



Built to overcome.

Responsive banking for unprecedented times.

Chairman & President's Report

2020

2020 was truly an unprecedented year for Signal as it was for everyone. With the onset of COVID-19, Signal had to rapidly modify and adapt its business model to continue providing valuable services to our membership.

► PANDEMIC PREPAREDNESS

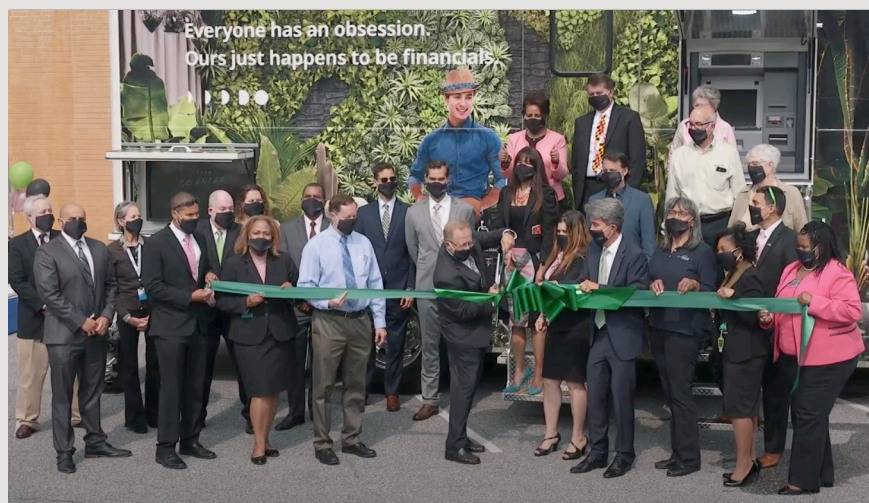
On March 11th, 2020, before our country declared a national pandemic, we announced that we would test our pandemic protocols starting March 13th by closing all of our offices to the public and having all staff work remotely, while keeping our Call Center available as normal. After successfully completing the test, on March 17th, we immediately instituted a bank-by-appointment in our branches and furnished our branches with PPE and sanitation devices in order to allow a safe environment for both our members and staff. During the two and a half months of our regional lockdown, we never ceased to serve our members in this manner and have continued to do so during this pandemic. Our Call Center, Online, Mobile, ATMs and back office operations have also continuously operated without any interruption.

► PRODUCT UPDATES

The initiative of enhancing our digital products for our online new member and loan applications was successfully launched in September and October. We enabled our debit and credit cards to be fully integrated with Wallet Pay, allowing our members to make purchases as contactless as possible (Apple Pay, Google Pay, Samsung Pay, Fitbit Pay).

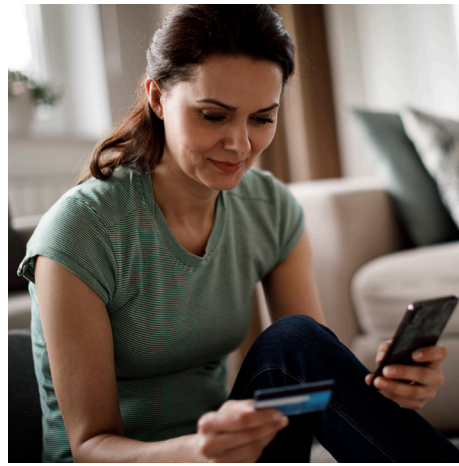
We also launched the Bright Future account for youth and young adults in response to our member requests to help our emerging generations gain more confidence in their financial planning for the future.

In the 4th quarter, we launched our Signal on the Go truck, a mobile branch that will enable us to further shape and deliver a unique experience to existing and future members throughout our communities.



ROLLING OUT THE GREEN CARPET.

On September 18th, 2020, we celebrated our 73rd anniversary with a ribbon cutting ceremony for our new Signal on the Go mobile branch.



► MOBILE BANKING

Our current mobile app enables users to make deposits and transfers, review transactions and much more.

We are looking forward to signing with a new vendor to expand our mobile offerings and expect to launch a new and improved mobile app in 2022.

► ECONOMIC CHALLENGES

Financially, we had a challenging year that ended with negative net income – something we have not seen in many years. This was a result of the Federal Reserve adjusting interest rates to historic lows. We were also impacted by assisting our members who were affected by the pandemic, offering them loan deferments on a case-by-case basis.

While the future is still unknown, we are optimistic and expect the economy to recover and the pandemic to end with the mass vaccination efforts underway. We are re-imagining what our new business model will look like for 2021 and beyond.

► WEB AND DIGITAL ENHANCEMENTS

We will be redesigning our website with a fresher look and more streamlined navigation so our members and visitors will find relevant information intuitively with interactive text and video. The site will also geotrack our Signal on the Go truck so members can see its location in real time.

We are looking to enhance all of our digital platforms and products to continue to improve the Signal banking experience and attract more members who seek better convenience.



A BANK ON WHEELS.

From account openings to deposits, withdrawals and more, our Signal on the Go truck makes banking even more convenient. Coming soon to a location near you!

Chairman & President's Report | Plans for 2021



We thank our Board of Directors and volunteers who continue to put in many unpaid hours as part of their volunteer commitment to Signal and their fellow members. The staff, officials and volunteers at Signal are proud to serve the Washington Metro area—we are residents of the community just as our members are, and our commitment to our membership goes beyond mere dollars and cents. We are members of Signal Financial, as well, and we're glad to stand with

DC, Maryland, and Northern Virginia families, employers, and communities to build a better future here for everyone. Thank you for all your support throughout the past 73 years and as we overcome the current pandemic crisis, may 2021 bring more benefits to our membership.

Andrew Mekelburg

Chairman of the Board of Directors

François Verleysen

President & CEO



Treasurer's Report



The year of the pandemic. We started 2020 with a plan and key underlying assumptions, yet all that changed with the inception of the world-wide disaster known as COVID-19. The DC region was significantly impacted with early outbreaks. Management adjusted to adapt to the changing environment and encouraged member use of online and remote banking capabilities, modifying branch operations and controlling expenses, but not losing sight of the future.

Signal Financial FCU ended 2020 with over \$483M in total assets, highlighted by growth in member deposits as spending slowed, interest rates dropped and individuals sought safety during the pandemic. This represented an all-time highest total asset figure for Signal. However, loans declined as purchasing slowed and members took advantage of historically low borrowing rates to refinance.

We ended 2020 with \$172M in liquidity up significantly from 2019. 2020's net loss of just over \$1 million was disappointing and a \$1.7 million decline versus 2019's earnings. Losses were driven by declines in consumer interest income due to pandemic related loan deferrals, delinquencies and the regulatory restrictions on addressing those, compounded by refinancing of existing loans at substantially lower interest rates either at Signal or other lenders and declines on the rate of return on our liquid assets. Interest expense grew due to high rates locked for certificates of deposits issued in late 2019 and declines in the lending portfolio. Management attempted to offset these increased costs and lower revenues by addressing controllable expenses. These actions, primarily late in 2020, only partly offset the net interest effects.

Consumer certificates of deposit grew by another \$48.2 million surpassing 2019's growth of \$43.5 million, as members harbored funds throughout the pandemic and

► 2020 HIGHLIGHTS

- Over \$483M in total assets
- \$172M in liquidity
- Overall growth in certificates of deposit
 - o Consumer: \$48.2 million
 - o Commercial: nearly \$20 million
- \$10.1 million decline in loan portfolio
- Received clean reports from annual independent audit and NCUA examination
 - o Addressed opportunities for further improvement

spending slowed. Commercial shares also increased, to a new high of almost \$20 million over a 70% increase from the end of 2019.

Our loan portfolio declined by \$10.1 million during 2020, slowing the decline we experienced in 2019. Declines occurred across all categories of consumer lending. Commercial lending offset some of the decline, growing due to pandemic related Paycheck Protection Program (PPP) loans.

We recently completed our annual independent audit and annual examination by NCUA. In both cases we received a clean report and opportunities for further improvements were promptly addressed.

Please continue to stay safe and healthy.

Jonathan B. Morrison
Treasurer

Supervisory Committee's Report



The Supervisory Committee's role is to protect member assets and ensure that they are properly safeguarded. We provide oversight for the implementation and maintenance of internal controls as well as appropriate maintenance and accurate retention of all records.

Our external auditor, Clifton Larson Allen, Certified Public Accountants, performed an independent financial statement audit of the year ending 2020. The credit union received an unqualified opinion for the audit. In addition,

NCUA completed our annual examination in which they observed no significant concerns.

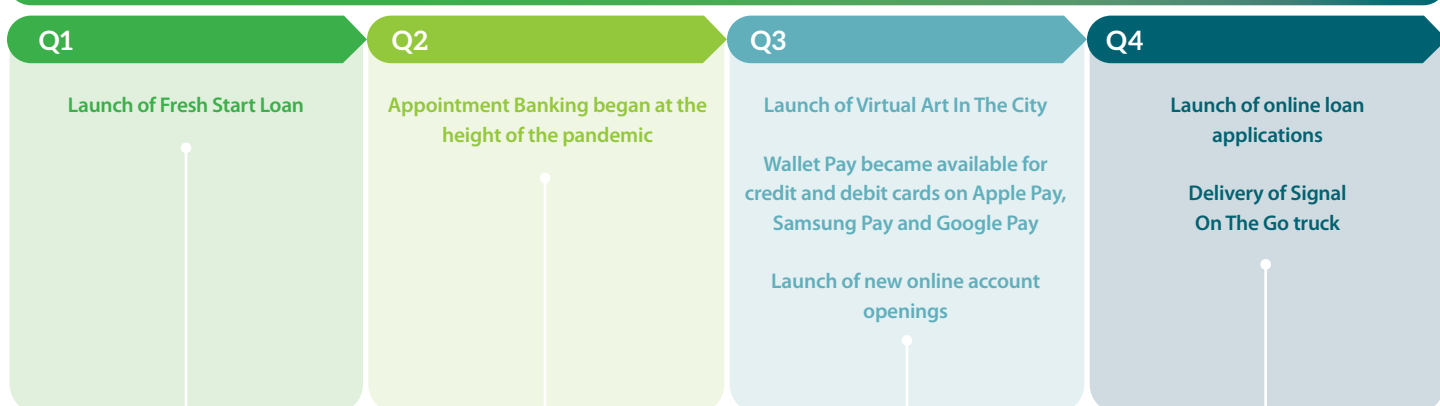
The Supervisory Committee believes all audits, verification, examinations and compliance reviews present an accurate reflection of financial results, and the credit union's assets remain in good standing.

Tammy Jeffers
Chair of the Supervisory Committee

Statements of Financial Condition

ASSETS	2020	2019
Cash and Cash Equivalents	\$65,748,685	\$64,328,082
Securities - Available-for-Sale	106,674,276	40,125,909
Other Investments	2,162,314	1,831,033
Loans, Net	295,015,968	305,153,060
Loans Held-for-Sale	1,227,556	2,876,240
Accrued Interest Receivable	1,284,723	1,259,848
Premises and Equipment, Net	5,870,600	5,696,403
NCUSIF (National Credit Union Share Insurance Fund) Deposit	3,861,149	3,328,924
Other Assets	2,140,824	2,617,458
Total Assets	\$483,986,095	\$427,216,957
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' and Nonmembers' Share and Savings Accounts	\$422,593,503	\$371,519,350
Borrowed Funds	20,460,000	15,000,000
Accrued Interest Payable	83,325	91,541
Accrued Expenses and Other Liabilities	1,490,809	1,270,306
Total Liabilities	444,627,637	387,881,197
Members' Equity		
Regular Reserves	6,430,310	6,430,310
Undivided Earnings	31,955,325	32,968,569
Accumulated Other Comprehensive Income (Loss)	972,823	(63,119)
Total Members' Equity	39,358,458	39,335,760
Total Liabilities and Members' Equity	\$483,986,095	\$427,216,957

2020 Milestones



Statements of Operations

INTEREST INCOME AND EXPENSE	2020	2019
Interest Income		
Loans	\$14,157,467	\$15,131,516
Securities, Interest-Bearing Deposits, Cash Equivalents	1,523,502	1,505,174
<i>Total Interest Income</i>	<i>15,680,969</i>	<i>16,636,690</i>
Interest Expense		
Members' and Nonmembers' Share and Savings Accounts	4,383,243	3,723,453
Interest on Borrowed Funds	117,053	279,001
<i>Total Interest Expense</i>	<i>4,500,296</i>	<i>4,002,454</i>
Net Interest Income	11,180,673	12,634,236
Provision for Loan Losses	243,416	470,578
Net Interest Income After Provision for Loan Losses	\$10,937,257	\$12,163,658
NONINTEREST INCOME AND EXPENSE	2020	2019
Noninterest Income		
Service Charges and Fees	3,445,283	4,377,128
Other Noninterest Income	307,720	355,271
Net Gain on Sale of Assets	191,329	-
<i>Total Noninterest Income</i>	<i>3,944,332</i>	<i>4,732,399</i>
Noninterest Expense		
General and Administrative:		
Employee Compensation and Benefits	9,214,994	9,452,530
Office Occupancy and Operations	3,006,801	2,947,609
Other Operating Expenses	3,673,038	3,810,569
<i>Total Noninterest Expense</i>	<i>15,894,833</i>	<i>16,210,708</i>
Net (Loss) Income	(\$1,013,244)	\$685,349

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Frank Qualls

Advisory Committee

Carl Tebell
PMP, Director

MARYLAND

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Kensington, MD 20895

Leisure World Branch
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Silver Spring, MD 20906

Largo Branch
9500 Medical Center Drive, Suite 103
Largo, MD 20774

NORTHERN VIRGINIA

One Loudoun Branch
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Ashburn, VA 20147

WASHINGTON, DC

Capitol Hill Branch
1391 Pennsylvania Avenue SE
Washington, DC 20003

City Center Branch
1101 New York Avenue NW
Washington, DC 20005

MOBILE

Signal On The Go truck

Signal Financial Federal Credit Union

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