

## Treasurer's Report

Jamie Keith, Treasurer

The Credit Union has faced many economic challenges over eight decades since chartering in 1934 and has not wavered from its original mission: to be Members' trusted financial services provider, to enhance the value of their lives and financial wellbeing and to help Members grow financially. The Credit Union has the responsibility to do this while maintaining fiscal strength.

Make a Difference – it is a simple concept and is the focus of Credit Union operations. Over 177,000 Members, working together, are making a difference. These efforts have paid off and are proven by the numbers highlighted in this report with Assets reaching over \$1.86 billion. Deposits grew to over \$1.545 billion an increase of \$160 million. Growth like this demonstrates the confidence Members have in the Credit Union. Loans outstanding are almost \$1.613 billion, an increase of \$155.5 million. With this growth, the delinquency rate is one of the lowest among our peers. The Credit Union is well capitalized at 9.08% with 20 branch locations.

I am pleased to report that our Credit Union continues to grow as the result of "Helping Members Grow Financially." As you move through life, your financial needs change and the Credit Union will be here to meet these needs.

2017 was another great year, a year of great performance, transformation, and innovation – all building for the future. Together we move upward and forward, always reaching for a better way and continuing our story of financial success for all.

## Statement of Financial Condition

| ASSETS                              | 2017                   | 2016                   |
|-------------------------------------|------------------------|------------------------|
| Loans                               |                        |                        |
| Loans To Members                    | \$1,568,164,220        | \$1,425,742,086        |
| Credit Cards                        | \$44,452,431           | \$31,311,366           |
| <b>Total Loans</b>                  | <b>\$1,612,616,651</b> | <b>\$1,457,053,452</b> |
| Allowance For Loan Losses           | (\$4,508,481)          | (\$3,881,186)          |
| <b>Net Loans Outstanding</b>        | <b>\$1,608,108,170</b> | <b>\$1,453,172,266</b> |
| Cash                                | \$83,842,496           | \$75,921,639           |
| <b>Total Cash</b>                   | <b>\$83,842,496</b>    | <b>\$75,921,639</b>    |
| Investments                         |                        |                        |
| U.S. Government Obligations         | \$0.00                 | \$0.00                 |
| Federal Agency Securities           | \$0.00                 | \$0.00                 |
| Corp Deposit                        | \$89,525,967           | \$59,774,220           |
| Other Investments                   | \$8,186,627            | \$7,852,444            |
| Insurance Fund Deposit              | \$14,053,367           | \$12,839,422           |
| Mutual Funds                        | \$0.00                 | \$0.00                 |
| <b>Total Investments</b>            | <b>\$111,765,961</b>   | <b>\$80,466,085</b>    |
| Allowance For Investment Losses     | \$0.00                 | \$0.00                 |
| <b>Net Investments</b>              | <b>\$111,765,961</b>   | <b>\$80,466,085</b>    |
| Other Assets                        |                        |                        |
| Land & Buildings                    | \$45,449,522           | \$45,677,122           |
| Furniture, Fixtures & Equip. (Net)  | \$2,450,250            | \$2,452,047            |
| Other Assets                        | \$9,097,643            | \$7,140,377            |
| <b>Total Other Assets</b>           | <b>\$56,997,415</b>    | <b>\$55,269,546</b>    |
| <b>Total Assets</b>                 | <b>\$1,860,714,041</b> | <b>\$1,664,829,536</b> |
| <b>LIABILITIES AND EQUITY</b>       |                        |                        |
| Liabilities / Net Worth             |                        |                        |
| Notes Payable                       | \$139,157,838          | \$124,157,703          |
| Accounts Payable                    | \$14,883,594           | \$10,692,782           |
| Dividends Payable                   | \$0.00                 | \$0.00                 |
| Unapplied Data Process. Except.     | (\$4,434)              | \$285,608              |
| Other Liabilities                   | \$290,374              | \$228,984              |
| <b>Total Liabilities</b>            | <b>\$154,327,372</b>   | <b>\$135,365,077</b>   |
| Deposits                            |                        |                        |
| Regular Shares                      | \$311,974,303          | \$289,460,022          |
| Share Drafts                        | \$400,845,803          | \$361,160,292          |
| IRAs                                | \$59,657,127           | \$61,481,303           |
| Investment Certificates             | \$331,803,538          | \$272,040,722          |
| Other Shares                        | \$441,588,802          | \$401,630,768          |
| <b>Total Savings</b>                | <b>\$1,545,869,573</b> | <b>\$1,385,773,107</b> |
| Reserves                            |                        |                        |
| Regular Reserves                    | \$80,630,832           | \$72,852,673           |
| Other Comprehensive Income          | (\$8,431,973)          | (\$7,800,438)          |
| Other Reserves                      | \$0.00                 | \$0.00                 |
| Accumulated Gain/Loss AFS           | \$0.00                 | \$0.00                 |
| Undivided Earnings                  | \$70,460,958           | \$64,077,898           |
| <b>Total Reserves</b>               | <b>\$142,659,817</b>   | <b>\$129,130,133</b>   |
| <b>Total Equity</b>                 | <b>\$1,688,529,390</b> | <b>\$1,514,903,240</b> |
| Net Income                          | \$17,857,280           | \$14,561,219           |
| Required Reserves                   | \$0.00                 | \$0.00                 |
| <b>Net Income YTD</b>               | <b>\$17,857,280</b>    | <b>\$14,561,219</b>    |
| <b>Total Liabilities and Equity</b> | <b>\$1,860,714,041</b> | <b>\$1,664,829,536</b> |

## Statement of Operations

| INCOME                             | 2017                | 2016                |
|------------------------------------|---------------------|---------------------|
| Income From Loans                  | \$56,516,528        | \$48,746,239        |
| Other Operating Income             | \$16,863,021        | \$14,077,766        |
| Investment Income                  | \$743,515           | \$406,363           |
| Fee Income                         | \$11,922,669        | \$10,298,171        |
| <b>Gross Income</b>                | <b>\$86,045,734</b> | <b>\$73,528,539</b> |
| <b>OPERATING EXPENSES</b>          |                     |                     |
| Compensation                       | \$18,741,141        | \$16,852,235        |
| Employee Benefits                  | \$10,057,933        | \$9,111,505         |
| Travel & Conference                | \$229,434           | \$152,527           |
| Association Dues                   | \$110,355           | \$104,188           |
| Office Occupancy Expenses          | \$2,737,992         | \$2,499,991         |
| Office Operation Expenses          | \$13,816,518        | \$12,628,651        |
| Educational & Promotional          | \$2,111,805         | \$1,489,011         |
| Loan Service Expenses              | \$1,851,217         | \$1,407,696         |
| Loan Loss Expense                  | \$5,010,046         | \$3,025,481         |
| Professional & Outside Svc.        | \$1,461,232         | \$1,253,876         |
| Data Processing                    | \$564,950           | \$462,752           |
| ATM Expenses                       | \$126,098           | \$161,499           |
| State Supervision Fees             | \$244,636           | \$246,288           |
| Cash Over & Short                  | \$9,536             | \$6,971             |
| Operating Losses                   | \$782,509           | \$1,064,795         |
| Interest On Borrowed Money         | \$2,560,213         | \$2,233,377         |
| Annual Meeting Expenses            | \$22,067            | \$31,993            |
| Miscellaneous Operating Exp.       | \$191,256           | \$242,031           |
| <b>Total Operating Expense</b>     | <b>\$60,628,939</b> | <b>\$52,974,866</b> |
| <b>NON OPERATING EXPENSE</b>       |                     |                     |
| Other Non-Operating Inc/Exp.       | (\$13,410)          | (\$12,283)          |
| Gain/Loss on Investments           | \$0.00              | \$0.00              |
| Gain/Loss - Disp. of Fixed Assets  | (\$27,676)          | \$47,692            |
| Div. Expense-Certificates          | \$3,836,721         | \$2,775,525         |
| Div. Expense-Other Share Accts     | \$3,302,158         | \$2,758,851         |
| Div. Expense-Regular Shares        | \$461,722           | \$422,669           |
| <b>Total Non Operating Expense</b> | <b>\$7,559,515</b>  | <b>\$5,992,454</b>  |
| <b>Total Expense</b>               | <b>\$68,188,454</b> | <b>\$58,967,320</b> |
| <b>Net Income</b>                  | <b>\$17,857,280</b> | <b>\$14,561,219</b> |



## 2017 Annual Report

# Report to the Membership

Glenn Siler, President & CEO

Cleston E. Jones, Chairman of the Board

## Moving Together Through Life

Every Member of Knoxville TVA Employees Credit Union plays a key role in the success and growth of our Credit Union. Moving together through life, we are building an organization that is making a significant difference for each other and our communities. While the Credit Union has grown in size and scope over the last 84 years, and the mission of whom we serve has expanded, our purpose for serving has not changed – Helping Members Grow Financially.

2017 was another year of high performance, innovation, greater convenience, resulting in many success stories, all moving together for a strong financial future for all. People are at the heart of every story, and the story of Knoxville TVA Employees Credit Union is no different. Over the past eight decades, we have had the honor of hearing Members' say "That's My Credit Union" when they see the Credit Union's logo. Nothing makes us more proud and no truer words could be spoken.

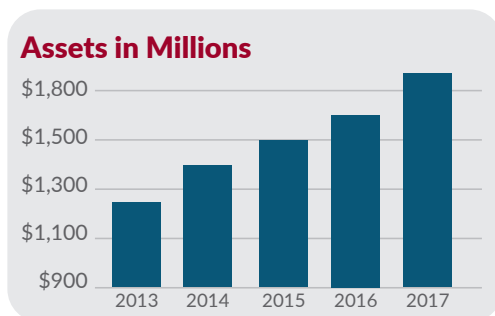
We pride ourselves on being a highly reputable financial wellness provider caring about Members, communities, and employees.

We work with Members to help them lead a better financial life focused on long-term success whether you have been a Member for many years or if you are just starting your financial journey.

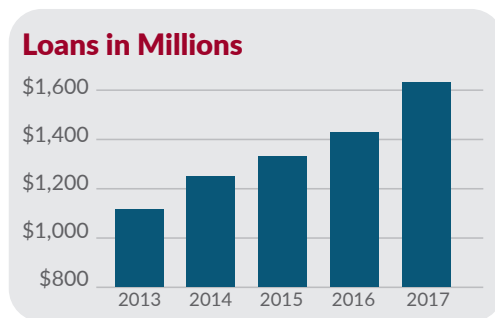
The past year's challenges and accomplishments are noted in this report and reflect how the Credit Union continues to fulfill its mission of being that trusted financial services provider.

## Performing

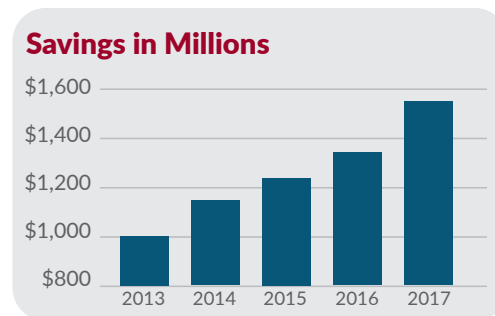
Assets grew by \$195 million to over \$1.86 Billion. Deposits are the key to financial wellness; Member Deposits increased \$160 million to \$1,545,869,573, a 11.55% increase. Members' deposits are used to make loans which in turn allows the Credit Union to pay higher dividends and results in lower cost of services.



Loan growth was again great for 2017. Loans outstanding grew \$155.5 million to \$1,612,616,651, a 10.68% increase. The Credit Union disbursed \$814,453,465 in Member loans, which included over \$456 million for auto loans and \$112 million for mortgage loans. Total disbursements were \$56 million more than 2016.



Our growth is balanced with safety and soundness. Delinquency and Charge offs remained low even with increased loan volume and remains below State and National averages. Net Worth is at 9.08% indicating a well-capitalized organization.



Use of technology based services continued to grow. There were 784,471 calls to the Contact Center, 1,241,394 calls to DIAL, the Credit Union's automated phone service. Again the growth in mobile deposits was tremendous with 239,032 in deposits for a total of \$73,832,569. Members still enjoy using branch locations with over 10 million transactions conducted in 2017. Bill Pay users paid 640,586 bills for a total of \$192,765,932. Plus many Members came by to visit or ask questions or bring in new Members. Last year 32,300 New Members joined the Credit Union.

Members were rewarded for using Debit and Credit Cards. In 2017 Members earned 358,645,843 points and redeemed points for \$1,679,638 in cash and merchandise. Getting paid for using your own money is another great benefit offered by the Credit Union.

## Transforming

Make a difference. It is a simple concept and one we take to heart. To make a difference in the communities you call home is important to us because it is important to you. In every community, we answer the call to support events, organizations and causes to have a positive impact by providing financial support and volunteers. Each year employees volunteer thousands of hours to improving communities.

## Innovating

Electronic services have definitely changed the way Members are able to access and manage their money. 2017 brought a number of innovations to improve Member service.

- After-hour call center for card services. Members can now call after hours and talk to someone about debit/credit cards.
- Card Valet-Members can lock and unlock cards from an app on the smart phone. Plus many other features are available through the app.

- Personalized Debit Cards: Members can choose a picture for their card.

- Fraud Text alerts for cards: Member can sign up to receive test alerts when fraud is suspected on the card and can respond via text regarding the validity of the transaction.

- Instant purchase notifications and alerts.

- And more behind the scenes improvement to make service better.

## Improving

In 2017 the 20th branch location was opened in Morristown. The new Morristown South Branch provides greater convenience for Members in this area and hopefully will give other branches a better opportunity to serve Members financial needs. Some in the financial industry believe electronics replace the need for traditional branches; we believe the relationships built face-to-face in branches are incredibly important. While we offer the latest technology, one of our greatest pleasures is to see Members when they visit and bring family members. It's how we get to know you so we can serve you better. Our growing network of locations helps us provide more convenient service whether in person or through technology. Construction has begun on the new Maryville Branch off 411 Hwy. This branch is scheduled to open in 3rd quarter of 2018.

As the Credit Union begins its 85th year, we celebrate our history and commitment to "finding a way" for Members every day. While your need for financial services may have been the way we met, the relationship we've developed as you've visited the branches or called on the phone have brought your stories, and, in turn, our stories to life.

Together we have experienced economic booms and recessions, we've welcomed new Members to our family and continue to treasure long-time Members, we've shared your lives, and, through this cooperative, you have shared in one another's lives.

Members' trust is the element continuing to be the core of the Credit Union's success. Trust comes from hard work, determination to be the best, and heart for service. All Credit Union employees, Board of Directors, and Supervisory Committee members work hard each and every day to maintain this trust and to continually improve Member service.

A priority for the Credit Union is to build personal relationships with each and every Member and know their financial needs. As a Credit Union, we have the unique opportunity to reinvest earnings in Members and communities where they live and work. Working together, pooling resources to save and borrow and share, our 177,000 plus Members make a difference for themselves, for one another, their communities and for the collective good of everyone involved.

Our continued growth and success is a strong indication we are meeting Member needs, but growth alone has never been the ultimate goal. Our size is meaningful only because it enables us to do more for Members. It is also a challenge because we never want Members to feel we're too big or impersonal. Our most important goal is to build personal relationships with each and every Member and to improve your financial well-being.

Knoxville TVA Employees Credit Union is not just a financial institution and you're not just someone who does business here. As a Member, you can be proud of what you're building for yourself, your fellow Members, and your community. We invest in local communities because it's where you live, where we live, where our children go to school together and where our futures are. There is no greater compliment than when we see you at a community event and you say, "That's my Credit Union!"

On behalf of the Board of Directors and staff of the Credit Union, thank you! We are grateful for the opportunity to serve you and are excited about the future we are building together.

# Supervisory Committee Report

Steve Hillenbrand, Chairman

It is the responsibility of the Supervisory Committee when Members say "That's My Credit Union" to ensure not only is the Credit Union meeting Members' financial needs and building a lifetime financial relationship, but the Credit Union is also safe and financially sound. The Supervisory Committee monitors the financial safety and soundness of the Credit Union and oversees compliance with various financial and regulatory requirements.

The Supervisory Committee meets regularly to examine

reports ensuring Members' assets are secure and safe. Duties include:

- Assuring records are maintained properly and accurately
- Complying with policies, procedures and internal controls
- Assuring service is provided accurately and fairly to Membership

Independent auditors, examiners from the State of Tennessee Department of Financial Institutions and the National Credit Union Administration (NCUA), scrutinized the Credit Union statements and records for 2017. The Credit Union received outstanding reports from all examiners.

A key component of the Credit Union's internal control is the internal auditing team. The internal auditors meet with the Supervisory Committee bi-monthly to review internal and external audit reports, risk assessments and internal control practices.

The Supervisory Committee is pleased to report the financial condition of Knoxville TVA Employees Credit Union concerning accounting records, reports, internal controls, compliance with established policies, procedures, laws and regulations once again is correct and precisely represented and Members' assets remain safe and secure. The Credit Union continues to grow by serving Members financial needs and maintaining a safe and sound financial organization.