

2018

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. The year 2018 was our very BEST ever! As a result of being a state-chartered credit union and completing a local bank merger, we were able to achieve some tremendous results. The Board of Directors and I would like to thank the Membership for their support in this strategic move. In addition, I would like to congratulate Mike Miller, our President/CEO, and his team for making 2018 even better than 2017—one for the record books. Our Membership will see continued emphasis on loans along with improved lending rates and a service excellence mission that positions us as a leader in our industry.

Yes, 2018 was another outstanding record-breaking year, taking our assets to \$1.133 billion, and we are on our way to be well over our \$1.5 billion 2019 target. Our capital ratio was at 11.71%, which translates to a very sound financial institution. Our loan-to-share ratio was 91.57%—the highest ever in our history. All of this was accomplished while achieving **the best rating possible** by our NCUA auditors. These ratios accentuate the safety and soundness of IBMSECU. In addition, all indicators reflect continued “controlled growth” for our financial institution. In 2019, we will also strive to be everyone's primary financial institution while maintaining the credit union philosophy of “People Helping People” and making a difference in our members' lives.

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 while ensuring the safety and soundness of the Credit Union.

PRESIDENT'S MESSAGE

Dear Members,

Happy Anniversary! This year, IBM Southeast Employees' Credit Union (IBMSECU) is celebrating our 50th year serving our members. So, I would like to thank you for your loyalty over these many years and for allowing us to be your trusted financial partner. We value your confidence in us as we continue to honor the cooperative principles of benefiting members, which was at the core of our charter when we were founded in 1969. With all that has evolved since those beginning days, one thing remains constant and that is our focus on delivering Service Excellence to our Members.

In many ways, 2018 was another very successful year for your Credit Union. We continued to grow our total assets, reaching \$1.133 billion at year end. We also managed an all-time high in loans and member share deposits. With that growth, our income remained very strong, and we were able to increase our net worth position. Our net worth ratio keeps us in the "well capitalized" category with nearly \$133 million in reserves. This means your deposits are safe and sound. Asset quality is strong also, as our loan delinquency and net charge-off ratios are in line with our peer credit unions. Financially, we are in the best position we have ever been. Your Credit Union ended the fiscal year with a strong capital position and growing assets, loans and shares. Your Credit Union is financially strong and healthy.

Unfortunately, there are areas out of our control; it seems every day we hear of another security breach or a member's identity stolen. We are working hard to continue keeping your identity and personal data safe and secure. One of our 2019 goals is to continue enhancing our security and provide an affordable identity theft product that can benefit every member. We are pledging to "Make a Difference" in our members' lives by improving our operational efficiencies and providing the products and services you need and want, all within the framework of delivering the personalized member service that you have come to expect, and most certainly deserve.

The year of 2019 will be an exciting year, one where we show you how we can "Make a Difference" in your life. This year, we are celebrating 50 years in serving you. As we pause to honor our history and hold events throughout the year to appreciate our past, we are most certainly focusing on our future and how we will evolve to maintain and improve our Service Excellence to you, our members. We will never miss an opportunity to stop and listen to you about your wants and needs.

We have some exciting growth planned for 2019 as we expand our branch footprint into the Treasure Coast area of Florida. As we continue to grow, our pledge to you is our 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 the best 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 believe 2019 will be our best year ever!

Sincerely,
Michael L. Miller
President/CEO

IBMSECU BOARD OF DIRECTORS

CHAIRMAN

Michael W. Townsend, CCD

VICE CHAIRWOMAN

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

connect



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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 and security page under the resources tab of ibmsecurg.org. Our Credit Union only shares information in conducting everyday business to administer the products and services we provide, as well as with other businesses who can market a broader array of financial products and services to enhance our members' well-being. The Credit Union requires its business affiliates to maintain the confidentiality of such information. The Credit Union also provides and receives information from credit reporting agencies for safety and soundness purposes related to the qualifying criteria for share and loan accounts. Lastly, the Credit Union shares information in responding to court orders and legal investigations.

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@ibmsecurg.org
or call 800.873.5100**

INDEPENDENT **AUDITOR'S REPORT**

To accomplish this function, the independent certified public accounting firm of Doeren Mayhew CPAs and Advisors BKD, LLP conducted a certified audit of the Credit Union's financial statements for the period ending on December 31, 2018.

THE AUDIT COMMITTEE:

Marie I. Mascaro, Chairperson
Donald L. Lee, CCD
Hilary W. Hunter
Frank Mays
Randee Abramson



2018 MEETING MINUTES

Chairman Michael Townsend called the meeting to order and appointed Thomas Brawley as acting Secretary and asked Mr. Brawley if a quorum was present. Mr. Brawley confirmed that a quorum was present.

Chairman Michael Townsend called for a motion to approve the annual meeting agenda. A motion was made by James Dorman and Juana Krause seconded to approve the agenda. The motion was carried unanimously.

Chairman Townsend welcomed guests and introduced the Board of Directors and volunteers to the annual meeting:

Michael Townsend, Chairman

Mickey Dorman, Director and Treasurer

Stephanie Forster, Director and Secretary

Johnny Bennett, Director

Peter Blacklock, Director

Tom Brawley, Director

Brad DeBauche, Director

Juana Krause, Director

Donald Lee, Director

Marie Mascaro, Audit Committee Member

Hilary Hunter, Audit Committee Member

Randee Abramson, Audit Committee Member

Frank Mays, Advisory Council

Lary McCants, Director Emeritus

Howard Isaacs, Director Emeritus

Pat Ciresi, Director Emeritus

Michael Miller, President and CEO

A motion to waive the following was made by Chairman Townsend, seconded by Thomas Brawley, and unanimously approved:

1. Oral Reading of Minutes of 2017 Annual Meeting
2. Financial Report
3. Audit Committee Report
4. Chairman's Report
5. CEO Report

Chairman Townsend called on CEO Michael Miller for comments. Mr. Miller stated, "It is an honor to serve as the President and CEO of the IBM Southeast Employees' Credit Union alongside this tremendous group of distinguished volunteers, that being our Board of Directors, Audit Committee, Advisory Committee members and our Board members now in Emeritus status. In addition, it is my pleasure to lead our first class Senior Management Team, the branch and department managers, and the dedicated and hard-working staff in Georgia and here in Florida. 2017 was a record-setting year for YOUR Credit Union. We once again progressed financially and continued our commitment to service excellence.

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MEETING MINUTES

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We progressed financially by setting a new record in meeting our members' needs through controlled growth. We grew to over \$1 billion in assets last year, ending the year at \$1.133 billion. We merged in a local Florida bank of \$115 million in assets, and we also met our members' needs by funding a record \$323 million in loans, exceeding last year's total of \$309 million. We grew our assets, loans and members deposits and had solid net income of \$8.8 million that pushed our net worth ratio up to 11.3%.

We continue our commitment to service excellence by providing quality products and services to our members. We strive to do this every day by "Making a Difference" in our members' daily lives by simply greeting you by name when you walk through the door, by answering your call with a friendly voice or by providing the attention you deserve when using our online banking or mobile app. Your staff is working hard to meet your financial needs.

In 2018, as a dedicated team of volunteers and professionals, our pledge to our members is to make a difference by continuing to honor our core values of trust, respect, accountability, compliance and compassion as we strive to fulfill our mission of delivering service excellence to our membership and the communities which we serve while ensuring the safety and soundness of the Credit Union. In the history books, we will look back on 2017 as a record year of growth through the merger and tremendous loan production and that we carried on the continued tradition of service excellence to our members. We look forward to another great year in 2018. Thank you."

Chairman Townsend called on Thomas Brawley, a Nominating Committee member to present the results of the Annual Election. There were three candidates up for election. All slated candidates were re-elected to the Board for a 3-year term: Johnny Bennett, Stephanie Forster and Juana Krause.

Chairman Townsend requested a motion to approve results.

A motion was made by Peter Blacklock and seconded by Lary McCants to accept the re-elected candidates. The motion carried unanimously.

Chairman Townsend asked if there was any unfinished business or new business. Hearing none, he entertained a motion to adjourn.

A motion was made by Brad DeBauche and seconded by Johnny Bennett to adjourn the annual meeting. The motion carried unanimously.

Chairman Townsend concluded the 2018 Annual Meeting of the IBM Southeast Employees' Credit Union at 6:10 p.m.

Submitted by: Thomas Brawley, Acting Secretary and Michael W. Townsend, Chairman

FINANCIAL CONDITION

ASSETS	AS OF 12.31.18	AS OF 12.31.17
CASH AND INVESTMENTS	\$168,657,156	\$189,749,060
LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSS	891,987,480	820,130,229
FURNITURE AND EQUIPMENT	14,017,043	13,968,112
OTHER ASSETS	58,015,339	55,289,823
TOTAL ASSETS	\$1,132,677,018	\$1,079,137,224
LIABILITIES AND EQUITY		
MEMBERS' SHARES AND SHARE EQUIVALENTS	\$982,508,830	\$939,782,686
DIVIDENDS, NOTES AND ACCOUNTS PAYABLE, AND OTHER ACCRUED LIABILITIES	43,433,805	40,507,991
TOTAL LIABILITIES	\$1,025,942,635	\$980,290,677
STATUTORY RESERVE	12,529,849	12,529,849
UNDIVIDED EARNINGS	94,204,534	86,316,698
TOTAL LIABILITIES AND EQUITY	\$1,132,677,018	\$1,079,137,224

INCOME AND EXPENSES

INCOME	AS OF 12.31.18	AS OF 12.31.17
INTEREST INCOME		
INTEREST ON LOANS	\$42,211,733	\$35,759,180
INVESTMENT INCOME	3,147,766	2,740,314
TOTAL INTEREST INCOME	\$45,359,499	\$38,499,494
INTEREST EXPENSE		
MEMBERS' SHARE AND SAVINGS ACCOUNT	5,228,930	3,028,805
BORROWED FUNDS	378,196	272,993
TOTAL INTEREST EXPENSE	5,607,126	3,301,798
NET INTEREST INCOME	\$39,752,373	\$35,197,696
NON-INTEREST INCOME	15,531,155	14,416,722
NON-INTEREST EXPENSE	44,561,234	40,801,849
NET INCOME	\$10,722,294	\$8,812,569



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