

Treasurer's report

Jamie Keith, Treasurer

Since chartering in 1934 in East Tennessee, Knoxville TVA Employees Credit Union has operated with the knowledge and understanding of what is important to Members. In today's world of uncertainty, the Credit Union continues to yield strong performance for Members. The Credit Union was able to once again hit new milestones in asset, loan, and deposit growth, which is a valid indicator of the trust and confidence earned from an excellent membership base. The Credit Union is a solid financial institution, providing exceptional delivery systems, highly advantageous rates for both savings and loans, and low fees.

The Credit Union is now over \$1.5 billion in assets, an increase of \$107 million. Deposits grew to over \$1.2 billion, an increase of almost \$93 million. Growth like this demonstrates the confidence Members have in depositing their hard earned money with the Credit Union.

The Credit Union is regularly audited by the State of Tennessee, National Credit Union Administration (NCUA) and independent auditors and continues to receive outstanding audit results, thanks to the diligent efforts of the Credit Union staff.

Strong growth in assets is mirrored by our record loan balances, which are now over \$1.3 billion, approximately \$73 million more than last year. This results in good loan rates for you, our Members. Despite significant loan growth, our delinquency rate is one of the lowest among our peers. This translates into the Credit Union helping thousands of Members finance a new vehicle or mortgage at low, affordable loan rates.

The Board of Directors reviews and oversees the financial statements of the Credit Union each month. These statements represent a true picture of the financial condition of the Credit Union. The Credit Union is well capitalized at 9.09% and expenses are in line, 2.90% of assets, for Credit Union operations.

The staff and Board of Directors of Knoxville TVA Employees Credit Union often hear positive comments about the Credit Union; the financial statements confirm these comments and reinforce that Members' financial needs are being met. This can be readily seen in membership growth now over 155,000 - as more people learn about the benefits of Credit Union membership.

As 2016 begins, the Board of Directors, management and staff of the Credit Union are eager to continue to work for the best interests of Members to further strengthen the balance sheet of the Credit Union, and to help Members grow financially. For over 80 years the Credit Union has worked hard to help Members realize dreams and provide the best service possible. Keeping it local helps the communities we serve. Member support is key to the Credit Union's success, and the Board of Directors thanks the Members for their continued support. Working together, we can build a better future for all.

Statement of Financial Condition

| ASSETS | 2015 | 2014 |
|-------------------------------------|------------------------|------------------------|
| Loans | | |
| Loans To Members | \$1,281,976,478 | \$1,211,963,290 |
| Credit Cards | \$26,643,208 | \$23,223,064 |
| Total Loans | \$1,308,619,686 | \$1,235,186,354 |
| Allowance For Loan Losses | (\$4,375,272) | (\$4,241,175) |
| Net Loans Outstanding | \$1,304,244,414 | \$1,230,945,179 |
| Cash | \$63,786,811 | \$68,612,166 |
| Total Cash | \$63,786,811 | \$68,612,166 |
| Investments | | |
| U.S. Government Obligations | \$0.00 | \$0.00 |
| Federal Agency Securities | \$0.00 | \$0.00 |
| Corp Deposit | \$63,941,402 | \$27,742,015 |
| Other Investments | \$8,057,344 | \$7,996,588 |
| Insurance Fund Deposit | \$11,376,989 | \$10,177,796 |
| Mutual Funds | \$0.00 | \$0.00 |
| Total Investments | \$83,375,735 | \$45,916,399 |
| Allowance For Investment Losses | \$0.00 | \$0.00 |
| Net Investments | \$83,375,735 | \$45,916,399 |
| Other Assets | | |
| Land & Buildings | \$43,229,012 | \$44,310,378 |
| Furniture, Fixtures & Equip. (Net) | \$2,893,062 | \$3,588,646 |
| Other Assets | \$7,508,438 | \$4,391,315 |
| Total Other Assets | \$53,630,511 | \$52,290,339 |
| Total Assets | \$1,505,037,471 | \$1,397,764,083 |
| LIABILITIES AND EQUITY | | |
| Liabilities / Net Worth | | |
| Notes Payable | \$132,818,202 | \$132,090,956 |
| Accounts Payable | \$7,476,473 | \$4,698,233 |
| Dividends Payable | \$0.00 | \$0.00 |
| Unapplied Data Process. Except. | \$389,572 | \$411,585 |
| Other Liabilities | \$155,764 | \$112,917 |
| Total Liabilities | \$140,840,010 | \$137,313,690 |
| Deposits | | |
| Regular Shares | \$266,966,849 | \$239,680,860 |
| Share Drafts | \$313,644,360 | \$265,311,465 |
| IRA's | \$59,596,240 | \$56,759,125 |
| Investment Certificates | \$233,358,294 | \$237,562,548 |
| Other Shares | \$359,822,264 | \$341,258,442 |
| Total Savings | \$1,233,388,007 | \$1,140,572,438 |
| Reserves | | |
| Regular Reserves | \$65,430,984 | \$61,759,318 |
| Other Comprehensive Income | (\$6,121,117) | (\$4,963,742) |
| Other Reserves | \$0.00 | \$0.00 |
| Accumulated Gain/Loss AFS | \$0.00 | \$0.00 |
| Undivided Earnings | \$59,410,712 | \$52,019,225 |
| Total Reserves | \$118,720,579 | \$108,814,801 |
| Total Equity | \$1,352,108,586 | \$1,249,387,240 |
| Net Income | \$12,088,875 | \$11,063,153 |
| Required Reserves | \$0.00 | \$0.00 |
| Net Income YTD | \$12,088,875 | \$11,063,153 |
| Total Liabilities and Equity | \$1,505,037,471 | \$1,397,764,083 |

Statement of Operations

| INCOME | 2015 | 2014 |
|------------------------------------|---------------------|---------------------|
| Income From Loans | \$43,704,144 | \$41,580,220 |
| Other Operating Income | \$11,679,919 | \$9,907,930 |
| Investment Income | \$277,768 | \$249,873 |
| Fee Income | \$8,555,442 | \$7,901,504 |
| Gross Income | \$64,217,274 | \$59,639,527 |
| OPERATING EXPENSES | | |
| Compensation | \$14,717,284 | \$13,927,780 |
| Employee Benefits | \$7,622,105 | \$6,443,102 |
| Travel & Conference | \$119,106 | \$128,636 |
| Association Dues | \$113,114 | \$85,915 |
| Office Occupancy Expenses | \$2,461,966 | \$2,392,349 |
| Office Operation Expenses | \$11,648,769 | \$10,585,646 |
| Educational & Promotional | \$1,428,488 | \$1,278,861 |
| Loan Service Expenses | \$983,917 | \$894,384 |
| Loan Loss Expense | \$2,864,970 | \$2,932,197 |
| Professional & Outside Svc. | \$1,276,824 | \$1,233,195 |
| Data Processing | \$417,586 | \$367,873 |
| ATM Expenses | \$153,115 | \$156,347 |
| Member Insurance | \$300 | \$2,500 |
| State Supervision Fees | \$242,769 | \$308,904 |
| Cash Over & Short | \$3,910 | \$7,119 |
| Operating Losses | \$690,977 | \$474,211 |
| Interest On Borrowed Money | \$2,069,145 | \$2,276,100 |
| Annual Meeting Expenses | \$45,773 | \$35,542 |
| Miscellaneous Operating Exp. | \$195,927 | \$194,105 |
| Total Operating Expense | \$47,056,045 | \$43,724,767 |
| NON OPERATING EXPENSE | | |
| Other Non-Operating Inc/Exp. | (\$10,248) | (\$9,326) |
| Gain/Loss on Investments | \$0.00 | \$0.00 |
| Gain/Loss - Disp. of Fixed Assets | \$27,779 | (\$4,600) |
| Div. Expense-Certificates | \$2,315,650 | \$2,212,820 |
| Div. Expense-Other Share Accts | \$2,230,427 | \$2,092,440 |
| Div. Expense-Regular Shares | \$508,747 | \$560,273 |
| Total Non Operating Expense | \$5,072,355 | \$4,851,607 |
| Total Expense | \$52,128,399 | \$48,576,374 |
| Net Income | \$12,088,875 | \$11,063,153 |



2015 Annual Report



First cement poured at Norris Dam.
You banked on us then.



You bank on us now.

Report to the Membership

Glenn Siler, President & CEO

Since 1934, Knoxville TVA Employees Credit Union has called East Tennessee home. The Credit Union was homemade right here in Knoxville, Tennessee. It is where it all began with a small group of TVA employees working together to establish a place for other TVA employees to save and borrow. Good, hard working people wearing blue jeans and listening to bluegrass music formed the basis of the membership who started Knoxville TVA Employees Credit Union. The Credit Union was established in the aftermath of the Great Depression. Economic challenges brought difficult times to the people of East Tennessee and this small group of TVA employees saw the plight of fellow workers and the need for a good, safe place to save and borrow; together they formed Knoxville TVA Employees Credit Union.

While the Credit Union has grown in size and scope over the years, the mission of whom we serve has expanded, but the purpose for serving has not changed – Helping Members Grow Financially. The Credit Union was established to serve employees of TVA, but over the years expanded to a community charter serving the financial needs of people living and working in the eight counties of Blount, Hamblen, Jefferson, Knox, Loudon, Sevier, Sullivan, Roane plus Johnson City, Tennessee.

Your Credit Union remains solely focused on the people of East Tennessee rooted in local communities and committed to meeting and exceeding Members' expectations.

A local homegrown presence means providing you with financial services from an experienced hometown Credit Union staff, who reside in your community and understand the community's unique benefits and challenges. To provide you with convenient local access, the Credit Union has 19 branches; conveniently located ATMs plus a surcharge-free ATM network of over 55,000 ATMs nationwide. The Contact Center is dedicated to answering your calls, as fast and efficiently as possible, an automated voice response system is available 24/7, plus online and mobile access.

The Credit Union continues to keep your economic well being in full focus, providing value to you via a wide range of low-cost financial products and services.

By staying focused on what's important – you, your family and the communities in East Tennessee, the Credit Union continued to experience substantial growth during the past year in assets, deposits, loans, new Members and in almost all services.

Assets increased by \$107 million a 7.67% increase. Deposits grew by almost \$93 million with checking balances increasing \$48 million, an 18.22% increase. Loans outstanding grew by \$73 million with almost \$546 million in loans disbursed. Over 19,000 auto loans made for over \$359 million. The Credit Union has become the lender of choice for many Members purchasing a new car, and we are working to become the lender of choice for home loans. In 2015, \$67 million was disbursed for mortgage and home equity loans.

Members enjoyed the convenience of remote services. In 2015, there were 671,375 calls to the Contact Center and 2,025,676 calls to DIAL, the Credit Union automated phone service.

Members choosing to use mobile devices to make deposits experienced a tremendous growth with 172,702 deposits made for a total of over \$55 million and Bill Pay users reached 10,012 paying 56,003 bills for a total of over \$15.6 million. Plus, 25,760 New Members joined the Credit Union.

With all the online and remote services, Members still enjoy visiting the local branch. During 2015, over 9.3 million transactions were conducted in local branch offices. Plus, many Members just come by to talk, say hello and enjoy a cup of coffee. The staff is local folks who you see working to improve the community. This is the best testimony for service.

Many Members enjoyed the benefit of the Credit Union's reward program, UChoose Rewards, earning points for using their Debit Cards. In 2015 Members earned over 333 million points and redeemed them for over \$1.5 million in cash and merchandise. What a great concept getting paid for using your own money, another benefit of Credit Union membership.

The growth was accomplished while maintaining a safe and sound financial organization, positive earnings, strong loan loss reserves and substantial capital. Credit Union growth over the past years has always been the result of your ongoing trust and support for Knoxville TVA Employees Credit Union.

Knoxville TVA Employees Credit Union is often recognized by its logo. It is our name plus a stylized representation of a "C" and a "U" representing the Credit Union. This "C and U" form a graphic with the center representing an arrow pointing upward. This is what the Credit Union does, moves Members financially upward and forward. The "TVA" letters in our name represent the proud history of the Credit Union and the people who worked very hard to establish an organization whose benefits we enjoy today. Over the past 80+ years, Knoxville TVA Employees Credit Union Members have experienced both prosperous and economically challenging times, but through it all, the Credit Union has remained financially sound and steadfast in East Tennessee, focused on serving the financial needs of 155,000 Members.

The Credit Union provides access to Members' accounts via a wide variety of convenient services plus Members enjoy the personal service provided by a local branch.

The Credit Union does advertise but also relies heavily on a simpler approach: Members advertise for us by word of mouth. What better way to find out about service than to ask the locals – hometown folks who know where to go for quality and value. This is the way most of our new Members come to the Credit Union through recommendations of current Members, family and friends. It is the hometown effect of "People Helping People."

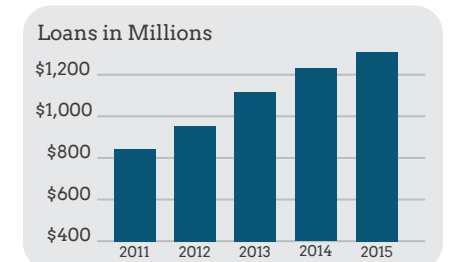
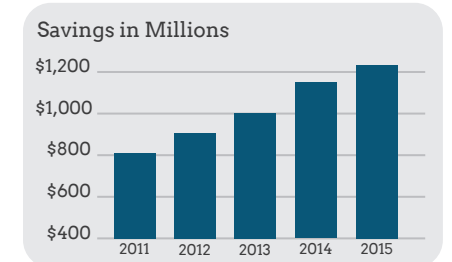
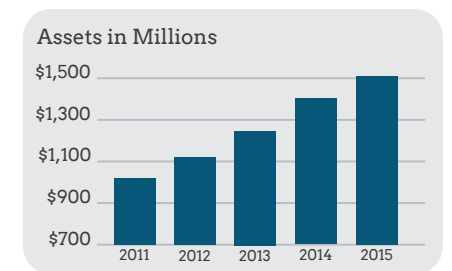
Why is this hometown effect important? It is the "Difference" between financial institutions that are just a branch of a multi-national organization or an organization that was built here, grew up here and stays here to help Members and communities grow financially. That is the Difference – People Helping People – doing the right thing – keeping more money in Members' pockets, helping dreams come true and working towards a brighter future.

With a strong focus on value creation, the Credit Union has never compromised its fiscal strength thanks to the trust and support of its Members. The Knoxville TVA Employees Credit Union has experienced continued growth almost every year since 1934 and 2015 was no exception. The true measure of success is how well we meet the financial needs of our most important asset – you, the Member.

For 2016 and beyond, the Credit Union is committed to serving your financial needs and helping you and your family grow financially. More branch offices are planned and improvements to Member service are always in the works. We are homemade, homegrown and hometown in our philosophy of operations. This has been the basis of our operations since 1934 and will continue as we build our financial future together using the values that started the Credit Union and with the convenience and technology to deliver exceptional service in the future.

From Bluegrass and Blue Jeans to the latest in technology, we have a priority of keeping our roots in East Tennessee to help Members and communities grow financially.

The Credit Union will be here to serve Members' financial needs for many years to come. Working together, the future looks bright. Thank you for your continued support.



Supervisory committee report

Steve Hillenbrand, Chairman

The Supervisory Committee meets regularly to examine reports ensuring Members' assets are secure and safe. Experienced and qualified members are appointed to serve on this essential Committee which audits, reviews, and monitors the financial practices and procedures of the Credit Union. Supervisory Committee duties include: Assurance that records are maintained properly and accurately, Compliance with policies, procedures, and internal controls, Service is provided accurately, and fairly to the Membership, Independent auditors, examiners from the State of Tennessee Department of Financial Institutions and National Credit Union Administration (NCUA), scrutinized the Credit Union statements and records for 2015. All audits resulted in the Credit Union receiving outstanding reports from all examinations.

In addition to the three external examinations, the Credit Union's Audit Department continually reviews adherence to policy and procedure assuring Members' funds are safe and secure and transactions are handled in a professional manner.

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 once again is correct and precisely represented. As in preceding years, the Committee is pleased to report Members' assets remain safe and secure. The Credit Union's growth is the direct result of serving Members' financial needs.