



A YEAR OF CONNECTIONS

Our 2016 Annual Report

Federally Insured by NCUA

Purpose: Building lifelong relationships to support our members' financial success.

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Board Chair & CEO

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WE'RE MAKING CONNECTIONS.

Connecting with our members and the community is one of our specialties, and it's also what makes the way we do business unique.

2016 was a year to strengthen bonds—with our members, our partner companies, our own employees, our brand, and our objectives. We're proud to share this story of record-breaking achievements balanced with some challenges. Our strategy remains steady, and our message is resonating.

**We're pursuing *digital excellence* through technology.
We are an *at work* financial institution.
We are *financial wellness* providers.**

Thanks to our focus in these areas, Elements Financial continues to provide superior member value in the marketplace through higher deposit rates, lower loan rates, and fewer fees:

In one year, our members realized savings of \$16.4 million just by choosing to do business with our credit union versus a competing financial institution¹.

Ultimately, we spent the year doing what we do best—supporting our members on their individual financial journeys. Money means different things to different people, which is why we provide a powerful suite of financial products and services for a range of unique goals and challenges. We currently serve 80,000+ members in all 50 states and 50 foreign countries, representing 100+ organizations beyond Eli Lilly and Company, our original partner. Fifteen of those organizations joined us in 2016.

Our connections begin with our own employees who are driven to make a true impact in our members' lives. Their collective energy creates a company culture and pride in our brand called embraceRED. Throughout this report, we hope you'll get a sense for that energy and pride we feel at Elements, all while looking ahead to the good work we'll do in 2017.

Connect with us!



Mark Saltsgaver
Chair of the Board



Lisa A. Schlehuber
Chief Executive Officer

1) Competitive Value is estimated by comparing historical rates and fees at Elements Financial and at the five banks and credit unions with the largest market share in Central Indiana; data valid as of 8/30/16.

VALUE



Financial Wellness

Since day one in 1930, our credit union has focused on the financial well-being of its members. Every year, we identify new ways to share our knowledge and expand our audience who learns from it.

839 At Work Financial Wellness Events

Workshops, Credit Review Days, and other events focused on improving our members' personal financial wellness throughout our network of partner organizations

New electronic platform for financial wellness education introduced to various partner organizations

The Life Lessons Blog at elements.org

15,362 Total Views, a 6% increase

Concentrates on celebrating life events, strengthening relationships, making major purchases and saving money.

Facebook

2,695 Likes, a 9% increase

Twitter

1,446 Followers, a 5% increase

We benefited from mentions by prominent accounts such as @ButlerBlue3, @IndyChamber, @IndyIndians, and @LLSusa (Leukemia & Lymphoma Society)

LinkedIn

1,190 Followers

The highest followed credit union in Indiana

Community Support

Through community sponsorships, fundraising campaigns, and corporate contributions, Elements was responsible for a record-breaking **\$600,000 in community support**, including the following important initiatives:

Major Gifts

Leukemia & Lymphoma Society

\$117,000



CEO Lisa Schlehuber raised this amount while participating in the Woman of the Year Campaign.

United Way Campaign

\$67,654



Funds generously given by our employees with a 1:1 Elements match

Riley Children's Foundation

\$64,000



Through the 6th Annual Cars 4 Kids Auto Promotion, Super Hero Night at Victory Field, and the Riley Children's Foundation Visa Credit Card

American Red Cross

\$10,000



Through WTHR's We Care Program to support victims of severe storms in Kokomo, Indiana.

Indiana Military Veterans Hall of Fame

\$10,000

To support construction of a new facility to honor our fallen and living heroes

Recognition & Reputation

Annually, we celebrate the awards and appointments our credit union and employees earn.

Other Significant Community Partnerships

Butler University
Indiana State Fairgrounds
Indianapolis Indians
Indy Chamber
Wellness Council of Indiana

Other Employee Matching Gifts

\$6,174 — Employees' charitable gifts to other nonprofit organizations are also matched by Elements.

Paid Volunteer Time Off Available

1,344 hours — Every employee receives time to donate to local favorite causes.

Company Awards

Wealth Management

- **LPL Financial's 2016 Program of the Year** for our peer group
- **Indianapolis Business Journal's Largest Indianapolis Area Investment Brokerage Firms** (5th year listed)

Marketing

- **CUNA Diamond Awards** for Outstanding Credit Union Marketing

Employee Honors

Mortgage

- **Andee Kettlebar, Mortgage Sales Manager**, named Affiliate of the Year by Hamilton County Chapter of Metropolitan Indianapolis Board of Realtors (MIBOR)
- **Luis Aparicio, Mortgage Loan Originator**, named Affiliate of the Year by Greater Indianapolis Chapter of MIBOR
- **Janai Santana Roberts, Mortgage Loan Originator**, named Affiliate of the Year by Boone County Chapter of MIBOR and the Women's Council of Realtors

Wealth Management

- **LPL Masters Qualifiers/Top-Tier Producers:** Jim Wolf, CFP®; Bruce Evans; Terry Cox, CRPC®
- **Individual Top Advisory Production Rankings** among 3,000 financial advisors in LPL Financial's Institutional Division: Jim Wolf, CFP®; Raymond Mark, CFP®; Terry Cox, CRPC®

Executive

- **Lisa Schlehuber, CEO**, appointed to Executive and Finance Committee for the Indianapolis Chamber of Commerce; Board of Directors for CO-OP Financial Services; Indiana Credit Union League Governmental Affairs Committee Member.
- **Connie Brown, Senior Vice President of Member Experience**, serves on the Fiserv Retail Strategic Advisory Board.
- **Joe Hasto, Executive Vice President, Chief Financial Officer**, serves as a Board Member for the Healthcare Credit Union Association; a member of the Indiana Credit Union League's Political Involvement Leadership Advisory Group; and as a member of NAFCU's Share Insurance, Liquidity, and Development Fund Oversight Committee and Financial Executives International.
- **Ron Senci, Executive Vice President of Lending and Sales**, serves as Chairman of the Credit Committee for the Business Owners Initiative with the Indianapolis Chamber of Commerce.
- **Chris Sibila, Executive Vice President of Payments and Technology**, serves on the Technology and Innovation Council for the Indiana Chamber and the Technology Committee for CO-OP Financial Services.
- **Matt Snively, Senior Vice President/LPL Investment Program Manager**, serves on the LPL Credit Union Executive Advisory Council and as President of PROCU (Product Research Organization for Credit Unions).

Other Areas of the Credit Union

- **Greg Mills, Vice President of Finance**, serves on CUNA's Regulatory Committee and NAFCU's Regulatory Committee.
- **Todd Shickel, Vice President of Business Development**, serves on the Board of Advisors for the Wellness Council of Indiana.
- **Rebecca Littell, Assistant Vice President of Operations**, serves on the Credit Union Center's Board of Directors.
- **Ashli Moore, Assistant Vice President of Quality Assurance**, serves on the Membership Council for the Indianapolis Chamber of Commerce.
- **Andy Shank, Assistant Vice President, Fraud Investigation Manager**, appointed by Mayor Joe Hogsett to the Indianapolis Metropolitan Police Department's Citizens' Police Complaint Board
- **Mary Ann Deckard, Operations Manager**, serves on the Central Indiana Chapter of Indiana Credit Unions.

Awareness

We've now spent two full years of doing business as Elements Financial. To gauge recognition of the company name, we completed another round of our "Brand Awareness and Advertising Effectiveness Study." This survey shows how the Elements brand and our various ads and sponsorships are resonating with both consumers and business decision makers. Our most recent results are our strongest thus far, showing that we've doubled our brand awareness in the last year.



SERVICES

Enhanced Payment Methods

The largest credit union project in 2016 was the replacement of the entire debit card portfolio. Standard cards with magnetic stripes were upgraded to EMV chip cards for enhanced account security.

Within five months, Elements re-issued more than 28,000 debit cards. This included a new red card design as well as an all-new Butler-branded card; a business debit card; and an equity line of credit access card.



As with any major project, we worked through some challenges with vendors and adjustments to our timeline, and ultimately, we successfully delivered on our primary goal—to upgrade payment security and help reduce the potential for debit card fraud going forward.

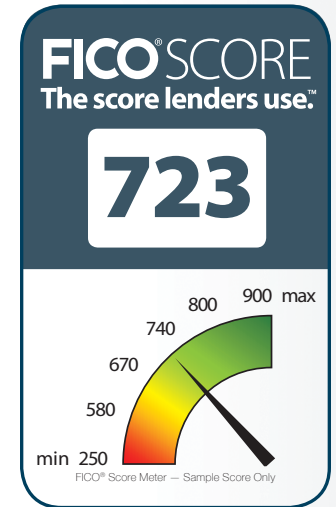
We also expanded our digital payment options so members can now load Elements Visa[®] debit or credit cards on their smartphones to shop with Android Pay[™] and Samsung Pay. Combine this with Apple Pay[™] and Visa Checkout that rolled out in 2015, and we now have a full line-up of digital payment methods that rival our larger competitors.

Elements Financial Health Savings Account Debit Cards are not available for Android Pay, Apple Pay, or Samsung Pay. / Apple, the Apple logo, iPhone, and iPad are trademarks of Apple Inc., registered in the U.S. and other countries. Apple Pay and Touch ID are trademarks of Apple Inc. / Android, Android Pay, and the Android Logo are trademarks of Google Inc. / Samsung, Samsung Pay, are trademarks or registered trademarks of Samsung Electronics Co., Ltd. Use only in accordance with law. Other company and product names mentioned may be trademarks of their respective owners. Samsung Pay is available on select Samsung devices.

Security & Fraud Prevention

Over time, some things do not change. That's the case for member security remaining among our highest priorities, which generated these additional updates, beyond the chip card project:

- Free access to FICO scores added to eBranch and mobile banking for any member with a checking, loan, or credit card account
- Free identity restoration services for any member with a checking account and who opts-in with our new partner EZShield
- New management position created to provide concentrated focus in fraud prevention
- New email alerts to notify members when unusual transactions or changes to key personal information occur
- Staff training and updated procedures to combat new types of fraud
- Partnership with law enforcement agencies and other financial institutions to report details of scams impacting members



As an additional layer of security for debit *and* credit cardholders, there are times when transactions are denied at point of sale when a member's spending behavior is beyond the norm. We appreciate your understanding of these proactive methods of monitoring and protecting your accounts.

Elements Financial and Fair Isaac are not credit repair organizations as defined under federal and state law, including the Credit Repair Organizations Act. Elements Financial and Fair Isaac do not provide "credit repair" services or advice or assistance regarding "rebuilding" or "improving" your credit record, credit history or credit rating. FICO is a registered trademark of Fair Isaac Corporation in the United States and other countries.

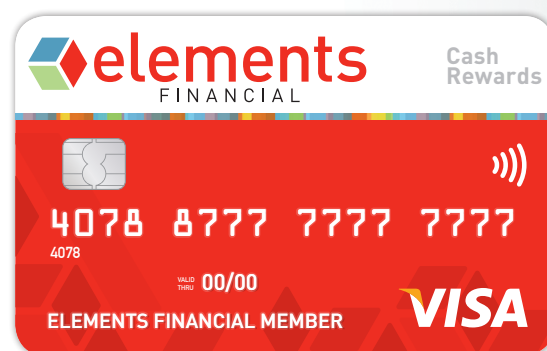
New Offers

High Interest Checking: In March, we completed an overhaul of our most competitive checking product to make it even more appealing. Combining the flexibility of checking with the rates and benefits of a high yield savings, this account now offers a premium 2.00% Annual Percentage Yield (APY) on balances up to \$20,000. Minimum requirements on the account allow for dividends to be paid on an average daily balance as low as \$100 on accounts with 15 qualifying transactions per statement cycle. *See page 17 for deposit growth statistics fueled by this improved product.*

Cash Rewards Visa: In March, we also premiered a new credit card that pays an unlimited 1% cash back as a statement credit every month. It was one of our most popular card products in 2016 with more than 400 members choosing this new card for their spending needs. The Cash Rewards program enhances our existing portfolio of credit cards, including a Signature Rewards Card; Platinum Card; Riley Children's Foundation Card; and a Secured Card.

Private Client: In its first full year, the Private Client program far exceeded expectations by generating \$15.6 million in new loans and \$14.9 million in new deposits.

Member Business Lending: This was a building year for our new business services program at Elements as we created the infrastructure and products. With a longer than anticipated rollout period, the new team began funding loans during the latter half of the year for a total of \$2.98 million.



RELATIONSHIPS

Membership

As we make connections with new members, we expand our abilities and services to support their financial success.

12,260 total net new members representing 16.9% in membership growth

84,674 total net core membership¹

15 new employee groups added to our membership eligibility. *See page 22 for listing.*

Deposits

In 2016, we accomplished what we set out to do by significantly growing our core checking and savings balances.

CHECKING

3,035 new checking accounts, and contributing \$40.9 million to overall deposit balance growth; 21.6% increase versus plan of 11.6%

SAVINGS

\$51.5 million in savings balance growth; 9.4% increase versus plan of 6.0%

CERTIFICATES

\$16.7 million in certificates balance growth; 6.7% increase versus plan of 5.0%

OVERALL

\$1.098 billion in overall deposit balances; up by **\$109 million;** 11.0% increase versus plan of 7.1%

1) NCUA's 5300 Call Report Quarterly Data cites our membership count as 92,495 which includes non-core members who were indirect borrowers through a student loan program.

Loans

Elements, for the third consecutive year, set a new record for both annual loan balance growth and fundings in 2016.

\$157 million growth in loan balances,

compared to record growth of \$155 million in 2015

\$673 million in total loan fundings,

exceeding former record of \$552 million in 2015

Loan growth during the last three years amounts to \$448 million, surpassing total loan growth during the preceding 19 years.

Highlighting Residential Mortgage

Elements continues to experience strength in lending, led by residential mortgage growth. In 2016, Elements closed \$273 million in mortgages, up from \$207 million in 2015, representing a 32% increase. Growth was driven by a strong local real estate market, low rates, and strong performance of the credit union's mortgage loan originator program. Purchases continued to drive volume, representing 78% of total applications for the year.

Wealth Management

Our financial advisors represent one of the strongest credit union programs associated with LPL Financial, the nation's largest independent broker/dealer. Credit union employee referrals led to 64 new accounts and \$10 million in assets, which exceeded the goal for new relationships.



Total Program Assets Under Management

\$526.5 million

Total Advised Assets

\$313.9 million

Gross Dealer Concession

\$3.8 million

Growth in Total Program Revenue

\$251,830

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

Board of Directors

Mark Saltsgaver

Chair of the Board

Nathan Lewis

Vice Chair

Don Zakrowski

Secretary

John Huesing

Treasurer

Kathleen DeLaney

Jeremy Fitch

Kay Jackson

Michael F. Johnson

Dennis Trinkle

Supervisory Committee

Andrew Laux

Committee Chair

Amy Treida

Benjamin Denlinger

Kecia Baker

Jeff Draper

Executive Team

Lisa Schlehuber

Chief Executive Officer

Joe Hasto

Executive Vice President,

Chief Financial Officer

Ron Senci

Executive Vice President of

Lending and Sales

Chris Sibila

Executive Vice President of

Payments and Technology

Consolidated Statement of Financial Condition

Selected Data in Millions

| Assets | 2016 | 2015 |
|---|------------------|------------------|
| Cash and Investments | \$171.5 | \$189.1 |
| Loans to Members <i>(net of allowance for loan losses)</i> | 1,105.6 | 949.4 |
| Other Assets | 53.7 | 59.2 |
| Total Assets | \$1,330.7 | \$1,197.7 |
| Liabilities and Members' Equity | | |
| Share Savings, Drafts and Certificates | \$1,097.9 | \$989.0 |
| Other Liabilities | 117.0 | 93.8 |
| Members' Equity | 115.9 | 114.9 |
| Total Liabilities and Members' Equity | \$1,330.7 | \$1,197.7 |

Consolidated Statement of Income

Selected Data in Millions

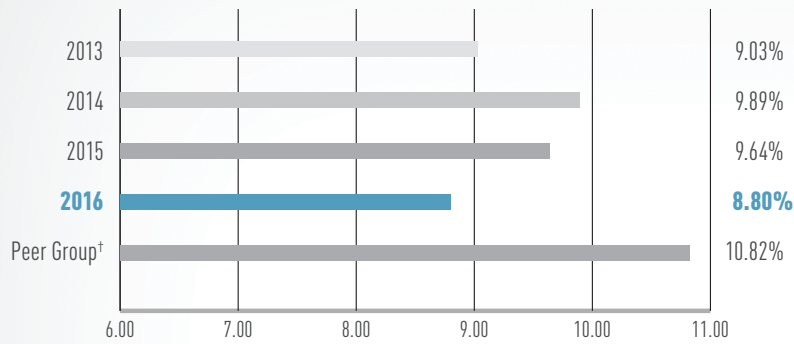
| | 2016 | 2015 |
|--|--------------|---------------|
| Interest Income from Loans and Investments | \$42.7 | \$38.7 |
| Interest Expense for Member Accounts and Borrowed Funds | (9.4) | (7.0) |
| Loan Loss Provision | (2.1)* | 2.8 |
| Net Interest Income | 31.3 | 34.4 |
| Other Income | 13.3 | 12.5 |
| Operating Expense | (41.2)* | (36.5) |
| Non-Operating Expense | (1.6) | (0.1) |
| Net Income | \$1.7 | \$10.3 |

Notes to Financial Statements

* In September 2016, the credit union provisioned \$2.5 million for loan losses and recognized \$3.4 million in expenses related to a loan participation program.

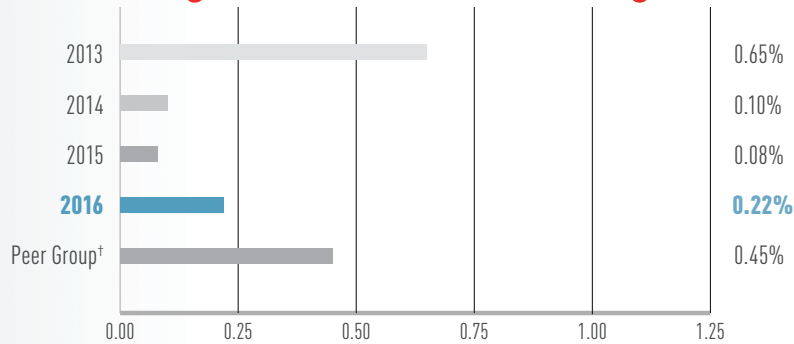
In management's opinion, the selected financial data presented herein is free of material error and accurately reflects the financial position and/or results of operations of Elements Financial for the periods presented. Members may request a complete copy of our audited financial statements by calling (800) 621-2105.

Net Worth to Assets

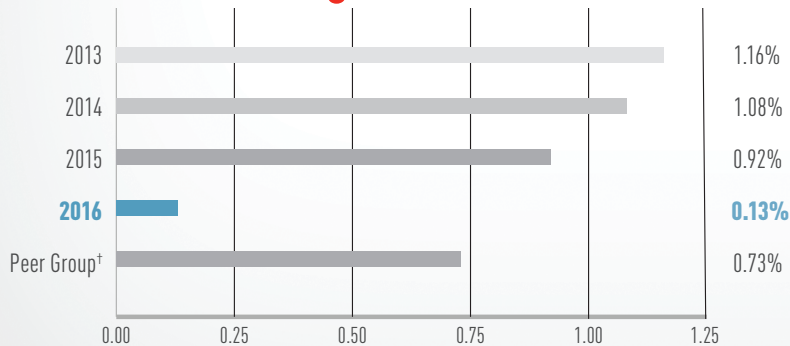


A credit union must have a Net Worth to Assets ratio of at least 7.00% to be considered "Well Capitalized" by the National Credit Union Administration (NCUA).

Net Charged-Off Loans to Average Loans



Return on Average Assets



†NCUA Peer Group — All credit unions greater than \$500 million in assets as of 12/31/16.

Partner Organizations

Marketing efforts and financial wellness events in the workplace fueled strong loan and deposit growth within our new partner organizations including IU Health, Butler University, and the State of Indiana, which all performed better than anticipated.

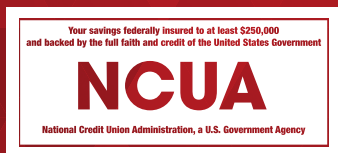
During the year, the credit union hosted **839 onsite educational events** and expanded our business development team by adding **3 new Relationship Managers**.

Elements welcomed a total of 15 new employers to the credit union:

New in 2016

Butler Alumni Association
City Real Estate Advisors (CREA)
Franciscan Health
ICAP, LLC
Indiana University Health
Koorsen Environmental Services
Lumina Foundation
Outreach, Inc.
Patriot Engineering and Environmental, Inc.
Radiology Indiana
Sensory Technologies
Somerset CPAs and Advisors
Walker Information
Wilhelm Construction
Williams Randall Marketing

Federally Insured by NCUA



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

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Not NCUA Insured

No Credit Union Guarantee

May Lose Value



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