

ANNUAL REPORT 2020

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**KNOXVILLE TVA EMPLOYEES
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Report to the **Membership**

KNOXVILLE TVA EMPLOYEES CREDIT UNION

Alphonse Desjardins, credited to be one of the founders of the credit union movement, stated, "Let it never be forgotten that a credit union is, above all else, an association of people, not dollars." In this unprecedented year full of challenges, the Credit Union continued its operational philosophy of "People Helping People." 2020 was a year like no other, and it was a year no one anticipated. It brought significant changes to our lives, work, social fabric, and financial situations.

Since 1934, the Credit Union has faced several challenges—recessions, depression, inflation, company layoffs, business closures, and even a world war—but nothing like the COVID-19 pandemic. The pandemic forced many changes as we worked to abide by CDC regulations and to keep Members safe.

For the safety of all, we temporarily closed our branch lobbies. However, we made sure to stay in touch with Members in other ways. We kept our drive-thru lanes open, connected with Members through social media, Member emails, and maintained an active online presence. When branch lobbies reopened, Staff wore masks and encouraged Members to do the same. We installed protective shields, enhanced cleaning efforts, practiced social distancing, and had many Staff work remotely.

Even with all the challenges, our focus has remained on our Members and helping them through these difficult times. We extended our hours of operations while branch lobbies were closed, offered a special consumer loan discount to essential frontline workers, and created the Member Support Loan to offer relief to those impacted by the coronavirus. The Credit Union has been and will continue to be here to help. But with all the challenges of 2020, there were still many successes. Many areas even experienced record growth.

The Credit Union assets grew to \$2,997,197,430, an increase of \$566 million. This is further proof the Credit Union is accomplishing its Mission.

Members are choosing to save more. And with the infusion of stimulus checks, the Credit Union experienced a tremendous amount of deposit growth. Deposits increased \$495 million, a growth of 24.05%.

Our low rates and variety of loan products resulted in strong growth in outstanding loans. Credit Union Members generated over \$1.3 billion in loans. Loans outstanding increased over \$317 million, a 14.67% growth. Auto loans led the way with over \$720 million disbursed, followed by real estate loans with \$215 million disbursed.

Membership reached 228,409, an increase of 7.80%. As Members share their experiences with us, more people are discovering the benefits of Credit Union Membership. People see firsthand how it's possible to build a relationship with a financial partner that turns the bad times into good times and the good times into even better times.

Net worth remained strong at 8.35%, even with the tremendous influx of deposits. Delinquency remained low at 0.13%, indicating Members' desire to remain financially sound.

Our growth in 2020 was also reflected at our new physical locations. The Credit Union moved to a new Operations Center in January. This new center allowed us to combine offices and expand departments to provide even better levels of service. The new Powell Branch opened in June and was an instant success. In November, this branch loaned more than \$1 million for the month after only five months in operation. The Wall Avenue Branch moved to its new location on Market Square. The Bristol Branch moved to a new expanded location in January 2021 to provide more convenient service to Members in the Tri-Cities. Our branch network now has 24 branches offering personal service for our Members.

Members stayed home more because of the pandemic, but the need for financial service continued. Our online channels continue to grow and are a predominant way Members manage their finances. Through online and mobile banking, Members can do almost any transaction. Members can easily apply for a loan, transfer funds, make mobile check

deposits, schedule a payment, check their credit score— and much more! —all from the comfort of home. There were 367,924 mobile deposits totaling \$149,745,509. Our Call Center representatives answered over 690,000 calls and assisted Members with requests, information, and transactions. 1,371,140 inquiries were made to the automated phone service. As we continue in these critical times, we understand remote access is more important than ever. We will continue to enhance our online, mobile, and other convenient services to provide additional options to Members.

With our uChoose Rewards program, Members earned rewards simply by using a Credit Union debit or credit card. Members redeemed points for a total of \$1,308,799 in cash and merchandise.

What really matters is the relationship and trust we have built together over the years. These numbers validate our commitment to Members. Our employees continue to be the most vital reason for the Knoxville TVA Employees Credit Union's success. Every day our employees ensure our Members have the best possible experience, whether they are coming to one of our branch locations, calling into our Contact Center, or completing a transaction online.

The Credit Union is here for the long run. We want to build a financial relationship with you and your family that will last forever. Our greatest compliment is when we open a new account for your children and grandchildren. This is a great start to their financial journey and enables the Credit Union to assist them through every life stage.

We continue to support Mission of Hope, Emerald Youth Foundation, Second Harvest Food Bank, and many more local organizations. Organizations helping children have always been special to us.

Our Mission is "To Help Members Grow Financially." It doesn't say we help Members grow financially in the good times. The statement is for all times, good and bad. Knoxville TVA Employees Credit Union was formed in the aftermath of the Great Depression. These were hard times in the Tennessee Valley. It was helpful for workers of the newly formed Tennessee Valley Authority (TVA) to have a financial institution they could trust. We were there when Members needed us, and we are here when Members need us now.



Supervisory Committee Report

The Knoxville TVA Employees Credit Union was established with the purpose to focus on you, our Members, and together we can find ways to meet any challenges and changing needs. The Credit Union today remains a secure source for financial services. We have adapted to changing technologies and demographics and are well-positioned to serve your financial needs now and in the future.

The Credit Union met the challenges of the year and worked to help Members through these trying times. Changes were made to keep everyone, both Staff and Members, safe. Wearing masks offers protection, but masks hide the smiles for both Members and Staff. We are always happy to see Members, so remember, behind those masks are smiles. Smiles help everyone feel better. Smiles are something we have shared with Members since 1934, and we want to continue that as we work through the trying times. When the pandemic is over, those smiles will be remembered because we all worked together to benefit each other.

For 87 years, we have dedicated ourselves to ensuring you—our loyal Members—have the tools, resources, and trusted advice you need to succeed. We do this to help you save more, eliminate debt, build wealth, realize your dreams, live generously, and experience financial freedom.

We stand ready to serve you and our entire Membership as we navigate 2021 together; because it is only by working together, we can succeed and build a strong future. The Credit Union wants to be your first choice for all financial needs, and we believe working together is the best way to accomplish this.

Members need the Credit Union in these unprecedented times. We want Members to know we are here to help and be your financial first responders. Thank you for trusting us with your financial journey.

Paul Ivie
CHAIRMAN OF THE BOARD

Glenn W. Siler
PRESIDENT & CEO

The Supervisory Committee is appointed by the Board of Directors to ensure Members' assets are secure and safe. The Committee's primary responsibilities to the Membership are to ensure the effectiveness of the system of Internal Control, adherence to established policies and procedures, and the overall safety and soundness of Knoxville TVA Employees Credit Union.

The Credit Union has an Internal Audit Department that reviews Credit Union operations and annually updates a formalized risk assessment of all products and services. In addition, they perform numerous audits to determine the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with respective policies and procedures. The internal auditors report to the Supervisory Committee and meet with the Committee bi-monthly to review internal and external audit reports, risk assessments, and internal control practices.

In addition to the Internal Audit Department, the Credit Union is audited by outside independent auditors, examiners from the State of Tennessee Department of Financial Institutions, and Federal Examiners from the National Credit Union Administration (NCUA). The State and Federal examiners conduct annual exams. Due to the pandemic, the annual audit from the State and Federal examiners were postponed until February 2021.

The Supervisory Committee is pleased to report the financial condition of the Credit Union concerning accounting records, reports, internal controls, compliance with established policies, procedures, laws, and regulations are correct and precisely represented. Members can rest assured that their assets remain safe and secure at Knoxville TVA Employees Credit Union.

Bill Bonham
CHAIRMAN OF THE SUPERVISORY COMMITTEE



Treasurer's Report

Despite the hardships of 2020, the Credit Union met the challenges from the COVID-19 pandemic and experienced another successful year for both the Credit Union and Members.

Growth in assets is proof the Credit Union continues to be focused on the Mission "To Help Members Grow Financially." Asset growth for 2020 was the largest growth in any year of our 87-year history. Assets grew \$566 million, an increase of 23.30%. Perhaps even more important to Members, the growth in assets per Member saw a 14.38% increase.

Deposits increased over \$495 million due to the economy and approximately \$160 million in stimulus checks. This represents a 24.07% growth for the year.

Along with the increase in deposits, the demand for loans was high. Members were looking to invest in new cars, boats, RVs, houses, home improvement projects, and to fulfill lifelong dreams. Over \$1.3 billion in loans were disbursed for 2020, increasing \$171 million over the prior year. Along with the increases in loans, delinquency rates remained low at 0.13%, indicating the Membership's financial strength and how the Credit Union strives to work with Members if there are any loan concerns.

Membership increased 7.80% to 228,409—every Member shares in the Credit Union's success through better rates, lower fees, and services. Your money is at work helping you and other Members, now and in the future.

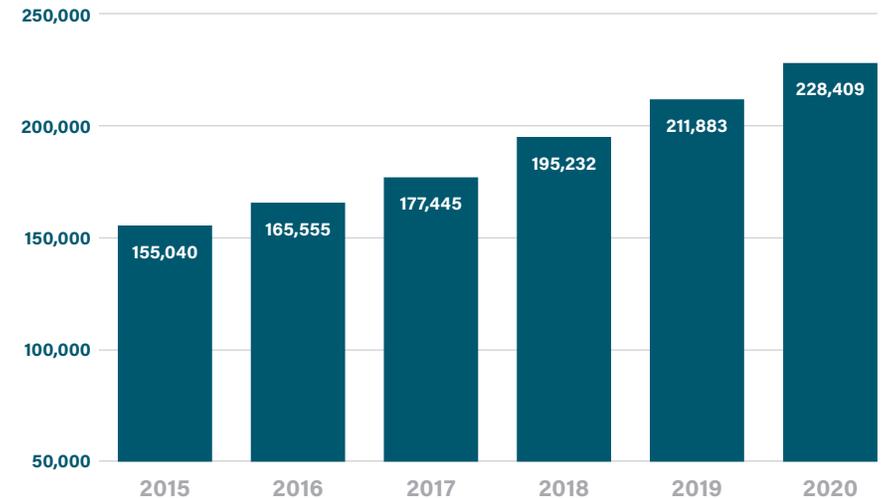
As we look back over the last 87 years, the Credit Union has faced many economic challenges since its chartering in 1934. Each challenge has prepared us for the next and helped us position the Credit Union to continue serving Members' financial needs regardless of the nation's economic conditions. The Credit Union has not wavered from its original purpose: to be Members' trusted financial services provider, to enhance the value of their lives and financial well-being, and to help Members grow financially. The Credit Union has the responsibility to do this while maintaining fiscal strength. Indeed, the Credit Union remains a well-capitalized organization with a net worth of 8.35%, promoting financial stability while furthering our commitment to Members.

The Credit Union works every day to "Make a Difference" in Members' lives. As you move through life, your financial needs change, and the Credit Union will be here to meet those needs.

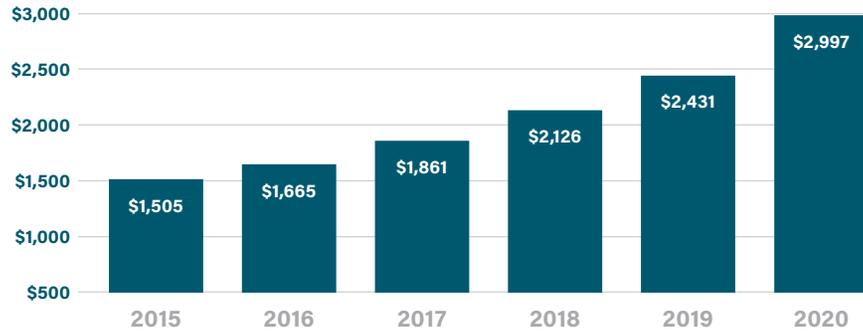
2020 saw a year of solid financial performance in difficult times, more convenient services, continued innovation, and great Member service. As everyone hopes the pandemic will end soon, our focus will be on looking for additional ways to enhance Members' financial lives and continuing our combined story of financial success. Together we will continue to build a strong financial future.

Nikolaus Jordan
TREASURER

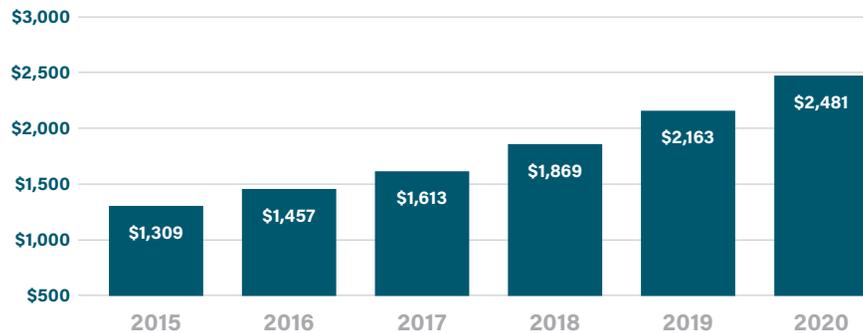
Membership Growth



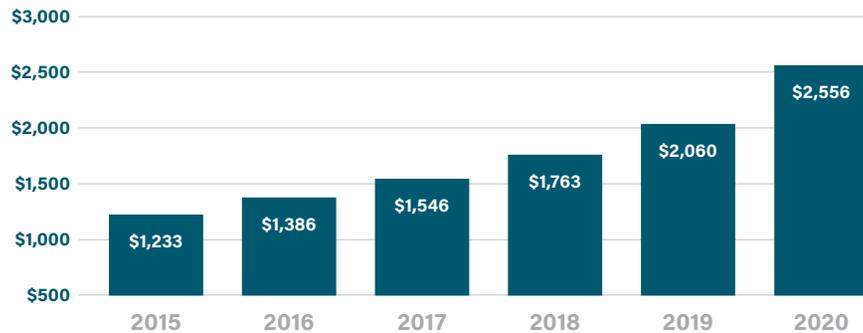
Assets in Millions



Loans in Millions



Savings in Millions



Statement of Operations

	2019	2020
INCOME		
Income From Loans	\$84,300,424.07	\$96,040,085.99
Other Operating Income	\$22,988,286.89	\$25,446,708.63
Investment Income	\$1,816,516.69	\$947,639.89
Fee Income	\$14,688,146.43	\$13,657,965.75
Gross Income	\$123,793,374.08	\$136,092,400.26
OPERATING EXPENSES		
Compensation	\$23,911,655.99	\$26,307,333.02
Employee Benefits	\$12,801,155.13	\$13,395,874.74
Travel & Conference	\$311,483.48	\$89,614.98
Association Dues	\$146,565.32	\$166,021.87
Office Occupancy Expenses	\$3,387,679.66	\$3,921,138.14
Office Operation Expenses	\$17,386,490.38	\$19,329,462.77
Educational & Promotional	\$2,492,327.45	\$2,104,361.09
Loan Service Expenses	\$2,291,402.02	\$2,765,491.82
Loan Loss Expense	\$8,159,126.55	\$6,445,964.85
Professional & Outside Service	\$3,349,264.61	\$3,807,267.30
Data Processing	\$754,805.29	\$451,504.80
ATM Expenses	\$194,747.66	\$183,732.61
Member Insurance	\$0.00	\$0.00
State Supervision Fees	\$375,759.01	\$384,757.33
Cash Over & Short	(\$3,364.98)	(\$17,488.47)
Operating Losses	\$999,198.72	\$595,728.62
Interest On Borrowed Money	\$3,050,993.41	\$3,288,992.16
Annual Meeting Expenses	\$53,153.48	\$28,017.14
Miscellaneous Operating Expenses	\$304,936.01	\$220,392.94
Total Operating Expense	\$79,967,379.19	\$83,468,167.71
NON-OPERATING EXPENSES		
Other Non-Operating Inc/Exp	(\$4,012,877.17)	\$2,597,270.73
Gain/Loss on Investments	\$0.00	\$0.00
Gain/Loss on Disposal of Fixed Assets	\$35,549.78	\$103,052.28
Dividend Expense-Certificates	\$13,287,200.61	\$14,819,265.55
Dividend Expense-Other Share Accounts	\$5,663,105.93	\$6,725,552.24
Dividend Expense-Regular Shares	\$618,664.30	\$829,077.69
Total Non-Operating Expense	\$15,591,643.45	\$25,074,218.49
Total Expense	\$95,559,022.64	\$108,542,386.20
Net Income	\$28,234,351.44	\$27,550,014.06



Statement of Financial Conditions

	2019	2020		2019	2020
ASSETS			RESERVES		
Loans			Regular Reserves	\$108,160,345.08	\$124,030,546.08
Loans To Members	\$2,095,480,461.09	\$2,415,958,551.48	Other Comprehensive Income	(\$11,183,463.00)	(\$18,911,896.00)
Credit Cards	\$67,726,430.81	\$64,652,363.33	Other Reserves	\$0.00	\$0.00
Total Loans	\$2,163,206,891.90	\$2,480,610,914.81	Undivided Earnings	\$86,419,481.74	\$98,783,632.18
Allowance For Loan Losses	(\$6,988,468.95)	(\$7,816,310.84)	Total Reserves	\$183,396,363.82	\$203,902,282.26
Net Loans Outstanding	\$2,156,218,422.95	\$2,472,794,603.97	Total Equity	\$2,243,102,690.80	\$2,759,450,091.44
Cash	\$42,449,964.66	\$89,640,842.79	Net Income	\$28,234,351.44	\$27,550,014.06
Total Cash	\$42,449,964.66	\$89,640,842.79	Required Reserves	\$0.00	\$0.00
INVESTMENTS			Net Income YTD	\$28,234,351.44	\$27,550,014.06
Corp Deposit	\$37,747,707.27	\$88,555,186.55	Total Liabilities and Equity	\$2,430,831,235.02	\$2,997,197,429.94
Other Investments	\$83,780,678.19	\$197,802,705.05			
Insurance Fund Deposit	\$18,153,817.01	\$22,019,675.83			
Total Investments	\$139,682,202.47	\$333,586,650.12			
OTHER ASSETS					
Land & Buildings	\$76,590,646.61	\$80,435,864.00			
Furniture, Fixtures & Equipment (Net)	\$3,186,679.18	\$6,600,529.29			
Other Assets	\$12,703,319.15	\$14,138,939.77			
Total Other Assets	\$92,480,644.94	\$101,175,333.06			
Total Assets	\$2,430,831,235.02	\$2,997,197,429.94			
LIABILITIES AND EQUITY					
Liabilities / Net Worth					
Notes Payable	\$141,296,900.23	\$167,690,744.27			
Accounts Payable	\$17,042,495.51	\$30,112,945.33			
Unapplied Data Processing Exceptions	\$703,545.67	\$11,868,640.28			
Other Liabilities	\$451,251.37	\$524,994.56			
Total Liabilities	\$159,494,192.78	\$210,197,324.44			
DEPOSITS					
Regular Shares	\$409,702,658.59	\$623,960,096.54			
Share Drafts	\$490,547,229.44	\$688,440,597.19			
IRA's	\$55,772,677.64	\$64,154,957.29			
Investment Certificates	\$632,850,117.20	\$573,607,659.56			
Other Shares	\$470,833,644.11	\$605,384,498.60			
Total Savings	\$2,059,706,326.98	\$2,555,547,809.18			



**THANK
YOU!**



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