144,820	\$ 6,700,642	6.6%
EQUITY			
Certificates	41,879,253	37,661,251	11.2%
Checking	58,697,678	53,058,368	10.6%
Money Market Accounts	75,246,875	70,098,877	7.3%
IRAs	22,443,452	22,578,016	-0.6%
All Other Savings	102,949,168	91,068,471	13.0%
Total Shares	301,216,426	274,464,983	9.75%
Reserves	1,234,273	1,234,273	0.0%
Undivided Earnings	27,219,189	24,112,814	12.9%
Reserve for Investment Gain/Loss	381,926	104,042	267.1%
TOTAL LIABILITIES AND EQUITY	\$ 337,196,634	\$ 306,616,754	9.9%

We have reviewed the financial statements and, based on our knowledge, the statements are true and fairly present in all material respects the credit union's financial condition, results of operations and cash flows.

William J. Lavage, President/CEO

Michael P. Thomas, Chief Financial Officer

*Copies of audited financial statements are available upon request.



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