

ANNUAL AND
COMMUNITY REPORT
2020

2020 MEMBER TESTIMONIALS

Good rates. New teller system with extended hours is helpful. Appreciate the credit card fraud alerts.

– **Sarah W.**

Every time I walk through the door at the LaFollette office, I am met with smiles and happy associates. In my mind I think to myself, someone is doing something right here.

– **Matthew D.**

I have been a member for at least 20 years and have been extremely satisfied with the offers for members, customer service, and locations of branches.

– **Amanda L.**

I haven't had any issues. Service during the pandemic is fantastic. Covid can't kill great customer service.

– **Gunner S.**

Aprobaron un préstamo rápido.
(They approved my loan quickly.)

– **Jacqueline P.**

Professional and personal, y'all nail it.

– **Jayne M.**

Always willing & ready to help when needed. Love the new rewards points now and how they work.

– **Terry T.**



BOARD CHAIR'S REPORT

Where does one even begin to recap 2020? It was an unexpected year for all of us, and of course presented many challenges for your credit union. We began the year with big plans to celebrate our 70th anniversary. Early in the year, we had to adapt quickly and implement new ways of operating and conducting business. That meant continuing to serve our members without putting them or our employees at risk. A huge amount of time and effort went into overcoming that one huge obstacle. Our primary mission throughout the year was to keep our members and employees safe, while doing all we could to help them get through the hardships many were facing.

I'm proud to say that, despite everything, 2020 was a record year for your credit union. In fact, it was the best year financially in our 70-year history. We exceeded goals and saw growth in all major categories, including assets, shares, loans, and net worth. Once again, we earned a 5-Star rating from Bauer Financial, the nation's premier bank and credit union rating firm. This is the ninth consecutive quarter that Y-12 Federal Credit Union has earned Bauer's highest rating. Earning a 5-Star rating indicates your credit union excels in areas of capital adequacy, profitability, asset quality, and much more. We were able to achieve this financial success while still taking care of our members and employees. This was evident by significant increases in both our member satisfaction scores and our employee engagement scores.

Our teams were able to introduce new services and complete several projects in 2020, including the introduction of our Outbound Sales Team, several renovations, a credit card upgrade, and the completion of our Video Lending rollout. You can read more about these accomplishments throughout the report.

These results did not just happen. They were driven by our outstanding leadership team. In May, we were pleased to welcome a new member to our Executive Team. Jim Wood joined us as our new Chief Lending Officer, serving as the strategic leader overseeing the operations and activities of all our lending teams. Jim has over 30 years of credit union experience and is already making a positive impact here at Y-12 FCU.

It has been my privilege to serve as your Board Chair for the past year. I want to recognize my fellow board members, who volunteer countless hours in the oversight of our credit union. I also want to thank and acknowledge our dedicated team of employees, who work daily to serve our members and to fulfill our purpose statement and core values. These essential workers showed up faithfully during the most difficult circumstances with a positive attitude and a heart for member service. Finally, and most importantly, I want to thank our members/owners for trusting us to be your financial partner. On behalf of the entire Board of Directors, it is our honor to represent you.

Ronald A. Honeycutt

RONALD A. HONEYCUTT

Chair, Board of Directors

BOARD OF DIRECTORS

Your board and committee members are volunteers who generously give their time and talent to lead our credit union efforts. In addition to monthly meetings, they spend countless hours on credit union business and activities on behalf of our members. This volunteer spirit is the heart of the credit union movement.



RONALD A. HONEYCUTT
Chair



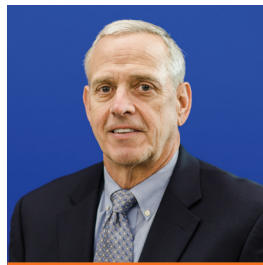
DAVID RUPERT
Vice Chair



LLOYD JOLLAY
Secretary



SAM PELCHAR
Financial Officer



TOM FISHER
Director



HURTIS HODGES
Director



DAVID LILES
Director

ASSET LIABILITY MANAGEMENT COMMITTEE

DUSTIN MILLAWAY Chair
SAM PELCHAR Member
MARK ZIEGLER Member
COURTLAND CROUCHET Member
JIM WOOD Member

CREDIT UNION SERVICES OF EAST TENNESSEE, LLC (WHOLLY-OWNED SUBSIDIARY)

LLOYD JOLLAY Chair
TOM FISHER Treasurer
GARY SMITH Secretary
JEFF JACKSON Member
MARK ZIEGLER Member

SUPERVISORY COMMITTEE

HILARY SHRETER Chair
KEVIN CRESS Secretary
CHRIS DEAN Member

EXECUTIVE TEAM

MARK ZIEGLER President/CEO
LYNN BOSTON VP/HR and Talent Development
COURTLAND CROUCHET SVP/Chief Experience Officer
DUSTIN MILLAWAY SVP/Chief Financial and Strategy Officer
TODD RICHARDSON SVP/Chief Technology Officer
JIM WOOD SVP/Chief Lending Officer



2020 HIGHLIGHTS



PANDEMIC RESPONSE

As we began 2020 full of anticipation for our anniversary year, a global pandemic was not part of our plan. Like everyone else, we had to quickly adapt and develop a plan of action for continuing to serve our members under these extraordinary circumstances. In March, our executive leadership formed a cross-functional Pandemic Response Team. This team met weekly during the early months of the pandemic and continues to meet regularly, making decisions and taking actions to protect the health and safety of our members and employees.

Branch Operations

In the early stages of the pandemic, our most immediate concern was how to safely operate our branches. Our Facilities Team immediately went to work installing walk-up lobby windows and safety shields at all stations, allowing us to serve members safely by appointment. Our drive-thru PTM Tellers were able to continue serving members remotely, and the team worked tirelessly to ensure members were able to manage their finances. And our Member Service Center agents, with some extra support from our branch employees, were able to assist members with many products and services by phone. It may have looked a little different, but we continued serving members every day.

Pandemic Assistance Loan

To assist members who needed access to quick funds, we created the Pandemic Assistance Loan. This unsecured loan offered a 0% APR fixed rate for the first six months and a 3% APR fixed rate for the remainder of the loan term. In addition to the great rates, members could take up to 90 days to make their first payment. During a three-month period, we funded over \$500,000 in PAL loans, providing a helping hand to many members during uncertain financial times.

Consumer Loan Payment Deferment

To help our members possibly impacted by the pandemic, we automatically deferred payments during the months of April and May on qualifying consumer loans. No action was required to accept the deferment and no fees were charged.

Payment Extensions

Members struggling to make payments on mortgage or consumer loans were able to contact us for payment options. We helped many members avoid becoming delinquent by providing temporary payment extensions.

First Responder Loan Discount

To honor the service of those who are there for us, we implemented a First Responder Loan Discount on fixed-rate consumer loans. This discount offers first responders, healthcare workers, and law enforcement a .25% discount off their qualified rate on eligible loans.

Safety Measures

Many actions were taken throughout the year to ensure the safety of both members and employees:

- Within two weeks, two-thirds of our workforce was deployed to work from home
- All employees were provided with face masks, hand sanitizer, and cleaning supplies
- Branches were supplied with hand sanitizing stations and masks for members
- Safety shields were installed at all member service stations
- Temporary service windows were installed in branch foyers, allowing us to serve members while lobbies were temporarily closed
- Touch screens were treated with an antimicrobial coating, making it difficult for viruses to live on surfaces
- In all locations, UV lights were installed in the HVAC systems to kill germs, viruses, mold spores, bacteria, and fungi as they pass through the air handler system
- High-risk members were given the opportunity to conduct business by appointment prior to regular opening hours



70TH ANNIVERSARY

In the spring of 1950, Harry Truman was president, Elvis was a 15-year-old high school student, and the first mass-produced television sets were just beginning to find their way into American homes. It was during this time that a group of employees at the Y-12 plant began meeting to discuss forming a credit union. Y-12 Employees' Credit Union received its charter in June 1950 and opened its first office in the administrative building of the Y-12 plant.

From humble beginnings, Y-12 Federal Credit Union has grown into a \$1.4 billion institution with 14 branches, serving over 113,000 members in our eight-county service area. Through all the years of growth and change, our mission has always maintained focus on our members.

We have enjoyed celebrating 70 years of service to our members and communities! Although we were not able to invite everyone in for the big party we had dreamed of, we still found ways to celebrate with our members throughout the year:

- **Drive-Thru Surprise Cash** – Each week, the 70th member at a designated branch drive-thru received a surprise \$70 deposit to their account.
- **Quarterly Product Promotions** – We celebrated all year long by giving members great anniversary deals on products:
 - Over 200 members received \$700 off closing costs for a new mortgage loan
 - 137 members received a great introductory rate and a \$70 gift card for opening a new home equity loan
 - 3,300 members took advantage of 90 days with no payment on a new auto loan
 - 272 members received 7,000 bonus points on a new Visa® Signature Rewards card
- **Wreaths Across America** – Y-12 FCU donated 70 wreaths to Wreaths Across America for their annual nationwide initiative. Taking place every December,

Wreaths Across America ensures that every soldier buried in a state or national cemetery has the honor of having a holiday wreath placed on their grave. This tribute began in 1992 at Arlington National Cemetery and has since grown to cover all state and national cemeteries in America thanks to the support of donors like us. Locally, we worked directly with the Knoxville National Cemetery to ensure our efforts had an impact on communities we serve.

- **Random Acts of Kindness** – To complete the celebration of our 70 years of service, we took the last two months of 2020 to award local communities with 70 random acts of kindness. We distributed 70 gift cards, each worth \$100, to over 30 employee volunteers. These employees were able to connect with individuals and extend a hand of kindness that not only provided a tangible impact, but also gave a lasting impression of Y-12 Federal Credit Union as a community partner. Acts of kindness included helping people with bills, medical cost assistance, Christmas gifts, and so much more. We also supported frontline staff, assisted small businesses, and helped with daycare expenses. Our volunteers went above and beyond, and we are proud of the impact they had in their communities.

OUTBOUND SALES TEAM

As part of our continued commitment to delivering WOW experiences, we added a new Outbound Sales Team in 2020. This team's goal is to engage members in a more personal manner by calling and educating them on products or services that may be beneficial. The team is highly trained and capable of assisting members with adding or changing products during the call, without the need to visit the credit union. Their first major campaign of 2020 was calling to check in on members who may have been impacted by the pandemic.

RENOVATIONS

We completed our branch renovation plan in 2020 by upgrading the following branches: Powell, Clinton, East LaFollette, Farragut, and Hardin Valley. The Hardin Valley Branch was just completed in December and features a brand-new branch design, offering a unique mix of people and technology. In addition to branches, we completed a redesign of the third floor of our Oak Ridge Headquarters, which houses our board room and employee break room. We also renovated a portion of our Hardin Valley Operations Center and upgraded all internal security systems.

VISA CREDIT CARD UPGRADES

In early 2020, we implemented our Visa credit card upgrades, featuring new contactless cards for all card holders. In addition to contactless payments, benefits included real-time payments, access to live card account details in Online and Mobile Banking, and our enhanced Loyalty Rewards program. Later in the year, we restructured our credit card offerings to include cards that appeal to all members: Visa Signature Rewards offers 1.5% rewards on all purchases; Visa Traditional offers our lowest rates for members who like to carry a balance; and Visa Secured is perfect for members who need help building credit.

VIDEO LENDING

In 2019, we introduced Video Lending at three branch locations. After receiving very positive member feedback, we introduced this service in our remaining branches in 2020. Video Lending provides a personal face-to-face consultation with one of our lending experts with less wait time. Our Consumer Lending Consultants are highly trained professionals with the expert ability to advise members on the best lending products to meet their financial goals.

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is composed of volunteers, and its members are appointed annually by the Board of Directors. Supervisory Committee members are not employees of the credit union.

As outlined in the Federal Credit Union Act, the Supervisory Committee is responsible for reviewing the internal controls of the credit union to show that each segment of the credit union is properly administering the plans, policies, and procedures for which it is accountable. The Supervisory Committee interfaces with credit union management, National Credit Union Administration examiners, and independent audit firms to meet its responsibilities.

The Supervisory Committee has engaged the certified public accounting firm of Nearman, Maynard, Vallez, CPAs to perform the annual audit of financial statements that is required by regulation. The committee outsources specialized audits, such as information technology monitoring, to other independent auditors. The credit union's internal audit department, which is under the direction of the Supervisory Committee, conducts other audits.

Based on the annual audit, regulatory reviews, outsourced audits, and internal audits, it is the opinion of the Supervisory Committee that your credit union's internal controls are effective and adequately protect the credit union, its members, management, and employees. The Supervisory Committee is confident that the volunteer officials and the paid credit union staff are dedicated to continually improving the position and strength of the credit union for its members.



HILARY SHRETER
Chair, Supervisory Committee

2020 FINANCIALS

STATEMENT OF FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2020 (IN THOUSANDS)

ASSETS	2019	2020	LIABILITIES AND EQUITY	2019	2020
Loans Net of Allowance for Loan Losses	1,003,744	1,135,254	Accounts Payable & Other Liabilities	13,429	19,882
Cash and Cash Equivalents	23,246	64,069	Notes Payable	78,500	30,000
Investments	133,508	136,282	Member Shares	999,563	1,216,610
Fixed Assets	27,018	30,529	Non Member Shares	11,564	—
Other Assets	39,101	45,407	Total Liabilities	1,103,056	1,266,492
Total Assets	1,226,617	1,411,541	Regular Reserves	9,050	9,050
			Undivided Earnings	114,511	135,999
			Total Equity	123,561	145,049
			Total Liabilities and Equity	1,226,617	1,411,541

STATEMENT OF INCOME & EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2020 (IN THOUSANDS)

INCOME	2019	2020	EXPENSES AND COST OF FUNDS	2019	2020
Loan Interest	46,475	49,295	Operating Expenses (Including PLL)	47,092	53,597
Investment Interest	4,091	3,319	Cost of Funds	8,933	5,762
Fee and Other Income	22,299	25,626	Total Expenses and Cost of Funds	56,025	59,359
Total Income	72,865	78,240	Other Non-Operating Income Expense (Inc)	(15)	(173)
			Net Income Before Stabilization	16,856	19,055
			Stabilization Expense	0	0
			Net Income After Stabilization	16,855	19,055

TOTAL ASSETS

2020	\$1.41B
2019	\$1.22B
2018	\$1.19B
2017	\$1.16B
2016	\$1.08B

TOTAL SHARES

2020	\$1.21B
2019	\$1.01B
2018	\$989M
2017	\$909M
2016	\$861M

TOTAL GROSS LOANS

2020	\$1.14B
2019	\$1.01B
2018	\$995M
2017	\$986M
2016	\$908M

TOTAL NET WORTH

2020	\$151M
2019	\$132M
2018	\$115M
2017	\$103M
2016	\$92M

FINANCIAL OFFICER'S REPORT

2020 brought unprecedented times for the entire financial services industry as we fought to contend with the health and economic impacts of the COVID-19 pandemic. In 2020, Y-12 Federal Credit Union successfully navigated these challenges by focusing on the safety of members and employees, providing financial relief to members, and ensuring the financial strength and soundness of the credit union.

A few notable actions taken by the credit union to provide financial relief to members included:

- Consumer loan payment deferments for two months, providing relief to more than 30,000 members
- Mortgage loans for 116 members, representing \$18 million of loans provided with extensions
- Business loans for 54 members, representing \$25 million of loans provided with accommodations
- Fee waivers for late fees and various other fees

Despite the significant actions taken to assist our members during this difficult time, the credit union achieved new heights of financial health and strength. The balance sheet continued favorable growth by attaining a level of \$1.41 billion, a 15% increase over 2019 assets of \$1.23 billion. Member shares grew by a record \$217 million as members received stimulus funds, spent less, and chose to keep more of their savings in federally insured deposit accounts. Loan growth was a critical factor in our success as the credit union achieved 13.3% growth year over year. Much of this growth was in the mortgage lending area as members were able to take advantage of historically low rates

and the purchase market remained robust in our eight counties. Profitability was very strong as return on assets reached 1.44% and net income exceeded \$19 million, placing the credit union in the top tier of performance within the industry. This success is largely attributable to the aforementioned loan growth as well as strategies implemented over the past several years that have positioned the credit union well for a low-rate environment.

Even though the future financial environment is expected to generate numerous challenges, your Y-12 Federal Credit Union remains financially safe and secure thanks to management, volunteers on the board and committees, regulatory agencies, and outside auditors and consulting firms. All these groups successfully interact to constantly evaluate these challenges and develop appropriate strategies to continuously improve member services and security.

I would personally like to thank the credit union employees and volunteers for their dedication, and especially the members who provide the focus for our efforts.

Sam Pelchar

SAM PELCHAR
Board Financial Officer

2020 AWARDS

BEST OF ANDERSON COUNTY
BEST CREDIT UNION

Voted on by readers of the Clinton Courier News

BEST OF CAMPBELL COUNTY
BEST BANKING INSTITUTION

Voted on by readers of the LaFollette Press

FARRAGUT PRESS READERS CHOICE AWARD
BEST CAR/RV/BOAT LOANS

Voted on by readers of the Farragut Press

BAUER FINANCIAL, INC.
5-STAR RATING

The nation's premier bank and credit union rating firm awarded its highest rating to Y-12 FCU for financial strength and stability. This is the ninth consecutive quarter that we have earned Bauer's highest rating. Earning a 5-Star rating indicates we excel in areas of capital adequacy, profitability, asset quality, and much more.

CALLAHAN CREDIT UNION RANKING
RANKED #18 FOR FINANCIAL PERFORMANCE

Callahan & Associates, a leading credit union data company, ranked Y-12 FCU number 18 nationally out of all credit unions over \$1 billion in assets for financial performance. This puts your credit union in the top 5% of all credit unions in this category.



COMMUNITY REPORT 2020

TRANSFORMING OUR COMMUNITIES

We believe it is our responsibility to give back to the members and communities who contribute to our success. We do this by encouraging employee involvement with both charitable and civic organizations.

Y-12 FCU provides each employee with 16 hours annually of paid time off for volunteering with local charitable organizations.

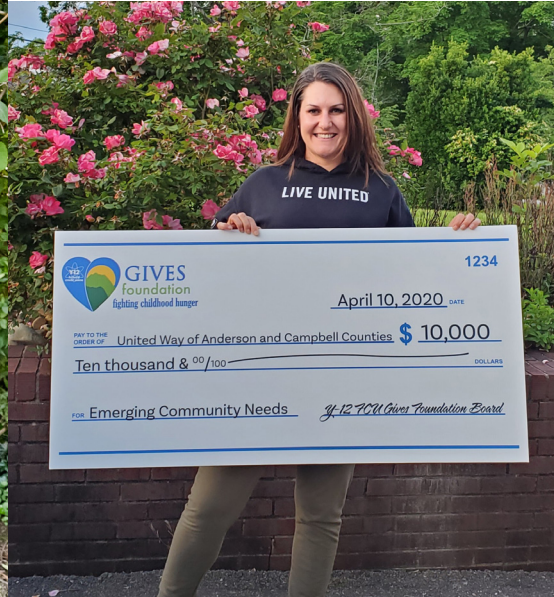
FINANCIAL OUTREACH

Y-12 Federal Credit Union has a team of employees dedicated to supporting financial education, literacy, and outreach programs. We believe financial literacy is the first step on the path to building a better financial future. No matter where you are on your financial journey, we have tools and resources to help move you forward.

FINANCIAL WELLNESS PORTAL

We have partnered with Everfi, a leading education technology innovator, to offer free personalized financial education to our members and communities. Using short, interactive learning modules, members can learn more about important personal finance topics such as budgeting, investing, homeownership, retirement planning, and more. With over 30 learning topics, there is something for everyone.





Y-12 FCU GIVES FOUNDATION

The mission of the Y-12 FCU Gives Foundation is to reduce the number of undernourished children in the communities we serve by providing them with food, knowledge, and resources. Since its launch in 2017, the foundation has steadily increased the number of grants disbursed each year to nonprofit organizations in the communities we serve.

In 2020, the foundation awarded over \$250,000 in grants to 30 local organizations. Through these grants we were able to help reduce hunger by supporting community food pantries, community garden programs, summer food programs, school backpack programs, and even two mini school buses converted to mobile food pantries. The foundation is honored to be a small part of the work these amazing charities are doing and proud to be able to assist our communities during the pandemic!

To learn more about the Y-12 FCU Gives Foundation and how you can support our efforts, please visit y12fcugives.org or follow the foundation on Facebook or Instagram.

SCHOOL BRANCHES

In 2010, Y-12 FCU partnered with two schools to open our first student-run branches. Since that time the program has grown to 12 school branches, including nine high schools and three middle schools. Thousands of students have had the opportunity to open credit union accounts and learn about establishing good financial habits, and many have gained hands-on experience working as volunteer Member Service Consultants. Although our on-site presence was limited in 2020, we continue to support our schools through virtual learning and financial support.

SCHOLARSHIPS

In 2010, Y-12 FCU introduced the Bill T. Hicks Scholarship, named for the former Y-12 FCU Board Chair and educator in the Oak Ridge School District. This award recognizes the achievement of student members graduating from high school. In 2020, we awarded scholarships to eight outstanding student members. Over \$60,000 has been awarded to date.

LOCATIONS

ANDERSON COUNTY

501 Lafayette Drive
Oak Ridge, TN 37830

101 Crosspark Drive
Clinton, TN 37716

450 N. Charles Seivers Blvd.
Clinton, TN 37716

BLOUNT COUNTY

624 W. Lamar Alexander Pkwy.
Maryville, TN 37801

2901 Old Knoxville Hwy.
Maryville, TN 37804

CAMPBELL COUNTY

2550 Jacksboro Pike
Jacksboro, TN 37757

1011 E. Central Ave.
LaFollette, TN 37766

KNOX COUNTY

6640 Clinton Hwy.
Knoxville, TN 37912

9245 Kingston Pike
Knoxville, TN 37922

13128 Kingston Pike
Knoxville, TN 37934

2377 Cherahala Blvd.
Knoxville, TN 37932

530 E. Emory Road
Powell, TN 37849

ROANE COUNTY

1715 Roane State Hwy.
Harriman, TN 37748

SEVIER COUNTY

1203 Dolly Parton Pkwy.
Sevierville, TN 37862



CORE VALUES

INTEGRITY

We do the right thing.

COMMUNICATION

We maintain open doors and open minds.

FUN

We enjoy our work and our work environment.

CONTINUOUS IMPROVEMENT

We are committed to getting better every day.

COLLABORATION

We work together to achieve more.

PURPOSE STATEMENT

Y-12 Federal Credit Union will be an innovative financial partner, transforming the lives of our members and communities by developing lasting relationships while delivering WOW experiences.



Federally insured by NCUA



y12fcu.org

