



SOUTHEASTERN
CREDIT UNION

*Making
Meaningful
Community
Impacts*

2022 Annual Report

A Letter to Our Members

From President and CEO Michael Gudely & Chairman of the Board Jerry Permenter

2022 was another banner year for your credit union.

Overall, growth in 2022 was excellent for Southeastern, with total assets climbing to \$341.5 million, a 2.1% increase. Total loans grew in robust fashion, increasing \$22.8 million or 10.0%. Total deposits grew at a moderate pace, increasing \$5.2 million or 1.7%. Deposit growth from prior years had been strong, resulting in a high liquidity position. This level of liquidity reduced the need for your credit union to be aggressive on deposit interest rates, resulting in slower deposit growth. While many of our peers struggle with loan growth and look to loan participations to achieve desired levels of loan growth, Southeastern continues to focus on its members by staying away from loan participations and loaning only to members of the credit union. Lending to the membership base has less risk than purchasing loans from other credit unions, and more importantly, uses the credit union's deposits to support its members. Management and the Board of Directors were very pleased with the growth in 2022.

Total capital, representing the member's equity in the credit union ended the year at a very strong \$35.2 million, an increase of 9.7% over 2021 capital levels. Our capital ratio (Capital/Total Assets) increased to 10.33% from 9.61% in 2021, as a result of our strong loan and earnings growth. Your credit union continues to be well capitalized, positioning the credit union for future growth opportunities, as well as, protecting the credit union in the event of a recession or any decline in local economic conditions.

Net earnings for 2022 were \$3.1 million, a 35.8% increase over 2021 earnings. ROAA (return on average assets) was 0.93% for 2022. This was a significant increase over 2021 as a result of strong net earnings growth. We continue to outperform our peers in this particular measure. Management and the Board of Directors are proud of the balance sheet and earnings growth we experienced in 2022. Southeastern continues to be a vibrant and financially well positioned credit union, able to continue serving its members well into the foreseeable future.

We continue to be an active community supporter by donating over \$50,000 for local assistance in our S. Georgia markets. As a not for profit cooperative, we believe being a good corporate citizen is paramount for betterment of our members, their neighbors and the communities we serve.

We encourage our employees to participate in civic activities in Valdosta, Tifton, Nashville, Quitman, and Waycross. These activities range from Rotary Club, Realtors Association, Chambers of Commerce, churches, sport leagues, and public education, just to name a few.

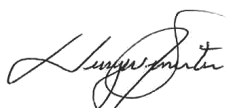
As your credit union, our goal is to provide the very best financial products and services at the most affordable cost, to each and every member we serve. In recent years, we upgraded our technology significantly and can proudly say our electronic delivery systems, for loans and deposits, outpace that of our peers, and offer most of the benefits national bank technologies offer.

We remain committed to improving the lives of our member-owners. "Deliver value, and provide legendary service" will remain the guiding principle of our work to help people achieve their hopes and dreams.

Thank you for being a member. We value your membership and look forward to partnering with you to make 2023 yet another great year in the history of Southeastern Credit Union. Our 70-year plus commitment to the principles of placing people before profit is how we will all continue to enjoy the benefits of this financial cooperative.

As always, your comments and feedback are welcomed and encouraged. Only by sharing your thoughts and opinions, can we make Southeastern an even better credit union than it is today.

Sincerely,



Jerry Permenter
Chairman, Board of Directors



E. Michael Gudely
President and CEO



Giving Back

Helping our members improve their financial lives is our responsibility, but it's also important that we do our part to improve the community around us. It's the core of the credit union difference – people helping people. Since the onset of the COVID-19 pandemic, Southeastern has given over \$158,000 in sponsorships and donations. Southeastern and its employee's donated \$6,304 to United Way of South Georgia's 2022 annual giving campaign. Every Friday employees at SCU Dress Down for Our Town. Through jean dress down days, employees raise money for various charities in the 14 South Georgia counties the credit union serves.

Community Involvement

At Southeastern, we believe every person is capable of making a positive difference. Our employees and Board of Directors are committed to engaging with organizations to help give back to our communities. We understand strengthening our communities makes all of us stronger. SCU staff and Board members graciously volunteer their personal time, reaching thousands within the communities we serve. These organizations include:

Tifton Merchant's Association

Lowndes Education Improvement Foundation

Tifton's Financial Literacy Initiative

Hospice of South Georgia Board Member

Church Finance Committee

Nashville/Berrien Rotary Board Member

Brooks County Board of Education

Berrien's Professional Women's Club

Rebuilding Together

Fellowship Christian Athletes Board

Tifton-Tift County Chamber

Mortgage Bankers Association of GA Valdosta Chapter

Lowndes County School Board of Education

The Miracle League of the Okefenokee Board

Valdosta Board of Realtors Members

Leadership Lowndes

Brooks County Public Library

We exist to serve our members, and understand part of that responsibility is serving the communities in which they live. We'd like to thank our members for choosing us. As we grow, so does our ability to make positive impacts in our communities.

Audit Committee & Treasurer's Report by Wayne Plumly



The Audit Committee (Committee) is composed of sitting members of the Board of Directors. The Committee is responsible for assisting the Board of Directors in its oversight of management to ensure satisfactory safety and soundness operations of Southeastern Credit Union. The Committee fulfilled its responsibilities through the engagement of an external financial auditor, internal control auditor, and review of all audit reports, each of which was subsequently followed by a full report to the

Board of Directors. At the conclusion of the December 31, 2021 external financial audit, the Committee met in March 2022 with representatives of the public accounting firm Doeren Mayhew, LLC to discuss results of the financial audit. The auditor's findings resulted in Doeren Mayhew, LLC issuing its opinion, that in all material respects, the financial statements present fairly the respective financial position, changes in financial position and cash flows for the year.

The Georgia Department of Banking and Finance conducted a regulatory safety and soundness examination of the credit union in December 2022. The result of any regulatory examination of a financial institution is confidential and not permitted to be shared with the public. However, if there were any matters of concern, the Audit Committee is responsible for reporting the matter to the full Board of Directors. It would then be the responsibility of the Board of Directors to take whatever action was necessary to correct any deficiency, assuming a material deficiency was reported.

As Treasurer, and member of the Board of Directors, I am pleased to report 2022 was another financially successful year for your credit union. In 2022, total assets grew \$7.1 million to end at \$341.4 million.

Our loan growth in 2022 was very strong after a somewhat slower year in 2021. The loan portfolio ended the year at \$251.7 million, increasing \$22.9 million or 10.0% from the prior year. Share growth was not as robust in 2022 as it was in 2021. The credit union acquired significant deposits in 2020 and 2021 that provided a very high liquidity position. Additional share growth was not aggressively sought to ensure the deposits already on hand could be fully deployed as loans or investments. Total deposits were \$305.1 million at year end, an increase of \$5.2 million or 1.7% over 2021.

Loan growth and increasing margins due to rising interest rates generated solid net earnings for your credit union. As Treasurer, I'm pleased to report, for the year ending December 31, 2022, net income totaled a record \$3.1 million, which was a 35.8% increase over 2021. Return on average assets was 0.93% in 2022, an increase of 29.1% over the prior year. Southeastern Credit Union continues to achieve results higher than our peer group average.

At year end, total capital was \$35.2 million, which represents the membership's equity in the credit union. Our capital ratio, a very important measure of financial strength, ended 2022 at 10.33%, a solid increase over 2021 results. Southeastern Credit Union remains a well capitalized credit union. Management and the Board of Directors are pleased with this level of capitalization.

The credit union performed well against its financial budget in 2022. Net income exceeded the budget by \$924.6 thousand, a positive variance (increase) of 41.9%. Loan growth was \$11.5 million over budget, however, somewhat disappointingly, deposits fell short of the 2022 budget by \$9.6 million. The deposit shortfall was primarily due to an emphasis on acquisition of low cost deposits such as checking and savings, and projected growth in those areas did not materialize to the extent anticipated.

Non-interest income for 2022 was \$5.9 million, which was \$111 thousand or 2.3% improvement over 2021. Operating expense for 2022 totaled \$11.5 million, which was a \$627 thousand (5.7%) increase over the prior year. However, total operating expense was \$293.2 thousand below the budgeted expense levels.

The credit union operates an internal compliance program to ensure it is following consumer compliance regulation appropriately. The Committee reviewed the results of internal reviews by the credit union's Compliance Officer on a quarterly basis. No items of any materiality were found in the internal compliance audits.

The Committee reviewed the quarterly results of the internal audit program administered by Mauldin and Jenkins, LLC of Albany, Ga. Results of those quarterly internal audits found that Southeastern Credit Union maintains an effective system of internal and financial controls. The Committee is pleased to report Southeastern Credit Union continues to be extremely well-managed and is in a strong financial condition. These results demonstrate Southeastern Credit Union's continued commitment to provide extraordinary value and service to each of you, the member-owners, while providing assurance that the financial condition is accurately stated and presented.

Delinquency and charge off trends for 2022 continue to be outstanding. Our members are repaying loans without issue at low interest rates.

At 2022 YE, sixty-day delinquency was 0.06%, down from 0.12% in 2021. Loan loss provision expense for 2022 was \$220 thousand as compared to \$185 thousand in 2020. Total loan charge offs for 2022 was \$157 thousand, as compared to \$204.8 thousand in 2021. The increase in loan loss reserve expense was driven by management's decision to bolster the credit union's loan loss reserve in the event of a recession. Additionally, accounting changes established by FASB, to take effect as of January 1, 2023, will increase loan loss reserve requirements for all financial institutions. The credit union has been preparing for this change, and is well positioned to add whatever is needed to the reserve to comply with the Current Expected Credit Losses (CECL) requirement. Our modeling in 2022 indicates as a result of CECL, our loan loss reserve as a percentage of loans will almost double from 0.53% to 1.00% in 2023. This change combined with the strong capital position of the credit union, provides a solid foundation for Southeastern to continue to grow and serve its membership with the products and services they desire.

Your Board of Directors and Credit Union Management Team meet at least once each month to review and evaluate the financial condition of the Credit Union and to ensure adherence to policies intended to have a positive financial influence on each of our member's lives.

If you have questions or comments regarding Southeastern Credit Union's financial performance, please feel free to contact me at any time. I appreciate the opportunity to serve you in this capacity.

Sincerely,

L. Wayne Plumly

Chairman Supervisory Committee and Treasurer

Comparative Financial Reports

Total Assets (in thousands)

2022	\$341,471
2021	\$334,399
2020	\$302,946
2019	\$262,534
2018	\$243,613

Total Loans (in thousands)

2022	\$250,422
2021	\$227,594
2020	\$220,490
2019	\$197,942
2018	\$183,612

Total Deposits (in thousands)

2022	\$305,020
2021	\$299,791
2020	\$270,070
2019	\$232,339
2018	\$217,177

Members

2022	24,940
2021	25,791
2020	26,053
2019	26,305
2018	26,683

Net Income (in thousands)

2022	\$3,130
2021	\$2,305
2020	\$2,002
2019	\$2,030
2018	\$1,614

Statement of Financial Condition

Years Ended December 31 (in thousands)

	2022 (Unaudited)	2021 (Unaudited)
ASSETS		
Cash and Equivalents	\$19,207	\$53,440
Investments	\$51,335	\$35,011
Net Loans	\$250,422	\$227,594
Fixed Assets	\$8,562	\$8,492
Other Assets	\$11,945	\$9,862
Total Assets	\$341,471	\$334,399
LIABILITIES & EQUITY		
Total Liabilities	\$1,180	\$2,634
Member Shares	\$305,020	\$299,791
Member Equity	\$35,271	\$31,974
Total Liabilities & Equity	\$341,471	\$334,399

Statement of Income

Years Ended December 31 (in thousands)

	2022 (Unaudited)	2021 (Unaudited)
INCOME		
Interest and Fees on Loans	\$9,835	\$9,180
Interest on Investments	\$1,031	\$382
Other Income	\$5,034	\$4,923
Total Income	\$15,900	\$14,485
EXPENSES		
Dividend Expense	\$964	\$1,044
Provision Expense	\$220	\$186
Income Before Op. Expense	\$14,716	\$13,255
Operating Expense	\$11,569	\$10,944
Non Operating Expense	\$(17)	\$(6)
Net Income	\$3,130	\$2,305

Capital to Assets

2022	10.33%
2021	9.61%
2020	9.85%
2019	10.60%
2018	10.59%

Minutes of the 69th Annual Meeting

March 10, 2022

- I. Chairman Jerry Permenter called the meeting to order at 6:00 p.m. at the Holiday Inn Conference Center.
- II. The chairman appointed Anthony Payton as recording secretary.
- III. The secretary determined a quorum was present with 30 members in attendance.
- IV. Chairman Permenter declared the meeting officially open and introduced the head table.
- V. Chairman Permenter asked for Mr. Stephen Sainz who is the SVP, Senior Growth Officer to give the invocation.
- VI. The minutes were approved as presented.
- VII. Jerry Permenter gave the Chairman's message.
- VIII. Wayne Plumly gave the Treasurer's report.
- IX. Wayne Plumly gave the Audit Committee's report.
- X. Leanna Pledger explained the election process. There were two positions open for election to the Board of Directors. The nominating committee selected one person for each position open. The nominees selected were Anthony Payton and Jerry Permenter. The Nominating Committee received no qualified petitions for nomination to the Board of Directors. The nominees were elected to the Board of Directors by acclamation.
- XI. Chairman Permenter recognized Ms. Barbara Kent, Mr. Kevin Cameron, Ms. Kindalin Denson, and Ms. Tiffany Jeffrey for 5-years of service. Mr. Stephen Sainz for 10-years of service and Mrs. Jacqueline Welch for 20-years of service.
- XII. Old Business: There was none.
- XIII. New Business: There was none.
- XIV. There being no further business, the meeting was adjourned at 6:20 p.m.

Board Members



Jerry Permenter
Chairman



Charles Eidson
Vice Chairman



L. Wayne Plumly, Ph.D.
Treasurer and Chairman
of the Audit Committee



Anthony Payton
Secretary



Roy McNeal
Board Member



Leanna Pledger
Board Member



Dustin Kilby, DMD
Board Member

Senior Management



E. Michael Gudely
President, CEO



Jennifer Stasio
SVP, Chief Financial
Officer



Eric Bennett
Vice President, Chief
Lending Officer



Mitchell Burton
AVP of Retail Services

LOCATIONS

Headquarters Branch

3501 N Valdosta Road
Valdosta, GA 31602

Perimeter Branch

3669 Inner Perimeter Road
Valdosta, GA 31605

Baytree Branch

1514 Baytree Road
Valdosta, GA 31602

Moody AFB Branch

3205 Mitchell Boulevard
Moody AFB, GA 31699

Tifton Branch

2212 N Tift Avenue
Tifton, GA 31794

Nashville Branch

902 S Davis Street
Nashville, GA 31639

Waycross Branch

1912 Memorial Dr. Ste F
Waycross, GA 31501

Quitman Branch

205 E. Screven Street
Quitman, GA 31643

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SoutheasternCU.com



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