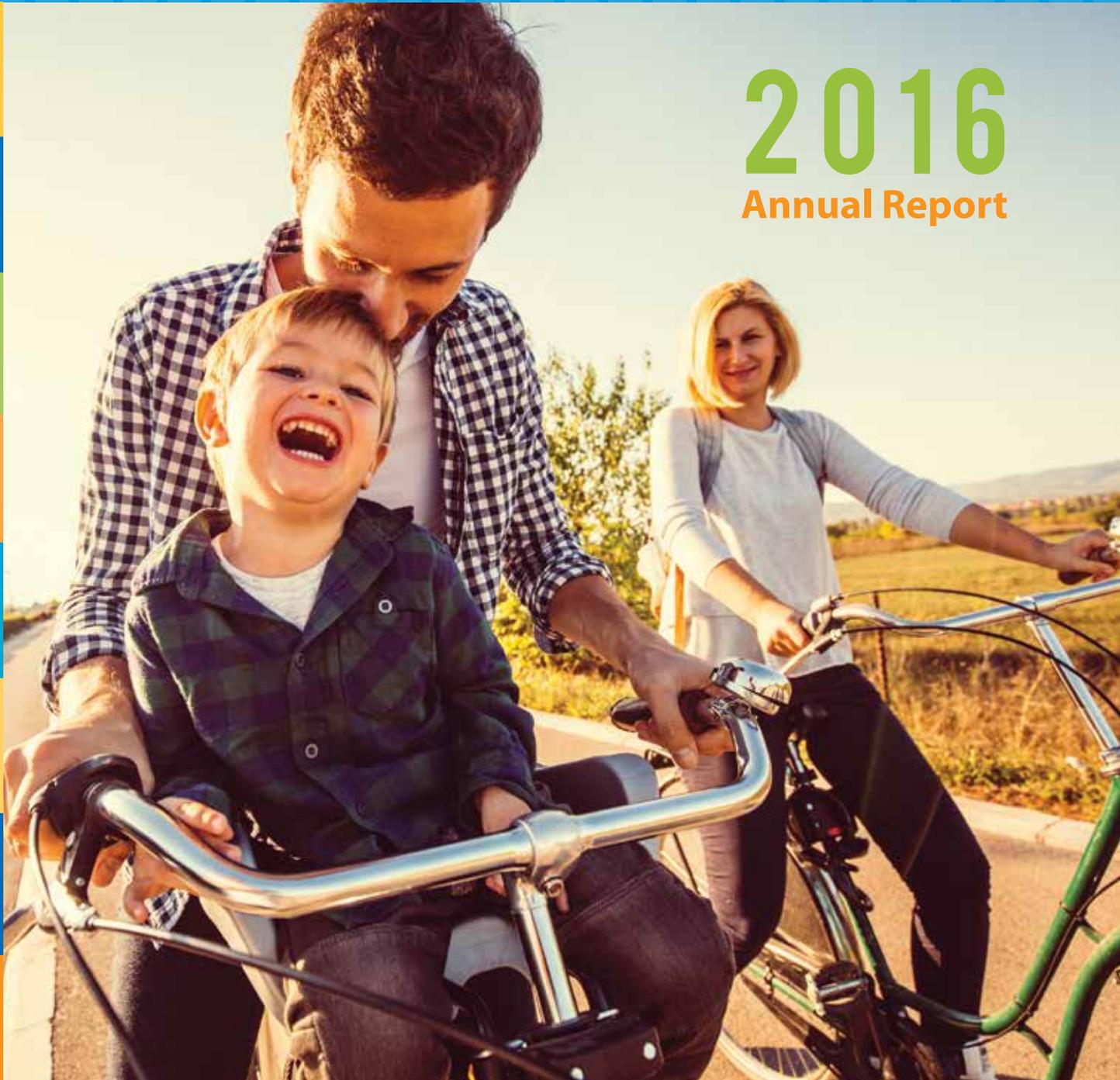


2016
Annual Report



Membership Means More

CHAIRMAN'S REPORT

Welcome! This is the 63rd Annual Meeting of your Lubrizol Employees' Credit Union. We have had another year of remarkable growth and positive changes. The Lubrizol Credit Union remains financially sound and strong. We are strong because of you, the members, a fantastic staff and a dedicated group of volunteers and Board of Directors.

What has your credit union done for you lately?

This past year we made some of the largest changes in the credit union's history. We transitioned to a new data processor system over the New Year's Eve holiday weekend. We also upgraded our Bill Pay system, Home Banking, Mobile Banking and Mobile App. There were a few bumps but with the hard work of the staff, we made it. A lot of the changes are behind the scenes with new core software for data processing. For the member, the positive changes include:

- New and improved Home Banking
- New and improved Mobile Banking with Mobile Deposit
- New and improved Bill Pay with Person to Person Transfer (P2P)
- Single sign-on to access all of our online services
- Access to Bill Pay directly from Home Banking
- Ability to freeze your Debit card through Home Banking or Mobile Banking
- Convenient, safe and secure eSignatures for loan and deposit documents through DocuSign® and much more

Our membership continues to grow.

In 2016 our membership grew by 86 members to 3,108 members at the end of the year. We have a very large potential for increasing our membership. Our field of membership includes the primary member, which is the Lubrizol employee, and ALL relatives.

- Either the staff or a Board member goes to the Lubrizol new employee orientations to recruit new members.
- Loans are at a record high. We offer some of the lowest rates available! Check with Emma or Elizabeth for new or used car, truck, RV, boat or signature loans.
- We continue to actively market and cross sell our services.
- Thanks to Agatha for working with our new web developer, Avtec

Media, for the complete redesign of our website. The updates make for easier navigation and a more cohesive feel with our brand.

What is your credit union doing to continually improve and grow?

- This year we will work to upgrade Debit and Credit cards to EMV chip cards.
- We will also work toward instant issue of Debit cards.
- Soon, you will be able to access LZECU Mastercard® credit card information through home banking.
- It is in our plans to look at a building design to make the member experience even better.
- We will use our new Home Banking, Mobile Banking, Bill Pay and P2P services to grow our membership.
- We have money to loan! Check with Emma or Elizabeth to save money.

Strengths

The Lubrizol Employees' Credit Union remains strong. Total assets increased 7.5% (\$3,034,193) during 2016 and were a record \$43,431,118 at the end of the year. Total loans increased 9.7% (\$1,758,221) and totaled a record \$19,941,300 at the end of the year. A total of \$146,434 was added to capital during the year. At the end of the year, our capital to asset ratio was a very strong 11.93%.

Summary

Your credit union remains very strong. Our goal has always been to be the BEST credit union in the State of Texas, not the largest. We are proud that we improve and grow the credit union every year. With the services that we provide, we believe that we can be your primary financial institution if we are not already. This year we made a large step in that direction.

With our strong and supportive membership, exceptional staff and group of dedicated volunteers, we have the basis for continued growth and improvement.

I want to recognize our exceptional staff: Rose, Susie, Emma, Hedda, Carol, Elizabeth, Agatha, Charlie and Darlene.

On behalf of your Board of Directors,
Rich Miller, *Chairman of the Board*

TREASURER'S REPORT

LZECU experienced another year of solid financial performance and growth during 2016 as total assets increased by 7.51% for the year, closing with an ending total asset balance of \$43,431,118. This compares to the 2015 asset balance of \$40,396,925. Loan balance significantly increased 9.67% for the year, ending at \$19,941,300. Net operating expenses were 2.41% below budget, before the additional depreciation of building. The goal of this elected expense is to pay off our current building depreciation and plan for future building upgrades. Our capital position remains strong as evidenced by LZECU's net worth ratio of 11.93% ending December 31, 2016. A net worth ratio above 7% is considered well-capitalized by NCUA standards.

LZECU is committed to remaining a strong and stable organization. Our credit union continues to receive good exam reviews from the State Examiner's Office. Our goal is to maintain earnings and reserves that promote sound growth, and provide exceptional service and products to help our members prosper.

Gary J. Aldrich, *Treasurer*

SUPERVISORY COMMITTEE'S REPORT

Appointed by the Board, the role of the Supervisory Committee is to perform audit oversight on behalf of the Board of Directors.

This Supervisory Committee is responsible for ensuring that the credit union meets required financial reporting objectives and follows all necessary procedures to protect members' assets.

The Committee employs certified public accountants to perform auditing, account verification and other work under its supervision.

To carry out these responsibilities, the Supervisory Committee completed three key activities in 2016:

- The Committee contracted A. John Weaver and Associates to conduct a comprehensive annual audit for the period ending December 31, 2015. Results of this audit indicate that proper practices and procedures are being followed and that accounting records accurately reflect operation of the credit union.
- A Verification of Member Accounts was completed for the period ending September 30, 2016, with no findings.
- The Committee completed a full verification of cash on hand at the credit union for the 2016 calendar year. No significant discrepancies were found.

In accordance with Texas Finance Code, the Texas Credit Union Department conducted their annual examination of books and records for the period ending June 30, 2016. Lubrizol Employees' Credit Union continues to maintain the highest possible rating given by the Texas Credit Union Department thanks to effective operation and management of our credit union.

The Committee is pleased to report that Lubrizol Employees' Credit Union continues to operate in a financially sound manner and remains dedicated to serving its members.

Patrick Newby
Supervisory Committee Chairman

AGENDA

- Ascertain Quorum
- Minutes of Last Annual Meeting
- Reports to the Membership
- Elections
- Unfinished Business
- New Business
- Door Prizes
- Adjournment

STATEMENT OF FINANCIAL CONDITION

	2016	2015
Assets		
Loans	\$ 19,941,300	\$ 18,183,079
Cash	\$ 2,865,733	\$ 2,841,677
Investments	\$ 20,028,218	\$ 18,723,283
Building & Land	\$ 79,455	\$ 151,371
Other Fixed Assets	\$ 21,471	\$ 31,481
Other Assets	\$ 494,941	\$ 466,034
Total Assets	\$ 43,431,118	\$ 40,396,925
Liabilities & Equity		
Member Shares	\$ 37,695,176	\$ 34,961,420
Liabilities	\$ 546,405	\$ 392,402
Reserves	\$ 749,468	\$ 749,468
Undivided Earnings	\$ 4,440,069	\$ 4,293,635
Total Liabilities & Equity	\$ 43,431,118	\$ 40,396,925

INCOME AND EXPENSE STATEMENT

	2016	2015
Sources of Income		
Interest on Loans	\$ 1,052,364	\$ 964,450
Income from Investments	\$ 311,687	\$ 286,175
Other Income	\$ 248,896	\$ 226,706
Total Income	\$ 1,612,947	\$ 1,477,331
Expenses		
Operating Expenses	\$ 1,214,280	\$ 1,116,227
Dividends	\$ 197,233	\$ 185,815
Total Expenses	\$ 1,411,513	\$ 1,302,042
Operating Income	\$ 201,434	\$ 175,289
Additional Depreciation of Building	\$ 55,000	\$ 50,000
Net Income	\$ 146,434	\$ 125,289

MEMBER STATISTICS

	2016	2015
Membership		
Total Members	3,108	3,022
Total Share Draft Accounts	1,408	1,328
Total IRA Accounts	167	168

MISSION

Our mission is to build lifelong relationships through family-friendly service and provide beneficial, progressive financial services, while maintaining our strength and stability.

VISION

To be the financial services provider of choice, enriching the lives of our members and employees.

LEADERSHIP

BOARD OF DIRECTORS

	Term Expires
Rich Miller, Chairman of the Board	2018
Danny Koons, Vice Chairman of the Board	2018
Gary Aldrich, Treasurer	2019
Patrick Newby, Secretary	2017
Delinda Dutton, Director	2018
Brad Busby, Director	2017
John Taylor, Director	2017

SUPERVISORY COMMITTEE

James Garza, Chairman
Patrick Newby, Member
Mike Deen, Member

NOMINATING COMMITTEE

Michael Collins
Virginia Carr
Jan McClain
Brad Busby

CREDIT UNION STAFF

Rose Flores, President/CEO
Carol Fitzpatrick, Accounting Supervisor
Agatha Anariba, Marketing,
Project & IT Administrator
Susie Morley, Payment Services Specialist
Emma Anderson, Loan Manager
Elizabeth Munoz, Loan Officer
Hedda Dangleben, Member Service Supervisor
Charlie Riggs, Member Service Representative
Darlene Cornier, Member Service Representative



LUBRIZOL EMPLOYEES' CREDIT UNION 62ND ANNUAL MEETING MINUTES

February 17, 2016

The 62nd Annual Meeting of Lubrizol Employees' Credit Union was held on Wednesday, February 17, 2016, at 7:00 p.m. at the Deer Park Theatre and Courts Building. Refreshments were served as members and guests registered for the meeting. Members eligible to vote were given ballots. Everyone received the 2015 Annual Report, a door gift and a ticket for the door prize drawings.

Call to Order: Chairman Rich Miller called the meeting to order and declared a quorum since more than 25 members were in attendance.

Approval of the Minutes: Mr. Miller called for a reading of the 2015 Annual Meeting minutes. A motion was made to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Motion was seconded and passed.

Election: Mr. Miller informed this year there are two (2) Board seats up for election, each for a three (3-) year term. Mr. Miller introduced the nominees: Gary Aldrich (incumbent), Don Epps (incumbent), Patrick Newby and Rick Smith. Mr. Miller informed Don Epps was out of town and not in attendance.

Mr. Miller asked for nominations from the floor. There were no nominations from the floor. A motion was made, seconded and vote carried to cease the nominations. A committee of five members was appointed to collect and count the ballots. Mr. Miller informed the election results would be announced at the end of the meeting.

Reports: Chairman Rich Miller gave his Chairman's Report, which is located in the 2015 Annual Report. Mr. Miller reviewed the progress made in 2015 and informed LZECU will go through a complete technology upgrade tentatively scheduled for October 1, 2016. This includes a new bill pay system and a new data processor, which will provide a new and improved Home Banking and Mobile Banking app. An update to the CU's website is also scheduled for summer 2016. Mr. Miller informed communications regarding the technology upgrade will be provided throughout the year. Mr. Miller discussed the financial strength and stability of LZECU. Mr. Miller presented Loan Manager Emma Anderson with a 20-Year Service Award and Loan Officer Elizabeth Munoz with a 5-Year Service Award. Mr. Miller thanked them for their service and dedication to our credit union.

Mr. Miller informed the Treasurer's Report and the Supervisory Committee's Report can be found in the 2015 Annual Report, which was handed out to all members at registration. Mr. Miller urged members to read the respective reports and asked if there were any questions regarding either report. No one had any questions.

In closing, Mr. Miller thanked the membership for their support and making LZECU successful. He asked everyone to invite their family members and LZ co-workers to join LZECU and take advantage of the many benefits. Mr. Miller also thanked the staff and Board for doing an outstanding job.

Old Business: None

New Business: None

Door Prize Drawings: There were 26 prizes for members 13 years of age and up and 16 prizes for members 12 years of age and under. Ed Cruz was the winner of the \$300 Adult Grand Prize. Asher White was the winner of the \$100 Kid's Grand Prize.

Election Results: Gary Aldrich (incumbent) and Don Epps (incumbent) were re-elected for a three-year term.

Adjournment: Chairman Rich Miller asked for a motion to adjourn the meeting. Motion was made, seconded and vote carried to adjourn the business meeting. The business meeting was adjourned at 8:00 p.m.