



2019

Annual Report

Full-Circle
Financial
Well-Being



Foster
meaningful
relationships

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 @secuMD
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 www.secumd.org



CHAIRMAN & PRESIDENT'S

Message

On behalf of the Board of Directors and Senior Leadership, we are pleased to report that 2019 was another year of tremendous growth for SECU, which has prepared us for the unprecedented events we are currently experiencing due to the COVID-19 pandemic. Thanks to our exceptional members and the dedication of the SECU team, our credit union is stronger than ever. Many of the enhancements we made in 2019 have improved our abilities to both serve you better in the current circumstances and provide the safe financial foundation needed to weather the changes 2020 is bringing to our lives and to SECU. With an eye on the future, we will define our “new normal” and continue to deliver an exceptional member experience in 2020.

As we look back over 2019, it’s hard not to acknowledge the contrast between the past and our present. While so much has changed, one thing has

remained constant. We are unwavering in our dedication to our members and the communities we serve. This was our guiding beacon as we navigated through 2019. By staying true to this course, the work we accomplished, the decisions we made, and solutions we delivered in 2019 prepared SECU to respond quickly and be there to support our members and our employees from the very beginning of the COVID-19 response in the United States.

There are many ways to measure the performance of a financial institution. Industry analysts rely on quantitative signs of strength, security, and growth. Others look at performance metrics and ratios that measure net income, capital, and market share. While all of these measurements are important, we think that the most important measurement is how we serve our members, which is why our primary focus is on meeting your needs and being there when you need us.



Mark Reger
Chairman of the Board



Dave Sweiderk
President and CEO

If we could sum up 2019 with one word, it would be “growth.” Not just in the financial term, but in all the ways we service our members and operate as an organization. We have grown by being able to quickly adapt to the needs of our ever growing number of members and improvements to our member experience. We have grown and enhanced our digital capabilities and platforms preparing us for the future state of digital banking. We have grown by strengthening our community outreach efforts to help the most vulnerable in our communities. We have grown in all the ways that matter most to the people of Maryland – and are committed to this in the future.

Since our humble beginnings in 1951, SECU has endured many economic cycles that included recessions, rising interest rate environments, inflation, housing industry changes, fluctuating employment rates, and now a pandemic, which has deeply impacted people’s lives and negatively affected the economy. Through it all, SECU has continued to offer valuable financial services, keeping the needs of our members front and center, and we will continue to do so with unwavering commitment and strength.

We know that the financial services world is changing rapidly, and we need to offer services in ways that appeal to all of our members. Whether you need to visit a financial center for personal service from our team, or you prefer

to use digital tools to bank completely online, we deliver the tools and resources to meet your individual needs.

The pages ahead provide details about the great work we did as a consolidated team in 2019, including information about the financial health of our credit union. Our organization’s ongoing growth and success depends on us continuing to improve on your member experience and remaining vigilant about meeting your needs. It is a responsibility that we take very seriously. For nearly 70 years, we have put our members at the center of everything we do. This is, and always will be, your credit union.

It is an honor and privilege to serve you, and to be a member of a team focused on helping you meet your financial goals. Thank you for your membership and confidence in our credit union. We look forward to serving you in 2020 and into the future.

Sincerely,

Mark Reger
Mark Reger

Dave Sweiderk
Dave Sweiderk

Be a **trusted partner**

Features & Benefits



Lending

SECU does not take a one size fits all approach to Lending. We recognize that every member has very unique needs, and are looking for good lending solutions at competitive rates to meet those needs. After listening to member feedback, we introduced new Lending solutions in 2019, including a seamless one-time application process for in-school student loans, as well as a student loan refinancing offering to help with higher education costs for you and your family. Additionally, SECU began offering a new Unsecured Home Improvement loan.

In 2019, we focused on better supporting our members on their journey to homeownership. We hosted several Home Buying workshops in our centers, and added more Mortgage Loan Officers to our team skilled at helping members get into the right mortgage solutions for them, including our 100% Financing Mortgage Loan aimed at assisting first-time homebuyers achieve their dream of home ownership. These efforts helped increase new home mortgage purchases and mortgage refinancing by 10% in 2019.

SECU strives to be there when you need us.



Business

SECU continues to be committed to Maryland's small businesses and offers member business owners and commercial enterprises the advice, banking solutions, financing, and resources they need to thrive. To better connect with business owners across the state, in 2019 we tripled the number of Business Relationship Managers to provide a more personalized experience for our business members. We also ramped up our participation in area Chambers of Commerce, and opened our financial centers to networking events to help business owners connect with others in the area. We listened to our business members' feedback about their day-to-day banking needs, and introduced several new digital banking tools including Remote Check Deposit for business accounts. In 2019, we increased our new business loan originations, resulting in portfolio growth of 16%.



Digital Banking

SECU strives to be there when you need us. In 2019, we made ongoing improvements to our digital banking tools based on your feedback so that you can do your banking 24 hour a day, seven days a week on your computer or mobile devices from wherever you may be. We also installed new ATMs with improved security features, and upgraded the functionality at our ATMs, offering you improved banking services.



Community Impact

Service. It's a word that is woven into the fabric of SECU's culture. We believe it is our corporate responsibility to give back to the people we serve, and to help those that are most vulnerable in our communities.

VOLUNTEERISM

SECU has a dedicated Community Outreach team that helps coordinate our volunteers and plan our outreach activities. We offer our employees quarterly volunteer hours so they can engage regularly with the community through volunteer service.

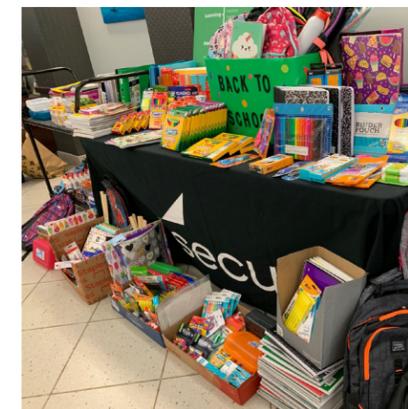
In 2019, over 200 of our employee volunteers logged over 2,200 hours of service supporting 68 different organizations.

Our volunteers gave their time with quarterly visits to the Maryland Food Bank to sort donations and visits to the Ulman House to prepare dinner for their guests. During our annual United Way Giving Campaign to raise money for United Way of Central Maryland, a group of volunteers came together for our Day of Action in support of Rebuilding Together Howard County.

PHILANTHROPY DRIVES

When we say that service is part of our culture, we include our members. Many of you have expressed interest in getting involved and supporting our outreach efforts. We hosted several philanthropy drives throughout 2019, where our members got involved by donating food and supplies to worthy causes.

- During our annual Food Drive, we collected over 650 pounds of food from our members and employees, which was donated to the Maryland Food Bank and other local non-profits throughout Maryland.
- During our annual School Supply drive, we collected over double the amount of much needed school supplies that we did in 2018. Donations were collected in our financial centers and in our corporate office. These supplies were donated to the Education Foundation for Baltimore County Public Schools and other local schools across Maryland.
- Our Holiday Giving Drive helped 41 children from 12 families through the Adopt-A-Family program in collaboration with the Salvation Army of Central Maryland and other local non-profit organizations.



Employee donated school supplies fill the lobby at SECU's Headquarters.

Service. It's a word that is woven into the fabric of SECU's culture.

FINANCE FAIRS

To help prepare students for the financial realities they will face after graduation, we hosted 11 Finance Fairs at area high schools and colleges. Over 1,100 students participated in these experiential learning opportunities, which guide them through a monthly budgeting exercise where they are given a salary and must learn how to budget for expenses such as housing, food, and entertainment. The goal is for them to understand the important decisions they will face after graduation to help them start on a path to a secure financial future.

“As a local credit union, it is our mission and the mission of the SECU MD Foundation to provide children and young adults with the experience, knowledge, and resources needed to make smart, informed financial decisions,” said Dave Sweiderk, SECU’s President and CEO.

SECU MD FOUNDATION

The SECU MD Foundation supports our philanthropic efforts by providing access to education, supporting health and wellness, and serving as a catalyst for community development. To raise funds for our outreach efforts and the Foundation’s Scholarship Program, the Foundation hosts an annual golf tournament. In 2019, 24 teams participated in the tournament, raising nearly \$80,000.

We also collected donations in our financial centers and online throughout the year. Employees, members, and people throughout the community can make donations online at www.secumdfoundation.org.

SCHOLARSHIP PROGRAMS

The SECU MD Foundation awarded \$102,000 in scholarships to 36 deserving students, who were chosen for the three scholarship programs that the SECU MD Foundation oversees – the State Employees Scholarship, the Donald Tynes Sr. Scholarship, and the University System of Maryland Scholarship.

SECU is incredibly proud of these students for pursuing higher education at prestigious schools across the country.



SECU Leadership attended a ribbon cutting for 19 chairs the SECU MD Foundation donated to the University of Maryland Medical Center, Children’s Hospital PICU.

K’S FOR KIDS

In 2019, SECU partnered with the Baltimore Orioles and the Kennedy Krieger Institute, donating \$50 to Kennedy Krieger for every home run hit by the Orioles at Camden Yards. Through this initiative, we donated \$31,400 to support the great work done by Kennedy Krieger. SECU also partnered with the Baltimore Orioles to host K’s for Kids VIP Days at Camden Yards for children treated at the Kennedy Krieger Institute. They received tickets to an Oriole’s home game in the Oriole’s corporate box, the chance to attend batting practice and a meet and greet with players and the Oriole Bird.

With service as part of our DNA, we look forward to volunteering in our communities and supporting those in need for many years to come.



Life’s most persistent and urgent question is ‘What are you doing for others?’

— MARTIN LUTHER KING, JR.

Giving Back

The Credit Union movement was built on the idea of helping people in the communities we serve. SECU has always embraced that commitment, and we take our responsibility to support our communities seriously.

CHARITIES

- Annual United Way Giving Campaign raised **\$35,000** for United Way of Central Maryland.
- Our contribution of **\$22,277** to the University of Maryland Medical Center, Children’s Hospital helped fund 19 sleep chairs in the Pediatric Intensive Care Unit.

LARGEST SPONSORSHIPS

- Special Olympics Maryland Summer Games Opening Ceremonies Sponsor
- CollegeBound Foundation Scholar of the Week Sponsor
- Kennedy Krieger Institute through our K’s for Kids Initiative
- Rebuilding Together of Howard County



Patients and families from the University of Maryland Medical Center enjoy time together at a Baltimore Blast game at SECU Arena.

Our Impact



\$22K

to the University of Maryland Medical Center, Children’s Hospital



11

Finance Fairs



2,203

Volunteer Hours Donated



\$102K

in scholarships



\$31K

to Kennedy Krieger Institute



\$35K

to the United Way of Central Maryland



SECU employees
lead with their
hearts everyday

New Home Buyers

2019 saw the highest number of first time home buyers enter the US housing market in a decade, fueled by historically low interest rates, low unemployment, and other favorable factors. But SECU understood that many people throughout our communities still felt that homeownership just wasn't within reach.

To support people on their journey to buying a new home, SECU offered the First Time Home Buyer Program. The program centers on developing mortgage solutions that addressed the real barriers people were experiencing when buying their first home.

Buying a home is one of the biggest investments in people's lives. It is exciting, but can also be scary and confusing. One of the largest hurdles to homeownership is the large down payment, especially here in Maryland, where housing costs run higher than other states across the US. To help people who do everything right but just don't have the 20% down payment required for a traditional mortgage, SECU introduced the 100% Financing Mortgage to support these first time buyers.

Through this program, buyers need to only put down \$1,000 plus cover closing costs. Buyers can negotiate up to 3% in closing cost assistance from the seller for additional savings.

"People often don't think about credit unions when they are looking for a mortgage," said Toby Smith, SECU's SVP, Lending. "But the very nature of credit unions, where members are the owners and the primary purpose is on supporting the financial wellness of our members and our communities as opposed to profits for shareholders, makes them ideal financial institutions for first time home buyers. We take the time to listen to them because it's not about selling mortgages for us. It's about giving people the opportunity to realize their dream of

homeownership in a way that's realistic and achievable. Our Mortgage program and Mortgage Lending Officers (MLOs) is focused on getting people into the right mortgage for them."

We also hired several new MLOs to our team who are immersed in the local markets they serve, because we know first time buyers on the Eastern Shore have different needs and concerns than buyers in Baltimore City, the DC suburbs, or western Maryland.

"Our MLO team takes the time to listen and learn about our new home buyers. This helps them be their trusted advisor and advocate through the entire process," said Bill Atkinson, MLO Sales Manager.

To reach new home buyers throughout our communities, SECU hosted home buying seminars with Realtor partners in our financial centers. These seminars explained the process of buying a new home and showcased that homeownership was within reach for people who may have thought they would never own a home.

"I was worried I would never be able to afford a house. I rented for over 20 years, but was tired of paying someone else's mortgage. When my granddaughter came to live with me, I knew it was time to get serious and buy a home we could all call our own," said Leisa, SECU member for over 30 years. "The team at SECU were so patient. They answered my questions, listened to my concerns, and were always there whenever I needed them. They were truly a blessing to me during this process. I can now proudly say that I am a homeowner!"

Our new program helped drive our 10% growth in new home mortgage purchases and mortgage refinancing in 2019. We plan to add additional MLOs to our team in 2020 to better serve new home buyers throughout Maryland.

"The team at SECU were so patient. They answered my questions, listened to my concerns, and were always there whenever I needed them. They were truly a blessing to me during this process. I can now proudly say that I am a homeowner!"

— LEISA, SECU MEMBER



Treasurer's Report

SECU is pleased to report that in 2019 the credit union once again had growth in all areas of the business including new membership, earnings, net worth, loan originations, and deposits. The continued strength in these areas demonstrates our members' confidence in SECU. The Board and Senior Leadership are grateful that you have embraced the credit union difference and placed your trust in us.

SECU's continued growth showcases the work our employees have done in educating our communities about the benefits of credit union membership through targeted awareness campaigns and programs such as Bank at Work. Our members are our top priority, and we strive to offer exceptional service during every interaction.

FINANCIAL HIGHLIGHTS FOR 2019

- **Total assets increased** \$132 million or 3.6% to \$3.77 billion
- Total loans including auto, mortgage, home equity, business, personal, and credit cards increased \$63 million or 1.9%
- **Total deposits increased** \$106 million or 3.3% to \$3.34 billion
- **43,511 loans were approved** for members, totaling \$1.6 billion
- **Loan charge-offs, net of recoveries,** totaled \$24.3 million in 2019 compared to \$18.9 million in 2018

SECU continues to be classified as a well-capitalized financial institution by the National Credit Union Administration with a capital ratio of 10% at December 31, 2019.

SECU's independent auditors, CliftonLarsonAllen LLP, issued an unmodified audit opinion on the 2019 financial statements. Further details of SECU's 2019 financial results are included in this annual report.

SECU's Board, Senior Leadership, and employees are focused on maintaining the safety and soundness of the credit union and continuously monitor and plan for potential impacts of changes in the economy and market. We remain steadfast in our commitment to protect your financial assets. The Enterprise Risk Management Committee continues to review, identify, and address risks facing the credit union, including credit, interest rate, liquidity, compliance, operational, and technological.

SECU Senior Leadership is working with Committees and the Board to minimize the negative impact of the current pandemic on the credit union's earnings. We are committed to our members, and you can be confident in knowing that SECU is a safe, secure, and sound financial partner. We look forward to continuing to serve you and meet your financial needs.

On behalf of the Board of Directors, SECU Senior Leadership, and staff, thank you for your continued trust and loyalty.

RESPECTFULLY,


John Kenney, Treasurer

Credit Committee Report

We are pleased to report the Credit Committee activities for the calendar year ending 2019. During 2019, the Credit Committee met bi-weekly to review member appeals for loan applications that were denied within the proceeding 30 days.

When a member appeal is received, it is first reviewed by a Lending Manager and a Senior Lending Analyst. If the original decision is upheld by Lending, the appeal is then sent to the Credit Committee. In 2019, the Credit Committee met 24 times to consider member appeals.

Last year, your lending division approved 43,511 applications, valued at \$1.6 billion. There were 66,362 applications denied, with members submitting 353 appeals to SECU. Following initial review by Lending, 36 denials were overturned by Lending and the remaining 317 denials were submitted to the Credit Committee. The Credit Committee upheld the denials on the remaining 317 appeals.

In addition to the review of member appeals, the Credit Committee ensures consistency and adherence to established lending practices and policies as approved by your Board of Directors.

We are very grateful for the opportunity to serve our members in this capacity.

RESPECTFULLY SUBMITTED,

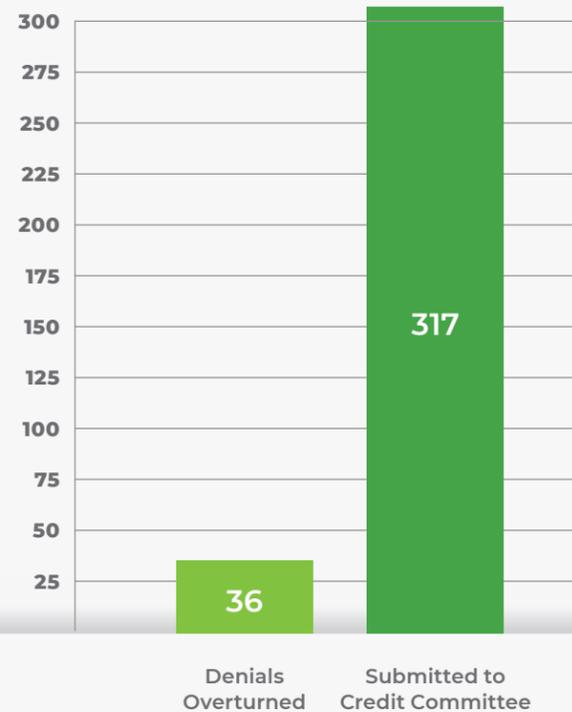
Joseph Lambdin, *Chairman*
 Aaron Von Moore
 M. Ellen Anderson
 Hye Yeong Kwon



43,511

Approved 2019 Applications

2019 Appeals



Supervisory Committee Report

The Supervisory Committee is pleased to report that the Board of Directors and SECU Senior Leadership have met the required financial reporting objectives and established practices and procedures intended to safeguard members' assets. The Committee has made this determination based on the examinations of the State of Maryland's Department of Labor, Licensing and Regulation; the National Credit Union Administration; and audits by the independent public accounting firm of CliftonLarsonAllen LLP, and our Internal Audit department.

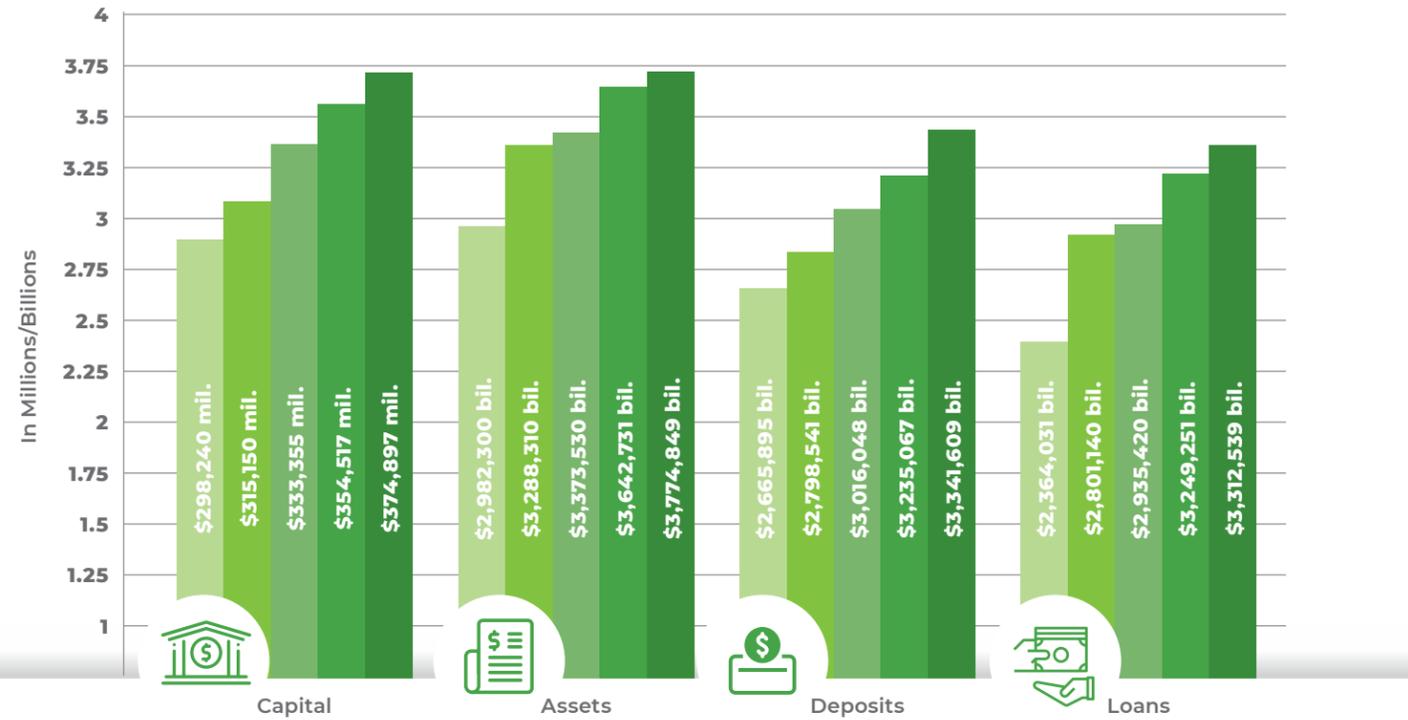
CliftonLarsonAllen LLP has rendered an unmodified opinion on the financial statements of SECU. The financial statements can be viewed here ([link to doc on secumd.org](https://www.secumd.org)). We wish to express our appreciation to the Board of Directors, Management and staff for their continued cooperation.

**RESPECTFULLY SUBMITTED,
 SUPERVISORY COMMITTEE**

Matthew P. Petito, *Chairman*
 Brenda I. Cachuela
 Sharon M. Rowell



Financial Trends



Financial Statements

Balance Sheet

ASSETS	2019	2018
Cash and Cash Equivalents	\$222,539	\$190,554
Investments	122,777	88,045
Loans, Net	3,317,771	3,249,596
Accrued Interest Receivable	10,761	10,286
Premises and Equipment, Net	39,013	41,190
NCUSIF Deposit	32,608	31,168
Other Assets	31,089	35,436
TOTAL ASSETS	\$3,776,558	\$3,646,275

Liabilities and Members' Equity

LIABILITIES	2019	2018
Members' Share and Savings Accounts	\$3,341,609	\$3,235,067
Borrowed Funds	30,000	30,000
Accrued Expenses, Interest Payable and Other Liabilities	30,051	26,691
TOTAL LIABILITIES	3,401,660	3,291,758
MEMBERS' EQUITY		
Regular Reserves	172,640	168,940
Undivided Earnings	203,381	187,012
Accumulated Other Comprehensive Loss	(1,123)	(1,435)
TOTAL MEMBERS' EQUITY	374,898	354,517
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$3,776,558	\$3,646,275

Income Statement

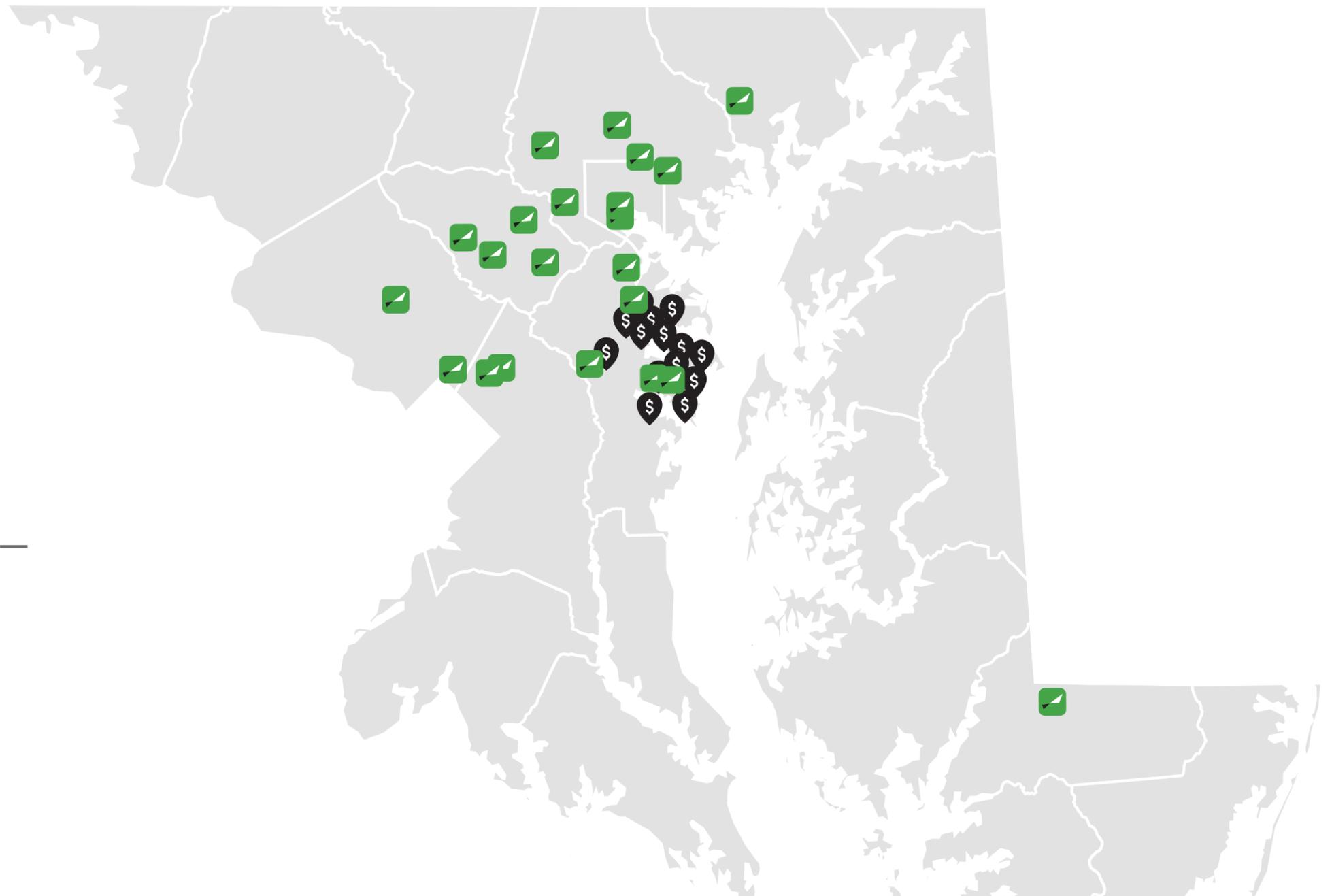
INTEREST INCOME		
Loans	\$143,799	\$132,781
Securities, Interest Bearing Deposits and Cash Equivalents	20,517	17,472
TOTAL INTEREST INCOME	164,316	150,253
INTEREST EXPENSE		
Members' Share and Savings Accounts	30,592	23,629
Borrowed Funds	15,669	13,010
TOTAL INTEREST EXPENSE	46,261	36,639
PROVISION FOR LOAN LOSSES	26,410	27,029
NONINTEREST INCOME		
Overdraft Fees	9,298	9,323
Intercharge Income	14,221	12,739
Other Fees and Charges	10,448	11,124
Other Income	6,141	6,922
TOTAL NONINTEREST INCOME	40,108	40,108
NONINTEREST EXPENSE – GENERAL AND ADMINISTRATIVE		
Employee Compensation and Benefits	39,856	35,951
Office Occupancy	14,060	13,975
Data Processing	18,400	17,559
Professional and Outside Processing Fees	27,419	26,251
Other	11,949	11,116
TOTAL NONINTEREST EXPENSE	111,684	104,852
NET INCOME	\$20,069	\$21,841

Servicing Members

With **22 Financial Centers**—and counting—
and access to more than **30,000 free**
ATMs nationwide, we're proud to serve
Marylanders across the state.

 **SECU FINANCIAL CENTERS**

 **SERVICE-FREE ATMS**



ANNAPOLIS
115 West Street
Annapolis, MD 21401

ANNAPOLIS TOWNE CENTER
203 Harker Place Suite 115
Annapolis, MD 21401

BALTIMORE – CHADWICK
7173 Security Boulevard
Baltimore, MD 21244

BALTIMORE – FULLERTON
7906 Rossville Boulevard
Baltimore, MD 21236

BALTIMORE – STATE OFFICE COMPLEX
301 W. Preston Street
Baltimore, MD 21201

BALTIMORE – UMB
418 W. Baltimore St
Baltimore, MD 21201

BEL AIR
210 Plumtree Road
Bel Air, MD 21015

COLUMBIA
8630 Snowden River
Parkway
Columbia, MD 21045

CROFTON
1298 Cronson Boulevard
Crofton, MD 21114

ELLICOTT CITY
10025 Baltimore National
Pike
Ellicott City, MD 21042

GLEN BURNIE
103 Chesapeake Center
Glen Burnie, MD 21060

GREENBELT ROAD
6011 Greenbelt Road
College Park, MD 20742

HAGERSTOWN
17239 Cole Road
Hagerstown, MD 21740

LAVALE
12200 Winchester Road
LaVale, MD 21502

OWINGS MILLS
10801 Red Run Boulevard
Owings Mills, MD 21117

PASADENA
8055 Jumpers Hole Road
Pasadena, MD 21122

SALISBURY
1101 Mt. Hermon Road
Salisbury, MD 21804

SHADY GROVE
16707 Crabbs Branch Way
Derwood, MD 20855

SILVER SPRING
8737 Colesville Road
Silver Spring, MD 20910

TIMONIUM
33 E. Padonia Road
Timonium, MD 21093

TOWSON
8603 LaSalle Road
Towson, MD 21286

UNIVERSITY OF MARYLAND COLLEGE PARK
8300 Baltimore Avenue
College Park, MD 20740

COMING SOON CLARKSVILLE
12179 Clarksville Pike
Clarksville, MD 21029

Our Forward Thinkers



Board of Directors

MARK REGER Chairman	GAYLE SEWARD Secretary	ELLEN GARDNER Director
SHARONNE BONARDI Vice Chairman	JANET BACON Director	TIMOTHY LA VALLE Director
JOHN KENNEY Treasurer	JUANCHO BAINO Director	DONALD TYNES, SR. Director

ABOVE TOP ROW
Timothy La Valle, Janet Bacon,
Gayle Seward, John Kenney,
Donald Tynes, Sr.

ABOVE BOTTOM ROW
Juancho Baino, Ellen Gardner,
Mark Reger, Sharonne Bonardi

RIGHT TOP ROW
Roderic Flowers, Michele Moore,
David Sweiderk, Kevin Kesecker,
John Ena

RIGHT BOTTOM ROW
James Smith, Steve Arbaugh,
Becky Smith

Senior Leadership

EXECUTIVE LEADERSHIP

DAVID SWEIDERK
President and Chief Executive
Officer

STEVE ARBAUGH
Executive Vice President,
Chief Financial Officer

KEVIN KESECKER
Executive Vice President,
Chief Administrative Officer

BECKY SMITH
Executive Vice President,
Chief Strategy and Marketing
Officer

RODERIC FLOWERS
Senior Vice President, Chief
People Officer

MICHELE MOORE
Senior Vice President, Retail
Banking

JAMES (TOBY) SMITH
Senior Vice President, Lending

JOHN ENA
Senior Vice President, Finance
& Accounting/Controller

ADRIENNE ALLGIRE
Vice President, Operations

TESHIA DAVIS
Vice President, People &
Culture

HARRY FLORIO
Vice President, People
Experience

STEPHEN HAZAN
Vice President, Credit
Administration

SHERRY JOSEPH
Vice President, Risk
Management & Compliance

KELLY MAKAREHCHI
Vice President, Member
Experience & Insights

RAFAEL OLAZAGASTI
Vice President, Branch
Banking

KEVIN STEHL
Vice President, Corporate
Strategy

SHEREEFAT BALOGUN
Assistant Vice President, Chief
Legal & Compliance Counsel

AMY BASTA
Assistant Vice President,
Marketing

DAVE BELL
Assistant Vice President, IT
Infrastructure

WES GIRLING
Assistant Vice President,
Optimization

NITZA HALL
Assistant Vice President,
District Leader

KATIE LEINEWEBER
Assistant Vice President,
Brand Strategy

CHAD QUARLES
Assistant Vice President,
Information Security

CHAD SHARP
Assistant Vice President,
District Leader

SCOTT SMITH
Assistant Vice President,
Lending

JOHN TODD
Assistant Vice President,
Digital

JULIE WISNAUSKAS
Assistant Vice President,
Internal Audit

ADAM YASNESKI
Assistant Vice President,
Learning Programs

Choose right over easy

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