



2017 Annual Report



Gearing Up for the Future

A Letter to Our Members

From President/CEO E. Michael Gudely
& Chairman of the Board Anthony Payton

2017 was a very busy year for Southeastern Credit Union. After more than 2 years evaluating various system-wide computer system upgrades, including the decision to upgrade all systems in 2016, this past year was consumed by the actual conversion from our old system to the new system. This was quite an undertaking and involved virtually every employee of the Credit Union. It demanded employees work two jobs, as they had to continue with their ongoing position responsibilities while taking on responsibilities necessary to convert things like the general ledger, loan data, deposit data, and a tremendous amount of individual member data to the new computer system. This system, Symitar's Episys System, provides a tremendous upgrade to our online and mobile banking products, but more importantly, upgrades the Credit Union's ability to serve you, the member. Southeastern is now positioned to open accounts online, as well as extend loans online. The ability to access the Credit Union electronically has never been greater. Further enhances are planned for 2018 and beyond.

As if a system-wide computer conversion wasn't enough to keep your Credit Union busy, in 2017 we opened our newest branch in Waycross, GA. Barry Tanner, a former BB&T executive was hired to open the office. It officially opened in May. A 1500 sq. ft. retail space was leased as the interim branch location, but as we continue to grow business in Ware and Pearce County, we plan to eventually purchase or construct a retail branch location in Waycross. Waycross is the seventh branch for Southeastern Credit Union.

Growth in 2017 was moderate with total assets increasing to \$240 million, a 5.2% increase. Total loans, however, grew in robust fashion, with loans outstanding increasing \$23 million, or 16.2%. Total deposits increased \$9.9 million or 4.9%. Total capital, representing the member's equity in the Credit Union finished the year at a very strong \$24.2 million or 10.05% of total assets.

Net earnings for 2017 were \$1.2 million, which translates to an ROA of 0.50%. This represented a decrease in earnings from 2016, as a result of the branch opening in Waycross, expenses associated with the core computer conversion, as well as increases in personnel overhead. Management anticipates earnings to move back to historical levels, as we bring the Waycross operation to a profitable status, and implement cost-saving strategies, now available as a result of our new core computer system. We had very strong loan growth in 2017, and expect to continue the trend into 2018. By taking deposits invested in low interest investments like bonds and government agencies, and using them instead to fund loan growth, further enhances the Credit Union's earnings since loans have higher rates of return.

As one of the largest credit unions south of Macon, we continue to review possible merger candidates for the Credit Union. This is not a growth for growth's sake strategy, but rather a desire to create a larger market area from which our members can transact business. Your management team and Board of Directors are only interested in merging in credit unions that will positively impact our existing

member base. Primarily, that would be in a larger branch and ATM footprint. However, the additional capital and earnings to be gleaned from the "right" acquisition would help provide even greater and more robust financial products and services.

As part of the Credit Union's strategy to give back to the communities it serves, we would be remiss if we didn't mention 2017 was yet another year of significant community investment. This past year, your Credit Union contributed over \$85,000 in charitable contributions throughout our market area in South Georgia. Our fourth annual Fill-A-Truck food drive, while not as successful as 2016, raised over 56,000 lbs. in non-perishable food, donated directly to local food pantries that serve those less fortunate. The double whammy of hurricanes Harvey and Irma impacted the community's ability to participate in our annual food drive, but we remain committed to making the 2018, fifth annual Fill-A-Truck food drive the most successful to date. As has been our practice for several years, we again provided deserving high school seniors with \$7,000 in academic scholarships for college.

As your Credit Union, our goal is to provide the very best financial products and services at the most affordable cost.

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 2018 a great year. Our 64-year plus commitment to the principles of placing people before profit is how we will all continue to enjoy the benefits of our financial cooperative, Southeastern Credit Union.

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,



E. Michael Gudely
President/CEO



Anthony Payton
Chairman of the Board



2017 at a Glance





Supervisory Report Jerry Permenter, Supervisory Committee

The Supervisory Committee is composed of a sitting member of the Board of Directors and two other volunteer Credit Union members. The Committee is responsible for assisting the Board of Directors in its oversight of management to ensure the safety and soundness 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 and examination reports, each of which was subsequently followed by a full report to the Board of Directors.

At the conclusion of the December 31, 2016 external financial audit, the Committee met with representatives of public accounting firm Doeren Mayhew to discuss the financial audit. The audit's findings resulted in Doeren Mayhew issuing an unmodified opinion (the highest possible opinion) concluding that in all material respects, the financial statements present fairly the Credit Union's financial position, statement of earnings, and cash flows, for the year.

The Committee also reviewed the results of Southeastern Credit Union's most recent regulatory examination. The regulatory examination was conducted by the Georgia Department of Banking and Finance, which regulates both banks and credit unions in the state.

Results of all regulatory examinations of financial

institutions are confidential and not permitted to be shared with the public. However, if there were any matters of concern, the Supervisory 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.

The Committee also reviewed the results of an internal audit program administered by an independent accounting firm. Results of those quarterly 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 well-managed and is in 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.

Sincerely,

Jerry Permenter, Chairman Supervisory Committee



Treasurer's Report Roy McNeal, Treasurer

As Treasurer of the Board of Directors, I am pleased to report that 2017 was another financially successful year for your Credit Union in terms of balance sheet growth. Assets grew 5% or \$12 million and now total \$240.8 million as of December 31, 2017.

Our loan portfolio ended the year at \$165.9 million increasing \$23.1 million or 16% compared to the prior year. Member shares grew \$9.9 million or 5% in 2017 ending with balances of \$214.3 million. For the year ending December 31, 2017, net income totaled \$1.23 million, a decrease of \$475 thousand from the prior year. Return on Average Assets (ROA) declined from 0.75% in 2016 to 0.52% in 2017. Expenses associated with converting to a new banking core and opening a new branch location in Waycross, Georgia adversely impacted earnings. Total member-owners ended 2017 at 26,583 a decline of 10% from 2016. Membership decline was attributable to purging old records in conjunction with our core conversion of members that no longer banked at the Credit Union. Capital formation through earnings was sufficient to keep pace with the asset growth the Credit Union experienced in 2017. The net worth ratio improved from 2016 ending at 10.05% at year-end 2017.

Your Board of Directors and Management constantly evaluate prudent deployment of capital. The two significant investments made during 2017 encompass a best-of-breed new core banking system and a branch office serving new markets in Ware and Pierce counties. Like the new remote check deposit feature for mobile banking, the new core will allow us to expand our abilities to serve members with proven technology and convenience. Since the May 2017 opening of the Waycross branch office, \$2.6 million in loans have been granted to new members in this market.

Since completing our transition year in 2017, Management and the Board are focusing on leveraging efficiencies from the new core and its technology and growing profits. A key part of profit growth is managing credit losses thus lowering the need for provision expense for loan charge-offs. Loan losses were \$390 thousand lower from 2016 to 2017 which resulted in \$367 thousand less provision expense over the same period. Non-interest income declined in 2017 by 5% over the prior year due to slower direct lending and lower commissions on the sale of credit insurance. Other non-interest expense increased 12% principally due to higher personnel expense. The Credit Union hired more personnel leading into conversion. Those extra positions peaked in September 2017 and for the most part have already been absorbed through normal attrition. Credit quality remains solid as only \$540 thousand or 0.33% of total loans are past due 60 or more days as of year-end 2017.

Your Board of Directors and Credit Union Management are excited to have a successful core conversion behind it and are ready to focus on meeting the needs of retail consumers in our 12 county market. 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,

Roy McNeal

Treasurer

Comparative Financial Reports

Total Assets (in thousands)

2017	\$240,783
2016	\$228,784
2015	\$221,596
2014	\$200,718
2013	\$189,166

Total Loans (in thousands)

2017	\$165,858
2016	\$142,745
2015	\$147,752
2014	\$131,925
2013	\$114,330

Total Deposits (in thousands)

2017	\$214,261
2016	\$204,324
2015	\$198,818
2014	\$179,592
2013	\$169,196

Members

2017	26,583
2016	29,506
2015	29,443
2014	26,227
2013	24,980

Net Income (in thousands)

2017	\$1,231
2016	\$1,706
2015	\$1,550
2014	\$1,986
2013	\$1,424

Statement of Financial Condition

Years Ended December 31 (in thousands)

	2017 (Unaudited)	2016 (Audited)
ASSETS		
Cash and Equivalents	\$11,727	\$21,371
Investments	\$51,182	\$52,444
Net Loans	\$164,257	\$141,472
Fixed Assets	\$8,741	\$8,895
Other Assets	\$4,876	\$4,602
Total Assets	\$240,783	\$228,784
LIABILITIES & EQUITY		
Total Liabilities	\$3,365	\$2,710
Member Shares	\$214,260	\$204,324
Member Equity	\$23,158	\$21,750
Total Liabilities & Equity	\$240,783	\$228,784

Statement of Income

Years Ended December 31 (in thousands)

	2017 (Unaudited)	2016 (Audited)
INCOME		
Interest and Fees on Loans	\$7,433	\$7,099
Interest on Investments	\$1,141	\$845
Other Income	\$4,644	\$4,900
Total Income	\$13,218	\$12,844
EXPENSES		
Dividend Expense	\$1,058	\$913
Provision Expense	\$982	\$1,349
Income Before Op. Expense	\$11,178	\$10,582
Operating Expense	\$9,845	\$8,777
Non Operating Expense	\$102	\$99
Net Income	\$1,231	\$1,706

Capital to Assets

2017	10.05%
2016	10.03%
2015	9.59%
2014	9.05%
2013	8.61%

Southeastern CU Minutes of the 63rd Annual Meeting

March 9, 2017

- I. Chairman Jerry Permenter called the meeting to order at 6:00 p.m. at the Holiday Inn Conference Center.
- II. The Chairman appointed Roy McNeal as Recording Secretary.
- III. The Secretary determined a quorum was present with 39 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 Risk Officer to give the invocation.
- VI. The minutes were approved as presented.
- VII. Jerry Permenter gave the Chairman's message.
- VIII. John Leonard gave the Treasurer's report.
- IX. Mike Beverly gave the Supervisory Committee's report.
- X. E. Michael Gudely gave the President's report.
- XI. John Leonard was called upon to explain the election process. There were three positions open for election to the Board of Directors. The nominating committee selected one person for each position open. The nominees selected were Molly Deese, Charles Eidson and Roy McNeal. John Leonard, Nominating Committee Chairman, received no qualified petitions for nomination to the Board of Directors. The nominees were elected to the Board of Directors by acclamation.
- XII. Chairman Permenter recognized Mrs. Amanda Bolduc, Mrs. Rite Bromlow, Mrs. Michelle Callahan, Mr. Michael Cox and Mr. Stephen Sainz for 5 years of service, Mrs. Jacqueline Welch for 15 years of service, Mrs. Patricia Sharpe for 20 years of service and Mrs. Judy Nelson with a 30 year service award.
- XIII. Old Business: There was none.
- XIV. New Business: There was none.
- XV. There being no further business, the meeting was adjourned at 6:20 p.m.

our **Vision**

To be the best organization
members have ever been a part of
and employees have ever worked

our **Mission**

Deliver Value; Provide
Legendary Service

Board Members



Anthony Payton
Chairman



John Leonard
Vice Chairman



Roy McNeal
Treasurer



Molly Deese
Secretary



Jerry Permenter
Chairman Supervisory
Committee



Charles Eidson
Director



L. Wayne Plumly, Ph.D.
Director

Senior Management



E. Michael Gudely
President/CEO



Sharon LaBranche
Chief Operating
Officer/SVP



Jim Doyle
Chief Financial
Officer/VP



Stephen Sainz
Senior Risk Officer/SVP



Sharon Smith
Vice President
of Administration



Donnee Upson
Vice President of
Information Technology



Deliver Value; Provide Legendary Service

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

1701-B Boulevard Square
Waycross, GA 31501

(229) 244-2732

(800) 228-9739

SoutheasternCU.com

