

**STATE EMPLOYEES' CREDIT UNION
ANNUAL MEETING
SHERATON FOUR SEASONS/KOURY CONVENTION CENTER
GREENSBORO, NORTH CAROLINA
OCTOBER 10, 2017
2:00 PM**

CALL TO ORDER

After determining a quorum, Chairman Jolly called the 80th Annual Membership Meeting to order. She welcomed the membership, staff, and guests to the SECU Annual Meeting, thanking them for their interest and attendance. Chairman Jolly noted it seemed like just yesterday SECU was celebrating its 75th Anniversary.

APPROVAL OF MINUTES

Chairman Jolly noted the 2016 Annual Meeting Minutes have been available on SECU's website (www.ncsecu.org), adding that copies were available at all tables for review. She asked if there were any changes to the minutes from the 2016 Annual Membership Meeting? There were no comments from members regarding changes.

VOTED: Upon motion by Mr. William Simmons, seconded by Mr. Michael Clements, members in attendance voted and approved accepting the 2016 Annual Meeting Minutes.

RECOGNITION OF BOARD AND SPECIAL GUESTS

SECU BOARD

Chairman Jolly introduced each of her fellow SECU Board members:

- Jo Anne Sanford, Vice-Chair
- Bob Brinson, Secretary
- Chris Ayers
- Shirley Bell
- Karan Bunn (who was unable to attend the meeting)
- Alice Garland
- Jim Johnson
- Mona Moon (who was unable to attend the meeting)
- Stelfanie Williams
- McKinley Wooten

PAST SECU BOARD/SPECIAL GUESTS

Chairman Jolly acknowledged past Board member Jim Barber and his wife, Linda.

Chairman Jolly introduced the following special guests:

- Rose Conner, Administrator, Credit Union Division
- David Brehmer, President, Vizo Financial Corporate Credit Union
- Roy High, Former Administrator, Credit Union Division; Former LGFCU President
- Maurice Smith, LGFCU President
- Michelle Outlaw, President, First Legacy Community Credit Union
- Bobby Hall, Retired Senior Executive Vice-President, SECU
- Frank Drake, who served as Parliamentarian and is an Attorney with Smith Debnam Narron Drake Saintsing & Myers, LLP

RECOGNITION OF CLEAN FINANCIAL AUDITS FROM CLIFTONLARSONALLEN

Chairman Jolly stated she was proud to report that we obtained clean financial audits in all areas from our CPAs, CLiftonLarsonAllen. She noted that copies of the audited financial were available at the round tables in the back of the room if anyone would like to take a look at those reports.

REPORT OF THE CHAIRMAN

Chairman Jolly commented that 2017 marks the 80th anniversary of serving members of State Employees' Credit Union. She stated she was pleased to report it was another successful year for our financial cooperative noting that positive results have been achieved by keeping the focus clearly on our 2.25 million member-owners.

Chairman Jolly commented that the Board of Directors, SECU President Mike Lord and our Credit Union staff share the same goal – helping members succeed financially.

Chairman Jolly stated that members have different financial profiles and a wide range of needs explaining that some are trying to establish credit for the first time; others are looking to finance a new vehicle or a home. She added that some members are facing income loss and can benefit from financial counseling or debt management guidance while others are looking for assistance with retirement planning, life insurance and

investments for the future. Chairman Jolly commented that SECU and its subsidiaries have the products and services available to meet these needs while providing fair, no-tiered deposit interest rates, no credit score-only lending and no employee pay incentives or commissions. She noted that “Do the Right Thing” is more than a catchy slogan, it is the working principle of SECU’s 6,300+ dedicated employees who serve you from branches and operations centers statewide.

Chairman Jolly stated that to deliver those products and services conveniently, SECU has 258 branches with at least one branch located in all 100 counties of North Carolina, nearly 1,100 no-surcharge CashPoints ATMs, a voice response system, 24-7 Member Services via phone and an online presence, which is more popular than ever. She added that SECU staff is also diligently working on future improvements to mobile services.

Chairman Jolly explained that because of member support of the Credit Union, growth in accounts and loans were strong this past year. She commented that more than 465,000 new deposit accounts were opened and deposit balances increased by \$2.9 million, vehicle loan balances grew by \$415 million, the member mortgage loan portfolio rose by \$924 million and the number of new home equity lines of credit nearly doubled. Chairman Jolly also noted there were 11,500 new insurance policies written, over 109,000 tax returns prepared and filed, and more members took advantage of SECU’s investment and trust services. She stated the increases are a testament to the value of these offerings and members’ trust in SECU and its subsidiaries.

Chairman Jolly stated that members’ trust in SECU is apparent. She urged members to please take the time to visit SECU’s website and look through the digital Annual Report to read testimonies from members including Amanda and Zane Cardwell, Tasha Holder and Jeremy and Kasey Forbes, all who faced difficult financial dilemmas, but found real solutions and hope for the future through their Credit Union.

Chairman Jolly closed by recognizing the more than 3,200 volunteers who advocate and provide a voice for all member-owners. She noted that many in the room generously give of their time by serving on the SECU or SECU Foundation Board, branch Advisory Boards, Member Loan Review Committees, the Audit Committee, Risk Committee, Nominating Committee or as Secret Shoppers. Chairman Jolly commented SECU’s Board and staff are grateful for member volunteer service and contributions volunteers make to the success of SECU. She thanked the members for their continued support.

RECOGNITION OF BOARD MEMBERS JIM BARBER AND BOB PARKER

Chairman Jolly took a moment to recognize two members of the Board of Directors who resigned this year – Jim Barber and Bob Parker. She noted both served the members of State Employees' Credit Union for many years, providing guidance and expertise to expand the success of our financial cooperative.

Chairman Jolly commented that Jim Barber was on the SECU Board for 17 years and also served on the SECU Foundation Board from its inception, holding the office of Chairman on both Boards. She stated that prior to Mr. Barber's election to SECU's Board, he honorably served our Country in the United States Navy and later worked in senior level positions in education and State Government, retiring after an extensive 24-year career. Chairman Jolly commented that Mr. Barber has a long history with credit unions and believes deeply in the value provided to each and every member reading the following words from his Board bio: "I'm very proud to be part of the SECU team, representing members' long-term interests. I hope I can contribute to strengthening what the Credit Union can offer its members and making that difference."

Chairman Jolly commented to Mr. Barber that his contributions have been tremendous and he certainly has made a positive difference.

Chairman Jolly stated Bob Parker is also no stranger to volunteerism noting that during his long career in the health care industry he was a leader of a variety of health associations, councils and commissions, working to improve the health of others. She commented that Mr. Parker's volunteer service with SECU began on branch Advisory Boards in Roanoke Rapids and Wilmington, providing a local voice for members across the State. Chairman Jolly stated that in 2011 Mr. Parker was elected to the SECU and SECU Foundation Boards and his contributions have been invaluable as he helped guide the organizations and advocate for the good of all. She noted that Mr. Parker always made sure that the Board of Directors acknowledged SECU's mission statement prior to each Board meeting and he has, without a doubt, fulfilled a commitment to enhance the lives of our members.

Chairman Jolly thanked both Mr. Barber and Mr. Parker for their years of service to fellow Board members, to the Credit Union's more than 6,300 employees and most importantly to SECU's 2.25 million members. She noted that Mr. Parker was unable to attend the meeting but called Mr. Barber forward to accept a certificate as a token of the Board's appreciation. SECU Foundation Board member Michael Clements accepted Mr. Parker's certificate on behalf of Mr. Parker.

Mr. Barber thanked the membership for electing him to the SECU Board several times over the years and noted it had been a privilege to serve on the Board. He thanked his wife, Linda, for allowing him to take the time away from home to attend the meetings over the years.

Mr. Clements stated it was an honor to accept the certificate on behalf of Mr. Parker. He commented he has known Mr. Parker for 30 years adding that Mr. Parker felt very strongly about his work on the SECU Board.

ELECTION PROCEDURES AND PROCESS/REPORT OF THE NOMINATING COMMITTEE

Chairman Jolly proceeded to the election of Board members noting that Mr. Frank Drake, attorney with Smith Debnam Narron Drake Saintsing & Myers would serve as Parliamentarian.

Chairman Jolly noted copies of a handout which included an overview of the election process were available on the members' tables. She stated the document titled *Election of Board of Director Positions* listed the Nominating Committee recommendations, an overview of Board member responsibilities and the 2017 Election Procedures Schedule. Chairman Jolly stated bios for each candidate were also available on the members' tables.

Chairman Jolly explained that the Board of Directors' overall duty is to ensure that the Credit Union is operated in a safe and sound manner, in accordance with SECU Bylaws. She noted the Board establishes strategic plans and goals for the Credit Union, approves policies, as well as new products and services. Chairman Jolly commented that while setting rates and determining service fees, the Board consistently monitors the financial health of our cooperative.

Chairman Jolly called on Mr. Bob Brinson, Chairman of the Nominating Committee, for the report of that Committee.

Mr. Brinson commented that the following members served with him on the 2017 Nominating Committee: Mr. Jim Johnson, Mr. McKinley Wooten, Jr., Ms. Mona Moon, Mr. Jim Barber and Mr. Mark Fleming.

Mr. Brinson stated that the Nominating Committee met to review all background information from the members interested in being considered by the Nominating Committee for election to the Board of Directors noting that the Nominating Committee recommended the following slate of nominees:

For a Three-Year Term (expiring October 2020):

- Ms. Shirley Bell (Retired, Department of Health and Human Services)
- Ms. Alice Garland (Executive Director, North Carolina Education Lottery)

Ms. Jo Anne Sanford (Sanford Law Office, PLLC & Blount Street Advisors; Former Chair, NC Utilities Commission & Special Deputy, NC Attorney General's Office)

Mr. Brinson stated that the Nominating Committee also recommends the following name for a one-year term vacancy (expiring October 2018):

- Dr. Stelfanie Williams (President, Vance-Granville Community College)

Mr. Brinson explained that the SECU Bylaws call for members interested in being considered for nomination, including self-nomination, to submit information for distribution to the members at least 50 days prior to the Annual Meeting (August 21, 2017). He stated there were no self-nominations received this year, therefore the Nominating Committee moved that the nominations would be accepted by acclamation.

Chairman Jolly called for a motion to accept the Nominating Committee report for Ms. Shirley Bell, Ms. Alice Garland and Ms. Jo Anne Sanford to serve a three-year term expiring October 2020 and Dr. Stelfanie Williams to serve a one-year term expiring October 2018.

VOTE by ACCLAMATION: **Upon motion by Mr. Michael Clements, seconded by Mr. Victor Mafo, Chairman Jolly called for all those in favor of the motion to say aye. She called for all opposed to say no. Chairman Jolly noted that, seeing no opposition, the motion carried.**

Chairman Jolly stated this concluded the Election Process for 2017.

COMMENTS FROM JO ANNE SANFORD, VICE-CHAIRMAN

Chairman Jolly called forward Ms. Jo Anne Sanford who wanted to make a few comments.

Ms. Sanford stated she is the current SECU Vice-Chair and, on behalf of her fellow Directors, wanted to take a moment to recognize the outstanding work of Cindi Jolly who has served as SECU Board of Directors Chair for the past two years.

Ms. Sanford commented that Chairman Jolly's term had been filled with monumental tasks, most notably, she guided the Board through the selection of Mike Lord as SECU's new President/CEO, making sure that Jim Blaine's replacement was the best fit for the organization. Ms. Sanford stated that Chairman Jolly was also instrumental in

helping to ensure a smooth Board succession process, with four new Board members installed during her term.

Ms. Sanford explained with the increasingly complex regulatory environment of financial institutions and the need to stay abreast of industry topics, in addition to her professional commitments outside of her volunteer role at SECU that it was needless to say, Cindi Jolly has been busy!

Ms. Sanford closed her comments by noting that, regardless of the task given, Chairman Jolly handled each with the utmost professionalism and thoughtful consideration for all. She stated Chairman Jolly is the epitome of a humble leader whose focus is always on others.

Ms. Sanford thanked Chairman Jolly for all that she has accomplished in her role as Chair of SECU's Board of Directors.

Chairman Jolly thanked Ms. Sanford for her kind words on behalf of the Board adding it had been an honor to serve as Chair over these last two years.

SECU FOUNDATION REPORT

Chairman Jolly called on Mr. Jim Johnson, SECU Foundation Board Chair to provide an update on the SECU Foundation.

Mr. Johnson commented that for the past 13 years the SECU Foundation has made a tremendous impact in North Carolina communities and for the people of our State. He stated that none of this would have been possible without the members' financial support and firm belief in the philosophy of "People Helping People". Mr. Johnson noted that SECU members' collective financial commitment for initiatives funded by the Foundation since 2004 has exceeded \$130 million, producing life-changing results for those who need help the most. He stated there is no better way to understand the difference members are making than to hear it from the people whose lives are better because of that generosity. Mr. Johnson called on everyone to turn their attention to the video screens to see highlights from the past year.

Chairman Jolly stated once again we can be proud of the work of SECU's Foundation. She thanked Mr. Johnson for the work he has done as Chairman of the SECU Foundation.

At this time the audience viewed the video.

REPORT OF THE PRESIDENT

Chairman Jolly called on SECU President Mike to provide the report of the President.

Mr. Lord provided an update report on SECU noting he wanted to talk a little about who we are and what we do – along with what we did over the past year while also looking a bit at the future. He stated he has been with SECU for 42 years and married for 32 years.

Mr. Lord thanked the SECU and SECU Foundation Boards noting the extraordinary amount of commitment it takes to serve on the Boards.

Mr. Lord thanked other SECU volunteers noting there were over 900 advisory board members in attendance at the Annual Meeting. He also thanked SECU staff noting they do make a difference in the lives of SECU members. Mr. Lord commented our culture is such that we are not trying to be a “big institution” but rather to be 260 small credit unions in communities across North Carolina. He noted that if we lose sight of that we will lose our reason for being.

Mr. Lord provided a presentation with many updates on SECU. He commented our members are busy trying to make their way in life and they need someone to help. Mr. Lord commented SECU is that force for them and SECU provides fair, unbiased and trusted information. He noted our mission is to “Do the Right Thing” and we want our members to “Send Us Your Mama” – because they wouldn’t send her to someone who would not take care of her!

Mr. Lord stated members need to know SECU will listen to their stories. He commented SECU is a non-profit financial cooperative and we have a crazy business model. Mr. Lord noted if we were a bank he would be fired and the Board would be removed – because we are not trying to maximize profits but rather strive to keep as much money in our members’ pockets as possible.

Mr. Lord posed and answered the question “Is SECU safe and sound, efficient and effective?” He noted that the Board and management make sure that SECU is safe, sound, efficient and effective. He provided information on slides to demonstrate those facts. He further noted that we have auditors, examiners, regulators and other interested parties who visit annually to evaluate and confirm our financial and operating performance—which is good. Mr. Lord stated that SECU is a “clean, no mess kind of shop.”

Mr. Lord spoke about a report prepared by economist Dr. William Jackson in 2014 which shows that SECU saves the membership \$770 million annually through lower loan rates, higher deposit rates, lower fees and other benefits – that is money in our members’ pockets to spend on their families.

Mr. Lord commented that our recent Member Survey shows SECU receives a 99% satisfaction rating from members.

Mr. Lord commented that cyber security is a real focus especially with the breaches Equifax and Yahoo have experienced. He referenced the handouts in member packets which explain how to apply for credit monitoring and how to put credit freezes on accounts. Mr. Lord encouraged members to use this information to protect their identities and credit information. He stated we have always tried to be very quick in making decisions on loans for members but now we need to make sure we are dealing with a legitimate member and this may change the way we originate loans. It may take more time. Mr. Lord encouraged members to sign up for the SECU one-time passcode service which provides dual authentication (added security) for signing on to Member Access.

Mr. Lord talked about tax simplification and advocacy noting that Congress is working on simplifying taxes. He commented if Congress revokes the tax-exempt status of SECU it would impact loan and deposit interest rates. He noted that SECU paid \$105 million in sales, unemployment, property, FICA and other taxes over the past three years and that only net income is not taxed and by statute and business prudence we are required to set those funds aside in our capital reserves. Mr. Lord commented we are preparing to re-energize our volunteers as advocates if needed. He stated advisory board members are great advocates for SECU and are the best educated members we have on our products and services. Additionally, they serve as the “eyes and ears” of our local branches to help us improve member service, locate sites for branches and ATMs and provide other valuable contributions to their cooperative.

Highlights from Mr. Lord’s presentation follow:

Who We Are

- State Employees' Credit Union
- SECU Life Insurance Company
- Credit Union Investment Services
- SECU Brokerage Services
- SECU*RE Property Management
- SECU Foundation
- A Data Processor

State Employees' Credit Union®

State Employees' Credit Union



\$36.8 Billion Assets
2.25 Million Members
258 Branches
1,100 ATMs
6,300 Employees
3,200 Volunteers

State Employees' Credit Union®

How We Are Different!

- Not-for-Profit – Purpose Driven
- Cooperative Ownership – Locally Owned
- Salaried Staff – Service Focused / Not Growth
- Engaged Volunteers / Experienced Management
- No Tiered Deposit Rates / No Credit Score-Only Lending
- “Do the Right Thing” Ethic

State Employees' Credit Union®

Growing...

	2016	2017	Change
Assets	\$33.8 Bil	\$36.9 Bil	+ \$3.1 Bil
Loans	\$19.2 Bil	\$20.9 Bil	+ \$1.7 Bil
Deposits	\$31.1 Bil	\$34.0 Bil	+ \$2.9 Bil

Just under 10% increase over 2016.

State Employees' Credit Union®

Capital

Year	Assets	Net Capital	NCUA Capital/Assets
2007	\$14.9 Bil	\$1.05 Bil	7.31%
2012	\$25.0 Bil	\$1.80 Bil	7.46%
2017	\$36.9 Bil	\$2.83 Bil	7.98%

Net earnings for 2017 were \$211 million.

State Employees' Credit Union*

Members

Year	Number of Members	Growth in Members	Percent Change
2007	1,395,110	72,206	5.4%
2012	1,771,757	91,716	5.5%
2017	2,251,069	117,522	5.5%

Growth continues as branch network matures.

State Employees' Credit Union*

Loan Charge-offs

Year	Net Loan Charge-offs	Outstanding Loans	Net Charge-offs to O/S Loans
2007	\$12.4 Mil	\$10.6 Bil	0.12%
2012	\$39.5Mil	\$13.5 Bil	0.29%
2017	\$72.4 Mil	\$20.9 Bil	0.35%

Very low at just one-third of 1%!

State Employees' Credit Union*

SECU is Efficient

SECU has one of the lowest costs of operation among all financial institutions.

Average Expense-to-Assets Ratio:

- Largest credit unions **2.43%**
- SECU **1.90%**

State Employees' Credit Union*

The Future

- Data Safety / Cyber Security / Equifax / Yahoo
- Tax "Simplification" & Member Advocacy
- Convergence / ATMs / LOS / Image System
- Technology / Convenience / Mobile
- A Benefit to North Carolinians

State Employees' Credit Union*

Mr. Lord closed by saying again how much he appreciates member support of SECU. He noted SECU will continue to "do the right thing" – and added we want members to send us their mamas!

Mr. Lord thanked Leigh Brady and staff – especially Suzanne Barwick and Sandra Jones – for their hard work in making the meeting a success.

Chairman Jolly thanked Mr. Lord noting he has been a tremendous leader. She commented this transition has taken a strong leader.

OLD BUSINESS

Chairman Jolly stated there are no unanswered points from last year.

NEW BUSINESS

None.

ADJOURNED

With no further business, Chairman Jolly thanked members on behalf of the Board. She stated that she hoped the program had been informative and provided an opportunity for members to connect and celebrate our many successes with other members. Chairman Jolly commented for members to please drive carefully and have a safe trip home.

Chairman Jolly then called for a motion to adjourn and upon motion by Mr. William Simmons, seconded by Mr. Paul Macon, Chairman Jolly adjourned the meeting.

Respectfully submitted for,

Mr. Robert Brinson, Secretary/Treasurer

Ms. Cynthia Jolly, Chairman