



2016 ANNUAL REPORT

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CHAIRMAN'S MESSAGE

I would like to begin by thanking you, the Membership of IBM Southeast Employees' Credit Union (IBMSECU), for your continued support and participation in this outstanding financial cooperative. It is an honor and a great privilege to serve as Chairman of the Board at IBMSECU. Last year was our BEST year ever! As a result of being a state chartered credit union, we were able to achieve some outstanding results. We now allow families, friends and neighbors to be a part of our organization. The Board of Directors and I would like to thank the Membership for their support on this strategic move for 2016. In addition, I would like to congratulate Mike Miller, our President/CEO and his team, for making 2016 one for the record books. Our Membership will see continued emphasis on loans, along with improved lending rates and a service excellence mission that will be a leader in our industry.

Yes, 2016 was an outstanding year, which took our assets to \$940 million, and we are on our way to our \$1 billion target. Our capital ratio was at 11.05%, which translates to a very sound financial institution. Our loan-to-share ratio was 82.34%, which was the highest ever in our history. All of this was done while achieving a CAMEL rating of a "1" by our NCUA auditors. These ratios are a major measure that accentuates the safety and soundness of IBMSECU. In addition, all of our indicators reflect continued "Controlled Growth" for our institution. We will also strive to be everyone's primary financial institution, while maintaining the credit union philosophy of "People Helping People."

On behalf of the Board of Directors and the volunteers, I would like to express our sincere appreciation to the Membership and the staff for their continued support in moving forward with this dynamic financial institution.

Respectfully submitted,

Michael W. Townsend, CCD
Chairman of the Board



Our mission is to deliver Service Excellence to the Membership, and value to the communities we serve, while ensuring the safety and soundness of the Credit Union.



PRESIDENT'S MESSAGE

Dear Members,

IBM Southeast Employees' Credit Union (IBMSECU) has been your trusted financial partner for over 47 years. Thank you for your loyalty and Membership. We value your trust, as we continue to honor the Credit Union creed of "People Helping People," which has been at the core of our charter since 1969. With all that has evolved since those beginning days, one thing remains constant: Our main focus is the delivery of Service Excellence to our Members.

The year of 2016 will be remembered as a year of hard work that produced record loan growth. We raised the bar in meeting our members' loan needs to a never before seen level. We are proud to say we funded a record \$309 million in loans to our members. Your Credit Union ended the fiscal year with our capital position improving and with controlled growth in assets, loans, and shares. Total assets grew from \$892 million up to \$940 million. In addition, your Credit Union ended the year with a solid income position, earning over \$8.2 million in net income. With this net income, we increased our net worth-to-assets percentage from 10.7% to over 11% and reserves (rainy-day savings) to nearly \$104 million. The quality of our assets improved as our loan delinquency and loan charge-offs ratios continue to decline. We continued to look for ways to be more efficient with your resources and reduce expenses. We ended 2016 with record loan production, strong reserves, and a stable income position. Your Credit Union is strong and healthy.

In 2016, IBMSECU entered into an agreement to merge a local \$109 million mutual savings bank. The bank has tremendous mortgage banking expertise that will help us provide better service to our members in meeting their home buying needs. Upon regulatory approval, the merger will close in May 2017.

We are also working hard to continue keeping your identity and personal data safe. Our 2017 goal is to make it easier for you to do business with YOUR credit union while continuing to maintain your data securely. We will continue to work hard to improve our operational efficiencies and provide the products and services you need and want. All within the framework of providing the personalized member service that you have come to expect and most certainly deserve. In 2017, we will be rolling out the ability for you to immediately get a new debit card in many of our branch locations. We are also adding new branch locations to allow more convenience and easier access for your needs. Other enhancements will include improving our online and mobile banking platforms.

The year of 2017 is already shaping up to be a busy one, but we will never miss an opportunity to stop and listen to you about your wants and needs. Our pledge to you is to continue with the commitment to our Core Values: Trust, Respect, Accountability, Compliance, and Compassion. We have a tremendous staff that lives these Core Values with every transaction and contact point you have with YOUR credit union. Thank you for your membership, and thank you for being a vital part of IBMSECU.

We know you have many choices for your financial service needs. Thank you for allowing us to be your Credit Union. It is an honor to serve you and work alongside our outstanding Board of Directors, volunteers, and staff. I look forward to a prosperous 2017.

Sincerely,

Michael L. Miller
President/CEO



BOARD OF DIRECTORS 2016

Chairman

Michael W. Townsend, CCD

Vice Chairman

Juana T. Krause

Secretary

Stephanie M. Forster

Treasurer

James M. Dorman, CCD

Directors

Johnny Bennett, CCD

Peter L. Blacklock

Thomas E. Brawley

Brad J. DeBauche

Donald L. Lee, CCD



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MEMBER PRIVACY POLICY

IBMSECU is committed to preserving and protecting the privacy and confidentiality of its Members' non-public personal information. This commitment is a fundamental operation of the Credit Union. The Credit Union maintains strong security controls to ensure that Members' information is protected and uses verification standards that are consistent within the financial-services industry to protect against unauthorized access to personal information. For details on identity theft and fraud protection, please visit the Privacy, Security and Fraud Prevention pages under the Your Knowledge section of ibmseu.org.

Our Credit Union shares information only to administer the products and services we provide, when required to do so by the government, or when other businesses perform activities on our behalf to offer a broader array of products and services that are designed to enhance our Members' economic well-being. In these cases, the Credit Union fully discloses to those businesses, through contractual agreement, that they are required to maintain the confidentiality of such information. The Credit Union also provides information to, and receives information from, non-affiliated third-party credit reporting agencies for safety and soundness related to the opening and qualifying criteria for share and loan accounts.

For more information, see our Privacy Policy Disclosure available on our website: "What Does IBMSECU Do With Your Personal Information?", contact the Credit Union at serviceplus@ibmseu.org or call 800.873.5100.



INDEPENDENT AUDITOR'S REPORT

The Audit Committee at IBMSECU is appointed by the Board of Directors to represent the Members. As your representatives, the Committee attends monthly Board meetings and has access to Credit Union personnel and financial records.

A primary function of the Audit Committee is to ensure that the Credit Union's financial records are properly and accurately maintained to reflect the overall condition of the Credit Union. To accomplish this function, the independent certified public accounting firm of Doeren Mayhew CPAs and Advisors conducted a certified audit of the Credit Union's financial statements for the period ending December 31, 2016.

Based on the favorable audit performed by the external auditors, the Audit Committee is satisfied that your Credit Union is in good financial condition and that financial statements have been reported in accordance with Generally Accepted Accounting Principles (GAAP). A complete copy of the audited financial statements is available upon request.

The Audit Committee:

Brian L. Garr (Chairperson)
Donald L. Lee, CCD
Marie I. Mascaro
Hilary W. Hunter
Ranee Abramson

2016 MEETING MINUTES

Chairman Michael Townsend called the Annual Meeting of the IBM Southeast Employees' Credit Union to order.

Stephanie Forster, Secretary, confirmed a quorum was present.

A motion to approve the Agenda was made by Brad DeBauche, seconded by James Dorman, and unanimously approved.

Chairman Townsend welcomed guests and introduced the Board of Directors and Volunteers to the Annual Meeting:

- **Michael Townsend**, Chairman
- **Johnny Bennett**, Director and Vice Chairman
- **Mickey Dorman**, Director and Treasurer
- **Stephanie Forster**, Director and Secretary
- **Peter Blacklock**, Director
- **Tom Brawley**, Director
- **Brad Debauche**, Director
- **Juana Krause**, Director
- **Donald Lee**, Director
- **Howard Isaacs**, Audit Committee Chairman
- **Brian Garr**, Audit Committee Member
- **Marie Mascaro**, Audit Committee Member
- **Hilary Hunter**, Advisory Committee
- **Randee Abramson**, Advisory Committee
- **Pat Ciresi**, Director Emeritus
- **Bill Boyle**, Director Emeritus
- **Lary McCants**, Director Emeritus
- **Michael Miller**, President and CEO

A motion to waive reading the following was made by Peter Blacklock, seconded by Donald Lee, and unanimously approved:

- Oral Reading of Minutes of 2015 Annual Meeting
- Financial Report
- Audit Committee Report
- Chairman's Report
- CEO Report

Our goal is to serve all of our Members well, including those of modest means—every Member counts. Our Members are fiercely loyal because they know their Credit Union will be there for them in bad times, as well as good.

ANNUAL MEETING MINUTES

Chairman Townsend introduced Michael Miller, President & CEO for the President's Message. Mr. Miller stated.

"It is an honor and a privilege to serve as President and CEO of the IBM Southeast Employees' Credit Union to lead such a distinguished group of Directors, Audit Committee, Advisory Committee and Directors Emeritus and most of all it is my privilege to lead a senior management team that does a tremendous job and all of our staff in both Georgia and Florida. I am just so proud of your accomplishments and the work that they do. 2015 was a tremendous year of change, a tremendous year of progress and a tremendous year of service excellence for our members and for our Credit Union. We changed our structure. As you will recall after this Annual Meeting last year, we had our membership meeting. The members voted, and validated the Board's decision to go from a Federal charter to a State charter to enable us to continue to grow and prosper. So, we thank the members for that vote of confidence. We progressed financially as we grew our assets, our loans and shares and ended the year with \$892M in total assets and set a record with \$9.7M net annual income. We continue delivering service excellence by providing quality products and services to our members, which we strive to do every day by greeting everyone that walks through our door, calls on the phone or uses one of our mobile apps, or our online channels with a smile and friendly voice and working for our members to meet all of their financial needs. So, as a dedicated team of volunteers and professionals our pledge to our members in 2016 is to honor core values of trust, respect, accountability, compliance, compassion with safety and soundness as we strive to fulfill our mission of providing service excellence to all of our members. We look forward to another great year."

Chairman Townsend introduced Johnny Bennett of the Nomination Committee to report on the election results. The Nomination Committee received the resumes of three candidates - James Dorman, Donald Lee and Peter Blacklock. The three candidates were re-elected to three-year terms. Chairman Townsend congratulated the three candidates.

A motion to adjourn was made by James Dorman, seconded by Howard Isaacs, and unanimously approved.

The Annual Meeting adjourned.

Respectfully submitted,

Stephanie M. Forster, Secretary

Michael W. Townsend, Chairman



CONSOLIDATED CONDENSED STATEMENTS

FINANCIAL CONDITION

ASSETS	AS OF 12.31.16	AS OF 12.31.15
Cash and Investments	\$204,351,266	\$275,126,134
Loans to Members, Net of Allowance for Loan Losses	671,639,665	557,969,047
Loans Held for Sale	0	0
Furniture and Equipment	14,099,262	13,958,282
Other Assets	50,450,870	45,427,891
Total Assets	\$940,271,063	\$892,481,354
Liabilities and Equity		
Members' Shares and Share Equivalents	\$822,714,485	\$769,064,619
Dividends, Notes and Accounts Payable, and other Accrued Liabilities	26,797,608	6,809,431
Total Liabilities	\$849,512,093	\$775,874,050
Statutory Reserve	12,529,849	12,529,849
Undivided Earnings	78,229,121	65,073,549
Total Liabilities and Equity	\$940,271,063	\$853,477,448

INCOME AND EXPENSES

INCOME	AS OF 12.31.16	AS OF 12.31.15
Interest Income		
Interest on Loans	\$29,214,433	\$25,186,367
Investment Income	2,711,621	3,120,368
Total Interest Income	\$31,926,054	\$28,306,735
Interest Expense		
Members' Share and Savings Account	1,830,023	1,497,575
Borrowed Funds	234,397	—
Total Interest Expense	2,064,420	1,497,575
Net Interest Income	\$29,861,634	\$26,809,160
Non-Interest Income	13,408,001	13,550,708
Non-Interest Expense	35,032,638	30,617,713
Net Income	\$8,236,997	\$9,742,155



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