

Treasurer's Report

Jamie Keith, Treasurer *Member since 1976*

Reflecting back, Knoxville TVA Employees Credit Union's original mission statement is to be the trusted financial services provider to every Member. Enhancing the value of their lives and financial well-being highlights the Credit Union's responsibility to do the same while maintaining fiscal strength.

With the unwavering trust and support of over 165,000 Members, the Credit Union has not faltered in this mission and continues to remain safe and sound, while building on continuing efforts to improve. These efforts have paid off and are proven by the numbers highlighted in this report with Assets reaching almost \$1.665 Billion, deposits reaching \$1.386 Billion and total loans are now over \$1.457 Billion. The Credit Union is well capitalized at 9.10% and now has 20 branch locations.

I am pleased to report our Credit Union remains stable and substantial, yet flexible enough to move quickly forward, keeping pace with advances in technology.

The Credit Union continues to grow as a cooperative, with Members' and employees' reliance on each other, creating the strength that brings a sense of security and well-being to all. Together we move forward, always reaching for a better way and continuing our story of financial success.

Statement of Financial Condition

ASSETS	2016	2015
Loans		
Loans To Members	\$1,425,742,086	\$1,281,976,478
Credit Cards	\$31,311,366	\$26,643,208
Total Loans	\$1,457,053,452	\$1,308,619,686
Allowance For Loan Losses	(\$3,881,186)	(\$4,375,272)
Net Loans Outstanding	\$1,453,172,266	\$1,304,244,414
Cash	\$75,921,639	\$63,786,811
Total Cash	\$75,921,639	\$63,786,811
Investments		
U.S. Government Obligations	\$0.00	\$0.00
Federal Agency Securities	\$0.00	\$0.00
Corp Deposit	\$59,774,220	\$63,941,402
Other Investments	\$7,852,444	\$8,057,344
Insurance Fund Deposit	\$12,839,422	\$11,376,989
Mutual Funds	\$0.00	\$0.00
Total Investments	\$80,466,085	\$83,375,735
Allowance For Investment Losses	\$0.00	\$0.00
Net Investments	\$80,466,085	\$83,375,735
Other Assets		
Land & Buildings	\$45,677,122	\$43,229,012
Furniture, Fixtures & Equip. (Net)	\$2,452,047	\$2,893,062
Other Assets	\$7,122,713	\$7,508,438
Total Other Assets	\$55,251,881	\$53,630,511
Total Assets	\$1,664,811,872	\$1,505,037,471
LIABILITIES AND EQUITY		
Liabilities / Net Worth		
Notes Payable	\$124,157,703	\$132,818,202
Accounts Payable	\$10,675,118	\$7,476,473
Dividends Payable	\$0.00	\$0.00
Unapplied Data Process. Except.	\$285,608	\$389,572
Other Liabilities	\$228,984	\$155,764
Total Liabilities	\$135,347,413	\$140,840,010
Deposits		
Regular Shares	\$289,460,022	\$266,966,849
Share Drafts	\$361,160,292	\$313,644,360
IRAs	\$61,481,303	\$59,596,240
Investment Certificates	\$272,040,722	\$233,358,294
Other Shares	\$401,630,768	\$359,822,264
Total Savings	\$1,385,773,107	\$1,233,388,007
Reserves		
Regular Reserves	\$72,852,673	\$65,430,984
Other Comprehensive Income	(\$7,800,438)	(\$6,121,117)
Other Reserves	\$0.00	\$0.00
Accumulated Gain/Loss AFS	\$0.00	\$0.00
Undivided Earnings	\$64,077,898	\$59,410,712
Total Reserves	\$129,130,133	\$118,720,579
Total Equity	\$1,514,903,240	\$1,352,108,586
Net Income	\$14,561,219	\$12,088,875
Required Reserves	\$0.00	\$0.00
Net Income YTD	\$14,561,219	\$12,088,875
Total Liabilities and Equity	\$1,664,811,872	\$1,505,037,471

Statement of Operations

INCOME	2016	2015
Income From Loans	\$48,746,239	\$43,704,144
Other Operating Income	\$14,077,766	\$11,679,919
Investment Income	\$406,363	\$277,768
Fee Income	\$10,298,171	\$8,555,442
Gross Income	\$73,528,539	\$64,217,274
OPERATING EXPENSES		
Compensation	\$16,852,235	\$14,717,284
Employee Benefits	\$9,111,505	\$7,622,105
Travel & Conference	\$152,527	\$119,106
Association Dues	\$104,188	\$113,114
Office Occupancy Expenses	\$2,499,991	\$2,461,966
Office Operation Expenses	\$12,628,651	\$11,648,769
Educational & Promotional	\$1,489,011	\$1,428,488
Loan Service Expenses	\$1,407,696	\$983,917
Loan Loss Expense	\$3,025,481	\$2,864,970
Professional & Outside Svc.	\$1,253,876	\$1,276,824
Data Processing	\$462,752	\$417,586
ATM Expenses	\$161,499	\$153,115
Member Insurance	\$0.00	\$300
State Supervision Fees	\$246,288	\$242,769
Cash Over & Short	\$6,971	\$3,910
Operating Losses	\$1,064,795	\$690,977
Interest On Borrowed Money	\$2,233,377	\$2,069,145
Annual Meeting Expenses	\$31,993	\$45,773
Miscellaneous Operating Exp.	\$242,031	\$195,927
Total Operating Expense	\$52,974,866	\$47,056,045
NON OPERATING EXPENSE		
Other Non-Operating Inc/Exp.	(\$12,283)	(\$10,248)
Gain/Loss on Investments	\$0.00	\$0.00
Gain/Loss - Disp. of Fixed Assets	\$47,692	\$27,779
Div. Expense-Certificates	\$2,775,525	\$2,315,650
Div. Expense-Other Share Accts	\$2,758,851	\$2,230,427
Div. Expense-Regular Shares	\$422,669	\$508,747
Total Non Operating Expense	\$5,992,454	\$5,072,355
Total Expense	\$58,967,320	\$52,128,399
Net Income	\$14,561,219	\$12,088,875



2016 Annual Report

Chairman's Report

Cleston Jones, Chairman of the Board

Member since 1977

My own Credit Union Story began in 1977 when I opened my first account and became a Member of the Credit Union. Since that day, I have enjoyed the benefits of our Credit Union growing in size and expanding the number of services available to every Member. In 2012, I started volunteering for the Credit Union by serving on the Board of Directors.

As Chairman of the Credit Union's Board of Directors, I take the responsibilities assigned to the Board seriously. The Board's primary functions are to direct, control, and inspire the organization. The Credit Union's Mission "To Help Members Grow Financially" shapes these functions. Every Member brings a unique story to his or her relationship with the Credit Union, and while each story is unique, our philosophy remains the same: People Helping People. This philosophy compels us to offer products, services and convenience to create a lifetime of "Credit Union stories" as Members live, work and play in the communities served.

I want to thank my fellow volunteer Board and Supervisory Committee members for their time, commitment and dedication to guiding our Credit Union on a path to financial soundness and purpose. And thank you to our Members for entrusting the Credit Union to play a lead role in the writing of your "financial story."

Supervisory Committee Report

Steve Hillenbrand, Chairman *Member since 1975*

It is the responsibility of the Supervisory Committee to monitor the financial safety and soundness of the Credit Union and to oversee 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 Credit Union statements and records for 2016. All audits resulted in the Credit Union receiving outstanding reports from all examinations.

Another key component of the Credit Union's internal control is the internal auditors 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 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 at Knoxville TVA Employees Credit Union. The Credit Union's growth is the direct result of serving Members' financial needs.

Report to the Membership

Glenn Siler, President & CEO *Member since 1973*

A Year of Moving Upward and Forward

I have a story to tell you. Forty-three years ago I was a young college graduate, and accepted a job with a Credit Union serving the financial needs of the employees of TVA and their families. Little did I know my first job would turn into a lifelong career of growing with Knoxville TVA Employees Credit Union, taking me from my first job as Accounting Clerk and floater all the way to the President and CEO. This is my Credit Union story. Each Member of the Credit Union, staff member and volunteer has their own Credit Union story. The Credit Union history contains over 80 years of stories of success, stories of caring and stories of friendship and working together for the success of Members.

Established 83 years ago for the employees of TVA, the Credit Union's original Mission was to be a trusted financial provider to every Member and to enhance the value of their lives and financial well being while maintaining fiscal strength. KTVAECU has held steadfast to its mission since 1934 with Members' financial interest remaining the top priority. Today this same philosophy of providing better financial options and maximizing Member value is adhered to. We pride ourselves on being a highly reputable financial wellness provider caring about Members, the community, and employees. We work with Members to help them lead a better financial life – one that's more convenient and consistent, safe and secure and focused on long-term success.

Reflecting on the past year's challenges and accomplishments within the pages of this report, you will see how KTVAECU continues to fulfill its unwavering mission of being that trusted financial services provider.

The Credit Union's highest achievement is found in the difference made in Members' lives reflected in the stories we hear each and every day from Members.

The Credit Union operates with the following formula for Success: Member Service + Teamwork + A Caring Attitude = Success. Staying focused on Member service is a cornerstone of KTVAECU. Members can best be served by providing low-cost financial services meeting your needs and with products that help your financial circumstance. Teamwork is essential in our Credit Union cooperative with everyone, staff, Members, and volunteers working together for everyone's best interest. And most importantly is a Caring Attitude. We care about Members' financial well being. We care about the communities where branches are located and serve. The Credit Union is a safe and strong financial organization that has been in operation and will be in operation helping Members grow financially for many years to come.

An annual report is a fiscal year in review, offering pages of information and statistics that provide accurate accounting of an organization's financial picture. The numbers are significant as each one represents a performance element revealing gains or losses as well as financial stability. While positive numbers can be a successful indicator, true success often goes beyond these figures. At KTVAECU the trust measure is when good financials are accompanied by a resounding yes to some very important questions – "Are we fulfilling our original Mission of

service and are we making a positive financial difference in the lives of Members?"

Deposits – True financial wellness often begins with saving. The Credit Union helped Members do just that. Deposits grew by over \$152 Million with checking balances increasing \$47 million, a 15.2% increase.

Loans – 2016 was another year of tremendous loan growth. Loans outstanding grew by \$148.4 Million with \$759,088,836 in loans disbursed. Over 32,310 auto loans were made for \$458,237,004. 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. \$100,534,483 million was disbursed for mortgage and home equity loans in 2016.

Convenient Services - Members enjoyed the convenience of remote services. In 2016, there were 585,727 calls to the Contact Center and 2,092,689 calls to DIAL, the Credit Union's automated phone service. Members choosing to use mobile devices to make deposits experienced a tremendous growth with 197,707 deposits made for a total of \$63,769,254 and Bill Pay users paid 648,474 bills for a total of \$186,336,522. Plus, 30,104 New Members joined the Credit Union.

With all the online and remote services, Members still enjoy visiting the local branch. Last year 9,700,877 transactions were conducted in local branch offices. Plus, many Members just come by to talk, say hello and enjoy a cup of coffee, and the staff are local folks who you see working to improve the community.

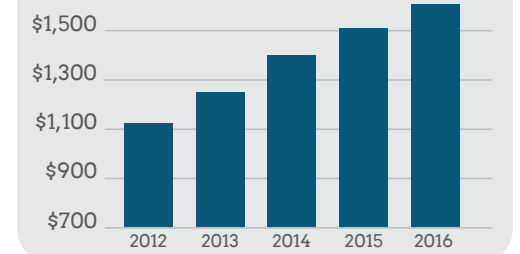
Rewards - Many Members enjoyed the benefit of the Credit Union's reward program, UChoose Rewards, earning points for using Debit Cards. In 2016 Members earned 351,026,659 points and redeemed them for \$1,651,987 in cash and merchandise. What a great concept getting paid for using your own money, another benefit of Credit Union membership.

Community KTVAECU is committed to making a positive impact in the communities served. We work closely with organizations making a Difference locally through financial education and charitable efforts. Giving back to communities is just one way to follow the Credit Union motto of "People Helping People." Together, powerful changes can be made that will have a lasting impact. Great work is also being done through the Credit Union's Foundation for Education to improve education opportunities in communities by making grants available to each public high school in our service areas to help with special projects. The Credit Union staff logged thousands of hours of community service last year.

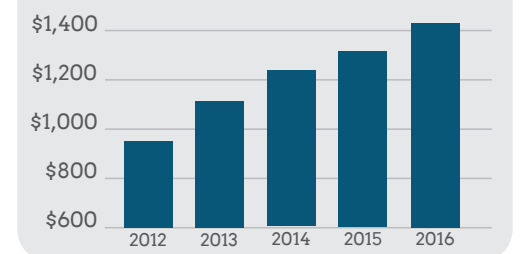
The Credit Union's success is the result of Members' trust in the organization and the hard work of many Credit Union hands all with a heart for service. Almost 400 Credit Union employees work tirelessly to ensure Members' needs are met as do the volunteers who serve the Credit Union on the Board of Directors and Supervisory Committee.

I have seen many changes in the economy, delivery of services and products being offered in my career. But one thing has never changed, the philosophy of "People Helping People" is as much alive and practiced today as it was 43 years ago. Members' financial lives have improved and Knoxville TVA Employees Credit Union is moving Upward & Forward and making an impact in Members' lives like never before. Amid progress

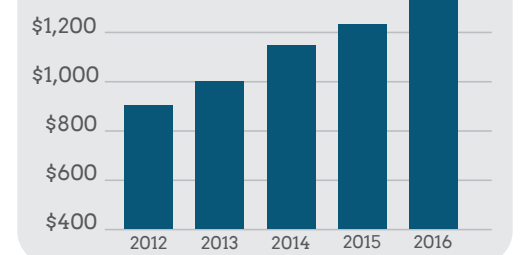
Assets in Millions



Loans in Millions



Savings in Millions



in 2016, the Credit Union has remained grounded in our purpose to build lifelong relationships to support Members' financial success.

An exciting 2017 is planned filled with improvements to make your money more convenient, easier to access and more secure. A new branch office in Morristown opened in mid January and another branch office in the Knoxville area is in the planning stage. We are excited about continued growth in 2017. As the Credit Union grows, we will continue to be the best choice to meet all your financial needs. At KTVAECU, our mission is to "Help Members Grow Financially." We want you to be the author of your own, exciting KTVAECU Story.

In closing, the original mission of service of KTVAECU still holds true today and is reflected in the contents of the Annual Report. While financial challenges remain in the lives of Members, the Credit Union remains focused on being a trusted financial services provider working to help each Member grow financially.

Thank you for allowing us to serve you.