CALL TO ORDER

After determining a quorum, Chairman Sanford called the 81st Annual Membership Meeting to order. She welcomed the membership, staff, and guests to the SECU Annual Meeting, thanking them for their interest and attendance.

APPROVAL OF MINUTES

Chairman Sanford noted to members that copies of the 2017 Annual Meeting Minutes had been available on SECU’s website (www.ncsecu.org) since December 2017, adding that copies were available at all tables for review. She asked if there were any changes to the minutes from the 2017 Annual Membership Meeting minutes? Hearing none, Chairman Sanford stated she would entertain a motion to approve the 2017 Annual Meeting Minutes.

VOTED: Upon motion by Ms. Janet Ruffin, seconded by Mr. Charles Bryan, members in attendance voted and approved accepting the 2017 Annual Meeting Minutes.

RECOGNITION OF BOARD AND SPECIAL GUESTS

SECU BOARD

Chairman Sanford introduced each of her fellow SECU Board members:

- Mr. Bob Brinson, Vice-Chair
- Ms. Mona Moon, Secretary (who was unable to attend the meeting)
- Mr. Chris Ayers
- Ms. Shirley Bell
- Ms. Karan Bunn
- Ms. Alice Garland
- Mr. Jim Johnson
- Ms. Cindi Jolly, SECU Foundation Chair
- Dr. Stelfanie Williams
- Mr. McKinley Wooten
PAST SECU BOARD/SPECIAL GUESTS

Chairman Sanford introduced the following special guests asking each to stand and be recognized:

- Rose Conner, Administrator, Credit Union Division
- Michelle Outlaw, President/CEO, First Legacy Community Credit Union
- Maurice Smith, CEO, Local Government Federal Credit Union
- Shawn Wilson, CEO, Greater Kinston Credit Union
- Maurice Smith, CEO, Local Government Federal Credit Union
- Luis Pastor, President, Latino Community Credit Union
- John Herrera, Senior Vice-President of Latino and Hispanic Affairs, Self-Help Credit Union
- Frank Drake, who served as Parliamentarian and is an Attorney with Smith Debnam Narron Drake Saintsing & Myers, LLP

Chairman Sanford also recognized past or outgoing SECU Corporate Board or SECU Foundation Board members. She thanked them for their service to SECU members noting it is greatly appreciated.

RECOGNITION OF CLEAN FINANCIAL AUDITS FROM CLIFTONLARSONALLEN, LLP

Chairman Sanford commented she would now move forward in turning her attention to the business part of the meeting noting she was proud to report that we obtained clean financial opinion audits for all SECU entities from our CPAs, CliftonLarsonAllen, LLP. She advised that copies of the audited financial were available at the round tables in the back of the room if anyone would like to review those reports.

REPORT OF THE CHAIRMAN

Chairman Sanford commented that across North Carolina in all 100 counties SECU has 264 branches, which is quite a presence in our home state. She advised that over the past 81 years, the Credit Union has opened new locations and developed convenient services to serve members and their families. Chairman Sanford commented that SECU goes the “extra mile” to uphold its mission of member service to members and has done so while remaining financially safe and sound.

Chairman Sanford commented that we constantly evaluate product and service offerings to ensure we can best meet members' everchanging and expanding financial needs. She noted that SECU staff members, our pervasive culture of member service and our products are hallmarks of our reputation as a trusted service provider. Chairman Sanford advised that with a comprehensive line of deposit accounts, lending options and financial advisory services – including life insurance, investments, tax
preparation, trust services, retirement and estate planning – SECU and its affiliates are here for its members. She stated that we consider our members and their financial interests as we provide services.

Chairman Sanford noted that at SECU we do business differently – there are no tiered deposit rates, no loan rates determined by members’ credit scores, and our employees are salaried, receiving no incentive pay or commissions for “selling” products or services. She added as a not-for-profit financial cooperative, SECU seeks to share the benefits of membership with all members in the forms of higher deposit interest rates, lower loan rates and lower or no fees for services.

Chairman Sanford advised that a recent study by Dr. William E. Jackson estimated that SECU provided members and the citizens of North Carolina with financial benefits totaling over $1 billion through lower loan interest rates, higher deposit interest rates, and lower fees on financial products and services. She commented that this $1 billion equates to an average value of approximately $510 per member per year! Chairman Sanford noted that Dr. Jackson’s report can be viewed on the SECU website (www.ncsecu.org).

Chairman Sanford advised that our members’ trust in SECU’s 6,600 dedicated employees has resulted in significant growth for our cooperative over the past year, and the Board and staff thanked members for allowing us to be their financial services provider. She commented that in 2017-18, SECU welcomed over 83,000 new members and experienced significant growth in deposits and loans, with assets eclipsing $38 billion! Chairman Sanford noted that this success is a result of the work of many hands, including more than 3,200 member-volunteers across the state who generously devote their time to advocate for and represent all members, adding we deeply appreciate their commitment and thank them for their volunteer service.

Chairman Sanford noted, in closing, our financial cooperative is safe and sound and continues to operate with a steadfast mission of member service. She advised that SECU is “People Helping People” and we are ready to go the “extra mile” for our members. Chairman Sanford thanked the members for their support.

ELECTION PROCEDURES AND PROCESS/REPORT OF THE NOMINATING COMMITTEE

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

Chairman Sanford advised that an overview of the election process was provided on the tables throughout the room. She noted that the document titled “Election of Board of
Director Positions” listed the Nominating Committee recommendations, an overview of Board member responsibilities and the 2018 Election Procedures Schedule, adding that a bio for each candidate was also included.

Chairman Sanford 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 that the Board establishes strategic plans and goals for the Credit Union, approves policies, and new products and services. Chairman Sanford advised that while setting interest rates and determining service fees, the Board consistently monitors the financial health of our cooperative.

Chairman Sanford called on Mr. Chris Ayers, Chairman of the Nominating Committee, for the report of that Committee.

Mr. Ayers commented that joining him on the 2018 Nominating Committee were Ms. Jo Anne Sanford, Ms. Shirley Bell, Ms. Karan Bunn, Ms. Cynthia Jolly and Mr. James Barber.

Mr. Ayers advised 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.

Mr. Ayers stated that the Nominating Committee recommended the following slate of nominees:

For a Three-Year Term (expiring October 2021):

- **Mr. Bob Brinson** (Retired Chief Information Officer, NC Dept. of Public Safety)
- **Mr. James Johnson** (Partner, Blount Street Advisors; Visiting Professor of the Practice of Public Policy, Sanford School of Public Policy, Duke University; Formerly Director of NC General Assembly’s Fiscal Research Division)
- **Mr. McKinley Wooten, Jr.** (Deputy Director, Administrative office of the Courts)
- **Dr. Stelfanie Williams** (Vice President for Durham Affairs, Duke University; Formerly President of Vance-Granville Community College)

Mr. Ayers explained that 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 20, 2018). He noted there were no self-nominations received this year, therefore the Nominating Committee moved that the nominations would be accepted by acclamation.

Chairman Sanford called for a motion to accept the Nominating Committee report for Mr. Bob Brinson, Mr. James Johnson, Mr. McKinley Wooten, Jr., and
Dr. Stelfanie Williams to serve a three-year term expiring October 2021.

**VOTE by ACCLAMATION:**

Upon motion by Ms. Margery Coulson-Clark, seconded by Mr. Michael Clements, Chairman Sanford called for all those in favor of the motion to accept the recommended slate of candidates by acclamation to say aye. She called for all opposed to say no. Chairman Sanford noted that, seeing no opposition, the motion carried.

Chairman Sanford stated this concluded the Election Process for 2018 and congratulated the re-elected Board members.

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**SECU FOUNDATION REPORT**

Chairman Sanford called on Ms. Cindi Jolly, SECU Foundation Board Chair, to provide an update on the SECU Foundation.

Ms. Jolly commented it was indeed her pleasure to bring greetings on behalf of the SECU Board of Directors. She noted the Board can honestly say that the work they do on behalf of the Foundation is rewarding and exciting.

Ms. Jolly advised that the SECU Foundation, now in its fourteenth year, works to promote local and community development through the funding of large-scale initiatives supported by the collaborated efforts of many people and organizations. She commented that from the western mountains to the eastern shores of our state and many places in between, we find evidence of success in projects bearing SECU’s name, including the SECU Cancer Center in Asheville and the SECU Crystal Coast Hospice House in Newport. Ms. Jolly added members can be proud that the SECU Foundation’s scholarship programs, internships and educational, health care and housing projects are leaving an indelible footprint across our North Carolina communities and in the hearts and minds of those served.

Ms. Jolly advised that members’ $1 per month contributions to the SECU Foundation, provide a foundation of financial support for funding these projects and initiatives statewide. She noted that since 2004, SECU members have made a collective financial commitment to the SECU Foundation of more than $154 million – a figure that should make members very proud!

Ms. Jolly noted she would like to take a moment to recognize five individuals who have graciously served on the SECU Foundation Board of Directors: Mr. Michael Clements, Dr. Olson Huff, Mr. David King, Mr. Tom King and Dr. Marilyn Sheerer. She commented
they are retiring from the SECU Foundation Board, but their dedication and service to
the SECU Foundation, State Employees’ Credit Union and our members has been
invaluable. Ms. Jolly asked Mr. Michael Clements and Mr. Tom King, who were in
attendance, to the stage so she could thank them and recognize their contributions.
She asked members to please join her in giving each of them a round of applause.
Ms. Jolly commented that she had a certificate to present to Mr. Tom King noting the
other retiring SECU Foundation Board members had received their certificates at an
earlier Foundation Board meeting.

Ms. Jolly advised that the Foundation Board was pleased to share highlights from
some of the amazing projects our members have made possible this past year. She
asked members to turn their attention to the video screens to see the impact they are
making in North Carolina.

*At this time the audience viewed a video about the recent projects of the SECU
Foundation.*

Chairman Sanford stated we are all very proud of the positive impacts our SECU
Foundation continues to have on the lives of our members and the citizens of North
Carolina.

**REPORT OF THE PRESIDENT**

Chairman Sanford noted it was her great privilege to call on SECU President
Mike Lord to provide the report of the President noting she looked forward to
hearing him share the strong results of the Credit Union.

After bidding a good afternoon to the attendees, Mr. Lord noted the difference
$1 dollar makes when investing in communities in North Carolina. He recognized
and thanked Jessica Evans and Leigh Brady commenting that they did a great
job talking about elder abuse and scams and the SECU efforts to assist our more
senior members and their families. He advised that our staff members try to look
out for the benefit of our members and to educate them on the scams and abuse
that impacts our senior population. Mr. Lord recognized and thanked our
featured speaker, Mr. Phil Gwoke, who provided insights into the
communications challenges between generations and noted that there appeared
to be more similarities than differences.

Mr. Lord recognized Leigh Brady and staff and a “whole host of folks” who helped
organize the Annual Meeting noting they deserved a round of applause. He also
recognized the Board of Directors and thanked them for the dual role they serve
as members of the Boards of the Credit Union and the SECU Foundation. Mr.
Lord commented that the video presented earlier provided a glimpse of a few of
the many worthwhile projects supported by the Foundation which benefit communities across North Carolina. He added that SECU Board members attend monthly Credit Union Board meetings, two planning sessions per year and serve on several Board committees. Mr. Lord commented that this doesn’t count the commitment SECU Board members have to the Foundation which involve additional meetings and subcommittees. He asked the members to recognize the Board members for their service with a round of applause.

Mr. Lord also recognized Advisory Board members from our 264 branches noting that SECU management receives much insight from Advisory Boards. He commented that Advisory Boards let us know both what we get right and what we get wrong. Mr. Lord advised we cannot lose sight of where we came from noting we operate as though we are 264 small credit unions serving communities in North Carolina rather than one large enterprise. He asked all Advisory Board members in attendance to stand and be recognized, thanking them for their volunteerism and he lead the attendees in a round of applause for the Advisory Board members.

Mr. Lord provided an update report on SECU noting he wanted to talk a little about who we are, what we do, what we did over the past year and what the future holds for SECU members. First, however, he commented that he wanted to put a major focus on downeast North Carolina and all the folks affected by Hurricane Florence’s Florence and Michael. He advised that the SECU staff does wonderful things and even though many of them were personally impacted by the hurricanes they went to work and helped our members during this traumatic time. Mr. Lord showed pictures received from staff members – I-95 was “a lake”, I-40 was cut off to Wilmington, our Lumberton-Fifth Street branch was flooded again after recovering from Hurricane Matthew which hit two years ago. Mr. Lord advised we will not re-open the current Lumberton-Fifth Street location but are six months away from completion of a new building to replace the existing Lumberton-Fifth Street location. He added that in foresight we did build-up the property site up by five feet!

Mr. Lord advised that the SECU Foundation Board rose to the occasion immediately by providing a $1 million grant to Feeding the Carolinas to support the recovery efforts and to assist fellow North Carolinians. He noted this is an amazing project and it is fantastic that our members’ $1 per month funding of the SECU Foundation could have such an impact – and that SECU members should be proud!
Mr. Lord stated that SECU branches in all 100 counties have served as drop-off areas for supplies to help members affected by the storm. He noted SECU staff members have done great work across North Carolina adding that many of our employees were affected by the storm. Mr. Lord advised that Debbie Tyndall, one of our managers in New Bern, experienced a great deal of flooding at her house, lost 5 vehicles and yet came to work at the branch to help serve our members. He noted of the 60 SECU employees affected by the storm, 25 experienced significant property damage. Mr. Lord’s presentation included pictures of several of our employees’ homes which were damaged. Mr. Lord commented that SECU branches will be collecting donations through October 19th and those donations will go to Feeding America, Red Cross, and the Salvation Army to support flood recovery efforts.

Mr. Lord moved on to an update on the status of SECU noting that our Mission and Values statements are simple - “Do the Right Thing” and “Send Us Your Mama” - because we want to be our members’ trusted service provider and we want to exemplify a “People Helping People” philosophy. He advised that SECU staff members are a testimony that “we do what we say we do”.

Mr. Lord explained SECU is a “sum of our parts” noting that as a credit union we attract money from members in the form of deposits and lend that money to other members. He commented we also have a life insurance company, a property management company with 1,500 properties which we lease out and then sell to recoup losses on loans on which we had to foreclose. Mr. Lord added that we fix-up the properties to make them better properties. He noted that SECU also offers tax preparation services, trust services, data processing services (internal) and provides services to four other credit unions – Local Government Federal Credit Union, Latino Community Credit Union, Greater Kinston Credit Union, and NC Press Association Federal Credit Union. Finally, Mr. Lord commented we have the SECU Foundation which is funded by our members.

Mr. Lord reported strong financial and operating results for the fiscal year and noted that our Member Survey reflects a 99% members satisfaction rating. He noted that the measure of our success is whether our members want to do business with us. Mr. Lord stated that we are not perfect but we strive to do an excellent job serving our members every day. He commented that our regulator, the North Carolina Credit Union Division, and our federal deposit insurer, the National Credit Union Administration, and our outside CPA auditors “say we are who we say we are”!
Mr. Lord commented *Forbes* Magazine recently noted SECU as one of America’s best-in-state credit unions.

Mr. Lord discussed growth in deposits, loans, assets and capital over the past fiscal year. He noted that we experienced strong growth and grew in every category of loans over the past year. He advised we were able to increase lending by providing favorable rates and terms and good service. Mr. Lord noted deposits grew in most categories noting our rates are very competitive even though overall rates have not been good over the last ten years due to the impact of the Great Recession.
## Assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$36.9 Bil</td>
<td>$38.4 Bil</td>
<td>+ $1.5 Bil</td>
</tr>
<tr>
<td>Investments</td>
<td>$14.1 Bil</td>
<td>$14.3 Bil</td>
<td>+ $200 Mil</td>
</tr>
<tr>
<td>Student Bonds</td>
<td>$140 Mil</td>
<td>$123 Mil</td>
<td>- $17.2 Mil</td>
</tr>
<tr>
<td>Loans</td>
<td>$20.9 Bil</td>
<td>$22.1 Bil</td>
<td>+ $1.2 Bil</td>
</tr>
</tbody>
</table>

*Asset growth outpaced loan growth.*

## Loans

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans</td>
<td>$20.9 Bil</td>
<td>$22.1 Bil</td>
<td>+ $1.2 Bil</td>
</tr>
<tr>
<td>1st Mortgage Loans</td>
<td>$15.7 Bil</td>
<td>$16.4 Bil</td>
<td>+ $779 Mil</td>
</tr>
<tr>
<td>Home Equity Loans</td>
<td>$848 Mil</td>
<td>$957 Mil</td>
<td>+ $109 Mil</td>
</tr>
<tr>
<td>Auto &amp; Personal Loans</td>
<td>$3.71 Bil</td>
<td>$3.99 Bil</td>
<td>+ $274 Mil</td>
</tr>
<tr>
<td>Visa Loans</td>
<td>$692 Mil</td>
<td>$749 Mil</td>
<td>+ $57 Mil</td>
</tr>
</tbody>
</table>

*All loan portfolio balances increased!*
Mr. Lord commented the graph below could be used as a “report card” for SECU as it measures SECU’s performance and shows we are managing capital well even through downturns in the economy.

### Deposits

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Deposits</td>
<td>$34.0 Bil</td>
<td>$35.3 Bil</td>
<td>+ $1.3 Bil</td>
</tr>
<tr>
<td>Checking</td>
<td>$3.8 Bil</td>
<td>$4.1 Bil</td>
<td>+ $0.3 Bil</td>
</tr>
<tr>
<td>Shares</td>
<td>$3.8 Bil</td>
<td>$4.1 Bil</td>
<td>+ $0.3 Bil</td>
</tr>
<tr>
<td>IRAs</td>
<td>$3.8 Bil</td>
<td>$3.8 Bil</td>
<td>+ $0.0 Bil</td>
</tr>
<tr>
<td>Money Markets</td>
<td>$18.0 Bil</td>
<td>$18.1 Bil</td>
<td>+ $0.1 Bil</td>
</tr>
<tr>
<td>Share Term Cert’s</td>
<td>$3.7 Bil</td>
<td>$4.3 Bil</td>
<td>+$0.6 Bil</td>
</tr>
</tbody>
</table>

### Capital

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Net Capital</th>
<th>NCUA Capital/Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$16.4 Bil</td>
<td>$1.16 Bil</td>
<td>7.38%</td>
</tr>
<tr>
<td>2013</td>
<td>$26.7 Bil</td>
<td>$1.93 Bil</td>
<td>7.44%</td>
</tr>
<tr>
<td>2018</td>
<td>$38.4 Bil</td>
<td>$3.14 Bil</td>
<td>8.32%</td>
</tr>
</tbody>
</table>

...Net earnings for 2018 were a record $296 million.
## Capital Management

State Employees’ Credit Union  
NCUA PCA Capital  
December 2000 - June 2018

## Key Financial Ratios

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target</th>
<th>June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCUA Capital</td>
<td>7.0%</td>
<td>7.93%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>8.32%</strong></td>
</tr>
<tr>
<td>Expense/Assets</td>
<td>2.00%</td>
<td>1.92%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1.98%</strong></td>
</tr>
<tr>
<td>ROA</td>
<td>1.00%</td>
<td>0.63%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>0.77%</strong></td>
</tr>
</tbody>
</table>

*Projected in 2017 vs Actual 2018
Mr. Lord advised that we have many member service delivery channels available (mobile, voice response, web) and have 1,100 ATMs and 264 branches. He noted that many say branches will “go away” and commented that we must look at how our members will do business in the future. Mr. Lord commented that we have been approached several times by small communities informing us the last community banks in their areas have left. He advised we try to help where feasible but noted we cannot put a branch in every community. Mr. Lord commented that mobile and web service delivery channels are growing exponentially and would likely continue to do so. He advised that a new mobile app was being tested and that he hoped we could introduce it to the membership in the first quarter of the calendar year.
Mr. Lord spoke about Dr. William Jackson’s recent report in which Dr. Jackson reported that, when compared with other financial institutions, SECU has lower loan rates, higher savings rates and lower fees. He commented that Dr. Jackson’s report also reports that in 2017 SECU provided $1+ Billion of benefits to North Carolina because of these favorably priced, low cost products and services. Mr. Lord noted that SECU’s “competitive pressure” in the financial services arena benefits all North Carolina citizens.

Mr. Lord reported many member service enhancements, including:

- Deposit image processing through our ATM network
- Loan Recapture programs to Lower Rates & Payments for Members
- New Alerts - SMS/Push Notifications, real-time alerts for Debit cards
- Expanded Elder Protection/Education through OWLS
- Expanded Estate Planning Essentials Program
- Accredited Financial Counseling (AFC) and Retirement Planning Services
- Assisted SEANC through Sales of Discount Theme Park Tickets ($4.3 Million); 113,000 Tickets Sold
- Increased Blue Birds--276,000 Bird Houses since inception!
- Expanded Conversion of Documents to Digital Images
- Visually refreshed the SECU Website
- SECU Shred Days!
- Implemented New Voice Response Software System
- Enabled in-house card activation through Voice Response
- Many Improved Efficiencies while Lowering Costs!

In closing, Mr. Lord commented that SECU does not provide financial incentives to staff members to provide services to our members – and that is a good thing. He advised we ask employees to help our members and put them in the right product or service which
Mr. Lord thanked SECU staff for all they do. He asked SECU employees (former and current) to stand and be recognized with a round of applause. He thanked Advisory Board members for their participation in SECU noting what they do is very important. He concluded by thanking those in attendance for their participation in today’s meeting.

Chairman Sanford thanked Mr. Lord noting the Board sincerely appreciates his strong leadership

OLD BUSINESS

None.

NEW BUSINESS

None.

ADJOURNED

With no further business, Chairman Sanford thanked members on behalf of the Board. She called for a motion to adjourn and upon motion by Mr. Jim Polk, seconded by Ms. Stephanie Collins, Chairman Sanford adjourned the meeting.

Chairman Sanford thanked members for attending and noted she hoped the program had been informative. She noted a huge thanks to members and staff.

Chairman Sanford commented for members to please drive carefully and have a safe trip home.

Respectfully submitted for,

_____________________________
Mr. Robert Brinson, Vice-Chair

_____________________________
Ms. Jo Anne Sanford, Chair