2013 Annual Report

IBM Southeast Employees’ Federal Credit Union
Your time. Your money. Your future.

Federally Insured by NCUA
I would like to begin by thanking you, the Members of IBM Southeast Employees’ Federal Credit Union, for your continued participation in this outstanding financial cooperative. It is an honor and a great privilege to serve as Chairman of the Board of IBM Southeast EFCU. This past 2013 was a year of increased stability for IBM Southeast EFCU. Our capital reserves are now approaching the 10% mark. This is very good from an industry-benchmark standpoint. In addition, delinquencies and loan charge-offs were greatly reduced and we’re heading toward pre-2009 levels. This sets the stage for a new year! Our Members will see a greater emphasis on loans, improved lending rates, and a continuum of Service Excellence levels, which lead in the industry.

Although 2014 will be an election year for Congress, I do not anticipate any substantial upswing in the nation’s economy. Until more Americans have the ability to find jobs, the economy will be quite lackluster. Your Credit Union will be working harder and smarter to secure your business. Your Credit Union remains safe and sound while continuing to expand and offer new services to help our Members realize their dreams. We experienced a year of many changes during 2013. After 25 years of dedicated service, Lary B. McCants retired as our President/CEO on December 31, 2013. Many important milestones were passed during his tenure. Your Credit Union is now an $850-million financial services organization comprised of Select Employee Groups (SEGs) across four states. We provide a multitude of services to our Membership of over 74,000, who are located all over the globe. Deservingly so, Lary is a Director Emeritus and was recently inducted into the Credit Union Executive Society’s Hall of Fame.

In my 2012 message, I highlighted the need for succession planning. One of the major initiatives of your Board of Directors during this past year has been to search for a new President/CEO. It truly was a team effort, from planning to budgeting to screening to interviewing and to, finally, selecting a new President/CEO in late November. It was determined that Michael Miller from Indiana Members Credit Union was the best candidate for our organization. Indiana Members Credit Union is a $1.4-billion financial institution where Miller served in many capacities, the last being the Chief Operations Officer. We look forward to him leading our team. We know he will apply his wealth of experience to this position and take IBM Southeast EFCU to the next level of Service Excellence with new and innovative products and services. With our new CEO Michael Miller in place, there will be a new focus on mortgages and lending products for Members at all levels. In addition, we look forward to adding new and faster access methods to all of your accounts. We hope you will find belonging to IBM Southeast EFCU more exciting than ever. Service Excellence will always be our emphasis as we strive to be your primary financial institution. As Chairman, on behalf of the Board of Directors, I would like to express our appreciation for your continued support.

Respectfully submitted,

Donald L. Lee, CCD
Chairman of the Board
President’s Message

Dear Members,

IBM Southeast Employees’ Federal Credit Union has been a trusted neighbor and the financial partner of choice for our Members for 45 years. Today, we value the foundation of that trust as we continue to honor the credit union creed of “People Helping People” that is at the core of our opening in 1969. With all that has evolved since those beginning days, one thing remains constant: our main focus is to continue to deliver Service Excellence to our Members.

We will remember 2013 as a significant year of positive change for IBM SECU. These changes included an improving economy, new products and services, and a change in management.

For IBM Southeast EFCU, 2013 was a solid year! When we look back, your Credit Union ended the fiscal year in an improved capital position with modest growth overall. Your Credit Union ended 2013 with positive net income of over $6.7 million. With this income, we increased our net worth and reserves (rainy-day savings) to nearly $77 million—a very strong gain! Our loan delinquency and charge-offs continue to decline. We are proud to say that we reduced expenses by $3 million or 10% below budget. We ended 2013 with positive income, strong reserves, and a much-improved loan portfolio. Your Credit Union remains strong and healthy.

We navigated successfully through the recession and continue to recover from the economic slump. We understand that many of our Members still have some uncertainty and concern with the government budget and the recent healthcare reform, but we assure you we are gaining on the fight and there are better economic signs ahead.

In 2013, we made a number of upgrades to our operation and services for you:

♦ Provided Live Chat options to more quickly respond to Member needs
♦ Added Credit Monitoring and I.D. Theft Protection with no monthly service fees to our myWallet Checking account
♦ Eased loan underwriting criteria to make it easier to get approved and obtain a loan
♦ Added two exceptional Auto Buying Services
♦ Began accepting debit and credit card payments over the phone
♦ Implemented myCard, which allows picture personalization to debit or credit cards
♦ Introduced V.Me by Visa®, which allows for secure, fast online purchasing

As you can see from the above enhancements, delivering Service Excellence to our Members remains our primary focus. It’s what our Members want and deserve. We constantly measure your Member service experience and loyalty to your Credit Union. This past year, our performance was record setting! Our Member service experience scores are running at one and a half times better than the financial institution industry. The Credit Union staff is truly committed to delivering exceptional service to you.

Lastly, after a 21-year career at IBM Corporation and 25 years of service to our Credit Union, former President/CEO Lary McCants retired on December 31, 2013. We wish Lary the very best in retirement, and thank him for his leadership. Moving forward, your Credit Union will remain focused on delivering Service Excellence to you, the Members, and continue to be a safe and sound organization. Through all this change, one thing remains constant, and that is our renewed commitment to our basic core values:

♦ Compliant with laws and regulations
♦ Fair and trustworthy
♦ Respect for all
♦ Accountable for our actions
♦ A compassionate nature

It is an honor to serve you, the Members, and work alongside our outstanding staff, Board of Directors, and volunteers. I look forward to an exciting 2014.

Sincerely,

Michael L. Miller
President/CEO

Your Credit Union Is On Facebook, Twitter, And YouTube!

Like us on Facebook (search for IBM Southeast Employees’ Federal Credit Union) and follow us on Twitter (@IBM_SECU) to find out the latest news from your Credit Union. Get reminders of holiday closings, notice of new promotional offers, educational articles, and much more. We also have a YouTube Channel. Check out our informational videos at http://www.youtube.com/user/IBMSECU

Plus, each month you can enter to win a prize from our Facebook giveaway.* Simply “like” our page and enter the giveaway by clicking on the “Giveaway” button at the top of the page. Check it out today!

* “Facebook,” a registered trademark of Facebook, Inc., “Twitter,” a registered trademark of Twitter, Inc., and “YouTube,” a registered trademark of Google, Inc., are not affiliated with IBM Southeast EFCU. Must be a current Facebook subscriber to be eligible for giveaway. Previous winners and IBM Southeast EFCU employees not eligible.

As always, we focus on providing all of our Members with the best service and experience possible.
Credit unions exist to help people, not make a profit. Our goal is to serve all of our Members well, including those of modest means – every member counts. Our members are fiercely loyal for this reason. They know their credit union will be there for them in bad times, as well as good.

**Member Privacy Policy Statement**

IBM Southeast Employees’ Federal Credit Union is committed to preserving and protecting the privacy and confidentiality of its Members’ non-public personal information. This commitment is a fundamental mission 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 ibmsecu.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 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 IBM Southeast EFCU Do With Your Personal Information?, or contact the Credit Union at serviceplus@ibmsecu.org or call 800.873.5100 or 561.982.4700.

**Independent Auditor’s Report**

The Supervisory Committee at IBM Southeast Employees’ Federal Credit Union 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 Supervisory Committee is to ensure that the Credit Union’s financial records are properly maintained and accurately reflect the condition of the Credit Union. To accomplish this function, the independent Certified Public Accounting firm of Orth, Chakler, Murnane and Company CPAs conducted a certified audit of the Credit Union’s financial statements for the period ending December 31, 2013.

Based on the favorable audit performed by the external auditors, the Supervisory 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.

Supervisory Committee:
- Howard D. Isaacs, MBA, CPA (Chairperson)
- Brian L. Garr, Juana Krause, Marie I. Mascar
Annual Meeting Minutes

Date: May 30, 2013

Board Attendees: Johnny Bennett, Peter L. Blacklock, Thomas E. Brawley, James M. Dorman, Donald L. Lee, Stephanie M. Stevens, Michael W. Townsend, Camil R. Valcourt, and Juana T. Krause.

Other Attendees: Approximately 46 Members.

Chairman Donald Lee called the meeting to order at 6:00 p.m. Secretary Stephanie Stevens determined that a quorum was present. Chairman Lee noted that the meeting is being recorded, welcomed guests, and introduced the Board of Directors and volunteers: Johnny Bennett, Director and First Vice Chairman; James (Mickey) Dorman, Director and Treasurer; Stephanie Stevens, Director and Secretary; Peter Blacklock, Director; Tom Brawley, Director; Michael Townsend, Director; Camil Valcourt, Director; Bill Boyle, Director Emeritus and Supervisory Committee; Howard Isaacs, Director Emeritus and Supervisory Committee; Juana Krause, Supervisory Committee; and Pat Ciresi, Director Emeritus. Chairman Lee stated that we also have two new additions on the Advisory Council: Brian Garr, who is unable to be here this evening due to a meeting in Washington, D.C., and Marie Mascaro, who is unable to be here due to a family emergency.

A motion was made by James Dorman and seconded by Pat Ciresi to dispense with an oral reading of the minutes of the 2012 Annual Meeting, Financial Report, Supervisory Committee Report, and Chairman’s Report. Motion carried.

Chairman Lee informed the Members that Lary McCants, our President and CEO for 20 years, is retiring on December 31, 2013. He touched on the Board’s plan for such an occasion. Succession planning for a chief executive officer and/or a senior executive is reviewed by the Board of Directors on an annual basis. Once an executive such as Lary announced that he was leaving on a given date at the end of the year in 2013, the Board put a search committee in place early in 2012 to map out the final year of Lary being at the Credit Union and the financial implications of bringing in a new chief executive officer. The search committee performed that task in the fourth quarter of last year. The first order of business after that was for the Board to find an executive search firm with a national footprint tailored to credit unions. In January of this year, the Board retained the services of John M. Floyd & Associates, a highly experienced executive search firm. JMFA has been working diligently since January, and at this point, they have identified 35 candidates to be considered for the CEO position. Interim screening will narrow the field to 15-20 candidates, after which they will interview those remaining candidates to narrow the field to a final 7 or 8. The Board will interview these final candidates. The search process is well underway and we expect that it will be completed by early fourth quarter.

Chairman Lee asked President/CEO Lary McCants for his report.

President McCants thanked Don and welcomed everyone to the annual meeting. He stated that like 2011, 2012 was a very positive year for the Credit Union. Not only did we end 2012 with a positive net income of $6.5 million, we increased our capital reserves to almost $65 million. Our loan delinquency, which at one time was around 6%, is now hovering around 2% and will soon go below 2%. We ended the year with a lot of positive things happening and a lot of good income. We recapitalized what we spent during the recession and improved our loan portfolio, which was really a drain on us for about three years.

Service Excellence remained a priority in 2012. We measure our service level through a nationwide benchmark process of Member surveys through a company called Net Promoter Score, to grade us on how well we are doing with service. The national banking industry’s net promoter score is less than 30% positive. Your Credit Union score is consistently in the top 1% with mid-70% positive. This is an outstanding effort by the employees. They really understand how important service is to us and they provide it. Many people talk about excellent service, but they don’t all execute it. Our staff does, and I want to thank them for their dedication and efforts.

We have and will always strive to provide you with Service Excellence and Superior Financial Solutions!
We continue to grow our electronic access and social media channels at the Credit Union. Our website currently has about 300,000 hits per month; PC banking has 200,000 monthly hits; Mobile Banking gets 44,000 hits per month and continues to grow each month; and Online Bill Pay has over 6,000 active bill payers. So, we continue with good 24/7 access to your accounts at the Credit Union and the good thing is, Members are using it.

We made a significant improvement to our online check-depositing program, eDeposits. You can now deposit checks using a scanner and you don’t need to mail the checks to the Credit Union. Soon you will be able to do that with your iPhone. That’s not here yet, but there are a lot of people working to get the process in place.

Regulatory issues remain high. Since the Consumer Financial Protection Bureau was put in place, we have been inundated with new rules and regulations. One of them had to do with ATMs, and we replaced our entire ATM fleet to satisfy new government requirements last year. About 50% of our training dollars are spent on security and compliance, which indicates how difficult it is to keep up with changing those things. And, of course, we are a company that follows rules, so we stay compliant with laws and regulations and make sure our employees know what we are doing.

We moved our Atlanta Call Center from a building in Morrow to Marietta and then sold that building, allowing for good expense savings there.

In 2012, we made a number of upgrades to our loan processes. We invested in new software for consumer loan applications, making that process more efficient and easier to use, and in mortgage services software, to increase the efficiency of the mortgage servicing. We are now offering indirect lending that makes it easier for Members to obtain convenient financing at select car dealerships. The Credit Union is also participating in a reverse mortgage program through our partner, Liberty Home Equity Solutions, Inc. This program is not for everybody, but for those who need it, it’s a nice product. We make sure that before we offer it to a Member we educate them on what that product is. And, we introduced a new and improved Platinum Visa credit card that offers more Member benefits.

Loan volume increased from 2011 to 2012. We received an average of 30% more loan applications and funded 40% more dollars per month to Members in 2012 than in 2011. 2013 will be another great year, looking at the numbers going into it. This is the third year in a row that we are going strong. The problems with the Great Recession are behind us. Your Credit Union stands as safe and sound as ever and I want to thank the staff and volunteers. We had a tough three years and there was a lot of pressure on all of us. We all did an outstanding job pulling through that, so I want to thank you all.

President McCants stated: “On a personal note, Don mentioned that I am retiring at the end of the year, after 20 years as a CEO. It’s been a fun ride. I want to thank everybody for giving me the opportunity for this exciting career that I’ve had. It’s been an honor serving with the staff, the volunteers, and the Membership. It has been very rewarding. I do appreciate that opportunity. As you go through your last year, you go through your “last” things. This will be my last annual meeting. The one I’m going to miss the most is my last paycheck [laughter]! Thank you for all of your support. I have just one last thing that I want to talk about, that’s Carolyn Kranz. Carolyn is our Senior Executive Assistant supporting myself and the Board. She will be retiring at the end of the year this year and I think the Credit Union will miss her more than they’ll miss me. She’s just an outstanding performer and supporter, so thank you, Carolyn, for all you’ve done.”

Chairman Lee stated: “As I listened to Lary speak, in our executive search there are a couple of strengths that someone who replaces Lary will have to have, and those strengths are people management and communication skills.”

A motion was made by Patti Munro and seconded by Michael Townsend to accept the President’s Report. Motion carried.

Chairman Lee called upon Johnny Bennett, Nominating Committee member to present his report.

Johnny reported that resumes were received from three candidates within the established guidelines for the three open positions on the Board of Directors. He asked those individuals, Peter Blacklock, James (Mickey) Dorman, and Donald Lee, to please stand. No ballots were sent out and one vote was cast for each, returning Peter Blacklock, James (Mickey) Dorman, and Donald Lee to serve three-year terms on the Board of Directors.

A motion was made by Camil Valcourt and seconded by William Boyle to accept the Nominating Committee Report. Motion carried.

Chairman Lee stated that there was no old business and asked if there was any new business. There being none, a motion was made by James Dorman and seconded by Howard Isaacs to adjourn the meeting. Motion carried. The meeting was adjourned at 6:15 p.m.

Respectfully submitted,

Stephanie M. Stevens, Secretary

Donald L. Lee, Chairman of the Board
Introducing A Better, Smarter Way To Manage Your Money!

On May 8, 2014, IBM Southeast EFCU launched a new Online Banking, Mobile Banking, and Online Bill Pay system! This upgrade includes many new and exciting features, including:

- Improved Navigation
- Organized Event & Bill Pay Calendar
- Enhanced Transaction History
- New eDeposit Feature – Use your smartphone to take a picture of your check
- Customized Dashboard
- Improved Security Features
- Enhanced Online Bill Pay platform
- Self-help options such as sending user name reminders, resetting your own password, and creating additional users for your Online Banking account

In order to use the new Online and Mobile Banking, you will need to register for the new system. Due to enhanced security features, existing users of our current “Classic” Online Banking must re-register for Online Banking to use the new system. The “Classic” Online Banking system will be available until July 15, 2014. If you want to continue using Online Banking after July 15, you will need to register for the new Online and Mobile Banking systems.

Registration is simple and should only take a few minutes. You are able to register through the Online Banking login box in the top right corner of our website at ibmsecu.org. Once you have registered you will be able to access our new Mobile Banking system as well!

For more information, please visit our Online Banking Help Center where you’ll find video demonstrations, tutorials, and FAQs on the new Online and Mobile Banking system and new Online Bill Pay platform.

We are excited to be able to provide more ease of use and services to our Members through the new Online Banking, Mobile Banking, and Online Bill Pay system! If you have any questions, please contact us at 800.873.5100, 561.982.4700, or serviceplus@ibmsecu.org.

Auto Buying Service – Discount For Members!

Your Credit Union offers you an exceptional Preferred Dealer Network for purchasing used cars: Enterprise Car Sales. Find the used vehicle of your choice – haggle and hassle-free! Shop your trade to get the most value and you can even enhance your Credit Union financing.

Take advantage of our Auto Buying Service today! Not only will we find that perfect car for you, we’ll get you the best price for it! The only thing you’ll have to do is pick up the keys. Plus, get a 0.50% discount on your Credit Union auto loan when you use Enterprise Car Sales!* **

* Auto Buying Service offered through Enterprise Car Sales, a trademark of Enterprise Rent-A-Car Company, non-affiliated, third-party providers for IBM Southeast EFCU.
** 0.50% discount only applies to vehicles financed through IBM Southeast EFCU and purchased through Enterprise. Certain conditions apply, not valid with other offers.

Banking On The Go Has Never Been Easier!

With IBM Southeast Employees’ Federal Credit Union’s smartphone apps for Android and iPhone, you can:

- Search for branches, shared service center branches, and ATMs
- Log in to Mobile Banking*
- Find contact info
- Look up rates
- Pay bills
- And more

They are free, easy to download, and simple to use. Download any free QR code reader to your smartphone and scan the appropriate code to download your IBM Southeast EFCU app in a snap!

* Mobile Banking is a free service for all of our Members. However, please check with your wireless carrier regarding charges for web-enabled services.

** “Android,” a registered trademark of Google, Inc., and “iPhone,” a registered trademark of Apple, Inc., are not affiliated with IBM Southeast EFCU.
Nothing is more important to us than your time, your money, and your future.

### Consolidated Condensed Statement of Financial Condition

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>As of 12/31/13</th>
<th>12/31/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Investments</td>
<td>$347,889,996</td>
<td>$338,121,292</td>
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<tr>
<td>Loans to Members, Net of Allowance for Loan Losses</td>
<td>432,470,786</td>
<td>448,814,063</td>
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<tr>
<td>Loans Held for Sale</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>16,374,062</td>
<td>16,965,075</td>
</tr>
<tr>
<td>Other Assets</td>
<td>37,393,833</td>
<td>37,354,873</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$834,128,677</strong></td>
<td><strong>$841,255,303</strong></td>
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<table>
<thead>
<tr>
<th>LIABILITIES &amp; EQUITY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ Shares and Share Equivalents</td>
<td>$758,313,602</td>
<td>$768,805,798</td>
</tr>
<tr>
<td>Dividends, Notes &amp; Accounts Payable, and Other Accrued Liabilities</td>
<td>6,096,494</td>
<td>8,572,044</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$764,410,096</strong></td>
<td><strong>$777,377,842</strong></td>
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<tr>
<td>Statutory Reserve</td>
<td>12,529,849</td>
<td>12,529,849</td>
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<tr>
<td>Undivided Earnings*</td>
<td>57,188,732</td>
<td>51,347,612</td>
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<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td><strong>$834,128,677</strong></td>
<td><strong>$841,255,303</strong></td>
</tr>
</tbody>
</table>

### Consolidated Condensed Statement of Income and Expenses

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Year Ending 12/31/13</th>
<th>12/31/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Loans</td>
<td>$22,741,417</td>
<td>$24,373,945</td>
</tr>
<tr>
<td>Investment Income</td>
<td>3,331,738</td>
<td>3,738,640</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td><strong>$26,073,155</strong></td>
<td><strong>$28,112,585</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTEREST EXPENSE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ Share and Savings Accounts</td>
<td>1,768,135</td>
<td>2,465,088</td>
</tr>
<tr>
<td>Borrowed Funds</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td><strong>1,768,135</strong></td>
<td><strong>2,465,088</strong></td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td><strong>$24,305,020</strong></td>
<td><strong>$25,647,497</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th>NON-INTEREST INCOME</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>12,922,024</td>
<td>15,286,145</td>
</tr>
<tr>
<td>NON-INTEREST EXPENSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,472,150</td>
<td>34,460,708</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>$6,754,894</strong></td>
<td><strong>$6,472,934</strong></td>
</tr>
</tbody>
</table>

* Includes Unrealized Gain/Loss from Investments, Comprehensive Income (Loss), Equity Acquired through Merger

** Includes Provision for Loan Loss