

2018

HERSHEY FCU ANNUAL MEETING

MEMBER FOCUSED
COMMUNITY DRIVEN



LEADERSHIP REPORT

In 2018, HFCU transitioned leadership, products and focus to position the credit union for continued growth into the future.

After serving as President/CEO since July of 2013, Paul Wagner announced his retirement to be effective on March 1, 2019. During his time as President, Paul led the credit union to success by guiding the path to financial stability, and enhancing the member's financial life through product improvements and financial literacy programs.

The Board's CEO Succession Committee was tasked with finding a replacement for Paul, and in June of 2018, HFCU announced the hiring of Joseph Marchese as the next President/CEO. Joe comes to HFCU with a strong financial services background and is ready to build on the accomplishments of Paul and the HFCU team moving forward.

As part of the Board's strategic plan to attract younger members, especially in the millennial generation, HFCU introduced a new partnership with Kasasa. The Kasasa brand checking products align with HFCU's goal of rewarding our members and helping them achieve financial success. Kasasa Cash Back checking was rolled out to the membership in July. With it, members can earn 2% cash back up to \$6 per month in rewards, as well as up to \$25 back in ATM fees by achieving simple qualifiers most members are already doing on a monthly basis.

As noted in prior years, technology is constantly evolving and the way we deliver service to our members must keep up with the times. It's important to us that members have a seamless experience when utilizing our digital tools. To that end, HFCU's partnership with Kasasa extended to new a website, improving the look and navigation. Now, our members can scroll through our webpage on their phones at ease to find information about our credit union.

Today's environment is hectic and it's not always easy to make it in to a branch during operating hours, especially for those in our targeted millennial demographic. Because of this, HFCU continues to look for new technology improvements to make membership and managing money as simple as possible for our members. In July 2018, we added to our already strong line-up of online services by working with Kasasa to offer our current and potential members the ability to open and fund new accounts online through our website. This service makes HFCU membership a more convenient option for our community.

The security of our members' personal information is important to us. As technology advances HFCU must constantly perform a review of our technology and make upgrades when necessary. In 2018, we made improvements to our technology infrastructure which will ensure the integrity and performance of our network.

HFCU is thankful to have a dedicated and diverse membership. We are committed to delivering an outstanding member service experience, creating products and services that reward and benefit our membership and engaging in volunteer activities that benefit the communities and members we serve.

*Richard F. Miller, Chairman
Joseph Marchese, President and CEO*

TREASURER'S REPORT

During 2018, the economy continued to improve and so did HFCU's financial position. Assets increased by \$1,680,202 or about 2.64%. Share deposits grew by 2.02%, while loans grew by 5.25%.

Net earnings for 2018 continued the trend of improvement for HFCU, improving our overall net worth position.

The condensed financial statement is included in the Annual Report. Please review it for more information. The financial analysis shows that HFCU continues to be secure and well-positioned for growth and continued service to members.

I thank the Board of Directors, Committees, Management and Staff for their continued dedication and assistance during the year to make HFCU a strong financial partner for our members and for our community.

Franklin D. Wagner, Treasurer

The Asset/Liability Committee (ALCO) is made of several HFCU Board members and the HFCU Senior Management Team. The committee meets to review loan and share rates, liquidity, investments and other financial and operational issues. The committee also discusses and reviews all the financial issues and has the authority to change rates, as needed, and act on other decisions.

ALCO COMMITTEE REPORT

Asset and liability management is an important part of the credit union financial management. The HFCU Board of Directors relies on the committee to act on their behalf and to be responsive to the needs of the credit union and its members.

I wish to thank the ALCO committee members: Paul Wagner, Jill Sottile, Diane Mease, Nicole Smith and Joseph Marchese for their assistance in 2018.

Franklin D. Wagner, Chairperson

STATEMENT OF FINANCIAL CONDITION

ASSETS & LIABILITIES AS OF DECEMBER 31, 2018(CONDENSED)

| Assets | 2018 | 2017 |
|----------------------|---------------------|---------------------|
| Loans Net | \$45,624,384 | \$43,356,087 |
| Cash and Investments | 15,107,010 | 15,574,686 |
| Other Assets | 4,711,433 | 4,831,851 |
| Total Assets | \$65,442,827 | \$63,762,624 |

Liabilities

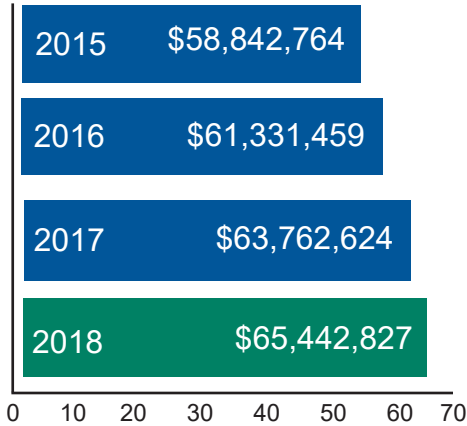
| | | |
|-----------------------------------|---------------------|---------------------|
| Deposits | \$59,794,851 | \$58,612,806 |
| Other liabilities | 158,878 | 115,829 |
| Total Liabilities | \$59,953,729 | \$58,728,635 |
| Reserves | 5,489,098 | 5,033,989 |
| Total Liabilities/Reserves | \$65,442,827 | \$63,762,624 |

INCOME & EXPENSES AS OF DECEMBER 31, 2018 (CONDENSED)

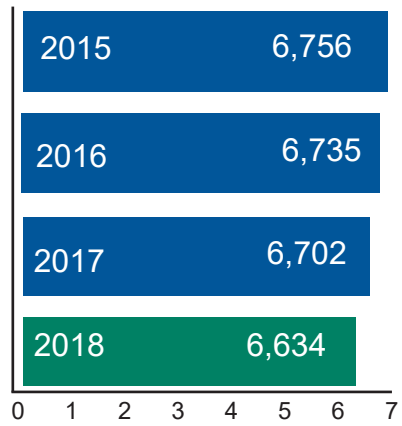
| Income | 2018 | 2017 |
|------------------------------------|--------------------|--------------------|
| Interest on Loans | \$1,968,992 | \$1,796,924 |
| Interest on Investments | 266,476 | 209,908 |
| Other Income | 844,050 | 747,529 |
| Total Income | \$3,079,518 | \$2,754,361 |
| Operating Expenses | \$2,543,778 | \$2,421,862 |
| Non-Operating Expenses | 0 | 0 |
| Net Income Before Dividends | \$535,740 | \$332,499 |
| Dividends | 80,630 | 80,891 |
| Net Income | \$455,110 | \$251,608 |

FINANCIAL CHARTS

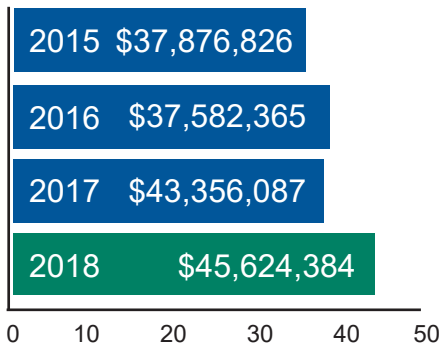
ASSETS



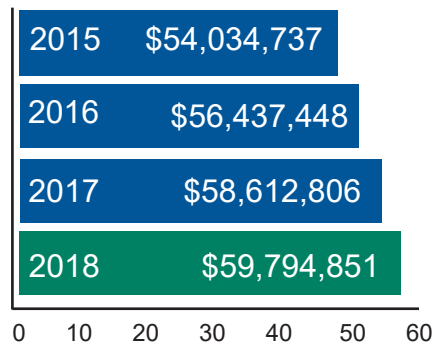
MEMBERSHIP



LOANS



MEMBER SHARES



SUPERVISORY COMMITTEE REPORT

The Supervisory Committee of Hershey Federal Credit Union Complies with the guidelines set forth by the National Credit Union Administration and the bylaws of Hershey Federal Credit Union.

Commitment to safety and soundness is our foremost concern. In 2018, the committee engaged Feather CU Services, LLC to conduct the Supervisory Committee Annual Review of the financial statements. The review included tests of accounting records and auditing procedures. No material weaknesses were identified as a result of the review.

To conform with HFCU’s commitment to the highest levels of safety and soundness, throughout 2018, the committee performed various audits to assess the adequacy of, and effectiveness of the internal controls.

The committee would like to thank the Board of Directors, Chief Executive Officer Joe Marchese, and the dedicated staff for their continued support and commitment the safety and soundness of Hershey Federal Credit Union.

Lori A. Gall, Chairperson

HFCU LEADERSHIP

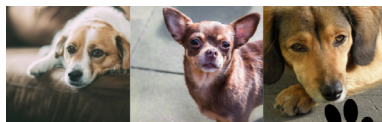
Board of Directors

| | |
|-----------------------------|--------------------|
| Richard F. Miller..... | Chairman |
| Dennis H. Berkhimer | Vice Chairman |
| Rita F. Ramacciotti..... | Secretary |
| Franklin D. Wagner | Treasurer |
| Louise C. Lingenfelser..... | Director |
| Dan Davis..... | Director |
| Paul R Wagner..... | Director |
| Amy Hahn..... | Associate Director |
| William Sprandel | Director Emeritus |
| Ercoli DiVittore | Director Emeritus |
| Barbara McLaughlin | Director Emeritus |

Supervisory Committee

| | |
|----------------|-------------|
| Lori Gall..... | Chairperson |
| Diane Carroll | |
| Dan Davis | |
| Elaine Royer | |

HERSHEY FCU IN THE COMMUNITY 2019



WELCOME!

New team AND Leader
of the Pack sponsor!
Thank you so much for
your support!



HFCU MANAGEMENT TEAM

Joseph Marchese.....President & CEO
Jill SottileCFO
Jeremy Kline.....COO
Diane Mease.....VP Lending
Nicole Smith.....VP Marketing & Compliance

HFCU BRANCH INFORMATION



Hershey

904 E. Chocolate Avenue
Hershey, PA 17033



Hummelstown

232 Hershey Road
Hummelstown, PA 17036



Annville

710 E. Main Street
Annville, PA 17003

HFCU CONTACT INFORMATION

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