



ANNUAL REPORT

2016

A BETTER WAY OF BANKING®



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A BETTER WAY OF BANKING®

- 1 Chairman and President's Report
- 4 2016 Highlights - Value, Reliability, Convenience
- 5 Treasurer and Credit Committee Report
- 6 Audit Committee Report
- 7 Board of Directors
- 8 Financials
- 9 Consolidated Statements of Financial Condition
- 10 Consolidated Statements of Earnings
- 11 Corporate Social Responsibility Scorecard

1 | Chairman and President's Report



George Thompson
Chairman



Lonnie Nicholson
President and CEO

Dear Members and Friends,

We are pleased to report that EECU experienced another solid year in 2016. Thanks to a strengthening economy, we experienced growth on many fronts this past year with increases in membership, deposits and loans. Our promise to provide Members with A Better Way of Banking® remained the driving force in everything we did during the year. We continued to enhance our products and services to better the lives of our Members and help them meet their financial goals. By anticipating and responding to changes in the marketplace and advances in technology, we were able to enhance service to our Members.

Indicators of Solid Performance

Our commitment to our Members and their support of the credit union, led to another solid year financially. We ended the year with \$1.97 billion in assets and a net worth ratio of 11.6 percent. Our Members' equity position continues to be well in excess of the National

Credit Union Administration's well-capitalized minimum of 7 percent, underscoring our financial strength. We also had an exceptional year for Member growth welcoming 25,000 new Members, which brought our year-end membership total to nearly 181,000.

Financial Benefits and Savings for Our Members

As a financial cooperative, the strength of our numbers allows us to provide more direct benefits to Members in the form of lower interest rates on loans, higher savings rates, and low-fee or no fee products and services. The Credit Union National Association's most recent report estimates that EECU provided over \$12.1 million in direct financial benefits to our Members in 2016, which compares favorably to other Texas financial institutions. That translates into an average annual savings or benefit of \$276 for Member households that utilize EECU as their primary financial institution.

Members Embrace Digital Banking

EECU takes great pride in the services we provide our Members. We provide the tools to manage finances, convenient access to accounts, and advice and counsel to help make sound financial decisions. In 2016, EECU's digital banking products helped meet the financial service needs of our Members no matter where their lives took them. Mobile Banking became the most widely and often used channel for Members to check

EECU'S SUCCESS MEANS GIVING MORE TO OUR MEMBERS

\$12.1 Million
Direct Financial Benefits

\$276 Annual
Average Household Savings

account balances, transfer funds and make deposits. Members made more than \$98 million in deposits using their mobile devices and, as of December, almost 16 percent of deposits were made through mobile devices — an increase of 23 percent in 2016. Our mobile app continues to garner very favorable reviews, averaging 4.7 stars from the App Store® and Google Play™ store. And, some six out of ten Members received online statements in 2016, representing an increase of 16 percent in 2016 as more Members utilize this convenient service.

In addition to Apple Pay®, which we introduced in 2015, we also launched two new digital wallet options in 2016 with Android Pay™ and Samsung Pay™. With digital wallets, Members can use their EECU debit and credit cards to make secure purchases with their mobile devices at checkout and through merchant apps. We also enhanced the online credit card and personal loan applications so that Members may enjoy a streamlined and expedited loan process from application to funding.

Providing One-on-One, Personalized Service

Along with the increased use of digital channels, our branches and contact center continued to provide the ever-important personal touch that builds trust and engagement with our Members and reinforces our commitment to delivering best-in-class service. In 2016, EECU's 14 branches performed over 1.9 million transactions and our contact center answered over 300,000 phone calls.

During the year, our social media presence, especially on Facebook and Twitter, allowed us to keep connected with Member sentiment by quickly responding to questions and providing information on products and services. Our pride in delivering a best-in-class Member experience can be seen as we continued to rank high in Member satisfaction with 95 percent of our Members agreeing that they were satisfied with EECU.

Investing in our Communities

Our outstanding performance and exceptional service are also reflected in our employees' passion to give back to the communities in which they live and work, whether financially or by donating their time through volunteerism. In 2016, EECU employees supported events such as the EECU Mayfest Run and Cook Children's Radiothon, helping to raise more than \$225,000 to serve local patients and their families. We also demonstrated our continuing commitment to the community by donating over 3,700 pounds of non-perishable food items to the Tarrant Area Food Bank during the holiday season. Through EECU's Vital Link program, we connected Fort Worth ISD students with real-life work experiences, and we helped today's youth become tomorrow's leaders by providing scholarships for college-bound high school seniors. In addition, EECU remained committed to education throughout the year by offering comprehensive outreach and educational workshops to the Independent School Districts and our Select Employer Groups throughout the DFW metroplex.

EECU'S MOBILE APP GARNERS FAVORABLE REVIEWS

4.7 STARS 
 from the App Store® and Google Play™ store



A Team Dedicated to Success

We realize that running a successful credit union is the collaborative effort of a focused team of skilled professionals, and that begins with strong leadership. As in years' past, EECU's Board of Directors is firmly at the helm, driving the organization forward, while the management team and employees execute the business strategy. We applaud these outstanding individuals and the critical contributions they made in 2016 to ensure exceptional service to our Members and the financial stability of the Credit Union.

The Road Ahead

In 2017, we will continue to focus on delivering A Better Way of Banking® by providing the financial value you expect from your trusted financial partner. We are leveraging modern technologies and developing new products designed to help make our Members' lives simpler. One of our efforts already underway this year is the installation of new ATMs with Interactive Teller functionality that provides state-of-the-art convenience and reliability to our Members. We will begin offering SBA loans to meet the needs of our small business owners and we will expand our mortgage programs, making EECU the home lender of choice for our Members and the DFW community. We began offering Health Savings Accounts on March 1st of this year and plan to enhance our auto loan and online account opening capabilities to

deliver a more streamlined Member experience. In addition, we will introduce a financial literacy program for the students at our local high schools. We look forward to delivering these and other best-in-class products and services to you throughout 2017.

While we are proud of our growth in membership, deposits and loans, we remain keenly aware that you have a choice in financial services providers. All of us at EECU—your board of directors, management and every employee—thank you for your membership. You can continue to trust EECU to deliver A Better Way of Banking® in 2017 and beyond.

Thank you for your continued support.

George Thompson Jr.
Chairman

Lonnie Nicholson
President and CEO

Apple Pay is a trademark of Apple Inc., registered in the U.S. and other countries. Android Pay is a trademark of Google Inc. Samsung Pay is a trademark of Samsung Electronics Co., Ltd.

A BETTER WAY OF BANKING®



CARROLL DRAGONS

New Names. New Look. Enhanced Security. – We introduced the new EECU Cash Rewards Mastercard® and the EECU World Rewards Mastercard® designs to better identify the cards and their benefits. Additionally, all EECU cards now have the enhanced security of chip technology.



Affinity Banking Program – We delivered branded credit and debit cards, checking, auto and personal loan programs for Carroll ISD. This new Affinity program will allow us to provide a custom experience for additional ISD partners and associations.

TRUECar

Health Savings Accounts – We created a Health Savings Account product that was introduced to our Members, ISDs and Select Employer Groups beginning March 1, 2017.



Online and Mobile Auto Buying Center Powered by TrueCar – We launched a new online and mobile auto research and buying tool that allows our Members and affinity partners to shop and research vehicles, and request vehicle pricing while getting pre-approved.



FRAUD

Android and Samsung Pay – We introduced Android Pay™ and Samsung Pay™ to provide convenience and expand our digital wallet offerings for our Members.

Member Experience Loyalty Surveys – To ensure we are delivering A Better Way of Banking® to our Members, we introduced ongoing Member Experience Loyalty Surveys. These surveys allow our Members to have a voice so we can measure and improve their experience in all aspects of their relationship with EECU.

Enhanced Fraud Notification System – Our debit card fraud notification system was enhanced to include both text and email messaging. These new features allowed EECU to alert Members instantly and give them the opportunity to respond in real-time, increasing the speed of recognizing and preventing fraud.

5 | Treasurer and Credit Committee Report



Frank Molinar
Treasurer



Johnny Largent
Chairman of the
Credit Committee

EECU achieved another solid year financially in 2016, outperforming local and national peer credit unions. The historically low interest rate environment contributed to a challenging business environment, with tighter margins on investments, loans and deposits. Nevertheless, your board of directors and executive management team maintained conservative investment strategies. And with careful planning, EECU assets increased 8.83% to \$1.97 billion in 2016, while net income of more than \$16.8 million enabled us to continue to support our growth and investment in our Members to provide A Better Way of Banking®.

EECU ended 2016 with a strong ratio of net worth-to-total assets of 11.6%, a measure of the financial stability of a credit union. The National Credit Union Administration (NCUA), sets the regulatory standard for the minimum allowable capital level for "well-capitalized" credit unions at 7 percent.

New Member growth is another critical measure of success. We are pleased to report that during 2016 over 25,000 new members joined EECU, resulting in a year-end membership total of 180,788.

Deposits grew more than \$143 million, up 9.1% from \$1.571 billion in 2015 to \$1.714 billion in 2016. Checking balances grew 9.9% to \$319 million. EECU continues to pay higher deposit rates than many other financial institutions without the "hook" products many other institution's use.

Being a trusted financial partner means making prudent loan decisions that are in the best interest of our Members. With EECU's continued commitment to meet the borrowing needs of our Members, the Credit Union maintained competitive loan rates and originated over \$634 million in consumer loans, \$119 million in home loans, and \$24 million in commercial loans during 2016, increasing our total loans outstanding to \$1.440 billion. Our loan portfolio continues to perform much better than other credit unions and banks nationally.

EECU's overall rate of loan delinquency remained steady, unchanged from 2015 to 2016 at 0.27%, reflecting our sound lending policies and our Members' dedication to meeting their payment obligations.

Through careful allocation of resources and management of expenses, we also continued to focus on efficiency. The operating expense-to-average asset ratio of 2.81% is among the lowest in the industry, allowing us to continue to offer best-in-class products with exceptional value. Regardless of what future economic and financial challenges may lie ahead, EECU remains well-positioned with a high-quality loan portfolio, safe and liquid investments, and a strong and stable membership base, and substantial net worth position.

We hope you will continue to look to EECU as your trusted partner and source of personalized financial solutions. We thank you for your membership and participation in the success of your credit union in 2016.

Frank Molinar
Treasurer

Johnny Largent
Chairman of the
Credit Committee



Frank Molinar
Treasurer



Brad Schone
Chief Financial Officer

Your audit committee meets on a regular basis to oversee the credit union's audit function. Its mission is to ensure accurate and fair presentation of the credit union's financial condition, and to assist management in evaluating the effectiveness and efficiency of risk management practices, resource management, internal controls, regulatory compliance, and overall governance.

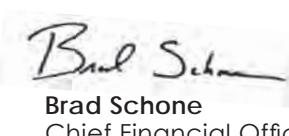
Through comprehensive standards, measurements, and oversight, we work diligently to ensure the continuation of EECU's fiscal health and sound operations. To accomplish its oversight and fiduciary responsibilities, the Audit Committee is assisted by the auditing services of Doeren Mayhew CPAs & Advisors. Working on the Committee's behalf, Doeren Mayhew performs auditing services to ensure the credit union's financial statements are presented in accordance with generally accepted accounting principles, and obtain reasonable assurance that internal controls are in place and are followed to protect member assets.

The audit committee meets on a routine basis to establish auditing plans, review audit results, and ensure timely correction of deficiencies by operating management. Regulatory examinations are performed on an annual basis by the Texas Credit Union Department and the National Credit Union Administration. These examinations focus on EECU's financial condition, safety and soundness, credit administration practices, operating results, and management oversight. The audit committee is pleased to report EECU remains operationally and financially safe and sound.

The Annual Report and related financial statements are true and correct to the best of our knowledge and belief, and present fairly the financial condition and statement of income for the period covered.



Frank Molinar
Treasurer



Brad Schone
Chief Financial Officer

7 | Board of Directors



George Thompson Jr.
Chairman (2015-2018)



Dr. Rich Dear
Vice Chairman (2015-2018)



Dr. Joe Bean
Secretary (2015-2018)



Frank Molinar
Treasurer (2017-2020)



Ben Davis
Director (2014-2017)



Johnny Largent
Director (2014-2017)



Karel Rucker
Director (2017-2020)

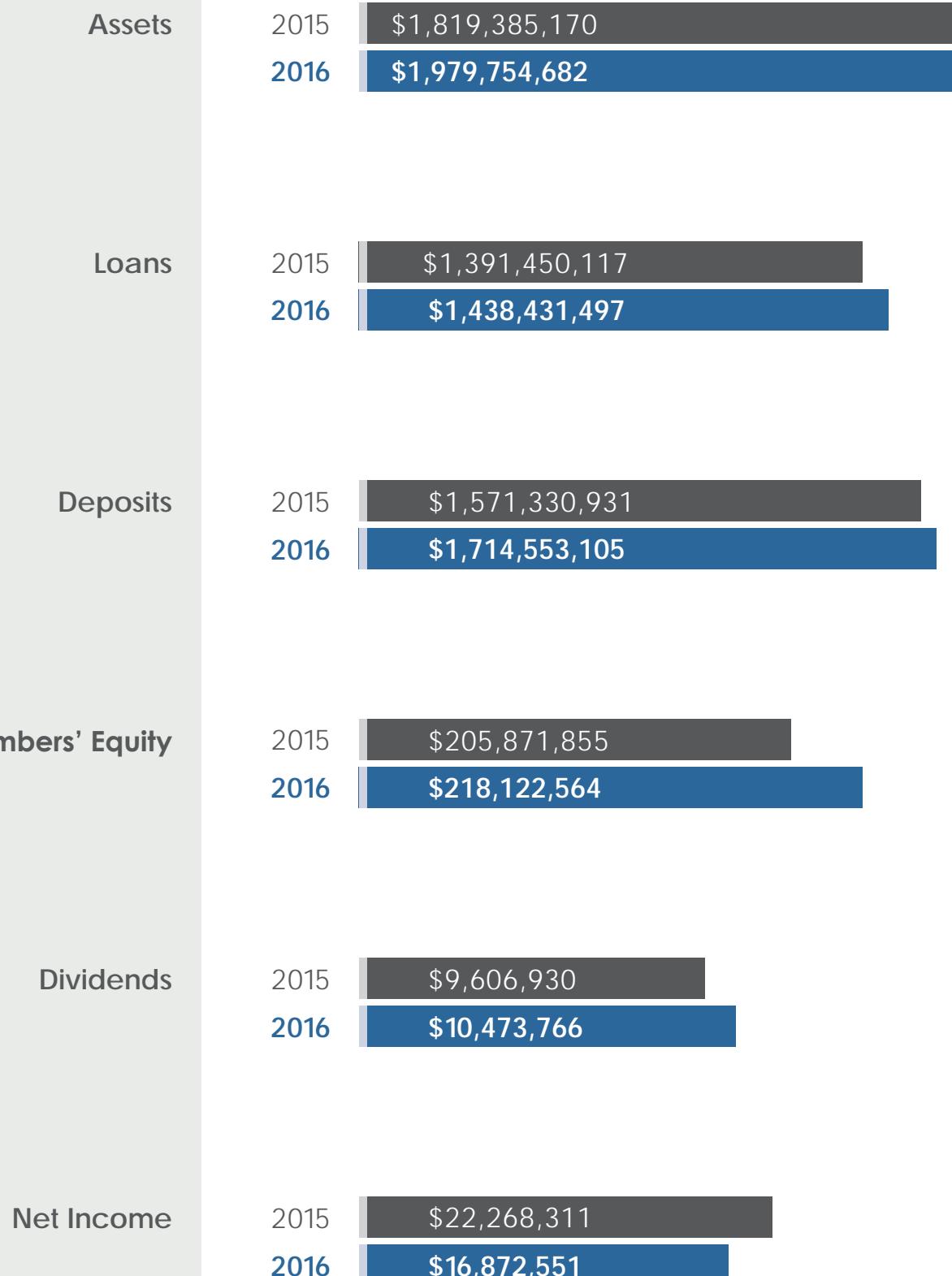


Nikita Russel
Director (2014-2017)



Mauro Serrano
Director (2017-2020)

Meet the members of EECU's Board of Directors. Each director works hard to act in the best interest of our Members and to meet the demands of governing a financial institution with nearly \$2 billion in assets.



ASSETS	2016	2015
Cash and cash equivalents	\$311,691,774	\$261,607,993
Investment securities:		
Trading securities	24,859,786	-
Available-for-sale	130,575,752	92,241,703
FHLB stock	1,543,200	1,478,200
Loans held-for-sale	2,427,279	2,588,944
Loans to Members, net of allowance for loan losses	1,438,431,497	1,391,450,117
Accrued interest receivable	3,932,208	3,791,927
Property and equipment	35,482,457	36,361,176
Share insurance deposit	15,291,400	14,084,825
Investments in CUSOs	100,000	177,597
Defined benefit pension plan	8,794,942	10,390,920
Other assets	<u>6,624,387</u>	<u>5,211,768</u>
Total assets	\$1,979,754,682	\$1,819,385,170

LIABILITIES AND MEMBERS' EQUITY	2016	2015
Liabilities:		
Members' shares and savings accounts	\$1,714,553,105	\$1,571,330,931
Borrowed funds	19,620,500	19,620,500
Accounts payable and other accrued liabilities	<u>27,458,513</u>	<u>22,561,884</u>
Total liabilities	1,761,632,118	1,613,513,315
Commitments and contingent liabilities	-	-
Members' equity - substantially restricted	<u>218,122,564</u>	<u>205,871,855</u>
Total liabilities and Members' equity	\$1,979,754,682	\$1,819,385,170

EARNINGS	2016	2015
Interest income:		
Loans receivable	\$54,624,992	\$52,304,634
Investment securities	<u>3,150,742</u>	<u>2,380,658</u>
Total interest income	57,775,734	54,685,292
Interest expense:		
Interest and dividends on Members' savings accounts	10,473,766	9,606,930
Interest on borrowed funds	<u>816,060</u>	<u>813,830</u>
Total interest expense	<u>11,289,826</u>	<u>10,420,760</u>
Net interest income	46,485,908	44,264,532
Provision for loan losses	6,508,163	6,092,640
Net interest income after provision for loan losses	39,977,745	38,171,892
Non-interest income:		
Fees and charges	29,387,130	28,112,487
Gain on trading securities	873,076	-
Gain on sale of investment in CUSO	-	2,920,925
Total non-interest income	30,260,206	31,033,412
Non-interest expenses:		
Compensation and benefits	27,723,363	24,234,250
Office operations	14,024,590	12,871,242
Occupancy	3,036,010	2,799,983
Operating expenses	<u>8,581,437</u>	<u>7,031,518</u>
Total non-interest expenses	<u>53,365,400</u>	<u>46,936,993</u>
Net earnings	<u>\$16,872,551</u>	<u>\$22,268,311</u>



Corporate Social Responsibility Scorecard

Responsible Home Ownership



\$119 Million

originated in EECU home loans, including first-time homeowners

Charitable Giving & Employee Volunteerism



\$125 Thousand

in philanthropic donations to college scholarships, children's health, Junior Achievement Program and more

3,786 Pounds

of non-perishable food donated to food banks

Economic Opportunity



\$6.7 Million

in loans to serve Members in lower-to-moderate income communities

Environmental Stewardship



7 Tons

of shredded paper

Financial Literacy Education



110 Seminars

conveying topics of family assets, home ownership and more

10,305

seminar attendees

Employee Knowledge



1,500 Hours

of financial and leadership training for employees





1617 W. 7th St.
Fort Worth, TX 76102
www.eecu.org



Federally insured by NCUA. National Credit Union Administration, a U.S. Government Agency – Member accounts are federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government.