



SOUTHEASTERN
FEDERAL CREDIT UNION

2005 Annual Report

New Frontiers

New Frontiers

It is always exciting to be a part of something that is growing. You know change will take place and the way you observe life today will likely be altered for tomorrow. There is always a sense of uncertainty because nobody really knows what tomorrow may bring. But, when it's positive growth with an old friend who's been there through it all, it allows us to enjoy the moment and look forward to what may come.

Southeastern Federal Credit Union is venturing into new frontiers. Since our inception in 1953, it has been our goal to help our members grow financially. As our members make this positive change, so must we. There are several fronts we are expanding to not only provide an improvement of what we offer today, but to take us into the realm of being the cutting edge financial institution you expect and deserve. We want to make your financial dreams a reality. As we embark into this new territory, we look forward to an enhanced relationship with you and each member we serve.

A Letter from the Chairman of the Board and President/CEO

Dear Members:

Southeastern Federal Credit Union is at an exciting point in its history. With the ongoing successes of the lending department and branch network, and with a focus on disciplined growth within a rapidly expanding market, the Credit Union has worked hard to have the level of financial resources and the excellent market position it has attained. Capitalizing on this foundation, two thousand and five was a year of strategic positioning for the actions we need to take in going to the next level. The purpose for this posturing is to provide the membership with what they need to grow and thrive in today's financial environment.

There were several key points to this strategic positioning. We purchased 2.8 acres of land in North Valdosta in which to build our headquarters and a new branch office. This facility will replace the operations center and branch office currently at our 5-Points location. As many members know, we are long overdue for an expansion of our office space. It is also important that we have a facility that better reflects our presence in the community. In keeping up with the rapid growth in North Valdosta, we also purchased 1 acre of land off of Perimeter Road. This site will house a full service branch with four drive-through lanes and a drive-up ATM. However, the year was not solely spent on land and future branches. We also created a new marketing and business development department to help our membership and the community at-large better understand who we are and what we can do for them. A Vice President of Marketing and Business Development and a Marketing and Business Development Coordinator were introduced in the fall.

The most exciting part of our job is the new frontiers we have to look forward to in the coming year. The most notable will be the reconstruction of our image. Slowly, we will change the look and feel of everything seen involving the Credit Union. Our logo, branch signage, newsletter, advertising, web site, etc. will have a fresh, new identity. We will also change how we interact with members and potential members. A new service culture is being developed to better enhance each member's experience with us. Some products and services will be upgraded. And, with the land purchases comes buildings. The coming year will allow us to hopefully finish the new branch office off of Perimeter Road and be well underway with the construction of our new headquarters. It is definitely an exciting time to be a Southeastern member!

As we look to the year ahead, be assured we will continue to work hard to provide you with the very best in financial products and services while managing growth with long-term stability. While we look forward to the many opportunities and challenges ahead of us, we feel confident we are well positioned for the success that has been planned.

Sincerely,



Anthony C. Payton
Chairman of the Board



Delbert Lee Morgan
President/CEO



John Leonard
*Supervisory Committee
Chairman*

Supervisory Committee Report

On behalf of the Supervisory Committee, I am pleased to report that we have surpassed expectations in meeting our goals of properly administering relevant plans, policies, and control procedures required by our regulatory agency, the National Credit Union Administration (NCUA). The membership can be assured that all financial reporting objectives have been met and that all assets have been safeguarded.

The certified public accounting firm of Henderson & Godbee, P.C. assisted the Committee in its efforts by conducting a financial statement audit. The firm reviewed procedures to make certain that all standards set by the NCUA were met or exceeded.

The Credit Union management and staff are to be commended for their diligent efforts in demonstrating sound financial management practices and achieving positive fiscal ratios that equal or exceed our peer institutions. The Supervisory Committee appreciates the opportunity to have been of assistance in the Credit Union's undertakings, and, as always, welcomes recommendations for improvement.

Sincerely,

A handwritten signature in black ink, appearing to read "John Leonard", written in a cursive style.

The Federal Credit Union Act, which governs federally-chartered credit unions, and the bylaws of Southeastern Federal Credit Union provide for the establishment of a Supervisory Committee. The Supervisory Committee works independently of the Board of Directors and Credit Union management and is made up of Credit Union members who volunteer their time to support the credit union movement. Their principal function is to insure the accuracy of the Credit Union's financial statements and compliance with sound business practices and procedures.

Treasurer's Report

As Treasurer of the Board of Directors, I am confident to report 2005 was a solid year financially for the Credit Union. Our year-end assets totaled \$75,185,446, an approximate 13.5% increase over 2004's total of \$66,241,849. Our loan department continued its success with total loans increasing by \$15,564,105 (or 32.5%) over last year's total. Net income was a very positive \$816,554 and total membership grew to 19,217 members. All of these numbers represent accelerated, yet disciplined growth. And, we remain above peer average in almost all ratio comparisons. The 2004 and 2005 Financials are provided for you in this program.

The Board of Directors and the Credit Union management team meet at least once a month to evaluate the financial condition and adherence to and implementation of the Credit Union policies that affect each member's life. If you have questions or comments regarding SFCU's financial performance, please do not hesitate to contact me. I appreciate the opportunity to be able to serve in this capacity.

Sincerely,



Roy McNeal
Treasurer

Comparative Financial Statements

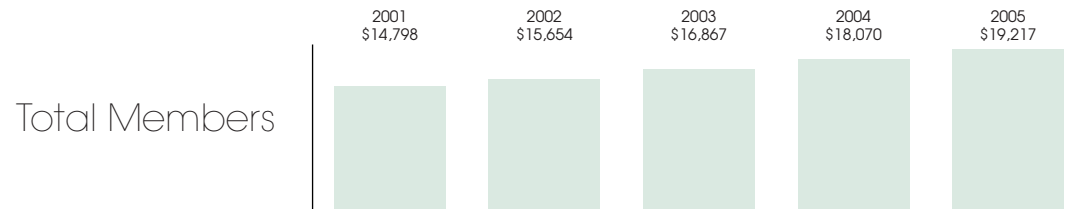
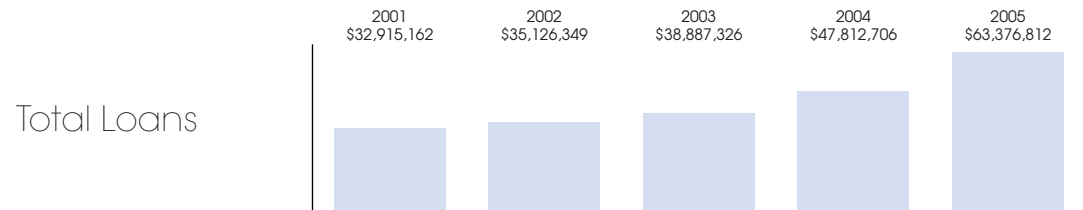
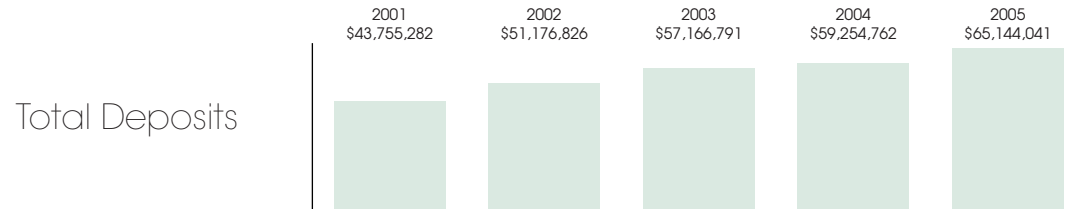
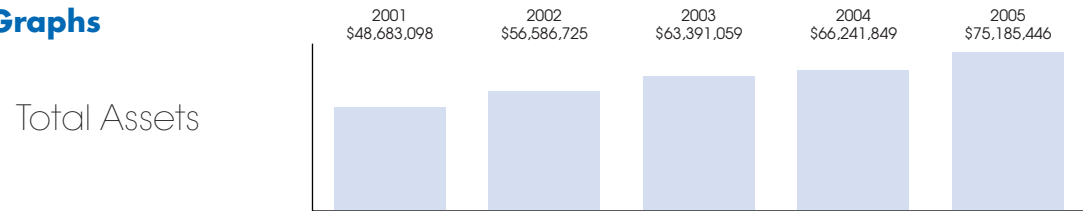
Consolidated Statement of Financial Condition As of December 31, 2005 (Unaudited)

	2005	2004
Assets		
Cash	\$2,254,429	\$1,275,898
Investments	2,237,780	12,785,743
Net Loans	62,873,262	47,451,160
Fixed Assets	3,899,151	1,894,986
Other Assets	3,920,824	2,834,062
Total Assets	\$75,185,446	\$66,241,849
Liabilities		
Total Liabilities	\$3,090,781	\$852,449
Equity		
Member Shares	\$65,144,041	\$59,254,762
Other Equity	6,950,625	6,134,638
Total Liabilities & Equity	\$75,185,446	\$66,241,849

Statement of Income For the Periods Ended December 31, 2005

	2005	2004
Loan Income	\$4,035,161	\$3,394,102
Investment Income	214,920	316,471
Other Income	2,233,299	1,908,280
Total Gross Income	\$6,483,380	\$5,618,853
Operating Expense	\$4,581,649	\$3,583,019
Net Operating Income	\$1,901,732	\$1,596,931
Non Operating Gain/Loss	\$0	\$0
Net Income Before Dividends	\$1,901,732	\$1,596,931
Dividend Expense	\$1,085,178	\$894,599
Net Income	\$816,554	\$702,332

Growth Trend Graphs



Minutes of 52nd Annual Meeting

March 10, 2005

- I. Chairman Webster Morgan called the meeting to order at 7:00 p.m. at the Lowndes County Conference Center.
- II. The chairman appointed Roy McNeal as recording secretary and Steve Gupton as Parliamentarian.
- III. The secretary determined a quorum was present with 138 members in attendance.
- IV. Chairman Morgan declared the meeting officially open and introduced the head table.
- V. An invocation was given by Steve Gupton.
- VI. The minutes were approved as presented.
- VII. A drawing for a CD alarm clock, \$25 gift certificate to Wal-Mart, and a crock-pot slow cooker was held.
- VIII. Webster Morgan gave the Chairman's message.
- IX. Mike Beverly gave the Treasurer's report.
 - X. Chairman Morgan welcomed back Matt Mullican for a patriotic salute to the service men and women.
- XI. John Leonard gave the Supervisory Committee's report.
- XII. Mike Beverly was called upon to explain the election process. There were three positions open for election to the Board of Directors. The nominating committee selected one person for each position open. The nominees selected were Charles Eidson, Roy McNeal, and Webster Morgan. Roy McNeal, Secretary, received no qualified petitions for nomination to the Board of Directors. The nominees were elected to the Board of Directors by acclamation.
- XIII. Lee Morgan gave the President's report.
- XIV. A drawing for a Smoothie Plus Blender, \$25 gift certificate to Home Depot, and a bird feeder with stand was held.
 - XV. Chairman Morgan recognized Fran Culpepper for a 5-year service award, presented Jill Stevens with a 10-year service award, Angela Demps with a 15-year service award, and Sharon Smith with a 20-year service award.
- XVI. A drawing for TV/Radio/Flashlight/Fluorescent Lantern by Jeep, SFCU Luggage Bag, and a 20" RCA Flat Screen Television was held.
- XVII. Old Business: There was none.
- XVIII. New Business: There was none.
- XIX. A drawing for the flower arrangements and the 8" Portable DVD Player was held.
- XX. There being no further business, the meeting was adjourned at 7:35 p.m.

**Board
Members**



Anthony C. Payton
Chairman of the Board



Mike Beverly
Vice Chairman



Roy McNeal
Treasurer



Charles Eidson
Secretary



Webster Morgan



John Leonard
*Supervisory Committee
Chairman*



Jerry Permenter

**Senior
Managers**



Delbert Lee Morgan
President/CEO



Vickie Pitts
*Vice President of
Operations*



Darryl Wood
*Vice President of
Lending*



Sharon Smith
*Vice President of
Administration*



Mickey Garland
*Vice President of
Marketing and
Business Development*



SOUTHEASTERN
FEDERAL CREDIT UNION