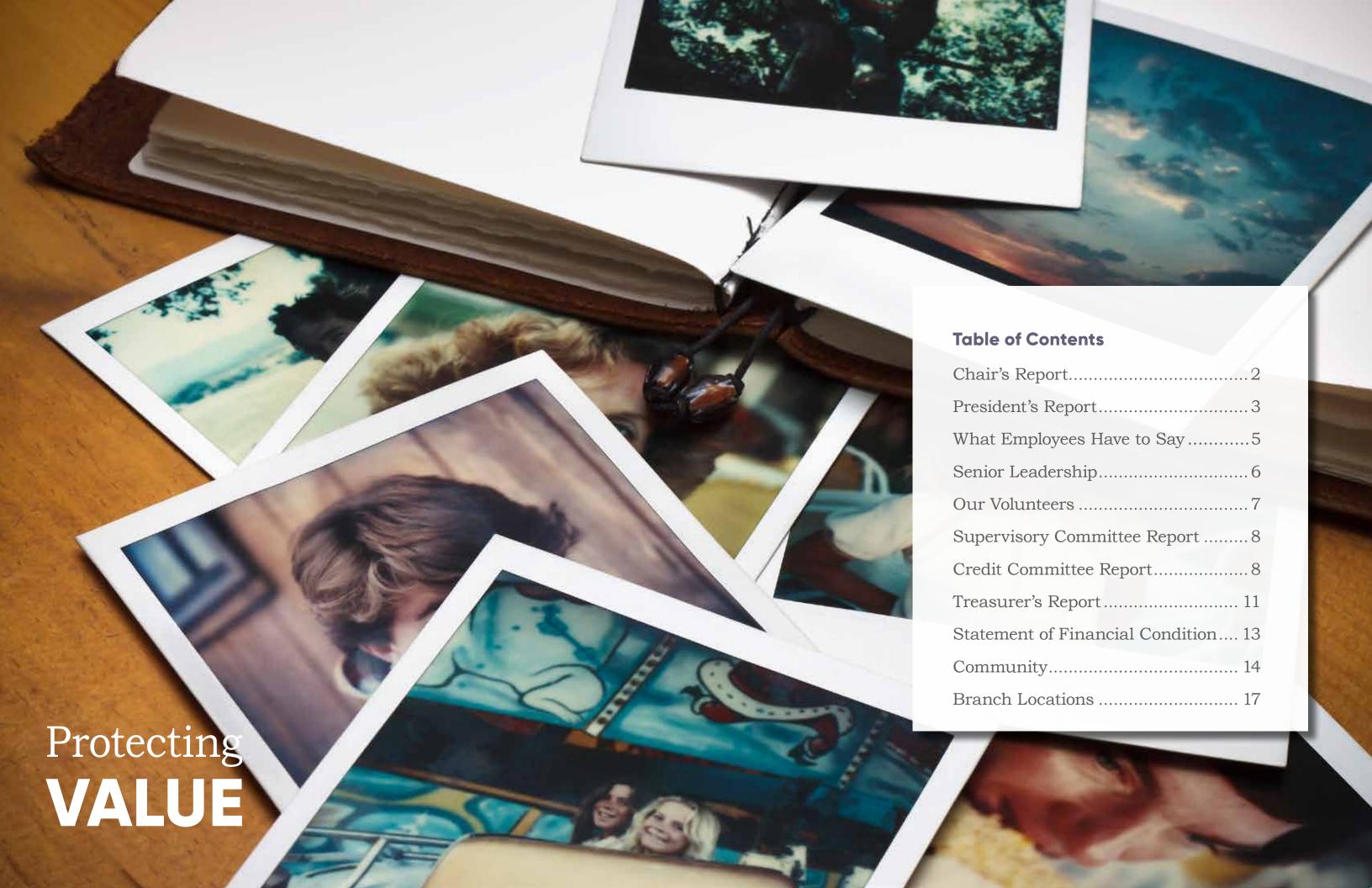
Service Credit Union 2018 Annual Report



SERVICE®
CREDIT UNION

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Chair's Report

On behalf of the Board of Directors, I am pleased to report that 2018 was yet another year of tremendous growth for Service Credit Union. Thanks to our exceptional member base, the credit union is stronger than ever, and we look forward to continuing to improve the member experience in 2019.

Since our founding in 1957, Service Credit Union has lived by the "People Helping People" philosophy of the credit union industry. As such, our board and our employees are committed to providing a superior experience to our members and to making a difference in the communities in which we live and work. To ensure that our mission and vision statements reflect these priorities as an organization, the board took a deep dive into strategic planning during 2018 and, after much careful thought, agreed on this mission:

Doing what is right for our members by:

- Improving financial well-being,
- Supporting communities we serve, and
- Creating value and enduring relationships.

In the past year, we committed ourselves to these principles with a variety of events in support of our local communities:

- Our school supply drive with WMUR gathered more than 2,700 backpacks that the Boys and Girls Club distributed throughout the state of New Hampshire.
- We created nearly 46,000 meals for the New Hampshire Food Bank through various donation efforts, and donated 3,324 holiday gifts through Toys for Tots.
- Overseas, we were honored to donate thousands of dollars in gift cards toward Thanksgiving and Christmas dinners for deployed troops and to continue our support of the Landstuhl Fisher House, USO, and a variety of other Army Community Service events that assist service members and their families with the challenges of military life.

I am also pleased to welcome to the team our new President/CEO, David Araujo, who joined Service Credit Union in early 2019. David has a wealth of credit union management experience, is dedicated to the credit union philosophy, and is forward looking and innovative in his outlook. I have no doubt that David will be a huge force in continuing to guide us on our path of improving the member experience through innovation, technology and exceptional member service.

On behalf of the Service Credit Union Board of Directors, I thank you for your continued support of our credit union.

Joanne Whiting Board of Directors Chair

President's Report

In just a few months in my new role, I've been energized and inspired by both Service Credit Union members and staff, and am looking forward to seeing our credit union continue to grow to new heights.

In 2018, the credit union reached a record-high \$3.5 billion in assets and implemented a number of new programs and systems to make the member experience more seamless and personalized, including making the mortgage process 95% paperless and launching our online banking portal for business members. Our newly launched uChoose® rewards program allowed Visa® Platinum Credit Card holders to pay themselves back in more ways than ever before, and we were able to provide more ways for members to save with new Money Market tiers and a variety of certificate options.

We were honored to be named Best Credit Union in the Best of the Seacoast Awards, as well as to receive the NHBR Best of Business Award and the Somersworth Chamber of Commerce's Business of the Year. Our Education team was recognized for all their hard work with the Excellence in Financial Education Award from the Cooperative Credit Union Association (CCUA), reflecting our ongoing commitment to improving members' financial literacy. As part of this commitment, we were excited to partner with GreenPath™ Financial Wellness, which helps members overcome financial barriers and develop healthy and wise opportunities.

As we prepare for the year ahead, I would like to thank our Board of Directors for their support and leadership. I would also like to recognize our employees for their hard work, creativity and dedication to constant improvement. Most importantly, I would like to thank you, our members, without whom none of what we do would be possible. It is our mission to guide and support you through every step of life.

We look forward to serving you in the years to come.

David Araujo
President/CEO





What Employees Have to Say

At Service Credit Union, we know that our employees are our most valuable asset. Staff are encouraged to constantly grow and develop their skills through ongoing training and education opportunities. We support an open, friendly environment among colleagues. This, in turn, empowers them to better serve our members.

"Service Credit Union has given me the valuable experience I needed to start my career. I am a full-time college student as well as employee, and the hours have been flexible so I can continue my schooling and kick-start my career. I could not pick a better company to work for!"

- Josh Gagne, Financial Service Representative I

"Whether it is a superior or a colleague, everyone I have worked with has always made me feel valued. I genuinely enjoy my day-to-day work environment because of the team that we have here at the credit union. Upward mobility is gratifying and accessible, but the overall atmosphere is very rewarding as well."

- Kate Harris, Contact Center Supervisor I

"If you feel like you want to take a step into the world of finance, these are the stairs you want to be on."

- Anthony Colon, Contact Center Representative

"Service Credit Union has created an excellent environment for me to grow professionally. I've been provided with a wealth of information and many opportunities to achieve success."

- Taryn Kayo, Senior Regulatory Compliance Specialist

"Five years in and I can't imagine working anywhere else."

– Tyler Pihl, AVP – Audit

Gaining TRUST

Senior Leadership

David Araujo, President/CEO

Dan Clarke, Chief Operating Officer

Patrick Harrigan, Chief Risk Officer/ General Counsel

Shari L'Italien, Chief Internal Audit

Andrew McGeorge, Chief Financial Officer

Satish Mehta. Chief Information Officer

Fawn Terwilliger, Chief Lending Officer

Michael Bergeron,

Vice President Logistics

Wendy Beswick, Vice President

Marketing

Robert Drouin. Vice President

Controller

Joanne Nadeau

Vice President Human Resources/Education

Michael Porter.

Vice President Foreign Exchange

Philip von Streicher,

Vice President Overseas Operations

As of March 1, 2019

Board of Directors



Joanne Whiting Chair



Scott Wensley Vice Chair Treasurer



Susan Desjardins, USAF Ret., Director

As not-for-profit cooperative financial institutions, credit unions elect officials who volunteer their time and talent

to serve the credit union.

Our Volunteers

The credit union Board and Supervisory Committee members are nominated from the membership at large, and voted on by the members at the annual meeting.

Supervisory Committee



Daniel Egan,

Director

Michael McMahon, Chair



David Hanchett,

Director

James Fishbein, Vice Chair/Secretary



Director

Thomas Lynch, Secretary



Deborah Sliney Schreck



Ramey Sylvester

Credit Committee



Lt. Col. James Lyn Walters USAF Ret. Chair



CMSgt. Raymond Drapeau, USAF Ret., Secretary



William McDill



Jeffrey Saltz

As of March 1, 2019

In Memoriam Service Credit Union is saddened to share news of the loss of two former volunteers.



Barbara Roberge (1936–2018)

Most recently Director Emeritus of our Board of Directors, Barbara Roberge served on the Board from 2001 to 2016, holding the position of Board Chair for a total of five years. Before being elected to the Board, she served as a volunteer on the Supervisory and Credit Committees. Her volunteer service to the credit union followed a long and successful career on staff at Service Credit Union, where she served as the first Chief Internal Audit. She showed an unrelenting commitment to the credit union, never failing to understand its dedication to members.



David O'Connor (1938–2018)

David O'Connor was formerly Credit Committee Chair and a prior board member of Seacoast Credit Union until its merger with Service Credit Union in 2011. He had a long history of volunteer service, including time spent with the Rotary Club of Hampton, the Hampton Lions Club, the town of Hampton Budget Committee, the soup kitchen in Hampton and UCC in North Hampton. He served six years in the Coast Guard and after his service worked at the Portsmouth Naval Shipyard. He had a true entrepreneurial spirit, starting up three successful businesses. He is greatly missed by everyone who knew him.

Supervisory Committee Report

The Supervisory Committee is responsible to you, our Service Credit Union members. The committee represents the best interests of the membership by providing oversight of the Board of Directors, ensuring safe and sound business practices and confirming proper internal controls are being followed. Your Supervisory Committee is elected by the membership in accordance with New Hampshire state law and your credit union's bylaws.

To review management practices and the credit union's financial condition, the Supervisory Committee ensures that audits are conducted on a regular basis and that established internal controls effectively maintain and protect the credit union and its members, management and employees. Service Credit Union employs an internal auditing staff to monitor day-to-day operations through audit and review. The Supervisory Committee consults with these staff members on an ongoing basis to ensure the continued integrity of the credit union's finances and reporting systems.

The comprehensive annual audit required by federal and state law was performed based on the September 30, 2018 financials by Wolf & Company of Boston, Massachusetts. After reviewing the results of our annual audit, as well as many additional reports and financial documents, we confidently state that Service Credit Union continues to maintain the highest possible level of financial standards. We will remain vigilant representatives of our members' interests, ensuring Service Credit Union's financial soundness, as your credit union continues to provide you and your family with the highest level of member service. It has been our pleasure to serve fellow member-owners of Service Credit Union.

Michael McMahon
Supervisory Committee Chair

Credit Committee Report

True to the core philosophy of the credit union movement, our members help each other by providing capital for loans. Without the overhead of compensating shareholders, the credit union is able to offer lower rates and higher savings to borrowers, while providing income to our depositors. The Credit Committee takes on the responsibility of reviewing lending policies. At Service Credit Union, all lending decisions are made in the best interest of our members and the credit union. Regular review of lending procedures and practices by the Credit Committee ensures fair decisions.

Meeting the financial needs of our members and encouraging them to use credit wisely, while maintaining a high-quality loan portfolio, provided the impetus for our outstanding loan growth. During 2018, your credit union had loans outstanding of \$2.99 billion, an increase of 8.95% from 2017.

As always, our thanks for the help that makes the Credit Committee's work so much easier must go to our credit union's staff. Their daily efforts help keep our credit union strong and productive.

As we look to the future, be assured that we will continue to maintain our commitment to provide a wide range of superior credit services that are responsive to members' needs, while preserving the safety and soundness of your credit union.

Lt. Col James Lyn Walters, USAF Ret. Credit Committee Chair





Members

2018	272,291
2017	234,863

Shares in millions

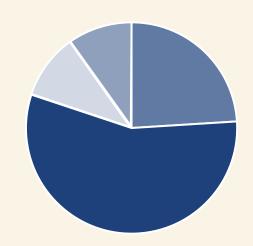
2018	\$2,846	
2017	\$2,628	

Loans in millions

2018	\$2,985	
2017	\$2,738	

Assets in millions

2018	\$3,502	
2017	\$3,248	



Loan Portfolio

Real Estate	24.01%
Business	10.06%
All Auto Lo	ans 56.10%
All Other L	oans9.83%

Statement of Reserves and Retained Earnings

	Statutory Reserves	Unappropriated Retained Earnings	Unrealized Gain or Loss on AFS	Other Comprehensive Income	Total
Balance 12/31/17	\$17,043,124	\$377,965,313	(\$988,284)	(\$12,828,350)	\$381,191,803
Unrealized Gain/ Loss AFS			(\$597,968)		(\$597,968)
Net Income		\$35,109,790			\$35,109,790
Fas 158 Pension Adjustment				(\$993,524)	(\$993,524)
Balance 12/31/18	\$17,043,124	\$413,075,103	(\$1,586,252)	(\$13,821,874)	\$414,710,100

Classification of Loans Outstanding

Degree Of Delinquency	Number	Amount	Other Assets	Delinquency
Current	164,760	\$2,921,207,968	(\$23,892)	\$2,921,184,077
Less Than 2 Months	2,921	\$44,299,210	(\$148,065)	\$44,151,146
2 to Less Than 6 Months	506	\$6,752,780	(\$817,853)	\$5,934,927
6 Months +	2	\$218,078	\$0	\$218,078
Total Loans	168,189	\$2,972,478,036	(\$989,809)	\$2,971,488,227

Unaudited

Treasurer's Report

The annual report to the membership contains complete statements of Service Credit Union's financial condition, income, reserves and retained earnings for 2018.

We are pleased to report that loans, shares and assets continue to grow at a healthy rate, and exceed 2017's exceptional results. 2018 was a very prosperous year and these results are demonstrative of our financial strength.

The credit union has flourished over the years due to your continued support and membership and has wholeheartedly invested in improving the financial well-being of its members.

Your money is safe and secure at Service Credit Union. Our share accounts are insured up to \$250,000. We follow state and federal laws pertaining to operations.

The credit union undergoes regular state, federal, third-party CPA and internal examinations. We are recognized for our safety and soundness and have received the highest score from BauerFinancial, the nation's leading independent provider of ratings and analyses of financial services companies.

Assets have increased by 7.83% or \$254.2 million in the past year from \$3.248 billion to \$3.502 billion as of the end of 2018. Service Credit Union is the largest credit union in New Hampshire and the 59th largest of the almost 6,000 credit unions in the United States.

In summary, the strong commitment and expertise of our Board of Directors, Supervisory and Credit Committees and our professional management team ensures that Service Credit Union remains a sound financial institution.

Scott Wensley Treasurer



Highlights from the Statement of Financial Condition

Loans outstanding up 8.95% at \$2.99 billion

Share capital up 8.29% at \$2.85 billion

Total assets up **7.83%** at **\$3.50 billion**

Total reserves and undivided earnings up **8.89%** at **\$430 million**

Members earned **\$25,873,232** in dividends in 2018

Statement of Income

Interest Income	2018	2017
Interest on Loans	\$109,998,522	\$96,083,732
Interest on Investments	\$4,976,622	\$4,688,503
Interest Expense		
Dividends	\$25,873,233	\$19,002,670
Interest on Borrowed Funds	\$4,073,805	\$3,395,907
Provision for Loan Losses	\$9,584,033	\$11,244,774
Net Interest Income	\$75,444,072	\$67,128,884
Operating Expenses		
Compensation and Benefits	\$56,364,537	\$52,412,563
Office Operations and Occupancy	\$30,017,635	\$27,440,366
Other	\$28,809,225	\$28,343,574
Other Operating Income	\$75,585,307	\$66,834,541
Non-Operating Income		
Gains/Losses	(\$728,193)	\$824,284
Net Income	\$35,109,790	\$26,591,206

Statement of Financial Condition

Assets	2018	2017
Cash & Cash Equivalents	\$259,492,400	\$222,112,844
Investments		
(Net of Market Rate Adjustment)	\$91,466,352	\$128,857,419
Loans to Members		
(Net of Allowance for Loan Losses)	\$2,985,045,367	\$2,738,661,761
Accrued Interest Receivable	\$7,489,488	\$7,045,717
Property & Equipment		
(Net of Accumulated Depreciation)	\$81,913,107	\$83,980,203
Other Assets	\$76,866,087	\$67,368,264
Total Assets	\$3,502,272,800	\$3,248,026,208
Liabilities & Equity		
Notes & Interest Payable	\$203,383,883	\$193,314,793
Dividends Payable		
Other Liabilities	\$38,481,497	\$45,598,261
Total Liabilities	\$241,865,380	\$238,913,054
Member Accounts	\$2,845,697,320	\$2,627,921,351
Reserves	\$17,043,124	\$17,043,124
Undivided Earnings	\$413,075,103	\$377,965,313
Gain/Loss AFS Investments	(\$1,586,253)	(\$988,284)
Gain/Loss FAS 158 Pension	(\$13,821,874)	(\$12,828,350)
Total Equity	\$3,260,407,420	\$3,009,113,154
Total Liabilities & Equity	\$3,502,272,800	\$3,248,026,208

Believing in COMMUNITY

Serving the Community

Since our inception in 1957, serving the community has been one of our core values. We are committed to supporting the communities we serve with our time, talents and sponsorships.

- Among our larger military commitments are various MWR and ACS generated events across military bases in Germany, Grand Forks, ND, Pease Air National Guard Base in Portsmouth, NH, and on Base Cape Cod, MA.
- Veterans Count, a veteran-focused chapter of Easter Seals, is also a strong partner. They provide emergency financial assistance to veterans in need.
- We are the top contributor to New Hampshire Make-a-Wish as part of the New Hampshire Credit Union League commitment.

We provide sponsorships to create free or low-cost family events across the state in communities we serve, including food truck festivals, children's days and more.

2018 Awards

Service Credit Union received the 2018 CUNA Benefits of Membership award, which recognized the credit union for being among the best at saving its members money. We were also a 2018 America Saves Designation of Excellence recipient and named one of the Healthiest Credit Unions in the U.S. by Deposit Accounts.

The Cooperative Credit Union Association recognized our education team with an Excellence in Financial Education Award, and honored our VP-Controller, Bob Drouin, with their Young Professional Award.

2018 Community Highlights

- NH Food Bank
- Make-A-Wish Foundation
- The USO
- Seacoast Salutes and the New Hampshire Military Assistance Foundation
- Veterans Count
- Month of the Military Child
- Credit Union Youth Month
- Military Saves
- Pease Greeters
- Seacoast Veterans Conference
- Hampton Beach Seafood Festival
- Somersworth Children's Day and Truck Festival
- Chaplain's Emergency Relief Fund (CERF)
- Landstuhl Fisher House
- American Independence Museum
- Portsmouth Music and Arts Center
- NH Jump\$tart
- Jericho ATV Festival
- American Heart Association

Educating Our Children

Over 50 schools

Over 4,953
STUDENTS REACHED

Over **3,962 VOLUNTEER HOURS**

Serving
Our
Veterans
and
Service
Members

Over **2,250 VOLUNTEER HOURS**

Over 150
EVENTS SPONSORED

Over **110**DONATIONS MADE

Supporting Our Community

Over **1,250**

COMMUNITY EVENTS

Spreading Some Joy

Over

3,324 TOYS FOR TOTS DONATIONS

Employment Opportunities

211
NEW TEAM
MEMBERS

Supplying Our Schools

More Than

2,700 BACKPACKS DONATED



New Hampshire

Amherst In-Store	85 NH 101A	603.249.9532
Bedford	14 Colby Court	.603.629.9898
Berlin	200 Coos Street	603.752.2750
Concord In-Store	344 Loudon Road	603.225.0601
Derry In-Store	11 Ashleigh Drive	603.434.3555
Durham	155 Main St. (UNH Wildcat Stadium)	.603.868.1425
Epping In-Store	35 Fresh River Road	.603.679.5187
Exeter	109 Epping Road	.603.418.0234
Franklin	886 Central Street	603.934.6323
Gorham In-Store	561 Main Street	603.752.0020
Hampton	887 Lafayette Road	603.926.5653
Hinsdale In-Store	724 Brattleboro Road	603.336.5212
Hudson In-Store	254 Lowell Road	603.579.5423
Keene	403 Winchester Street	603.352.0475
Keene	580 Court Street (CMC)	603.352.6889
Laconia	11 Veterans Square	.603.524.4967
Lancaster	148 Main Street	603.788.4450
Lebanon	1 Medical Center Drive (DHMC)	603.650.7053
Lebanon	225 Mechanic Street	603.448.9620
Manchester In-Store	725 Gold Street	603.669.6546
Nashua	337 Amherst Street	603.883.8883
Newington	100 Piscataqua Drive Not open to the general public 603.436	.6100 Ext. 284
Newington In-Store	2200 Woodbury Avenue	.603.431.2764
Pease ANG Base	153 Newmarket Street Military ID cardholders only	.603.422.0442
Pease Int'l Tradeport	14 Manchester Square, Suite 190	603.436.0537
Plymouth In-Store	683 Tenney Mountain Highway	603.536.1408
Portsmouth	2032 Lafayette Road	603.422.8340
Portsmouth In-Store	2460 Lafayette Road	.603.436.1901
Rochester	90 South Main Street	603.335.3940
Rochester In-Store	116 Farmington Road	603.332.2043
Salem	158 North Broadway	603.893.4377
Salem In-Store	300 North Broadway	.603.898.0166
	700 Lafayette Road	
	15 Penny Lane	
	59 Waltons Way	

All In-Store locations are inside Walmart

Massachusetts

North Dakota

Germany Military ID cardholders only

sbach	. Bldg.	5823		
umholder	. Bldg.	8669	06783.999.9860 or DSN 485.7109/6226	
rmisch	. Bldg.	9901	08821.730.3600 or DSN 440.3373	
afenwoehr	. Bldg.	148		
henfels	. Bldg.	335		
ber	. Bldg.	3226	0631.411.7940 or DSN 483.7940	
mstein	. Bldg.	2410	06371.463.9600 or DSN 480.5556/2425	
mstein KMCC	. Bldg.	3336, Suite M 20	06371.613690	
nbach	. Bldg.	147	06302.924000	
angdahlem	. Bldg.	174	06565.616011 or DSN 452.6674/6011	
ıttgart.Panzer	. Bldg.	2915	07031.819.4333 or DSN 431.3237	
ıttgart.Patch	. Bldg.	2325	0711.686.87580 or DSN 430.7194/8181	
seck	. Bldg.	224		



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