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A year of focusing on the people
who make us great

”

2018
Annual Report

BOARD CHAIR *Report*



Change can be something that comes with fear and anticipation. For many, the unknown can be uncomfortable, but without change, nothing

would improve, grow or flourish. This past year brought about substantial change for Electro Savings Credit Union, but this change has been nothing but positive for our members, employees and the overall well-being of the credit union.

At last year's Annual Meeting we took time to recognize Stan Moeckli and what he did for Electro Savings as President and CEO. His leadership and service

brought the credit union to new levels of growth and success.

After a thorough search by our CEO Search Committee, Electro Savings named Jim Struble as our next President and CEO. Through the interview process and from day one on the job, Jim showed unlimited enthusiasm for the credit union. He wasted no time in visiting all our branches, getting to know employees and speaking with members. He encourages everyone to share their ideas and be part of the credit union conversation. I am very impressed with Jim, and we are all excited to implement his plans and ideas.

In 2018, we also introduced our new employee initiative, **The Power of You**. This program is

Electro Savings experienced so much positive change in 2018, and I am proud to have been here for all the remarkable moments.

designed to enhance employee engagement and give staff members a formal way to submit process improvement ideas. During the program's kick-off meeting in August, all Electro Savings employees gathered together to hear from our Vice Presidents and get an introduction to **The Power of You**. Many employees have pitched good ideas, and we are beginning to issue payouts to those employees with proven ideas.

As we do every year, the credit union continues to evolve to offer new products and services that our members seek and desire. For the fifth time, the credit union was honored to receive **CUNA's Desjardins Adult Financial Education Award**. We continue

to pride ourselves on not only supplying our members with affordable financial solutions, but also on providing education to help our members plan and maintain a successful financial path.

Electro Savings Credit Union has experienced so much positive change in 2018, and I am proud to have been here for all the remarkable moments that have brought us to where we are today. With new leadership, ideas and initiatives, I can confidently say that the credit union is moving in the right direction. We look forward to serving you in 2019 and beyond.

Sincerely,

Jim Mullineux
Board Chair



Income Statement

As compared to 2017, Total Income increased \$383,098; Loan Income increased \$238,112; Investment Income decreased \$87,657; and Other Income increased \$232,643.

Total Expenses decreased for the year by \$139,316. Operating Expenses increased \$267,257; Dividends and Interest on Borrowed Money increased \$74,681; and Provision for Loan Losses decreased \$481,254.

Non-operating Gains and Losses increased \$70, for the year.

Net Earnings were \$497,368, an increase of \$522,484 over the prior year.

Balance Sheet

Overall assets increased for the year by 4.32% as we ended the year with assets of \$168.2 million.

Loans to members increased 11.85% with loan balance increases of \$13.1 million. Loan Participations decreased 8.44%, with participation balances decreasing \$965 thousand. Net loans ended the year at \$133.1 million.

Investments decreased 16.75% with an ending balance of \$25.3 million.

Member deposits were \$151.1

million, an increase of \$7.14 million or 4.96%.

Selected Ratios

Credit Union officials and regulators use a set of ratios to determine the relative strength of credit unions.

The Capital to Asset ratio measures the overall strength of a credit union. A ratio above 7% is considered Well Capitalized. At the end of 2018, the credit union's ratio was at 8.89%.

The Net Worth to Asset ratio also measures the overall strength of a credit union. A ratio above 7% is considered good. At the end of 2018, the credit union's ratio was at 9.77%.

The delinquency ratio measures the quality of our loan portfolio. At the end of 2018, our ratio was 0.62%. This is lower than our NCUA peer group average of 0.81%.

The loan to share ratio measures the credit union's effectiveness in investing members' assets. A ratio of 70% is considered good. At 2018 year-end, the credit union ratio was 88.79%. This is an increase over 2017 when the ratio was 84.76%.

Dave DeWeese
Board Treasurer

STATEMENT OF CONDITION

	2018	2017	Change	%
ASSETS				
Loans To Members	123,670,746	110,569,621	13,101,125	11.85%
Loan Participations	10,476,487	11,441,843	-965,356	-8.44%
Less: Allowance For Loan Loss [1]	-1,060,064	-1,362,488	302,424	-22.20%
Net Loans Outstanding	133,087,169	120,648,976	12,438,193	10.31%
Cash	1,311,292	1,200,249	111,043	9.25%
Investments	25,328,177	30,423,989	-5,095,812	-16.75%
Other Assets	8,472,474	8,967,673	-495,199	-5.52%
TOTAL ASSETS	168,199,112	161,240,887	6,958,225	4.32%

LIABILITIES & EQUITY

Liabilities	3,212,256	3,043,119	169,137	5.56%
Members' Shares and Deposits	151,087,735	143,945,245	7,142,490	4.96%
Regular Reserves	1,736,713	1,736,713	0	0.00%
Undivided Earnings	14,597,287	14,099,919	497,368	3.53%
Merged Equity	111,266	111,266	0	0.00%
Unrealized Gain (Loss) On Investments	-543,280	-409,989	-133,291	32.51%
Other Unrealized Obligations	-2,002,865	-1,285,386	-717,479	55.82%
TOTAL LIABILITIES AND EQUITY	168,199,112	161,240,887	6,958,225	4.32%

STATEMENT OF INCOME

INCOME				
Interest On Loans	5,635,270	5,397,158	238,112	4.41%
Interest On Investments	502,339	589,996	-87,657	-14.86%
Other Income	2,788,699	2,556,056	232,643	9.10%
TOTAL INCOME	8,926,308	8,543,210	383,098	4.48%
EXPENSES				
Operating	7,014,050	6,746,793	267,257	3.96%
Dividends and Interest on Borrowed Funds	756,546	681,865	74,681	10.95%
Provision For Loan Losses [1]	649,422	1,130,676	-481,254	-42.56%
TOTAL EXPENSES	8,420,018	8,559,334	-139,316	-1.63%
Non-Operating Gains (Losses)	-8,922	-8,992	70	0.78%
NET INCOME [1]	497,368	-25,116	522,484	2,080.32%

[1] 2017 revised from originally stated as requested by Missouri Division of Credit Unions most recent Annual Exam.

PRESIDENT'S *Report*



When I joined the Electro family in July of 2018, I was welcomed with open arms by the staff, Board members, the membership and by the

communities in which we serve. It is a humbling and exciting opportunity to have been selected to help lead this organization into the future, and I thank my predecessor Stan Moeckli for his 19 years of service to Electro Savings. Joining a credit union which makes such a positive difference for its members and communities is a dream come true.

It was a good year for Electro Savings Credit Union. Through the implementation of many changes in how we do business, the organization grew loans and shares quicker than anticipated in 2018. Even with a strategic increase in yield to member deposits, we ended the year with higher-than-anticipated income, which we are reinvesting in our members, technology, product offerings and staff. We aim to make the organization the best in the St. Louis area to bank and work through these reinvestments.

Without question, all that we accomplish is due to those who work at Electro. It is because of our staff that our members trust us to safeguard their money and their dreams. The essence of the

cooperative credit union movement lives in our employees, teams and work-family – not in an address, website or a building. Each staff member at Electro will tell you that making our members' visions of their life come true is our goal. Due to this focus on the needs of our members, it is an ever-changing goal that never grows stale, never dies with the times and will always beat strongly in our hearts. It is why our team and their efforts were honored in 2018 locally as the best financial institution in Maryland Heights and nationally as a leader in financial education.

Earlier I mentioned there were many changes in the organization in my short time here. Many of these were focused on changing the culture of the organization to focus on the people who make it great. We did this through the implementation of a culture with three equally important factors: a family atmosphere, collaborative work processes and an aggressive pursuit of data.

Family Atmosphere

Our culture is one where we support one another personally and professionally, a true family atmosphere. I personally meet with each employee annually in a one-on-one setting to discuss how we are performing as an organization in their eyes, what their personal and professional goals are, and how we can support them in achieving those goals. We have also invested in a new Professional

“ It is a humbling and exciting opportunity to have been selected to help lead this organization into the future. “

Development Program to recognize our outstanding staff members and provide opportunities for growth which will foster the next generation of leaders in our organization and our industry.

Collaboration

Our culture is one where we are highly collaborative. In 2018, we launched an exciting new program to our teams named **The Power of You**. This program gives a voice to ideas throughout the organization that will benefit both the members and the credit union. If chosen, the staff member who submitted the idea becomes the project manager and even shares in the profits or savings the organization realizes. This direct impact through their ideas and efforts is a powerful driver towards our ability to become an even better credit union for our members. 2018 also brought a new strategic planning process to the Electro Senior Management Team and Board, allowing for a more comprehensive and impactful approach to 2019 and each new year going forward.

Pursuit of Data

Finally, our culture is one that puts a premium on data. As we like to discuss it, we are in an “aggressive pursuit of data” at all times because we know that hidden within the data are ways to make Electro better. One way we took advantage of data to bring our service to the next level was to identify and communicate with our Certificate holders 90 days before their renewal date. This action

alone helped our staff reach goals, grow a portfolio that had been in decline for over a year and provide superior service to our members. Another way was to partner with a big data provider and begin to offer a new Checking Account in December. Our Kasasa account numbers grew rapidly as soon as we began offering them, and this account provides members with some of the best cash rewards possible in the marketplace today. Finally, we took steps to make our data as transparent as possible to our volunteers to maximize their ability to govern the organization using their considerable talents and experiences.

This new culture is highly strategic in nature to address succession planning, streamlining, growth and organizational resiliency. This approach also ties our everyday actions back to the most important resource our members have – our team of Electro employees. As we look back fondly on the groundwork laid in 2018, it is clear to see why our team and Board are excited about the future. 2019 is packed full of creative and energizing changes we hope translate to an even better organization for both our members and our staff.

Jim Struble
President & CEO



SUPERVISORY COMMITTEE *Report*

The financial and regulatory compliance responsibilities of the Supervisory Committee are performed through regular interaction with the Board of Directors, senior management and independent auditors of the credit union.

The Supervisory Committee engaged the independent public accounting firm of Stephen Lang and Associates to conduct the annual audit of the financial statements and conditions of Electro Savings Credit Union for the fiscal year ending December 31, 2018. The credit union's Supervisory Committee has reviewed the scope and results of these examinations. In addition, the Missouri Division of Credit Unions performed a separate audit of Electro Savings Credit Union. Both audits showed no major areas of concern.

Reports of inspection tests and audit functions performed during the past year have been submitted to the Board of Directors and are on file with the Secretary.

Based on the Supervisory Committee's interaction with the Board of Directors, senior management and independent auditors, it is the opinion of the Supervisory Committee that Electro Savings Credit Union continues to maintain the highest level of financial safety and soundness. The financial statements conform to generally accepted accounting principles and accurately represent the financial position of Electro Savings Credit Union as of December 31, 2018, and the results of its operations for the year.

Emily McDowell
Supervisory Committee Chair

CREDIT MANAGER'S *Report*

The credit union's loan portfolio increased by \$12,135,769, or 9.94% more than year-end 2017. The ratio of total loans to total deposits was 88.79% at year-end 2018, a decrease from 84.76% in 2017. The yield on average loans decreased from 4.87% in 2017 to 4.77% in 2018.

Delinquent loans as a percent of total loans were 0.62% at year-end 2018, compared to 1.27% at year-end 2017 and 1.99% at year-end 2016.

Net loan charge-offs were \$918,083, as compared to \$1,061,908 in 2017.

This is 0.68% for 2018, as compared to 0.87% for 2017, of average loans respectively.

The allowance for loan losses is deemed adequate to cover possible losses in the current loan portfolio.

I would like to thank the Board of Directors and Membership for the privilege of serving you. I look forward to a great 2019.

David S. Meyer
Credit Manager
Vice President of Operations

Lending Activity	2018 Number	2018 \$ Amount	2017 \$ Amount	% Change
Disbursed:				
Secure Loans				
Home Equity Loans	56	\$1,696,537	\$1,724,408	-1.6%
Other Secured Loans	83	\$164,643	\$211,067	-22.0%
Titled Loans	1,939	\$41,558,244	\$41,208,324	0.8%
Unsecured Loans				
Total Disbursed Loans	2,983	\$44,568,318	\$44,397,602	0.4%
Denials:				
Secured Loans	7,590	\$167,387,762	\$178,152,461	-6.0%
Unsecured Loans	407	\$1,770,623	\$2,110,398	-16.1%
Total Denials	7,997	\$169,158,385	\$180,262,859	-6.2%
Visa Credit Cards (O/S Bal)	2,465	\$6,704,925	\$6,559,893	2.2%
Participation Loans	NA	\$10,476,487	\$11,441,843	-8.4%

I would like to thank the Board of Directors and Membership for the privilege of serving you. I look forward to a great 2019.



Howard Hoemann



For a career as illustrious as Howard Hoemann's, it's hard to believe that his start in the credit union industry was completely accidental. While attending Bradley University in the mid-60s, a Peace Corps flier caught

Hoemann's eye. He applied and was approved to work with credit cooperatives in Ecuador, with training in Puerto Rico.

"My entire experience in Puerto Rico and Ecuador really opened my eyes, and I was completely captivated by credit unions," says Hoemann. "watching people obtain good financial education, acquire low-cost loans and accumulate savings."

While on assignment in Ecuador, Hoemann helped develop existing credit unions and organized new credit unions throughout the province of El Oro. Coincidentally, Hoemann met his wife, Yolanda, during his time in Ecuador; they've now been married for 51 years.

The positions, experiences and accomplishments that followed for Hoemann are expansive, and a full narrative could fill pages. He flourished at national and international credit union organizations – serving roles that took him to Washington, D.C., Africa and the United Kingdom. He climbed the ranks of the Connecticut Credit Union League – taking on the positions of Education Director and President/CEO. Before his retirement in 2010, Hoemann worked at PSCU, the largest credit union service organization in the United States.

If anyone can comment on the evolution of credit unions, it's Hoemann. After spending over 50 years in the industry, he believes that credit

unions haven't changed as drastically as we might think.

"Just like other businesses, credit unions have integrated modern technology and automation. Membership eligibility has really expanded, and credit unions can now deliver products and services that meet every member's needs," says Hoemann. "But the genuine concern for the community hasn't changed. Decisions driven by members' needs are what has, and always will, set credit unions apart."

It wasn't until 1997 when Hoemann's path led him to Electro Savings. He simultaneously joined the Board and took on the position of Secretary in the same year. He later served as Vice Chairman. He has many fond memories of his time serving on the Board, but heading the CEO Search Committee last year is something that makes him especially proud.

"I appreciated the opportunity to work with a great committee," says Hoemann. "And I'm so proud of who we hired. Jim Struble brings a fresh new energy and enthusiasm to the credit union."

So, what's next for Hoemann? He's looking forward to spending time with his grandkids and occasionally getting back to where it all began, Ecuador, to visit his wife's family and friends. Rest assured, Howard won't be exiting the credit union scene any time soon.

"I'll always stay involved in the credit union community," says Hoemann. "I'm just thankful to be in good health, and I'm looking forward to spending more time traveling and volunteering."

Howard was honored by the Electro Savings Board of Directors and received the title of Director Emeritus. We thank Howard for bringing years of service and expertise to the Electro Savings Credit Union Board of Directors.

Volunteers

Board of Directors

James Mullineaux, Chair
Jessica Young, Vice Chair
David DeWeese, Treasurer
Shelby Edwards, Secretary
Wilbon Cooper, Director
Anthony French, Director
Howard Hoemann, Director
Michael Knott, Director
James Thelthorst, Director

Staff

Jim Struble, President & CEO
Pat Larson, Executive Assistant
Bill Emerson, Vice President of Technology
Lisa Farnen, Vice President of Marketing

Accounting

Tinesha Tyler, Supervisor
Eric Appel
Stephen Billo
Aaron Leggett

Compliance

Diane Powers

Consumer Lending

Sarena Hutson, Supervisor
Jennifer Carter, Asst. Supervisor
Jessica Burnett

Human Resources

Erika Oberreither
Madyson Sprague

Information Technology

Jacob Andereck
Andrew Deromedi

Loan Counseling

Barry Jones, Supervisor
Denison Diel
Ashley Forsythe
Danielle Humphrey
Tiffany Neal

Supervisory Committee

Emily McDowell, Chair
Kevin DeGraw
Kenneth Takaidza

Associate Committee

Joseph Bilkey

Eric Hardman, Vice President of Finance
Ashley Keegan, Vice President of Human Resources
David Meyer, Vice President of Operations & Lending
Ashlie Colbert, Director of Branch Operations

Marketing

Stephanie Armas
Laura Mugge
Pat Pettey

Member Care

Julie Foulks, Supervisor
Lindsey Hall
Tabitha Joest
David Muhr
Thomas Rhode

Real Estate Lending

Shawna Aubuchon, Supervisor
Kyle Gove
Linda Robinson

Lafayette Center Branch

Sherry Mueller, Manager
Nicholas Evans
Karly Kennedy
Ethan Lambert
Sara Portman
Kyle Reise

Maryland Heights Branch

Kim Donnelly, Manager
Lisa Corley, Asst. Manager
Valerie Bauman
Matthew Cohen
Eric Ellebracht
Michelle Giolat
Chynna Gomez
Bridgette Holden
Tamarah Mason
Rachel McKenna
Brittany Pfaffenback

Tesson Ferry Branch

Sarah Hulsey, Manager
Cassandra Cooper
Erica Deckard
Tara McGee
Elizabeth Ramirez
Abigail Watson

Wildwood Branch

Shawnacee Suffel, Manager
Anthony Eckwood, Asst. Manager
Angie Balke
Mirela Muhamedbegovic



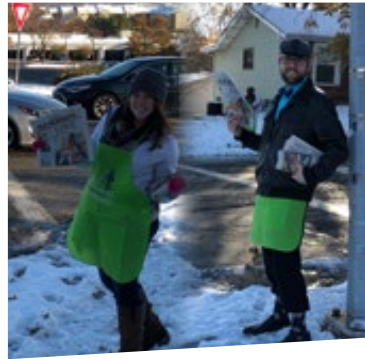
I was completely captivated by credit unions, watching people obtain good financial education, acquire low-cost loans and accumulate savings.



The essence of the cooperative credit union movement lives in our employees, teams and work-family – not in an address, website or a building.



“ It is because of our staff that our members trust us to safeguard their money and their dreams. ”



ELECTRO SAVINGS

CREDIT UNION

ElectroSavings.com
(313) 434-6470 | (800) 844-8313
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