



Yesterday, Today and Tomorrow

2016 Annual Report



SOUTHEASTERN
CREDIT UNION

A Letter to Our Members

From President/CEO E. Michael Gudely
& Chairman of the Board Jerry Permenter

Your credit union enjoyed another great year in 2016. Even after eliminating \$600,000 in fees our members were paying in 2015, the credit union still posted net earnings of \$1.7 million this year, an increase of \$88 thousand over the prior year. Additionally, and most importantly, the net worth of your credit union increased to \$22.9 million, or 10.03% of total assets. Net earnings are vitally important to the credit union and are used as the financial foundation that secures both our day-to-day operations and our future viability. Specific levels of net worth are mandated by our regulators, a mandate that has been increasing in recent years. Your credit union continues to remain compliant with those requirements.

This was truly a win-win proposition, as the fee burden on members was significantly reduced without any detrimental effect on the credit union's financial strength. All members can be proud of their credit union for this great accomplishment.

Growth in 2016 was moderate with total assets increasing to \$228 million, a 3% increase. A number of operational improvements were made in 2016, including ACH restructure and deposit operations enhancements, that allowed the credit union to use member deposits more efficiently.

As we look to the future, your credit union completed a review of core operating systems in 2016. Management and the Board of Directors are convinced upgrades in processing and technology must take place to keep your credit union financially relevant in the years to come. We plan to purchase a new core operating system early in 2017 that will provide a strong technology platform for years to come. We believe all members will be pleased with the enhancements upon conversion to a new system late in 2017.

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 a not-for-profit financial cooperative, 2016 would not be considered a successful year without your credit union making a significant contribution to the communities it serves. We made over \$90,000 in cash donations to many non-profit agencies that

serve our various communities. We again provided \$7,000 in college scholarships to deserving high school students. Our third annual Fil-A-Truck food drive was the most successful yet, raising over 76,000 lbs of food for those less fortunate in South Georgia.

As your credit union, our goal is to provide the very best financial products and services at the most affordable cost. Admittedly, we have not kept pace in recent years with technology changes. However, we are committed to making up for lost time in 2017 by implementing some of the financial industry's most prominent products and services. Since the complete conversion to this new technology will not occur until late in 2017, it may be early 2018 before members will see a real difference in credit union offerings. Rest assured, however, everyone at your credit union is working diligently on your behalf, to make your experience at Southeastern Credit Union the best ever.

We remain committed to improving the lives of our member-owners. "Deliver value, 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 2017 a great year. Our 63-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.

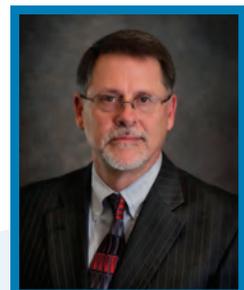
Sincerely,



E. Michael Gudely
President/CEO



Jerry Permenter
Chairman of the Board



Southeastern in the Community





Supervisory Report H. Michael Beverly, Supervisory Committee

The Supervisory Committee (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 reports, each of which was subsequently followed by a full report to the Board of Directors. Additionally, the Committee reviews regulatory reports of examination and provides a full report to the Board.

At the conclusion of the December 31, 2016 external financial audit (audit), the Committee met with representatives of public accounting firm Orth, Chakler, Murnane & Co. (OCM) to discuss the financial audit. The audit's findings resulted in OCM issuing an unmodified opinion (the highest possible opinion) concluding 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 Committee also reviewed the results of Southeastern Credit Union's most recent regulatory examination. In 2016, the credit union converted from a federal charter to a Georgia state charter. As a result, the regulatory examination was conducted by the Georgia Department of Banking and Finance, which regulates both banks and credit unions in the state. Prior examinations had been conducted by the

National Credit Union Administration. 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 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,

H. Michael Beverly
Supervisory Committee



Treasurer's Report John Leonard, Treasurer

As Treasurer of the Board of Directors, I am pleased to report that 2016 was another financially successful year for your Credit Union. Assets grew 3% or \$7.2 million and now total \$228.8 million as of December 31, 2016.

Our loan portfolio ended the year at \$156.7 million increasing \$8.9 million or 6% compared to the prior year. Member shares grew \$5.5 million or 3% in 2016 ending with balances of \$204.3 million. For the year ending December 31, 2016 net income totaled \$1.71 million, an increase of \$156 thousand or 10% from the prior year. Return on Average Assets (ROA) improved from 0.70% in 2015 to 0.75% in 2016 as we continue to utilize our assets more efficiently. Total member-owners ended 2016 at 29,506 and have grown an average of 5% annually the past five years. The net worth ratio eclipsed an important milestone in 2016, exceeding 10%. Capital growth and the associated cushion it provides has been a focal point for the board and management.

During 2016, your Credit Union exceeded its budgeted profit goal by \$88 thousand or 5% and reduced operating expenses \$150 thousand

or 2%. Revenue increased by \$300 thousand or 2% from the prior year. Loan losses were higher as indicated by \$390 thousand more in loan loss provision expense versus the prior year. Non-interest income rose in 2016 by 9.2% over the prior year totaling \$4.9 million. Credit quality remains solid as only \$505 thousand or 0.35% of total loans are past due 60 or more days as of year-end 2016.

Your Board of Directors and Credit Union management 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 your 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,

John Leonard
Treasurer

Comparative Financial Reports

Total Assets (in thousands)

2016	\$228,785
2015	\$221,596
2014	\$200,718
2013	\$189,166
2012	\$166,611

Total Loans (in thousands)

2016	\$156,657
2015	\$147,752
2014	\$131,925
2013	\$114,330
2012	\$111,037

Total Deposits (in thousands)

2016	\$204,324
2015	\$198,818
2014	\$179,592
2013	\$169,196
2012	\$150,246

Members

2016	29,503
2015	29,443
2014	26,227
2013	24,980
2012	24,215

Net Income (in thousands)

2016	\$1,706
2015	\$1,550
2014	\$1,986
2013	\$1,424
2012	\$1,906

Statement of Financial Condition

Years Ended December 31 (in thousands)

	2016 (Audited)	2015 (Audited)
ASSETS		
Cash	\$3,293	\$3,001
Investments	\$73,561	\$62,092
Net Loans	\$141,472	\$146,487
Fixed Assets	\$8,895	\$8,792
Other Assets	\$1,564	\$1,224
Total Assets	\$228,785	\$221,596
LIABILITIES & EQUITY		
Total Liabilities	\$2,711	\$1,731
Member Shares	\$204,324	\$198,818
Other Equity	\$21,750	\$21,047
Total Liabilities & Equity	\$228,785	\$221,596

Statement of Income

Years Ended December 31 (in thousands)

	2016 (Audited)	2015 (Audited)
INCOME		
Interest on Loans	\$7,099	\$7,551
Interest on Investments	\$845	\$511
Other Income	\$4,900	\$4,482
Total Income	\$12,844	\$12,544
EXPENSES		
Dividend Expense	\$913	\$942
Provision Expense	\$1,349	\$959
Income Before Op. Expense	\$10,582	\$10,643
Operating Expense	\$8,777	\$8,929
Non Operating Expense	\$99	\$164
Net Income	\$1,706	\$1,550

Capital to Assets

2016	10.03%
2015	9.59%
2014	9.05%
2013	8.61%
2012	8.94%

Southeastern CU Minutes of the 62nd Annual Meeting

March 10, 2016

- I. Chairman Jerry Permenter called the meeting to order at 6:00 p.m. at the Holiday Inn Conference Center.
- II. The chairman appointed Steve Gupton as Parliamentarian and Roy McNeal as recording secretary.
- III. The secretary determined a quorum was present with 35 members in attendance.
- IV. Chairman Perementer 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. Diane Kilgore gave the Treasurer's report.
- IX. Mike Beverly gave the Supervisory Committee's report.
- X. E. Michael Gudely gave the President's report.
- XI. Roy McNeal was called upon to explain 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. Roy McNeal, 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 Perementer recognized Mrs. Debbie Lindsey and Ms. Jessica Willis for 5-years of service, Mrs. Monica Williams and Mrs. Dee Cosby for 15-years of service, Mrs. Jennie Hadley for 20 years of service and Mrs. Tina Burkhalter with a 40-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 6:15 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



Jerry Permenter
Chairman



C. Anthony Payton
Vice Chairman



John Leonard
Treasurer



Roy McNeal
Secretary



H. Michael Beverly
Supervisory Committee
Chairman



Molly Deese
Director



Charles Eidson
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



Jamey LeVier
VP of Indirect &
Mortgage Operations



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

(229) 244-2732

(800) 228-9739

SoutheasternCU.com

