

## Consolidated Statement of Financial Condition

(selected data in millions)

Assets	2010	2009
Cash and Investments	\$356.1	\$312.7 <sup>(A)</sup>
Loans to Members (net of allowance for loan losses)	557.7	555.0
Other Assets	24.3	23.8
<b>Total Assets</b>	<b>\$938.2</b>	<b>\$891.5</b>

## Liabilities and Members' Equity

Share Savings, Drafts and Certificates	\$828.7	\$759.2
Other Liabilities	18.4	43.7 <sup>(A)</sup>
Members' Equity	91.1	88.6
<b>Total Liabilities and Members' Equity</b>	<b>\$938.2</b>	<b>\$891.5</b>

## Consolidated Statement of Income

(selected data in millions)

Interest Income from Loans and Investments	\$34.1	\$35.6
Interest Expense for Member Accounts and Borrowed Funds	(11.5)	(15.2)
Loan Loss Provision	(7.2)	(2.4)
<b>Net Interest Income</b>	<b>15.4</b>	<b>18.0</b>
Other Income	7.8	7.1
Operating Expense	(21.1) <sup>(B)</sup>	(19.2) <sup>(B)</sup>
Non-Operating Expense	(0.4)	(4.4) <sup>(C)</sup>
<b>Net Income</b>	<b>\$2.5</b>	<b>\$10.3</b>

## Notes to Financial Statements

(A) In 2009, ELFCU participated in the Credit Union System Investment Program (CUSIP).

This program, created by the National Credit Union Administration (NCUA) and the US Treasury Department, allowed natural-person credit unions to borrow money from the Central Liquidity Facility (CLF) and invest those funds into a participating corporate credit union (thereby increasing liquidity). ELFCU participated in this program by borrowing \$25 million from the CLF and investing those funds at Members United FCU for the period February 2009 through February 2010 earning a \$62,500 net spread for this period.

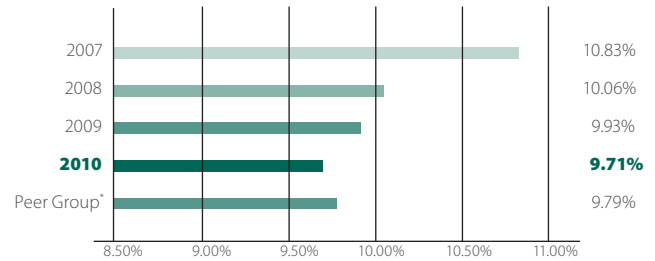
(B) In 2010, ELFCU was assessed \$1.989 million by the National Credit Union Administration (NCUA) for expenses relating to the National Credit Union Share Insurance Fund (NCUSIF) and the Temporary Corporate Credit Union Stabilization Fund (TCCUSF). These assessments totaled \$1.053 million in 2009. **(Additional information regarding these assessments can be found at [www.ncua.gov](http://www.ncua.gov).)**

(C) In March 2009, the National Credit Union Administration (NCUA) announced an impairment of its Share Insurance Fund and plans to assess a premium on shares insured by the Share Insurance fund in 2009. ELFCU initially recognized \$3,523,109 for the impairment and \$1,531,786 for the premium in 2008 based on consultation with its auditor, BKD, LLP.

As additional information became available, guidance then indicated that these expenses should be taken in 2009. In June 2009, ELFCU reversed the \$3,523,109 and \$1,531,786 entries originally expensed in 2008. In addition, ELFCU's Corporate Credit Union, Members United Federal Credit Union, announced impairment of Paid-In-Capital and Membership Capital Shares. As a result, ELFCU recognized a \$1,053,294 loss on its Membership Capital Shares held at Members United FCU.

## Net Worth to Assets

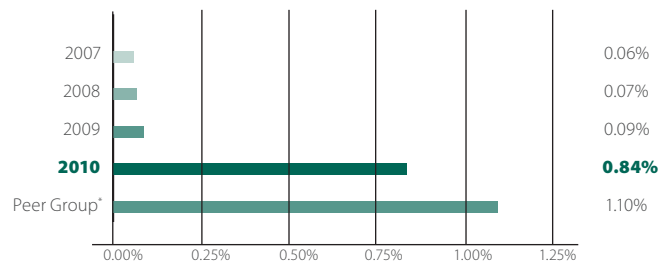
This ratio indicates a strong ability to withstand future losses or economic downturn.



*Net Worth to Assets for 2008, 2009 and 2010 would have been 10.66%, 9.88% and 9.92% respectively, without the special expense and CU SIP items noted in the "Notes to Financial Statements." A credit union must have a Net Worth to Assets ratio of at least 7.00% to be considered "Well Capitalized" by the National Credit Union Administration (NCUA).*

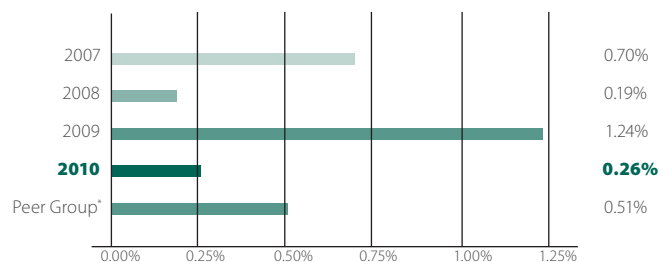
## Net Charged-Off Loans to Average Loans

ELFCU writes off relatively few loans, reflecting effective lending and collection practices while outperforming most other credit unions.



## Return on Average Assets

ELFCU consistently maintains a relatively low income-to-assets ratio, choosing to give its members current economic benefit rather than maximizing profits.



*Return on average assets for 2008, 2009 and 2010 would have been 0.83%, 0.84% and 0.47%, respectively, without the special expense items noted in the "Notes to Financial Statements."*

## Board of Directors

**Mark Saltgaver**, Chair of the Board  
**Nathan Lewis**, Vice Chair  
**Jennifer Marsh**, Secretary  
**Eric Zinn**, Treasurer  
**Adam S. Arffa**  
**Brice Dunshee**  
**Monique Hunt McWilliams**  
**Kimberly K. Peterson**  
**Kevin Trivett**

## Supervisory Committee

**Donald A. Zakrowski**, Chair  
**Patrick Cassidy**  
**John Huesing**  
**Scott McKenney**  
**Kelly Wiggins Payne**

In management's opinion, the selected financial data presented herein is free of material error and accurately reflects the financial position and/or results of operations of Eli Lilly Federal Credit Union for the periods presented. Members may request a complete copy of our audited financial statements by calling 800.621.2105.

# 2010 HIGHLIGHTS

Eli Lilly Federal Credit Union operated throughout 2010 in a stressed economic environment with interest rates holding at record lows and unemployment rates at record highs. Our members faced challenges many had never before endured. The ongoing financial crisis impacted us as an organization in the form of new regulations, special assessments by the National Credit Union Administration, and Corporate Credit Union losses. Through it all, we continued to help our members meet their financial needs.

Our employees always focused on the member while delivering on individual and departmental objectives. The entire credit union worked together to implement a core system conversion in February. The new core computer system is the hub of all transactions and member data for the credit union and will allow the organization to better serve members going forward. Staff members spent significant time after the conversion, addressing follow up issues and fine-tuning the system to allow us to harness the power of our new technology. Technology is critical to our competitiveness and future success.

2010 resulted in many other positive outcomes. We experienced strong interest and growth in our Student Loan offer, Wealth Management division, and overall membership. The low interest rate environment kept our lending area active as they fulfilled affordable borrowing opportunities for members. ELFCU was named one of the largest Indianapolis-Area Residential Mortgage Lenders by the Indianapolis Business Journal as well as one of the Best Places to Work in Indiana.

## MEMBERSHIP

Business development and membership growth continue to be priorities for our organization. The total of new member accounts opened in 2010 was 3,480, increasing our aggregate membership to more than 39,000 strong.

Doing business as At Work Financial Services, the credit union established partnerships with 10 new Select Employee Groups (SEGs), which are companies beyond Eli Lilly and Company that choose to offer credit union membership to their employees. Six of the new SEGs are based in Indiana with four others across the nation. In a focused effort on recruitment, representatives of the credit union paid visits to these diverse companies to present educational programs and sponsor membership drives on-site. At Medco in Whitestown, Indiana, At Work Financial Services opened its first branch. This opportunity to provide our services to other companies will provide greater stability for all members through economies of scale and diversification.

As we build new partnerships, we continue to recruit from our core group of members. As in the past, ELFCU participated in Eli Lilly and Company's new employee orientations, sales force training events, and visits to Lilly-owned subsidiaries. Additionally, we were pleased to return to Greenfield, Indiana by opening an ELFCU branch at the new Elanco World Headquarters.

The new Medco & Elanco locations brought our branch count to seven. Lilly Corporate Center, Lilly Technology Center, Clinton Labs, and Farm Bureau represent the other four ELFCU branches. Evonik hosts an At Work Financial Services branch, formerly an ELFCU branch within Tippe Labs.

## LOANS & DEPOSITS

Lending originations totaled \$355.9 million, close to our historical volume record. Due to the low interest rate environment, significant focus was placed on asset-liability and balance sheet management. Targeted actions, including the ongoing sale of first mortgage loans to CU Members Mortgage, resulted in an increase of only \$5.2 million, or 0.9%, in loans outstanding on ELFCU's balance sheet.

On the deposit side of the business, members increased deposit dollars by \$69.3 million, or 9.1%. Investment business at Eli Lilly Federal Credit Union Wealth Management (formerly known as LCU Financial Services, LLC) grew significantly, 24.5%, with a year-end total of \$264.3 million of assets under administration. This growth can be attributed to both market returns and new clients.

## CHALLENGES & PERSEVERANCE

Significant effort by all provided positive results; however, it was a challenging year. Charge-offs were at record high levels, and the low interest rate environment put pressure on the net interest margin.

Additionally, special assessments totaling \$1.989 million were required by the National Credit Union Administration (NCUA) for expenses relating to the National Credit Union Share Insurance Fund (NCUSIF). A loss of \$446,706 resulted from the impairment of Membership Capital Shares that ELFCU held at its Corporate Credit Union, Members United Federal Credit Union. With the impact of these unique expenditures, the credit union's return on average assets was 0.26% with net income at \$2.5 million. The net worth to assets ratio ended the year at 9.71%. Overall, total assets for the year grew to \$938.2 million.

Without the special assessments and corporate credit union losses, the return on average assets would have been 0.52% with net income at \$4.9 million and a net worth to assets ratio of 9.92%.

Despite these challenging circumstances, the credit union posted healthy numbers in 2010.

## THE FUTURE

The credit union will focus on engaging our members further in 2011. As always, we want to be your primary financial institution, not just another credit union where you might have a single loan or savings account. Through our commitment to managed growth, innovation and implementation of smarter ways of doing business, we expect to see continued success and growth of our membership and our offer. Smart money is always evolving here at your credit union. Thank you for your business in 2010 and for your continued trust and confidence this year and beyond.



Mark Saltgaver  
Chair of the Board



Lisa Schlehober  
Chief Executive Officer