

2013 BEST IN SHOW





"This is a prestigious award and tremendous achievement for us. The award reflects what teamwork, dedication and effort can achieve. All of you have contributed to our success."

>>> Bill Lavage, President and Chief Executive Officer of Service 1st Federal Credit Union



letter from the Chairperson and President/CEO



>>> **Bill Lavage**, President and Chief Executive Officer and
Dave Cutright, Chairperson of the Board

Here at Service 1st, people are important.

Service 1st was named Federal Credit Union of the Year in 2013, a tremendous accomplishment! This prestigious award is presented annually by the National Association of Federal Credit Unions (NAFCU). The award recognizes credit unions that display unusual growth, success, innovative member service and sound financial management. In addition, it honors credit unions having a positive impact on their members, their community and demonstrating a commitment to educating consumers about financial matters. Service 1st is only the second credit union in Pennsylvania to receive this honor. Another way of putting this: Service 1st is “**Best** in Show!”

Our financial performance was exceptional in 2013! In seven key areas, Service 1st's performance exceeded both state and national averages. A chart reflecting these ratios is listed on page 23 of this report. Our return on average assets, one key measure of the overall financial health of a financial institution, was 0.9% for 2013. Our total outstanding loan balances increased 11.3% while we maintained a delinquency ratio of 1.0% and a net charge-off ratio of 0.2%. Assets grew 7.9%, deposits increased 6.7% and our membership growth was 5.9%. Additionally, net income after dividends was \$1.9 million. Our net worth to assets ratio was 9.1%, indicating we were well capitalized. We also received a positive report and rating from the National Credit Union Administration (NCUA), our federal regulatory agency, which further illustrates our sound financial management.

We reached a milestone in 2013 as we held our 20th Annual Service 1st Charity Golf Tournament. With the support of 2,062 ducks from our 2nd Annual Duck Derby, 200 golfers and numerous sponsors, our tournament raised \$35,000 for charity. During the tenure of this event, funds raised to support our community exceeds \$252,000.

We are committed to providing the **best** member service. We measure our service using the Net Promoter Score (NPS) survey. Members respond to a simple, three-question survey. Nearly 7,000 members responded to the NPS survey in 2013. We earned a Net Promoter Score of 88.7% out of a possible 100%. The NPS national average for financial institutions is 24.0%. Our score indicates you are pleased with our service.

We also strive to be the best financial institution in the area by providing products and services to make it easier for you to manage your money. In 2013, we added Mobile Deposit Service to the Service 1st Mobile Banking application. This application allows you to make a deposit using your smart device. We added a personal financial management tool, MoneyPilot, as well this year. Users of financial management tools like MoneyPilot report saving an average of \$100 a month by tracking their spending and setting financial goals. MoneyPilot is a free service available through our home banking program.

As we look at our accomplishments in 2013, we thank our members, volunteers and staff for helping us continue to make Service 1st the **best** credit union in the nation. With your support, Service 1st had one of our **best** years ever in financial performance, membership growth and support to our community.

a year to be proud of

Service 1st voted Best in Show. We gave, we saved and we worked our hardest in 2013, but we never forgot the most important part to a successful year ... having fun while doing it! Whether we were giving back to local charities, or helping a member save more money, we always kept your best interest in mind, reminding you along the way that here at Service 1st, **we're friends you can bank on.**



Financial Reality Fair May 2013

"The Financial Reality Fair allows us to teach students about budgeting and living within their means through a hands-on, real-world simulation. It is a unique opportunity for students to experience some of the financial challenges they may face in the future. Our involvement helps prepare hundreds of students for life beyond high school, giving them the confidence they need to succeed."

>>> Coleen Snover
Training & Development Specialist

March for Babies May 2013

"It was touching to watch the crowd of people all there for the same reason ... to support healthy babies. As a team captain, I had a chance to tour the Neonatal Unit at the Janet Weis Children's Hospital at Geisinger. The care and support the babies and their families receive is amazing! The Service 1st team was adorned in purple to show our support for this great cause. We're excited to participate next year!"

>>> Linda Brown
Chief Administrative Officer

Awarded NAFCU 2013 Federal Credit Union of the Year July 2013

"What a tribute to the hard work and dedication of our staff, who are steadfast in achieving excellence in everything we do. Winning the NAFCU 2013 Federal Credit Union of the Year award solidifies what we are constantly striving for: excellence, innovation and member service. We could not achieve such a great honor without your support."

>>> Karen Wood
Chief Experience Officer

PRIDE



2nd Annual Charity Duck Derby August 2013

"The Service 1st Annual Duck Derby is an event that ties together so much of what Service 1st strives to do. It involves the community, charity, and of course, lots of fun. It's such a great experience to be at the finish line, gazing at a river filled with thousands of rubber duckies, knowing that each and every one of them represents someone in our community who is helping Service 1st raise money for local charities. We couldn't do it without you!"

>>> Nicole Hoyes
Assistant Branch Manager,
Corporate Center

20th Annual Service 1st Charity Golf Tournament August 2013

"Being part of organizing our annual charity golf outing is well worth all the time and effort involved. Our Golf Committee does a tremendous job coordinating such a successful event year after year. The support from our golfers, volunteers, vendors, sponsors and donors is overwhelming. I am truly honored to be associated with people who are concerned with supporting the 'People Helping People' philosophy."

>>> Suzette Sands
Administrative Assistant to the CEO

No Shave & Nail Polish November November 2013

"When you can come to work and feel like you're not 'working,' that speaks volumes about your surroundings. At Service 1st, you're surrounded by great people, from members to co-workers. The No Shave & Nail Polish November event showed how we can live up to our core values. In one fundraising event, we demonstrated the importance of people, and how we are the "best people," by supporting community, while being nimble, flexible and most of all ... fun."

>>> Dave Shope
Assistant Vice President
Business Development

time for a reality check

Financial Reality Fair. Some of life's most difficult lessons are related to money and how to spend, save and budget wisely. While a few of these lessons can be taught in a traditional classroom, Service 1st provided students with a “real world” experience at the Financial Reality Fair held in the Danville High School on May 23. Service 1st partnered with Real Solutions to offer a hands-on budget simulation to all Danville High School juniors and seniors.

The Financial Reality Fair is designed to teach students the value of using money responsibly. Each student chose a career and salary, and then had to budget their money wisely while role-playing through real life events. Students had to find a place to live, obtain transportation, pay for food and other essentials by visiting various booths and selecting the best options. As in the real world, entertainment opportunities and other non-essential services were also made available. Students documented their income and expenses during the exercise and had to balance their budget for the month, reviewing their final budget with a financial counselor for tips on how to achieve their financial goals.

Throughout the school year, Service 1st worked with the Family and Consumer Science classes to provide monthly financial literacy presentations to high school students. The topics included saving and investing, credit and credit scores, identity theft, and risk protection. Service 1st also offered bi-weekly seminars that taught the students how to properly manage their finances on a tight budget, and the importance of living within their means.



ACHIEVEMENT



walk this way

March for Babies. Impact. We don't often think about the impact just one person can have. And when you get a group of people together ... well, then you can move mountains. Over 40 Service 1st employees and family members volunteered to participate in the March of Dimes/March for Babies event held at the Geisinger Medical Center in Danville on May 5. This dedicated group raised over \$3,900, approximately \$100 raised per person!

Every day, thousands of babies are born too soon, too small and often very sick. Our volunteers found sponsors to support them with donations and raised funds through bake sales and other in-branch events. Money raised from this event help financially support the families of babies who are born too early, with lifesaving technology and research. Funds also support foster programs in local communities that help moms have full-term pregnancies and ensure babies have a healthy start in life.

All Service 1st attendees were given a purple t-shirt to help show their support for the event. The path was a sea of purple as families, couples and children marched to raise money for babies who are in need of medical treatment, and their families. By participating in the March for Babies, we're walking towards a healthy future.



>>> Service 1st staff, friends, family and even a few kids, gathered to march (or ride along) for babies. >>>

DEDICATION



time to celebrate

2013 Best in Show. Service 1st was chosen as Federal Credit Union of the Year by the National Association of Federal Credit Unions (NAFCU). The award recognizes credit unions that display unusual growth, success, innovative member service and sound financial management. In addition, it honors credit unions that have a positive impact on their members and the credit union community, and a commitment to educating consumers about financial matters. Service 1st is only the second credit union in Pennsylvania to receive this honor since 1975.

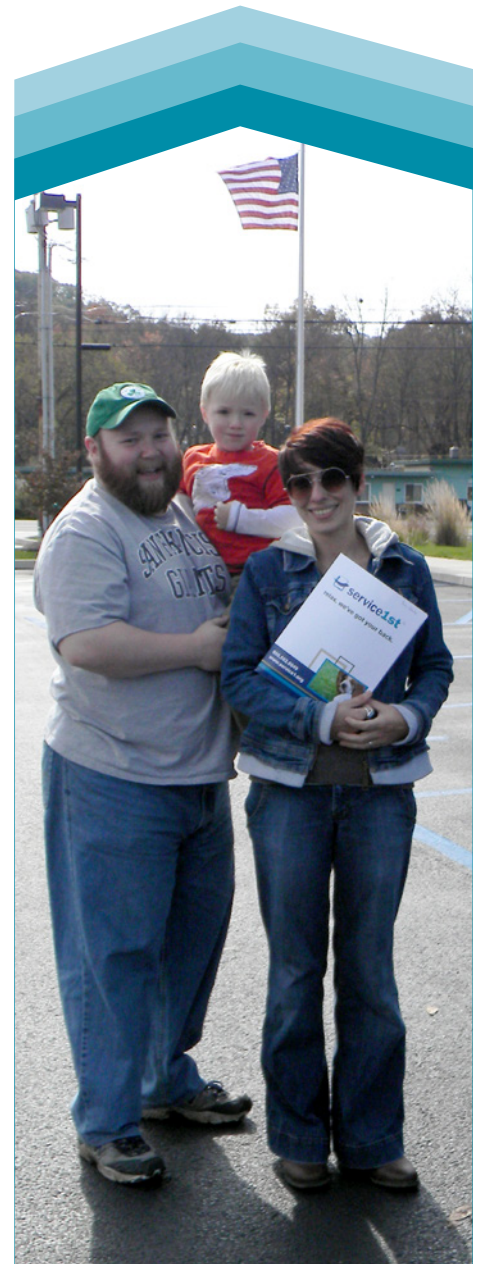
In celebration of our great win, a large Member Appreciation Event was held at the Service 1st Corporate Center on Rt. 11 in Danville. The event featured a variety of food, crafts for the kids, a bouncy house, and tons of prizes, varying from Amazon® gift cards to Penn State football game tickets. In addition, this event was open to the public and pooches alike! Many of our Service 1st members brought their furry friends to enjoy a day in celebration of our achievement.

Tom Rambo, Regional Branch Manager II, commented on how we're able to grow and succeed as a trusted companion for our community. "We put our members first. It's not about selling them something or what the 'product of the day is,' it's all about their lifestyle and what is going to be the best fit for their individual needs. We're also a fun group of people who make our members feel comfortable and secure when asking questions about their financial needs."

We decided to pull in some of our very own furry favorites to be featured in a few commercial spots that aired on local television. After all, we did win "best in show," and we wanted the world to know! If you missed the commercials and are curious of the outcome, you can view them on our YouTube channel at www.youtube.com/Service1stFCU.



SUCCESS



>>> "This was a wonderful event. My family truly enjoyed the day! Service 1st adds so much to our local community and I am proud to be a member." Service 1st Member Jennifer Thatcher >>>

ducks by the dozen

Second Annual Service 1st Charity Duck Derby. On Saturday, August 10, over 2,060 tiny rubber duckies helped Service 1st raise big money for charity during the Second Annual Service 1st Charity Duck Derby, held in Danville. This year's Duck Derby raised over \$8,500!

For the past 19 years and counting, Service 1st has raised money for local charities through an annual golf tournament until the exciting idea of having a Duck Derby was born in 2012. Adults 18 and over, both members and non-members, were invited to purchase tickets for the Duck Derby from local Service 1st branches, the Danville Business Alliance office, and even out and about at special events. Each ticket had a corresponding number written on each individual duck, which was dropped off of the Danville/Riverside bridge. This year, a total of \$1,625 in prize money was given away to the top ten finishers of the race, including a "quacky" prize for the last place finisher.

For the team at Service 1st, helping others is what business is all about. Our core values acknowledge employee commitment to the idea of respecting and supporting the communities we serve ... while having a spec-quack-ular time in the process!



>>> Service 1st staff, friends and family gathered to make sure no ducks were harmed in the making of the Derby. All 2,062 ducks were safely returned to their homes at the Corporate Center ... until next year. >>>

TEAMWORK



\$35,000 raised for charity

20th Annual Charity Golf Tournament. On Friday, August 23, nearly 200 golfers and volunteers enjoyed our 20th Annual Charity Golf Tournament. The tournament has a long-standing tradition of raising funds for local charities and 2013 was no exception. The total dollar amount raised was \$35,000! Janet Weis Children's Hospital, SUNCOM Industries, Inc., and the Montour Area Recreation Commission (MARC) were the year's chosen beneficiaries.

The tournament was held at the Frosty Valley Country Club in Danville. Dr. Michael Ryan gratefully accepted the check on behalf of Janet Weis Children's Hospital saying, "This money goes to fund things that wouldn't normally be funded, such as our children's camps, our outlying programs and special equipment. So, a big thank you to Service 1st and to all of you for your help and support."

Bob Stoudt, Director of the Montour Area Recreation Commission, also commented on the success of our Charity Golf Tournament, from a golfer perspective, "Today's tournament was fantastically well organized and run and I had a great time. I know too well how challenging it can be to successfully pull off an event of this magnitude, but the Service 1st team did a superb job. I'm sure I can speak for my teammates when I say the food, prizes and tournament itself were all top-notch. Please accept my most heartfelt thanks for the time and effort you and the entire Service 1st team put into making today's event such a great success."



>>> In 2013, almost **200 golfers and volunteers** participated in the Charity Golf Tournament. I guess you could say we had a ball! >>>



DONATE



a new tradition is born

No Shave and Nail Polish November. During the month of November, 65 Service 1st employees and board members participated in No Shave and Nail Polish November to raise money and awareness for the Prostate Cancer Foundation. A group of 18 men elected not to shave their beards for the entire month of November to support the cause. An additional 47 ladies kept their fingernails painted blue (the color promoting Prostate Cancer Awareness) for the month. Other staff members supported the event with a dress down day. In total, a donation was made to the Prostate Cancer Research Foundation in the amount of \$2,192 in honor of all Service 1st employees who participated.

When the idea of having a fundraiser dedicated to the ever-popular, “No Shave November” came along, we challenged ourselves to figure out how we could include our female employees in the event! Though the color blue was not a popular favorite of many ladies, they proudly wore it on their nails throughout the month, to show their support for a great cause.

Brett Johnson, Lending Manager at the Corporate Center in Danville, spoke about why he believes in promoting these programs. “After having lost family members to cancer, I find it very important to support the efforts of the American Cancer Society and other organizations that raise money for cancer research and awareness. If growing a little facial hair helps raise money for a cause like this, I feel that’s the least I could do.”



>>> Over 60 Service 1st employees participated in either Nail Polish or No Shave November. Two of the guys even decided to take one for the team and did both! This goes to show we're willing to do just about anything for those in need ... >>>

EFFORT



let's get social

We're growing. We're always looking for more ways to grow, and 2013 proved to be a great year for Service 1st. We added new friends and followers, continued to improve our statistics and even helped our members save a significant amount of money.



You like us, you really "like" us!

>>> Service 1st has 1,029 "likes" on our Facebook page. Of them, approximately 68% of our "likes" are female.

Follow the leader

>>> 525 people and businesses are "following" us on Twitter @Service1st. We also have 135 followers on LinkedIn.

Watch what we do next

>>> We had 637 views on our YouTube videos, ranging from furry friends to a mischevious elf. Have you seen them?

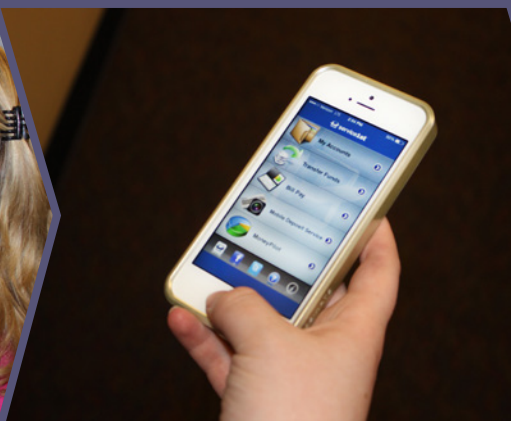
We saved our members a ton of money in 2013. What's our secret ... well, it's pretty simple. We started by offering the same great rates we do every day, and ended by listening to your needs.



One in (over) a million

>>> In 2013, we saved our members over a million dollars. If you want to be precise, the exact amount was \$1,315,701!

GROWTH



You called it

>>> Approximately 58,353 phone calls were received by our Contact Center. Dare we say, "That number's off the hook!"

There's an app for that

>>> We have 2,427 members now using mobile banking to access their accounts, pay bills ... even deposit checks!

Gaining new companions

>>> We added 3,086 new members into our wolfpack, ranging from all ages, communities and professions.



Easy access

>>> Over 285,970 ATM transactions were processed, for quick and easy access to your cash.

Making dreams a reality

>>> Whether you were buying a new car or a new home, we made 3,300 loans to our members.

The gift that keeps on giving

>>> We helped 115 organizations in the form of sponsorships, donations and volunteering.

board of directors

Best people. The Board of Directors at Service 1st is comprised of volunteers who dedicate their valuable time and knowledge to make Service 1st a premier financial institution.



Back row, left to right:

- >>> **Lori Wilson**, *Director*
- >>> **Tracy Shirk**, *Secretary*
- >>> **Deborah Petretich Templeton, R.Ph., MHA**, *Director*
- >>> **Harold Hurst**, *Director*
- >>> **O. Fred Miller, III, MD**, *Director*
- >>> **Barbara Criswell**, *Treasurer*
- >>> **Kathy Linn**, *Director*

Front row, left to right:

- >>> **Eric Polczynski**, *Supervisory Committee Chairperson*
- >>> **David M. Cutright**, *Board Chairperson*
- >>> **Bill Lavage**, *President and Chief Executive Officer*
- >>> **Steven Endress**, *Vice Chairperson*

management team



Left to right:

>>> **Missy Peifer**, Human Resources Manager
 >>> **Coleen Snover**, Training and Development Coordinator
 >>> **Dave Shope**, Assistant Vice President Business Development
 >>> **Linda Brown**, Chief Administrative Officer
 >>> **Michael Thomas**, Chief Financial Officer
 >>> **Jeffrey Balestrini**, Chief Lending Officer

>>> **Jay Reed**, Chief Information Officer
 >>> **Karen Wood**, Chief Experience Officer
 >>> **Brett Johnson**, Lending Manager
 >>> **Chris Court**, Vice President of Accounting/Operations
 >>> **Elisabeth Taylor**, Audit & Compliance Coordinator
 >>> **Bill Lavage**, President and Chief Executive Officer



Service 1st Retirement & Investment Center

Offered by **CUNA Brokerage Service Inc.**, the Retirement & Investment Center is available to members of Service 1st. **Gary Surak**, Vice President, Wealth Management offers over 20 years of experience. The Retirement & Investment Center has grown to serve 1,091 members with \$71 million in total assets under management. Pictured with Gary is **Shawn Hays**, Registered Member Service Representative.*

*Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRASIPC Not NCUA/NCUZF/FDIC insured, May Lose Vaue, No Financial Institution Guarantee. Not a deposit of any financial institution. FM-879276.1-0314-0416

statement of income

>>> As of December 31, 2013 and December 31, 2012

(Unaudited – Subject to revisions.)*

OPERATING INCOME	2013	2012	% Change
Income from Loans	\$ 9,293,456	\$ 8,771,183	6.0
Income from Investments	201,811	451,030	(55.3)
Member Services Income	232,395	163,304	42.3
Mortgage Fee Income	174,458	237,955	(26.7)
Other Income	3,349,279	3,183,225	5.2
Total Operating Income	13,251,399	12,806,697	3.5
OPERATING EXPENSES			
Employee Compensation	3,531,840	3,450,142	2.4
Employee Benefits	906,688	890,708	1.8
Travel and Training	118,950	140,807	(15.5)
Association Dues	68,850	68,554	0.4
Office Occupancy	551,533	543,175	1.5
Office Operations	1,425,039	1,269,631	12.2
Marketing	491,848	449,583	9.4
Loan Servicing	930,507	839,414	10.9
Professional & Outside Services	455,937	450,252	1.3
FIS Operating Expense	881,032	716,772	22.9
Provision for Loan Losses	556,659	359,095	55.0
Interest on Borrowed Funds	9,282	1,918	383.9
NCUA Operating Fee	46,948	41,950	11.9
Annual Meeting	27,515	21,870	25.8
Other Expenses	122,539	103,969	17.9
NCUSIF Stabilization Expense	145,823	158,678	(8.1)
Total Operating Expenses	10,270,990	9,506,518	8.0
NET OPERATING INCOME	2,980,409	3,300,179	(9.7)
NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	8,310	37,886	(78.1)
Gain (Loss) on Disposal of Assets	(11,173)	(890)	1,115.0
Total Non-Operating Income (Expense)	(2,863)	36,996	(107.7)
ALLOCATION OF INCOME			
Net Income Before Dividends	2,977,546	3,337,175	(10.8)
Dividends	1,083,267	1,109,938	(2.4)
NET INCOME AFTER DIVIDENDS	\$ 1,894,279	\$ 2,227,237	(14.9)

statement of financial condition

>>> As of December 31, 2013 and December 31, 2012

(Unaudited – Subject to revisions.)*

ASSETS	2013	2012	% Change
VISA Loans	\$ 6,627,088	\$ 6,295,348	5.3
Home Equity Loans	68,000,507	63,083,429	7.8
Commercial/Business Loans	21,247,722	20,912,795	1.6
Auto Loans	56,940,628	49,218,609	15.7
Student Loans	7,273,484	7,699,631	(5.5)
All Other Loans	32,228,865	25,610,572	25.8
Total Loans	192,318,294	172,820,384	11.3
Allowance for Loan Losses	(1,071,014)	(963,048)	11.2
Net Loans Outstanding	191,247,280	171,857,336	11.3
Cash	3,024,855	2,357,954	28.3
Investments	16,499,694	20,310,393	(18.8)
Other Assets	14,032,273	13,797,361	1.7
TOTAL ASSETS	\$224,804,102	\$208,323,044	7.9

LIABILITIES

Total Liabilities	\$ 3,092,027	\$ 1,253,733	146.6
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EQUITY

Certificates	29,616,846	31,661,111	(6.5)
Checking	32,556,426	31,164,645	4.5
Money Market Accounts	57,660,197	53,087,719	8.6
IRAs	17,064,494	14,997,214	13.8
All Other Savings	64,414,126	57,794,494	11.5
Total Shares	201,312,089	188,705,183	6.7
Reserves	1,234,273	1,234,273	0.0
Undivided Earnings	19,131,918	17,237,640	11.0
Reserve for Investment Gain/Loss	33,795	(107,785)	(131.4)
TOTAL LIABILITIES AND EQUITY	\$224,804,102	\$208,323,044	7.9

>>> 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 and Chief Executive Officer
Michael P. Thomas, Chief Financial Officer

>>> *Copies of audited financial statements are available upon request.

how does Service 1st measure up?

Key Ratios. At Service 1st, we're constantly doing our best to "measure up" and exceed our members' needs. So, how are we doing, you ask?

The NCUA sends quarterly information to Service 1st so that we can compare ourselves to other credit unions on a national and state level. Check out the data below, as of December 31, 2013, to see for yourself how Service 1st compares!

In the data below, Service 1st is represented by "S1," national data is "US," and Pennsylvania data is "PA."



>>> PA and US data obtained from NCUA quarterly U.S. map review.

S1 0.87%

US 0.78%

PA 0.40% - 0.60%

**return on average
assets >>>**

S1 1.0%

US 1.0%

PA 0.45% - 0.55%

delinquency ratio >>>

S1 0.23%

US 0.57%

PA 0.45% - 0.55%

net charge-off ratio* >>>

*Data from July 1 - September 30, 2013

S1 7.9%

US 3.9%

PA 0.0% - 3.0%

**annual asset
growth >>>**

S1 6.7%

US 3.7%

PA 0.0% - 3.0%

**annual deposit
growth >>>**

S1 11.3%

US 8.0%

PA 0.0% - 6.0%

**annual loan
growth >>>**

S1 5.9%

US 2.6%

PA 0.0% - 1.5%

**annual membership
growth >>>**

BEST PEOPLE



>>> Service 1st friends and family came out to downtown Danville for the annual Danville Business Alliance Scavenger Hunt. >>>



>>> This year's chili cook-off raised \$594 for local food banks. Thirty-three employees and even some members, brought in their homemade chili to compete! >>>



>>> Residents' Night allowed families to gather for an evening of fun and games for everyone to enjoy. >>>



>>> Service 1st sent a special surprise to visit the children and families at the Janet Weis Children's Hospital ... the Easter Bunny! >>>



>>> Nurses at Geisinger Medical Center were given awards to honor their service, during National Nurses Week. >>>



www.service1st.org | 800.562.6049 | Federally Insured by NCUA. | Equal Housing Lender.

