



ANNUAL REPORT

2017

A BETTER WAY OF BANKING®



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A BETTER WAY OF BANKING®

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2 | Chairman and President's Report



George Thompson Jr.
Chairman



Lonnie Nicholson
President and CEO

Dear Members and Friends,

The financial well-being of our members has been the top priority for EECU since we began in the 1930s. We remain focused on improving the financial life of our members today and in the future. As a not-for-profit, member-owned credit union, we continue to live the cooperative spirit of "people helping people" so all our members can reach their financial goals.

This annual report highlights EECU's accomplishments in 2017 by delivering on our brand promise of providing A Better Way of Banking® whether by phone, online, mobile device or at a local branch or ATM.

Operating Performance

We welcomed more than 27,000 new members in 2017, including over 1,000 business owners. Total membership surpassed 189,000. While we are excited to reach more people with the credit union difference, it's not just about growth, but also about creating a vibrant

financial institution to provide greater benefits to our members.

EECU continued its strong financial performance in 2017, and ended the year with assets of \$2.093 billion and a regulatory net worth ratio of 12.1%. We continued to exceed the NCUA's well capitalized minimum of 7%, underscoring our financial strength. This financial strength allows us to continue to invest in the innovative technology and best-in-class products and services our members expect from their credit union.

Convenient Access

At EECU, we realize our members balance many roles in their day-to-day lives. Managing your accounts should always be simple, fast, convenient and secure.

To better serve our members where they live, work, shop and travel, we expanded our available fee-free ATMs to more than 85,000 locations, some located in your neighborhood Walgreens, 7-Eleven and Target stores. We installed new ATMs with interactive teller functionality that provides state of the art convenience and reliability.

This past year, we also introduced Apple Watch and Android Wearable device support allowing you to see your EECU balances and recent transactions as well as the ability to locate EECU branch locations and ATMs.

We listened carefully to you and, as a result, EECU enhanced your mobile and online

experience throughout the year. In December, a new feature was released in mobile banking allowing members to schedule a recurring transfer or loan payment.

Safe and Secure

We strengthened account security by expanding fingerprint ID authentication for Android mobile app users. We also enhanced debit card security by giving our members control to turn their debit card on or off with a click within online/mobile banking.

In addition, we added travel card notifications to let us know when you are traveling. This will help ensure uninterrupted use of your EECU debit and credit cards whether you are traveling domestically or internationally.

Digital Trends

Members continued to embrace EECU's digital channels in 2017. There were nearly 6,000 new membership accounts submitted through digital channels. Members booked more than \$86 million in combined consumer loan and credit card applications via our digital branch representing an increase of 26% over 2016.

Participation in online/mobile banking grew by 13% in 2017 and now nearly half of our members rely on our online and mobile app to do business with us. Over 234,000 mobile checks were deposited at EECU while over 204,000 bills were paid on mobile devices.

3 | Chairman and President's Report Continued

Along with the strengthening our digital channels, our branches and contact center continued to provide the important personal touch that builds trust and engagement with our members and reinforces our commitment to delivering best-in-class service.

Whether at an EECU branch location, on the phone, or online, we invite you to give us feedback through our member experience survey to ensure we are continually improving and exceeding your expectations. We review all feedback, making member ideas a reality at EECU.

Your Community is Our Community

At EECU, we have a strong commitment to giving back to the community, by fostering economic and social well-being, as well as encouraging our members to improve their financial health.

EECU employees volunteered more than 1,000 hours to non-profit organizations across Fort Worth in 2017. They supported events such as the Cook Children's Radiothon, helping raise more than \$400,000 to serve local patients and their families; collected more than 2,500 pounds of non-perishable food items for the Tarrant Area Food Bank; taught business acumen to elementary students as part of the Junior Achievement "JA in a day program"; and, delivered meals to homebound seniors.

And, through the annual EECU Glenn Mandeville Memorial Scholarship, we awarded \$40,000 in

scholarships to outstanding student members to help cover tuition and fees at the college of their choice.

In 2017, we launched an online financial literacy curriculum for high schools designed to give students the essential knowledge on how to navigate their financial decisions. During the year, 27 high schools introduced the program to over 3,000 students and completed over 7,500 hours of learning.

The overwhelming spirit of volunteerism demonstrated by our employees in the communities we serve was one of our greatest accomplishments in 2017. We believe that helping our neighbors across our member communities is a prerequisite to being the premier financial institution in the DFW Metroplex.

The Year Ahead

In 2018, we continue to focus on delivering a Better Way of Banking® and improving the financial well-being of our members. We are excited to identify new ways to deliver additional value through more affordable financial options. EECU will continue to leverage modern technologies and develop new products designed to help make our members' lives simpler.

One of our recent initiatives is the enhancement of our online account opening and auto loan capabilities to deliver a more streamlined member experience. We will begin offering trust services to meet the retirement needs of our

members and we will continue to expand our mortgage programs, making EECU the home lender of choice for our members and the DFW community. We enhanced our online banking experience including a refreshed design and we will redesign EECU.org to deliver a best-in-class user experience with improved navigation functionality and content.

Thank You for Allowing Us to Serve You

As a financial cooperative, we measure our success by the strength and quality of our member relationships. Every time you trust us by using an EECU debit card, financing an auto loan, or giving us the privilege of helping you with your retirement plans, you make our organization stronger.

We thank all members for their participation in making 2017 a successful year. We hope you will continue to look to EECU as your trusted financial partner to deliver to you and your family a Better Way of Banking®.


George Thompson Jr.
 Chairman


Lonnie Nicholson
 President and CEO

All-new
ways to do
financial things.

WATCH ANDROID wear



EECU Expands Digital Convenience & Members Respond

6,000

new membership
accounts submitted through
digital channels

\$86 Million

in consumer loans through
EECU's digital branch

Nearly
90,000

members rely on
online & mobile app



Installed New State of the Art ATMs

We installed new ATMs at all of our Branches with interactive teller functionality that provides state of the art convenience and reliability for our members.



Expanded Debit Card Member Service Support to 24/7 and Enhanced Card Security

We expanded our debit card call center hours to 24/7 and introduced real time text and email alerts to allow our Members to know when certain activities occur on their account. We also launched a Debit Card On/Off feature allowing cardholders the control to switch their debit card on and off with a click of a button.

Expanded Surcharge – Free ATM Availability

In July, we expanded our surcharge-free ATM network to include the Co-Op Network. EECU members are now never far from one of 85,000 surcharge-free ATMs worldwide including conveniently located retailers such as 7-Eleven®, Target®, Walgreens®, CVS®, Costco® and Kroger® stores.



Mobile/ Online IRA Account Opening

We launched a new online and mobile IRA account opening application that allows Members to enjoy a streamlined IRA account opening experience.

Launched Health Savings Accounts

We introduced a Health Savings Account with no monthly service fees to our Members, ISD's and Select Employer Groups.



SBA Loans

We introduced SBA loans to meet the small business needs in our community. Our fast and easy application process makes EECU the best choice for SBA loans for small business owners.

These achievements are the latest examples of our commitment to delivering A Better Way Of Banking®. Stay tuned for more in 2018.

6 | Treasurer and Credit Committee Report



Frank Molinar
Treasurer



Johnny Largent
Chairman of the
Credit Committee

EECU achieved another solid year financially in 2017 and once again performed at the top of local and national peer credit unions. With careful planning, conservative investment strategies, and a balanced mix of net interest income and noninterest income, EECU generated \$98.6 million in revenue in 2017, up 12 percent from 2016, and net income of \$23.1 million, up 37 percent from 2016. These results reflected the determination of our team members and the benefits of our cooperative business model to provide our membership A Better Way of Banking®.

Ongoing efforts to increase operational efficiency remain a priority, and we made strong progress in 2017, improving our

efficiency ratio from 60.6 percent to 56.2 percent and lowering our ratio of total operating expense to average assets from 2.81 percent in 2016 to 2.72 percent in 2017. Through centralized operations, process improvements, and close management of discretionary spending, we generated savings to support reinvestment for growth and stability through innovation efforts, expanded risk management, and continued investment in technology and cybersecurity.

Core building blocks of long-term value creation – loans, deposits, and capital – continued to grow in 2017. At year end, total deposits were \$1.8 billion, up 6 percent from the prior year, while EECU's loan portfolio (net of allowance for loan losses) finished 2017 at \$1.5 billion, up 10 percent from 2016. EECU's commitment to meeting the borrowing needs of our members resulted in over \$892 million in loan originations, up 15 percent from 2016. EECU's regulatory ratio of net worth to total assets, a measure of financial strength and stability, increased from 11.6 percent in 2016 to 12.1 percent in 2017, well above our regulatory minimum of 7 percent.

The credit quality of our loan portfolio continued to be strong, driven by solid performance in the consumer, residential real estate, and commercial real estate portfolios. EECU's overall rate of loan delinquency remained low at .40 percent in 2017, reflecting our sound lending policies and our members' dedication to meeting their payment obligations.

New Member growth is another critical measure of success. We are pleased to report that during 2017 membership increased 4.7 percent, resulting in a year-end membership total of 189,234.

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, a strong and stable membership base, and substantial net worth position. We thank you for partnering with us for your financial needs. You are the reason we exist and our success depends on you!


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 and help 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 independent 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.

In addition, 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

8 | 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 (2016-2019)



Ben Davis
Director (2017-2020)



Johnny Largent
Director (2017-2020)



Karel Rucker
Director (2016-2019)



Nikita Russel
Director (2017-2020)



Mauro Serrano
Director (2016-2019)

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 over \$2 billion in assets.

Management changes in 2017 – Robin Harris, VP Mortgage Services – Joined December 2017.

ASSETS**LOANS****DEPOSITS****MEMBERS' EQUITY****DIVIDENDS****NET INCOME**

10 | Consolidated Statements of Financial Condition

ASSETS	2017	2016
Cash and cash equivalents	\$280,781,864	\$311,691,774
Investment securities:		
Trading securities	32,078,416	24,859,786
Available-for-sale	115,741,286	130,575,752
FHLB stock	1,614,500	1,543,200
Loans held-for-sale	1,429,147	2,427,279
Loans to Members, net of allowance for loan losses	1,590,759,549	1,438,431,497
Accrued interest receivable	4,399,451	3,932,208
Property and equipment	34,288,073	35,482,457
Share insurance deposit	16,337,522	15,291,400
Investments in CUSOs	100,000	100,000
Defined benefit pension plan	6,540,665	8,794,942
Other assets	8,376,516	6,624,387
Total assets	<u>\$2,092,446,989</u>	<u>\$1,979,754,682</u>
LIABILITIES AND MEMBERS' EQUITY	2017	2016
Liabilities:		
Members' shares and savings accounts	\$1,819,605,402	\$1,714,553,105
Borrowed funds	-	19,620,500
Accounts payable and other accrued liabilities	<u>32,897,459</u>	<u>27,458,513</u>
Total liabilities	1,852,502,861	1,761,632,118
Commitments and contingent liabilities	-	-
Members' equity - substantially restricted	<u>239,944,128</u>	<u>218,122,564</u>
Total liabilities and Members' equity	<u>\$2,092,446,989</u>	<u>\$1,979,754,682</u>

11 | Consolidated Statements of Earnings



EARNINGS	2017	2016
Interest income:		
Loans receivable	\$60,539,258	\$54,624,992
Investment securities	<u>5,061,728</u>	<u>3,150,742</u>
Total interest income	65,600,986	57,775,734
Interest expense:		
Interest and dividends on Members' savings accounts	11,125,421	10,473,766
Interest on borrowed funds	<u>615,097</u>	<u>816,060</u>
Total interest expense	<u>11,740,518</u>	<u>11,289,826</u>
Net interest income	53,860,468	46,485,908
Provision for loan losses	8,361,393	6,508,163
Net interest income after provision for loan losses	45,499,075	39,977,745
Non-interest income:		
Fees and charges	30,826,036	29,387,130
Gain on trading securities	2,246,085	873,076
Total non-interest income	33,072,121	30,260,206
Non-interest expenses:		
Compensation and benefits	28,641,698	27,723,363
Office operations	12,850,208	14,024,590
Occupancy	3,046,056	3,036,010
Operating expenses	<u>10,892,535</u>	<u>8,581,437</u>
Total non-interest expenses	<u>55,430,497</u>	<u>53,365,400</u>
Net earnings	<u>\$23,140,699</u>	<u>\$16,872,551</u>

The consolidated financial information presented in the 2017 annual report on pages 10 and 11 are a condensed representation of the EECU December 31, 2017, financial statements without cash flows, changes in equity, and comprehensive footnotes, prepared by our independent certified public accounting firm Doeren Mayhew in the audited consolidated financial statements, which are available for review in the executive offices of EECU, Fort Worth, Texas.

12 | Financial Literacy Scorecard



27

High Schools
Active

30

High Schools
Committed

3,000

Students

7,100

Learning Hours

263

First class of certified students

A certified student is
one who receive a
70% or higher on all 9
financial literacy tests





GROWING STRONGER, MEMBER BY MEMBER.



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.