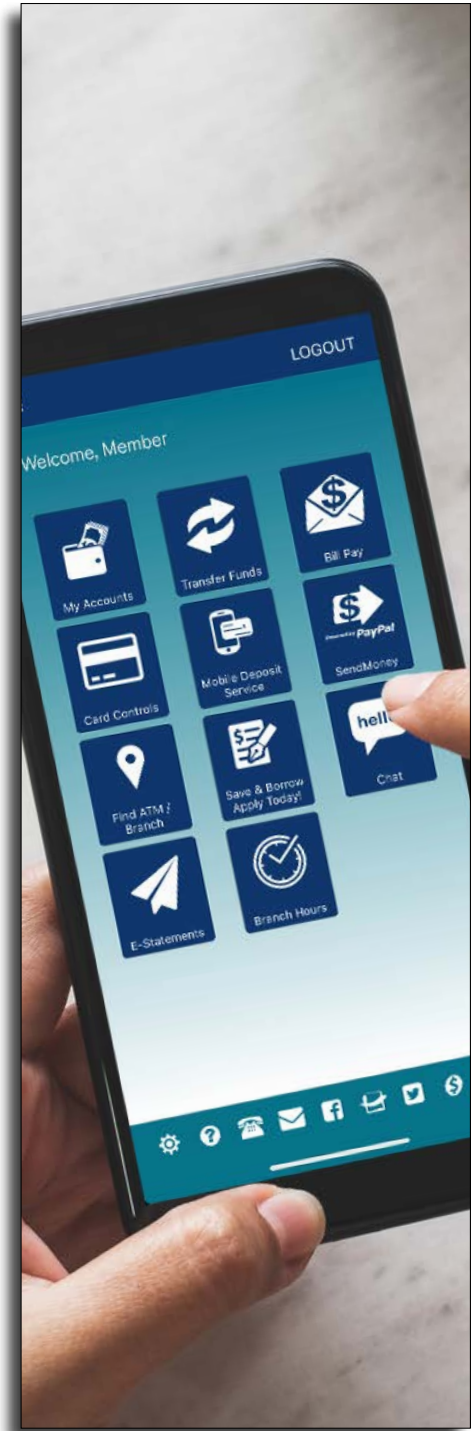


2020 ANNUAL REPORT



our promise



We provide a lifetime of financial services to meet our members' changing needs, fostering a relationship of trust, dignity and respect.

letter from the chairperson and president/ceo

We entered 2020 with hope and optimism for continuing our mission of providing members with exceptional service and continuing to help our members and communities thrive and grow. The onset of COVID-19 and a worldwide pandemic in mid-March brought about sweeping changes for everyone both personally and professionally. Despite the challenges, we remained committed to being nimble and flexible to meet your changing needs, fostering a relationship of trust, dignity, and respect.

Throughout the pandemic, one of our critical goals has been to protect our team members, our members, and our communities from the spread of COVID-19. With this goal in mind, we made the difficult decision to close our lobbies twice during 2020. We are inspired by the resilience of our members and our Service 1st team to adapt to using our drive-up facilities, our contact center, and our array of electronic services to access and manage accounts. As an approved Small Business Administration (SBA) lender, we provided \$6 million of Payroll Protection Program (PPP) loans to 125 local businesses, helping them to navigate the uncharted time.

Even with the challenges brought on by the pandemic, we continued to display strong financial performance. Our return on average assets (ROA) was 1.3%, while for our national peer group, those credit unions with a similar asset size, had an average ROA of 0.7%. ROA is a key measure of the overall financial health of your credit union. Our total deposits grew 23.8%, while national peer group credit unions grew 20.7%. This growth in deposits was attributed to members boosting their savings habits. As loan rates declined, members took advantage of the historically low interest rates to refinance loans at lower rates, renovate their houses and purchase new vehicles. This resulted in our total loan balances increasing 13.3%. National peer group loan growth was 7.5%. Our total assets now exceed \$517 million; a 20.7% increase compared to national peer group asset growth of 18.7%. Our total membership increased 4.0% to 36,300 members, while nationally, credit union membership grew 2.4%.

One of the best compliments one can receive is to be recognized by your peers and fellow community organizations for the work you are doing. We were recognized nationally, statewide, and locally in 2020. The Greater Susquehanna Valley Chamber of Commerce selected Service 1st Federal Credit Union as the 2019 Business of the Year. CrossState Credit Union Association honored Service 1st with the Desjardins Adult and Youth Financial Education Awards, in the \$250 Million - \$1 Billion in Assets category. The Daily Item, a local newspaper, recognized Service 1st in two categories in their annual Best of the Valley Readers' Choice Contest: Best Bank/Credit Union and Best Financial Planning Services. The Raddon Financial Group, a group used by top performing credit unions and banks, selected Service 1st to receive a Crystal Performance Award which recognizes the top three percent of the highest performing credit unions who utilize the Raddon Financial Group. Service 1st was one of 11 award recipients in the "Under \$500 Million in Assets" category, and the only Pennsylvania credit union to be recognized.

As we embark on 2021, we are both hopeful and optimistic. We remain dedicated to meeting your financial needs and continuing to be strong supporters of our communities. By working together and practicing basic precautionary measures like wearing a mask, social distancing and washing our hands, we can defeat the Coronavirus sooner rather than later. As part of our promise to you, we continue to monitor guidance and trends related to the pandemic and will operate in the best interests of you, our members, our team, and our communities. Thank you for your tremendous support during this anything but normal year. We are honored to be the "Friends you can bank on."



Steven Endress, Chairperson of the Board
Bill Lavage, President/Chief Executive Officer



management team

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



board of directors

(L-R): Mike Fleming, Supervisory Committee Chairperson; Kathy Linn, Director; Tracy Shirk, Vice Chairperson; Steven Endress, Board Chairperson; Eric Polczynski, Director; Bill Lavage, President/CEO; Barbara Criswell, Director; David Cutright, Treasurer; Deborah Petretich Templeton, R. Ph., MHA, Secretary; Greg Burke, MD, FACP, Director; and Lori Wilson, Director.



retirement & investment

(L-R): Matt Gardill, Registered Representative; Charles Martin, Associate Financial Advisor; Gary Surak, Vice President, Wealth Management; Ed Moyer, Registered Representative; and Matt Defalco, Financial Services Coordinator.

Offered by CUNA Brokerage Service Inc., the Retirement & Investment Center is staffed by knowledgeable and experienced financial representatives devoted to serving your retirement, insurance and investment needs. Gary Surak, Vice President, Wealth Management, offers over 30 years of experience. The Retirement & Investment Center has grown to serve 1,419 members with \$139,134,329 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-3516960.1-0321-0423

Each individual in the team photos had their picture taken separately in a socially distanced setting. These photos were later edited into group photos.



I could not believe how smooth the process went. Even with the COVID-19 issues, ending up having the students do cyber school and so many people needing to work from home, there were no computer issues for me. I felt the loan process was very timely. The team was courteous and sincere on the phone and kept me updated with emails throughout the whole process.

- Sandra K.



The staff is exceptionally nice and helpful! The credit union has many great features and great rates! Thank you for being so kind and welcoming. - Jessi-May B.



opposite page (L-R)

1 & 2. Service 1st was among 17 regional credit unions and credit union partners who worked together to provide over 30,000 medical gowns for health care workers. Locally, 2,000 gowns were provided to Evangelical Community Hospital, Lewisburg and Geisinger Medical Center, Danville. Photo 1 (L-R): Dave Shope, Assistant Vice President Business Development, Service 1st; Linda Brown, Chief Administrative Officer, Service 1st; Bill Lavage, President/CEO, Service 1st; Joseph Goynes, Senior Director of Logistics, Geisinger Medical Center; Tom Sokola, Chief Administrative Officer, Geisinger Medical Center; and Angela Brouse, Regional Director of the Geisinger Health Foundation. Photo 2 (L-R): Kendra Aucker, President/CEO, Evangelical Community Hospital; Michael Howe, Facilities & Maintenance Specialist, Service 1st; Jay Reed, Chief Information Officer, Service 1st; Jennifer Daddario, Regional Vice President, Service 1st; and Bill Lavage, President/CEO, Service 1st.

3. Service 1st partnered with Member Business Financial Services (MBFS), a credit union service organization, to give \$1,000 to the Reaching Out Food Pantry and the Bloomsburg Food Pantry. Photo: (L-R) Ken Kearney, Reaching Out Food Pantry; Chere Kearney, Reaching Out Food Pantry; Pastor Leslie Halchak, Otterbein and Trinity United Methodist Church; and Jeff Balestrini, Chief Lending Officer, Service 1st.

4. During September, local businesses, organizations and communities joined together to "Go Gold," raising awareness about pediatric cancer and \$6,500 to benefit the ThinkBIG® Pediatric Cancer Fund! Due to the COVID-19 pandemic, events and fundraisers were held virtually. Photo (L-R): Bill Lavage, President/CEO, Service 1st; Damien Malfara, Owner, Old Forge Brewing Company; Mark Stankiewicz, ThinkBIG®; and Carol Tevis, ThinkBIG®.

5. Keeping our team, our members and the community safe throughout 2020 was extremely important to us. Social distancing reminders were added to our lobbies and sneeze guards were placed anywhere business is transacted.

this page

6. Service 1st sponsored Seven Mountains Media's Business Grant Program. The grant provided three small businesses in the community \$30,000 in marketing resources. Jamison City Hotel and Restaurant was among the recipients. Photo (L-R): Scott West, Marketing Consultant CRMC, Seven Mountains Media; Sean O'Mealy, Market Manager, Seven Mountains Media; Andy and Jody Boyle, Jamison City Hotel and Restaurant; Linda Brown, Chief Administrative Officer, Service 1st; and Rachael Herb, Assistant Market Manager, Service 1st.

7. Service 1st held a virtual tree lighting event on December 5, 2020, kicking off the Magic of the Season initiative. As part of the initiative, Animal Resource Center, Bloomsburg; Children's Service Center, Wilkes-Barre; Montour County Veterans Affairs, Danville; The Refuge, Sunbury; and Sojourner Truth Ministries, Williamsport each received donations.

8. In celebration of National Read Across America Day, we held a coloring contest for children ages 4 - 10, and received an overwhelming response!

Statement of income

	2020	2019	% Change
OPERATING INCOME			
Income from Loans	\$17,833,321	\$17,377,864	2.6%
Income from Investments	1,273,399	1,247,205	2.1%
Member Services Income	247,810	282,461	-12.3%
Mortgage Fee Income	177,834	139,985	27.0%
Other Income	5,749,169	5,778,650	-0.5%
TOTAL OPERATING INCOME	25,281,534	24,826,165	1.8%
OPERATING EXPENSES			
Employee Compensation	6,599,855	6,324,968	4.3%
Employee Benefits	1,512,833	1,377,284	9.8%
Travel and Training	89,473	227,037	-60.6%
Association Dues	107,120	108,667	-1.4%
Office Occupancy	837,971	864,508	-3.1%
Office Operations	2,195,051	2,169,632	1.2%
Marketing	918,248	874,475	5.0%
Loan Servicing	1,344,943	1,262,302	6.5%
Professional & Outside Services	736,929	593,178	24.2%
FIS Operating Expense	1,081,013	920,060	17.5%
Provision for Loan Losses	968,940	553,810	75.0%
Interest on Borrowed Funds	232,372	152,265	52.6%
NCUA Operating Fee	116,749	101,905	14.6%
Annual Meeting	10,388	24,505	-57.6%
Other Expenses	150,554	169,782	-11.3%
NCUSIF Stabilization Expense			
TOTAL OPERATING EXPENSES	16,902,435	15,724,378	7.5%
NET OPERATING INCOME	8,379,098	9,101,787	-7.9%
NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	0	0	—
Gain (Loss) on Disposal of Assets	(12,270)	(117,429)	-89.6%
TOTAL NON-OPERATING INCOME (EXPENSE)	(12,270)	(117,429)	-89.6%
ALLOCATION OF INCOME			
Net Income Before Dividends	8,366,828	8,984,358	-6.9%
Dividends	2,423,706	2,299,471	5.4%
NET INCOME AFTER DIVIDENDS	\$5,943,122	\$6,684,887	-11.1%

	2020	2019	% Change
ASSETS			
VISA® Loans	\$ 8,708,458	\$ 8,922,883	-2.4%
Home Equity Loans	132,049,939	115,826,436	14.0%
Commercial/Business Loans	68,006,435	50,515,407	34.6%
Auto Loans	139,954,593	126,260,510	10.8%
Student Loans	587,041	686,601	-14.5%
All Other Loans	63,472,142	62,130,007	2.2%
Total Loans	412,778,608	364,341,844	13.3%
Allowance for Loan Losses	(1,784,393)	(1,422,187)	25.5%
NET LOANS OUTSTANDING	410,994,215	362,919,657	13.2%
Cash	6,128,292	4,592,011	33.5%
Investments	82,362,179	43,935,077	87.5%
Other Assets	17,680,376	17,068,138	3.6%
TOTAL ASSETS	\$ 517,165,063	\$ 428,514,882	20.7%
LIABILITIES			
Total Liabilities	\$ 12,237,669	\$ 17,512,977	-30.1%
EQUITY			
Certificates	58,426,900	53,566,086	9.1%
Checking	105,526,872	81,680,847	29.2%
Money Market Accounts	95,697,442	78,379,611	22.1%
IRAs	29,662,471	25,160,647	17.9%
All Other Savings	167,808,145	130,382,672	28.7%
Total Shares	457,121,830	369,169,862	23.8%
Reserves	1,424,933	1,424,933	0.0%
Undivided Earnings	46,318,418	40,566,076	14.2%
Reserve for Investment Gain/Loss	62,212	(158,968)	-139.1%
TOTAL LIABILITIES AND EQUITY	\$ 517,165,063	\$ 428,514,882	20.7%

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.

Statement of financial condition



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www.service1.org | 800.562.6049 | Federally Insured
by NCUA. | Equal Housing
Lender.