

## ELI LILLY FEDERAL CREDIT UNION

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Building lifelong relationships  
to support our members'  
financial success.



# 2011 ELFCU HIGHLIGHTS

Enduring and even growing during another challenging year in our economy, Eli Lilly Federal Credit Union (ELFCU) continued to build relationships and support members' financial success in 2011.



This was the year of Bank Transfer Day as hundreds of thousands of banking customers moved their accounts to credit unions, including ELFCU, in a unified statement of consumer disenchantment. Among their reasons to switch, large banking competitors introduced new fees; then wavered on those decisions. Meanwhile, ELFCU kept its fee structure and rates consistently value-driven for members.

Beneficial pricing combined with ELFCU's signature service led members to the credit union for their saving, borrowing, and investing needs. With savings rates at historic lows industry-wide, ELFCU offered certificate specials to reward depositors for their loyalty. Our lending programs continued to be popular in 2011, especially in the areas of mortgages and student loans. Meanwhile, Eli Lilly Federal Credit Union Wealth Management offered members comprehensive investment services and experienced growth of its own.

Thanks to progress throughout the credit union, the ELFCU staff grew at a steady pace with 16 hires in the latter half of the year, representing four new positions including one at the senior level; four internal promotions; six external hires and replacements; and two temporary positions.

ELFCU was named a Best Place to Work in Indiana for the second year in a row and received repeated industry recognition for its mortgage program.

## Relationships Through Managed Growth

### Membership

The total of new memberships opened in 2011 came to 3,536 representing growth of 6.89% and bringing the total number of credit union members to 41,888.

The number of relationships with organizations beyond Eli Lilly and Company grew to 26. Our Select Employee Groups (SEGs) are based locally in Indiana as well as nationally. Providing our services to these new audiences leads to even greater stability for all members through economies of scale and diversification. Therefore, member recruitment at these companies is a high priority as we continue to send representatives regularly to the sites to conduct membership drives and financial education programs.

As we expand, we maintain a strong relationship with our core group of members from Eli Lilly and Company and its subsidiaries, contractors, retiree population, and their family members. ELFCU continues to have a presence at new employee orientation, sales training and conferences, and other Lilly events.

### Loans & Deposits

With help from historically low mortgage rates, lending originations totaled \$311.5 million. To protect the membership from the risk of having a long term loan earning at a rate that may be lower than deposit rates in the future, we are actively applying an ongoing asset-liability management strategy to sell first mortgage loans to CU Members, a long-term partner that provides mortgage servicing comparable to ELFCU's standards. ELFCU received the "2010/2011 Top Overall Credit Union" award from CU Members for outperforming all other credit union partners of our size associated with the company. Overall loan balances totaled \$593.2 million, an increase of \$30.3 million or 5.39%.

Credit union deposits, even in a low rate environment, also grew by 1.51% to \$841.3 million, and despite a nearly flat Standard & Poor's 500 performance in 2011, ELFCU Wealth Management\* grew 11.5%, with a year-end total of \$294.7 million in assets under management. Factors driving growth included consolidation of assets by existing clients, continued growth in fee-based asset management business, and new clients.

At year end we purchased our credit card portfolio from FIA Card Services/Bank of America. This decision brought under our control a well performing loan portfolio serving more than 7,000 of our members with more than \$22 million in loan balances. The acquisition of this portfolio will allow us a new offer focused directly on our members' needs. The ELFCU credit card portfolio officially launches on May 20, 2012.

We ended the year with \$968.2 million in assets. The credit union's return on average assets was 0.44% with net income at \$4.3 million. The net worth to assets ratio ended the year at 9.82%. Any ratio beyond 7.0% is rated "well capitalized" by the National Credit Union Administration, the credit union industry's FDIC equivalent.

# Relationships Through Innovation & Implementation

To strengthen relationships beyond deposits and loans, the credit union continually seeks new benefits and convenience for our members. A significant focus of our innovation and implementation goals in 2011 was to increase and improve our electronic services and overall points of access.

We enhanced our eBranch Internet Banking platform by adding a collection of new features to Bill Pay: Same Day and Next Day Bill Pay; Account to Account Transfers; and Person to Person Payments through a service called ZashPay. ELFCU also introduced Online Deposit, a remote deposit capture service allowing members to scan and upload checks in a few simple steps. Throughout the year, we worked toward an early 2012 launch of mobile banking to include an app for both Android and iPhone users, a browser-based option, and text banking.

Additional access expansion included extending hours at three of our larger branches while our shared branch network continued to grow beyond 4,400 locations nationwide. Late in the year, our Member Service Contact Center introduced 24-hour coverage, giving members a live representative to reach at any time.

## Relationships Through Corporate Responsibility

ELFCU connected with Riley Hospital for Children in the Spring of 2011 with a special cause marketing partnership introduced as "Cars for Kids." As members financed or refinanced vehicles during the month of April, ELFCU donated \$50 to the organization for each new auto loan. The campaign achieved the maximum target of \$20,000 for Riley. Credit union employees continued their support of the hospital by adopting the Child Life program as their holiday philanthropy.

The credit union employees also provided substantial support to Samaritan's Feet through a contribution of 618 pairs of shoes to be distributed to needy children worldwide. The original goal was to gather 125 pairs. The Annual United Way Campaign resulted in internal contributions exceeding the previous campaign total by 25.0%.

## Looking Ahead to New and Continued Relationships

We listen to our members and provide corresponding products and services. We will do more of the same in 2012 with a focus on these organizational objectives:

**Managed Growth:** Continuing to seek profitable opportunities and partnerships.

**Engagement:** Driving higher member loyalty and engagement.


**Innovation:** Leveraging talent and technology to make us easy to do business with.

Please keep looking to your credit union for new and valuable product and service offerings, including an improved credit card program purchased from FIA Card Services, additional checking choices for our members, and mobile banking.

Thank you for your business in 2011. Moving forward, we'll continue to serve you as the credit union you need with the smart money solutions you deserve.



Mark Saltgaver  
Chair of the Board



Lisa A. Schlehuber  
Chief Executive Officer

### 2011 Board of Directors

**Mark Saltgaver**, *Chair of the Board*

**Nathan Lewis**, *Vice Chair*

**Jennifer Marsh**, *Secretary*

**Don Zakrowski**, *Treasurer*

**Adam S. Arffa**

**Kathleen DeLaney**

**Brice Dunshee**

**Dan Hammerschmitt**

**Kay Jackson**

### 2011 Supervisory Committee

**John Huesing**, *Chair*

**Patrick Cassidy**

**Andrew Laux**

**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.*

## Consolidated Statement of Financial Condition

(selected data in millions)

Assets	2011	2010
Cash and Investments	\$348.3	\$356.1
Loans to Members (net of allowance for loan losses)	586.4	557.7
Other Assets	33.5	24.3
<b>Total Assets</b>	<b>\$968.2</b>	<b>\$938.2</b>

## Liabilities and Members' Equity

Share Savings, Drafts and Certificates	\$841.1	\$828.7
Other Liabilities	32.0 <sup>(A)</sup>	18.4
Members' Equity	95.1	91.1
<b>Total Liabilities and Members' Equity</b>	<b>\$968.2</b>	<b>\$938.2</b>

## Consolidated Statement of Income

(selected data in millions)

Interest Income from Loans and Investments	\$33.3	\$34.1
Interest Expense for Member Accounts and Borrowed Funds	(8.6)	(11.5)
Loan Loss Provision	(6.6)	(7.2)
<b>Net Interest Income</b>	<b>18.1</b>	<b>15.4</b>
Other Income	8.4	7.8
Operating Expense	(21.6)	(21.1)
Non-Operating Expense	(0.6) <sup>(B)</sup>	0.4
<b>Net Income</b>	<b>\$4.3</b>	<b>\$2.5</b>

## Notes to Financial Statements

(A) In 2011, ELFCU borrowed \$10 million from the Federal Home Loan Bank of Indianapolis and invested the proceeds generating a positive net spread.

(B) In 2011, the credit union recognized \$1 million in non-operating expense related to the purchase of our credit card loan portfolio.

\*NCUA Peer Group — All credit unions greater than \$500 million in assets as of 9/30/11.



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800.621.2105 toll-free



We Do Business In  
Accordance with the Federal  
Fair Housing Law and the  
Equal Credit Opportunity Act

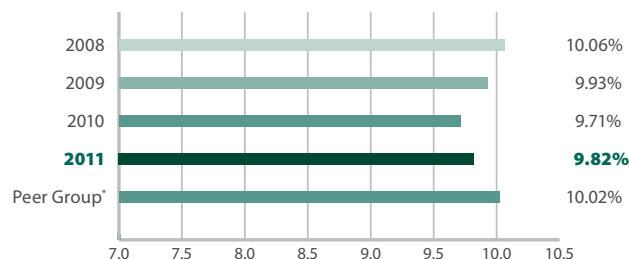


\*Eli Lilly Federal Credit Union is not a registered broker/dealer and is not affiliated with LPL Financial. Securities offered through LPL Financial, member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not NCUA Insured | No Credit Union Guarantee | May Lose Value

## Net Worth to Assets

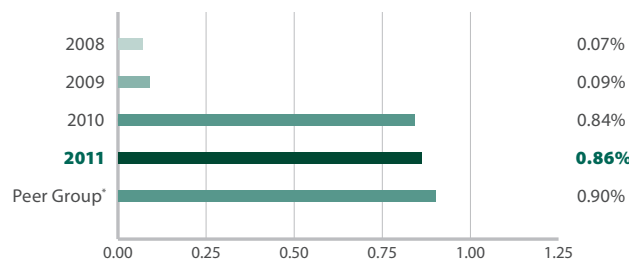
This ratio indicates a strong ability to withstand future losses or economic downturn.



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 Association (NCUA).

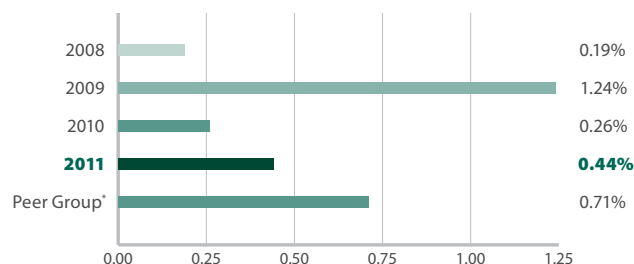
## Net Charged-Off Loans to Average Loans

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.



In March of 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 of 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.