



**ORNL FEDERAL
CREDIT UNION**

2019 ANNUAL REPORT

**ORNL
FEDERAL
CREDIT UNION**

Federally insured by NCUA.

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OUR PURPOSE

TOGETHER, WE THRIVE.

OUR CORE BELIEFS

*We make managing money easy so **together, we thrive.***

*We put people before profits so **together, we thrive.***

*We invest in new ideas and new technologies so **together, we thrive.***

*We invest in our communities so **together, we thrive.***



OUR ORGANIZATION



\$2.3B
TOTAL ASSETS
#2 Largest in East TN
#4 Largest in State



16 **COUNTY CHARTER**
in East Tennessee



28 **BRANCH LOCATIONS**
in 10 Counties of East Tennessee



173K+
MEMBERSHIP
#2 Largest in East TN
#4 Largest in State



\$4.0M
SPECIAL DIVIDEND PAYOUT in 2019



30K+
Nationwide Network of Fee-Free ATMs



472
EMPLOYEES



\$500K+
Community Investment



200+
LOCAL NETWORK of Fee-Free ATMs



BOARD CHAIR'S REPORT

At ORNL Federal Credit Union, we are continually focused on providing value to the members and communities that we serve. This was demonstrated in 2019 through strong financial performance, an increased special dividend to the membership, and continued investment in branch innovation.

STRONG FINANCIAL PERFORMANCE

The Credit Union remains a safe and sound financial partner with strong balance sheet growth, solid net income, and continued improvement in operational efficiency. Mortgage and automobile lending soared in 2019 as thousands of members took advantage of the rate environment to purchase and/or refinance homes and automobiles. Healthy growth in core deposits provided the funding necessary to meet the borrowing needs of members.

SPECIAL DIVIDEND & AUTO LOAN PAYOFF

Because of these strong financial results, the Credit Union was able to return value to members in the form of a \$4.0 million special dividend. For the second consecutive year, a special dividend was awarded to members based on their loan and deposit relationships. This method allows both borrowers and depositors to be rewarded for their relationships with the Credit Union. In addition, four members were randomly selected to have their auto loans paid in full. It was an exciting year to be a member at ORNL Federal Credit Union!

BRANCH INNOVATION

In August of 2019, our Maryville Branch relocated to a beautifully renovated facility on US Highway 411. Members are enjoying the new location with an innovative

design which includes the latest technologies to support all of their service needs.

Similarly, a branch remodel for Lenoir City was completed in November. The remodel took advantage of the branch's large space to modernize the facility, upgrade equipment, implement new technologies, and reflect the brand of the Credit Union. This change supported the consolidation of our Food City branch across the street, allowing our Lenoir City members to be served more conveniently and efficiently at a single location.

After many years of service in the community, it was time to update the look and feel of our Karns Branch. This work was completed in December and the branch now includes an open design with new features and functionality, including

a state-of-the-art drive-thru with extended hours and Interactive Teller Machines.

We remain committed to the ongoing strength and stability of ORNL Federal Credit Union and the investment in our staff, members, community, as well as investments in our branch network and mobile banking products/services. In a market filled with choices, we thank you for continuing to choose ORNL Federal Credit Union as your financial partner.



W.R. Gorman

Randy Gorman
Board Chair



TREASURER'S REPORT

ORNL Federal Credit Union is proud to report another year of strong growth and solid financial performance. The financial high points include continued improvement in earnings, record loan balances, a strong capital position, and a growing member base.

21.26% INCREASE
IN NET
INCOME

During 2019, ORNL FCU achieved record net income of \$25.25 million, an increase of \$4.43 million, or 21.26%, over the prior year. This includes \$12.97 million in regular dividends earned by members and a \$4.0 million special dividend paid to members in October. Strong earnings produced growth in the net worth ratio which increased to 10.96% remaining well above the regulatory well-capitalized minimum of 7.0%. A strong net worth ratio supports future growth, capital investment, and provides a safety net

during challenging economic times. The Credit Union continues to pursue expense control initiatives and build operating efficiencies in order to return more value to the membership. As a result of those efforts, the efficiency ratio improved to a historic low of 70.21%.

The Credit Union grew by \$188.84 million, or 8.76%, in 2019 to reach \$2.34 billion in assets. This growth allowed the Credit Union to fund the borrowing needs of thousands of new and existing members. As a result, gross loans grew by \$181.18 million, or 10.42%, to \$1.92 billion. The record-setting loan growth came from mortgage loans that grew by \$135.19 million, or 14.53%, to \$1.07 billion; consumer loans that grew by \$27.41 million, or 3.87%, to \$736.41 million; and commercial loans that grew by

8.76% INCREASE
IN TOTAL
ASSETS

\$18.59 million, or 18.76%, to \$117.68 million. Asset quality remains strong as shown by a low net loan loss ratio of 0.27%.

Total membership reached 173,671 at year end with member deposit balances increasing \$117.76 million to end the year at \$1.92 billion. Total share draft and savings accounts grew \$84.75 million and share certificates grew \$49.67 million. The growth was offset by a decrease in money market balances of \$16.66 million. Growth in 2019 was led by highly-competitive rates and product offerings and supported by more than 7,975 new members to the Credit Union.

CONSOLIDATED INCOME STATEMENT

	2019	2018
Total Interest Income	\$ 86,793,808	\$ 73,162,755
Total Interest Expense	\$ 19,729,385	\$ 14,642,277
Net Interest Income	\$ 67,064,423	\$ 58,520,478
Provision for Loan Loss	\$ 7,025,000	\$ 7,775,000
Net Interest Income After Provision	\$ 60,039,423	\$ 50,745,478
Total Non-Interest Income	\$ 41,273,125	\$ 38,494,735
Total Operating Expense	\$ 75,056,942	\$ 67,782,691
Income/(Loss) from Operations	\$ 26,255,607	\$ 21,457,522
Non-Operating Gain/(Loss)	\$ (1,004,038)	\$ (632,511)
Net Income	\$ 25,251,569	\$ 20,825,012

CONSOLIDATED STATEMENT OF CONDITION

ASSETS	2019	2018
Cash & Cash Equivalents	\$ 169,879,082	\$ 97,603,159
Total Investments	\$ 150,323,279	\$ 198,477,919
Gross Loans	\$ 1,919,686,836	\$ 1,738,504,027
Allowance for Loan Losses	\$ (17,466,383)	\$ (15,001,247)
Net Loans	\$ 1,902,220,453	\$ 1,723,502,780
Accrued Interest Receivable	\$ 5,020,734	\$ 4,817,153
Total Fixed Assets	\$ 55,811,782	\$ 53,772,199
Total Other Assets	\$ 61,629,030	\$ 77,873,789
Total Assets	\$ 2,344,884,360	\$ 2,156,046,999
LIABILITIES & MEMBERS' EQUITY		
LIABILITIES		
Total Deposits	\$ 1,918,632,387	\$ 1,800,877,246
Borrowed Funds	\$ 127,180,455	\$ 113,571,484
Total Other Liabilities	\$ 48,821,102	\$ 20,488,362
Total Liabilities	\$ 2,094,633,944	\$ 1,934,937,092
MEMBERS' EQUITY		
Total Members' Equity	\$ 250,250,416	\$ 221,109,907
Total Liabilities & Equity	\$ 2,344,884,360	\$ 2,156,046,999



COMMUNITY IMPACT

CORE COMMUNITY VALUES

We know being a good corporate citizen means being involved and making a positive difference. We are as passionate about issues, ideas, and helping organizations in our community thrive as we are about helping our own members. We understand that the only way we truly thrive, as individuals, as neighborhoods, and as communities, is together.

- In 2019, we invested **over \$500,000** into the community supporting organizations and causes that aligned with our *Core Community Values*: Financial Education, Community Improvement, and S.T.E.A.M. Advancement.
- Together, employees and the Credit Union donated **over \$100,000** to the United Way.
- Four scholarships to the University of Tennessee were awarded.
- Using our *Volunteer Time Off* program, employees **volunteered 865 hours** at over 90 different non-profit organizations in our community during 2019.

“...BECAUSE TOGETHER,
WE ***THRIVE.***”



\$500,000+
ORNL FCU's 2019 total
investment in the community.

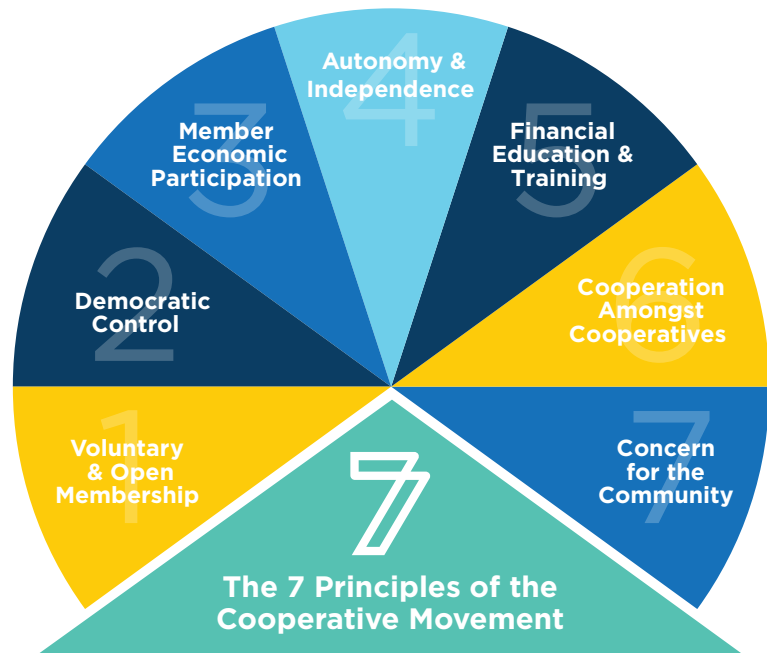




OUR PHILOSOPHY

As an organization, we strive to uphold the seven principles of the cooperative movement.

We are committed to supporting the credit union philosophy of “people helping people” and aligning our *Purpose* and *Core Beliefs* with the cooperative movement.



OUR COOPERATIVE SPIRIT

7 is a credit union service organization made up of experienced professionals with the passion, insight, and skills to help members thrive. Our name is a direct reflection of our commitment to credit unions and the principles on which they were founded: We are a financial partner created by and for credit union people. At 7, we truly believe there is strength in numbers. By working as partners to credit unions and the community, we're able to offer the best mortgages, title services, and insurance products on the market.

7 TITLE

With over 100 years of experience, we help members fulfill their dreams of homeownership.

7 MORTGAGE

We are here to help credit unions provide mortgage options to their members.

7 INSURANCE

We offer a full line of insurance products, giving credit unions the ability to own their portfolio and gain non-interest income while strengthening relationships with members.

CU REVEST

CU Revest is a credit union service organization dedicated to supporting members who have fallen on hard times. We assist members in a respectful and compassionate environment as they work to achieve financial soundness, stability, and success.



7 TITLE

One of the largest and most productive title companies in the region

Closed 1,447 mortgages in 2019

Provided title search services for 1,189 equity loans

Consistently priced well below the competition making home buying more affordable

Unique collaboration of ORNL FCU and Y-12 FCU

7 INSURANCE

2,533 active clients

4,452 total policies

\$472.87 average annual savings of a new insurance policy holder*

*Average savings figure based on new direct auto and home policyholders countrywide who reported savings to us in 2019. Individual savings may vary. Savings not guaranteed.

OUR DIFFERENCE

CREDIT UNIONS

VS

BANKS

Not-for-profit	ORGANIZATION	For-profit
Members	OWNERSHIP	Stockholders
Volunteers (unpaid)	BOARD OF DIRECTORS	Elected (paid)
Members, each with an equal share & vote	GOVERNANCE	Stockholders
Profits returned to members in the form of higher savings rates, lower loan rates, lower fees & special dividends	PROFITS	Profits paid to stockholders
Service-driven; serving the best interests of the membership	SERVICE	Profit-driven; focused on products & services that generate income
Cooperation among credit unions, sharing resources	COLLABORATION	Competition between banks prohibits sharing of resources
NCUA	INSURANCE	FDIC

CU AWARENESS & ADVOCACY

CREDIT UNION ADVOCACY AND AWARENESS

We are committed to raising awareness and advocating for change on legislative and regulatory issues that affect ORNL FCU, our membership, communities we serve, and the financial services industry. Our goal is to keep the entire credit union community strong at federal, state, and local levels.

CREDIT UNION COMMUNITY

ORNL FCU is a proud member of the Knoxville Area Chapter of Credit Unions, Tennessee Credit Union League (TCUL), and Credit Union National Association (CUNA).

SENATE AND HOUSE OF REPRESENTATIVES

Each Senator represents 139 credit unions across the state and 2,054,100 members, including over 173,000 ORNL FCU members.

Members of the House of Representatives represent nine districts in Tennessee. ORNL FCU has members located in each of the districts.



AWARDS & RECOGNITION

FORBES

TOP 100

Best-in-State Credit Unions
in Tennessee (#2)

GREATER KNOXVILLE BUSINESS JOURNAL

2020 BOOK OF LISTS

Knoxville-Area Credit Unions,
Ranked by Membership (#2)

Knoxville-Area Major Employer (#93)

Anderson County Major Employer (#14)

Knox County Mortgage Lenders,
Ranked by Dollar Volume (#2)

Knoxville-Area Credit Unions,
Ranked according to assets (#2)

KNOXVILLE NEWS SENTINEL

BEST OF 2019 AWARDS

Best Credit Union
Best Mortgage Company
Best Bank

FINANCIAL BRAND

POWER 100

Top Credit Unions
Using Social Media (#27)

OAK RIDGE CHAMBER

2019 EXTRAORDINARY AWARDS

Community Impact

CALLAHAN

CREDIT UNION DIRECTORY

200 Largest Credit Unions in
Nation by Membership (#114)

Leaders in Nation for
Branch & ATM Network
(#47 out of approx. 5,700)

CITYVIEW MAGAZINE

BEST OF THE BEST 2019

Credit Union (#1)
Banking - Business (#1)
Banking - Personal (#1)
Mortgage Company (#2)

CLINTON COURIER

2019 BEST OF ANDERSON COUNTY

OAK RIDGER

2019 BEST OF ANDERSON COUNTY

Best Credit Union
Best Place to Work
Best Benefits Program
Best Company Culture
Best Employee Recognition Program
Best Overall Company to Work For
Best Company Leadership
Best Training Program
Best Workplace Culture

OFFICIALS

BOARD OF DIRECTORS

Randy Gorman, *Chair*
James Payne, *Vice Chair*
Jama Hill, *Treasurer*
Joel Pearman, *Secretary*
Leigha Humphries
Pam Ladd
Sam McKenzie
Debbie Stairs
Harriet Walker
David Mandl, *Assoc. Director*

SUPERVISORY COMMITTEE

Mary Beth Blair, *Chair*
Vickie Caughron, *Vice Chair*
Mary Kiser, *Secretary*
Gerald Smith
David Watkins

NOMINATING COMMITTEE

Sam McKenzie, *Chair*
Jessica Emert
Leigha Humphries

EXECUTIVE COMMITTEE

Randy Gorman, *Chair*
James Payne
Jama Hill
Joel Pearman

LEGISLATIVE & GOVERNMENTAL AFFAIRS COMMITTEE

Leigha Humphries, *Chair*
Randy Gorman
Sam McKenzie
James Payne
Debbie Stairs
Harriet Walker

VOLUNTEER POLICY & GOVERNANCE COMMITTEE

Harriet Walker, *Chair*
Randy Gorman
Jama Hill
Joel Pearman
Debbie Stairs

EXECUTIVE MANAGEMENT

Colin Anderson

President & CEO

Chris Boler

President & CEO 7, LLC

Dawn Brummett

Executive Vice President & Chief Operating Officer

Janita Clausell

Senior Vice President & Chief Retail Officer

Becky Curry

Senior Vice President-Data Intelligence

Steve McAtee

Senior Vice President & Chief Technology Officer

Kristin Robertucci

Senior Vice President & Chief Financial Officer

Derek Saidak

Senior Vice President & Chief Lending Officer

Joy Wilson

Senior Vice President & Chief Administrative Officer

Tom Wright

Senior Vice President & Chief Marketing Officer



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PROUD MEMBER:

TENNESSEE
Credit Union League

 **CUNA**
Credit Union National Association

Equal
Opportunity
Employer



Federally insured by NCUA
Equal Housing Lender