

Annual and Community Report 2022



BOARD CHAIR'S REPORT



"Despite challenging economic conditions, we continued to grow assets and remain in the top tier of credit unions for financial performance."

I'm proud to report that 2022 was another year of solid growth and success for your Credit Union. Despite challenging economic conditions, we continued to grow assets and remain in the top tier of credit unions for financial performance. You can read more about our financial success in the Treasurer's Report.

As you will see on the following pages, 2022 was a year of MORE ways to make banking easier. We added more digital services, more loan options, and more locations to serve our members. In November, we opened our new Lenoir City Branch. The Loudon County community has welcomed us with open arms, and we couldn't be more grateful. We also acquired a new Middlebrook Pike building and began renovations for a January 2023 opening. In addition to new branches, we added two remote Personal Teller Machines and expanded video banking during 2022, providing more face-to-face service options.

Continually investing in our people is the key driver in delivering WOW experiences to you, our members. We strive to create the kind of culture that attracts and retains top talent. We began the year by making organizational changes to better align us with the market, given our current asset size. These changes resulted in the promotion of several employees to Director, VP, or Chief positions. In the spring, we launched a comprehensive sales and service training program focused on equipping our teams to be everyday heroes for our members. We also began a new Leadership Development Series, empowering our management team to grow their skills and become better leaders.

On behalf of the Board of Directors and Y-12 FCU employees, it has been our privilege to serve you in 2022. Thank you for choosing us as your financial partner. I want to recognize my fellow board members, who volunteer many hours to make our Credit Union the best it can be. I also want to thank and acknowledge our dedicated team of employees, who work daily to serve our members and fulfill our purpose statement and core values.

We look forward to another great year in 2023!

Ronald A. Honeycutt

Ronald A. Honeycutt, Chair

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*

Lloyd Jollay, Chair
Tom Fisher, Treasurer
Gary Smith, Secretary
Jeff Jackson, Member
Mark Ziegler, Member

Supervisory Committee

Kevin Cress, Chair
Chris Dean, Secretary
Hilary Shreter, Member
Jessica Steed, Member

Executive Team

Mark Ziegler,
President/Chief Executive Officer
Dustin Millaway,
SVP/Chief Financial and Strategy Officer
Todd Richardson,
SVP/Chief Technology Officer
Courtland Crouchet,
SVP/Chief Experience Officer
Jim Wood,
SVP/Chief Lending Officer
Lynn Boston,
SVP/Chief People Officer

*Wholly-owned subsidiary

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 the review of the Credit Union's financial statements as well as the review of the internal controls of the Credit Union to show that each segment 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 Elliott Davis to perform the independent 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.

Kevin Cress

Kevin Cress
Chair, Supervisory Committee



"I am fairly new to the area - 5/6 years - and when first moving here I luckily chose Y-12 FCU for my banking needs. Holding my mortgage, checking and savings accounts Y-12 FCU has been reliable, dependable and always a friendly and courteous place of business for me. I am most happy to be a customer of Y-12 Federal Credit Union." – Member

SOMETIMES MORE IS MORE!



Serving You in MORE Locations

We added new locations to serve members.

- Free-Standing Personal Teller, Oak Ridge (April)
- Free-Standing Personal Teller, Turkey Creek (September)
- Middlebrook Pike Branch – Acquired property and began renovation for a January 2023 opening (September)
- Lenoir City Branch (November)



MORE Lending Options

We introduced new loan products to help members meet their financial goals.

- In March, we launched our WOW Lending Program with our network of local auto dealers, enabling more members to qualify for auto loans.
- In July, we introduced InstaCash. This lending product allows us to help our members get affordable small-dollar loans INSTAntly! These loans are a more affordable alternative for members who use payday loans.
- After offering student loan refinances since 2019, we expanded our program to include in-school student loans in May. We also introduced “Colleging,” an online tool to help students and their families with decision-making.
- In October 2021, we launched a new lending program that presents members with personalized preapproved loan offers through Online and Mobile Banking. Members can accept an offer with just a few clicks, eliminating the need to complete an application. In 2022, we funded over 7,000 loans for \$80 million through this automated channel.



"I really love Y-12 Federal Credit Union because here in Knoxville there are multiple locations where I can go and ask my questions. Also the app is very convenient which I can pay my car loan there."

– Member

My Loan Offers

Welcome to your personal loan center!

Below you'll find an array of loan products we've selected just for you! If the product says "Pre-Approved," your funds are just a few clicks away. If the product says "Invitation to Apply," you will be directed to our online application to submit your request. "Special Offers" will be referred to one of our product specialists, who will contact you with more information. Just tap on the product of your choice to get started!

Questions, or don't see a product that meets your needs?

[CONTACT US](#)

<p>Pre-Approved</p> <p>Auto (2017-2024) up to \$60,000</p> <p>TERM & APR: 84 months (6.24%*) ▼</p> <p>AMOUNT REQUESTED: \$60,000</p> <p>EST. MONTHLY PAYMENT: \$883.20</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>Auto (2010-2016) up to \$35,000</p> <p>TERM & APR: 60 months (6.74%*) ▼</p> <p>AMOUNT REQUESTED: \$35,000</p> <p>EST. MONTHLY PAYMENT: \$688.80</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>Ultra up to \$25,000</p> <p>TERM & APR: 72 months (12.99%*) ▼</p> <p>AMOUNT REQUESTED: \$25,000</p> <p>EST. MONTHLY PAYMENT: \$501.75</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>Signature up to \$25,000</p> <p>TERM & APR: 48 months (11.49%*) ▼</p> <p>AMOUNT REQUESTED: \$25,000</p> <p>EST. MONTHLY PAYMENT: \$652.00</p> <p>Accept</p> <p>Details & Disclosures</p>
<p>Pre-Approved</p> <p>Motorcycle/ATV (2018-2024) up to \$30,000</p> <p>TERM & APR: 75 months (6.74%*) ▼</p> <p>AMOUNT REQUESTED: \$30,000</p> <p>EST. MONTHLY PAYMENT: \$491.40</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>Boat (2018-2024) up to \$50,000</p> <p>TERM & APR: 75 months (6.74%*) ▼</p> <p>AMOUNT REQUESTED: \$50,000</p> <p>EST. MONTHLY PAYMENT: \$819.00</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>RV (2018-2024) up to \$50,000</p> <p>TERM & APR: 75 months (6.74%*) ▼</p> <p>AMOUNT REQUESTED: \$50,000</p> <p>EST. MONTHLY PAYMENT: \$819.00</p> <p>Accept</p> <p>Details & Disclosures</p>	<p>Pre-Approved</p> <p>Personal up to \$5,000</p> <p>TERM & APR: 48 months (11.49%*) ▼</p> <p>AMOUNT REQUESTED: \$5,000</p> <p>EST. MONTHLY PAYMENT: \$130.40</p> <p>Accept</p> <p>Details & Disclosures</p>



EASYPAY
A Simpler,
Smarter
Payment
Experience
NOW LIVE!

Y-12 FCU has been a great credit union & the website & app are so easy to use. The employees are always super nice & very helpful too!

– Member

Offering MORE Digital Services

Banking isn't always easy. But it should be.

- On August 15, we introduced EasyPay – A simpler, smarter payment experience. EasyPay allows members to pay bills, pay a person, and transfer funds to accounts at other financial institutions.
- In 2022, we expanded from appointment-only Video Banking service to on-demand service during regular business hours. Video Banking allows members to have face-to-face, personalized service from anywhere for new account opening, account maintenance, and other account services.

2022 CREDIT UNION AWARDS



Best of Anderson County Best Credit Union

Voted on by readers of the Clinton Courier

Finopotamus Tekki Awards

Honorable Mention for significantly enhancing member self-service options by upgrading our ATM software and deploying new interactive teller machines from NCR

Digital Impact Award

Recognized for unique and successful marketing using the Deep Target Experience Platform

Hardin Valley Living Reader's Choice Best Car/RV/Boat Loans

Voted on by the readers of Hardin Valley Living

Bauer Financial Inc.

5-Star Rating

Awarded a 5-Star rating for financial strength and stability

MEMBER TESTIMONIALS



I've been a member since I was 15 years old and have always been promptly helped when needed! I greatly appreciate the phenomenal service I've received throughout the years!

The app is easy to use. When you go in the store the workers are nice and very helpful. Also the reward system makes the customer happy that they do business with Y-12 FCU.

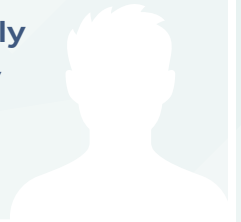
Y-12 FCU is our favorite credit union. The staff is always friendly and helpful. We've sent 5 people to Y-12 FCU for loans and banking.



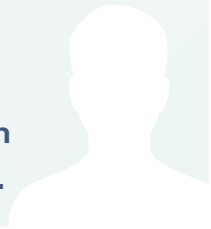
Love Y-12 FCU. Every time I have to go into the bank the employees are extremely helpful and courteous. The online app is very easy to navigate. I have definitely recommended and will continue to recommend Y-12 FCU.

No matter who I speak to, someone is always helpful or very nice. I have spoken with several departments over the time that I have been with you and I have enjoyed every experience. Keep being great!

The app is easy to use, I can easily manage my money without any issues. The bank workers are extremely nice and patient.



Everyone is always so nice and helpful whether in a branch, on the phone, or live chat.



Out of all the financial institutions we have done business with, this one has been the easiest & most professional to deal with! Great customer service, great bank that cares about its members. We are so happy we don't waste time with regular banks anymore.

2022 FINANCIALS

STATEMENT OF CONDITION

As of December 31, 2022 (Summary in Thousands)

Assets	2021	2022
Loans Net of Allowance for Loan Losses	1,282,123	1,551,176
Cash and Cash Equivalents	43,785	59,036
Investments	184,120	173,130
Fixed Assets	30,257	31,668
Other Assets	56,937	60,153
Total Assets	1,597,222	1,875,163

Liabilities and Equity	2021	2022
Accounts Payable & Other Liabilities	22,744	24,078
Notes Payable	30,000	195,000
Member Shares	1,370,780	1,475,643
Non Member Shares	-	1,435
Total Liabilities	1,423,524	1,696,156
Regular Reserves	9,050	9,050
Undivided Earnings	164,648	169,957
Total Equity	173,698	179,007
Total Liabilities and Equity	1,597,222	1,875,163

STATEMENT OF INCOME & EXPENSE

As of December 31, 2022 (Summary in Thousands)

Income	2021	2022
Loan Interest	50,466	59,019
Investment Interest	4,373	3,714
Fee and Other Income	24,412	28,984
Total Income	79,251	91,717

Expenses and Cost of Funds	2021	2022
Operating Expenses (Including PLL)	49,723	59,648
Cost of Funds	2,970	5,899
Total Expenses and Cost of Funds	52,693	65,547
Other Non Operating Income Exp (Inc)	17	132
Net Income before Stabilization	26,541	26,038
Stabilization Expense	0	0
Net Income after Stabilization	26,541	26,038

Total Assets

2022	\$1.87 B
2021	\$1.60 B
2020	\$1.41 B
2019	\$1.22 B
2018	\$1.19 B
2017	\$1.08 B

Total Shares

2022	\$1.48 B
2021	\$1.37 B
2020	\$1.21 B
2019	\$1.01 B
2018	\$989 M
2017	\$909 M

Total Gross Loans

2022	\$1.56 B
2021	\$1.28 B
2020	\$1.14 B
2019	\$1.01 B
2018	\$995 M
2017	\$986 M

Total Net Worth

2022	\$204 M
2021	\$177 M
2020	\$151 M
2019	\$132 M
2018	\$115 M
2017	\$103 M

FINANCIAL OFFICER'S REPORT

In 2022, the financial services industry experienced a changed economic environment characterized by high inflation and increasing interest rates. The Federal Reserve raised interest rates seven times throughout 2022, moving the Federal Funds rate from 0.25% to 4.25%. Despite this extraordinary rapid increase, Y-12 Federal Credit Union saw another year of double-digit growth, with assets increasing from \$1.60 billion in 2021 to \$1.875 billion in 2022, or 17%.

Most of our asset growth is attributed to another successful year in our lending areas. Our one-click lending and video banking initiatives proved to be successful as consumer loans grew rapidly. Our members also took advantage of our new fixed-rate second mortgage product line. The Member Business Lending group continued to see significant growth in the commercial real estate space, closing several large loans. These factors resulted in total loan growth of \$271 million or 21%.

Member deposits grew by \$105 million, or 7.75%, as members took advantage of the Credit Union's best-in-class High Yield Checking and High Yield Money Market products as well as several Share Certificate promotions offered in the latter half of the year.

Another exciting component of 2022; the Credit Union opened its 15th branch in Lenoir City and is slated to open its 16th branch in January 2023 on Middlebrook Pike in Knoxville. These locations provide an opportunity for the Credit Union to continue to serve current and new members. Other notable achievements include the Credit Union seeing increased usage of our Loyalty Rewards program, which resulted in an increase in our interchange income. All these accomplishments and more contributed to the Credit Union achieving a return on assets of 1.50% and net income exceeding \$26 million for the second year in a row, placing the Credit Union in the top tier of performance within the industry.

Even though the future financial environment is expected to generate numerous challenges, your Y-12 Federal Credit Union remains financially safe and sound thanks to management, volunteers on the board and committees, regulatory agencies, and outside auditors and consulting firms. It is the successful interaction of all these groups that 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



COMMUNITY REPORT

\$536,600

to 31 local
organizations
in 2022

\$1.2 million
to help support
the fight against
childhood hunger
in East Tennessee
since 2017

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. In 2022, we experienced our most significant grant cycle by successfully awarding \$536,600 to 31 local organizations. Since our first year of giving in 2017, the Y-12 FCU Gives Foundation has awarded \$1.2 million to help support the fight against childhood hunger in East Tennessee. This money has been instrumental in assisting the funding capabilities of many local charities. Some of the programs supported include food pantries, garden programs, summer food programs, school backpack programs, and many more. The Y-12 FCU Gives Foundation is honored to be able to support the communities we serve in a way that directly impacts our most important resource, children.

2022 Grant Recipients:

Main Street Baptist Church	Shora Foundation
The Good Samaritan Center of Loudon County	Grand Oaks Elementary School
Clinton High School	YWCA Knoxville & The Tennessee Valley
Claxton Elementary School	Knox County Health Department
Open Arms Food Pantry	Family Promise of Blount County
Lake City Elementary School	City Shepherds
Compassion Ministries Inc.	Wesley House Community Center
Second Harvest Food Bank of East TN	East Tennessee Human Resource Agency
Clinton Middle College & Career Academy	Roane County Children's Fund
Food Life Services of Campbell County	Catholic Charities of East Tennessee
United Way of Anderson County	Thrive
Sevier County Food Ministries	Operation Inasmuch
Boys & Girls Club of the Smoky Mountains	Boys & Girls Club of the Tennessee Valley
Hospitality Pantries, Inc. (Fish Pantry)	CedarBrook Outreach
Girls Inc. of TN Valley	First United Methodist Church of Oak Ridge
Nourish Knoxville Inc.	

Golf Tournament

The Y-12 FCU Gives Foundation hosted its third annual charity golf tournament on October 3, 2022, at Fox Den Country Club in Knoxville. This year's tournament boasted 85 golfers and 70 sponsors and raised more than \$96,000 for fighting childhood hunger. This money will be returned to local East Tennessee communities through grants to organizations directly impacting childhood hunger in the surrounding counties. Board President Charlie McAdams had this to say about the 2022 tournament outcome: "As our Foundation continues to grow and be able to impact our local communities substantially, I am overjoyed to see what a huge role our charity golf tournament continues to play in our giving capability. It is a critical element of our overall capacity to fight childhood hunger. I look forward to seeing this event build in the coming years."



\$96,000 for fighting childhood hunger
85 Golfers • 70 Sponsors

Scholarship Program

In 2010, Y-12 FCU introduced the Bill T. Hicks Scholarship program, named after our former Y-12 FCU Board Chair and educator in the Oak Ridge School District. Since then, the Credit Union has awarded more than \$90,000 in scholarships to 89 graduating seniors planning to pursue a secondary education. During the 2022 application process, we added that recipients

\$20,000
in 2022

could also use scholarship dollars for trade school expenses, opening a new ecosystem of student opportunities. Y-12 FCU awarded four \$5,000 scholarships totaling \$20,000 in 2022.



Financial Literacy

With a complete departmental rebrand in 2021, Financial Outreach experienced a successful adoption of a new digital strategy. We partnered with Zogo, a gamified financial literacy app that rewards users for completing bite-sized financial literacy lessons on saving, budgeting, and other financial topics. Since the launch of the platform, there have been more than 34,000 modules completed and approximately 172,000 snippets finished. Additionally, 93% of our unique users have said that Zogo improved their financial well-being. Through our 13 school partnerships and eight college campus relationships, Financial Outreach impacted thousands of students through online seminars and classroom workshops.

Moreover, we developed and introduced a student ambassador program. Our Brand Ambassador Program provides students with the unique opportunity to promote financial wellness in their school and community. Brand Ambassadors are encouraged to attend events with our team and curate content for social media. Through this program, students can also fulfill necessary volunteer hours, be considered for Credit Union internships, receive letters of recommendation, and receive branded gear. Finally, the first-ever “Not So Scary Halloween Bash,” a traditional Halloween event with a financial literacy twist, was held as part of the Lenoir City Branch Grand Opening celebration. The event consisted of financial literacy games and a costume contest with cash awards. More than 100 attended and learned early financial tips that will benefit them as they grow.



Everfi

Everfi continues to be a successful online resource for members. During 2022, our unique 1,062 users spent an average of 42 minutes completing modules. This interaction resulted in a 325% increase in our platform engagement. Our Everfi partnership started in 2017 to reimagine how we approach online financial education for our members and communities. Through this partnership, we offer online modules that give quick and insightful information on financial topics like budgeting, understanding credit scores, lending, and much more. For the second year in a row, Y-12 FCU sponsored the Everfi National Financial Literacy Bee, which allowed several students in East Tennessee to compete for a chance to win thousands of dollars in college scholarships.





\$200,000
Sponsorship \$\$\$\$
600+ Employee
Volunteer Hours



Inspiring Change in East Tennessee

- In September 2022, we partnered with McGhee Tyson Airport as a Silver Sponsor to present the Smoky Mountain Air Show featuring The Blue Angels. As part of the initiative to give back, a portion of our sponsorship dollars and all money raised at the 2022 air show was donated to Second Harvest Food Bank of East Tennessee.
- Y-12 FCU is dedicated to transforming the communities we serve. In 2022, we invested over \$200,000 in sponsorships that align with our vision and purpose. We are proud to partner with our local chambers, non-profits, and other organizations to support our communities.
- We partnered with Men of Valor to support formerly incarcerated individuals in their re-entry program by providing free financial literacy programs and educational workshops that assist them as they reacclimate to life beyond bars. These services and other re-entry programs are why the recidivism rate for men who complete the one-year program is below 15%, drastically lower than national averages.
- In 2022, Y-12 FCU employees completed more than 600 volunteer hours with many local organizations to activate the mission of people helping people. Y-12 FCU provides each employee with 16 hours annually of paid volunteer time.

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.

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.



y12fcu.org



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

9133 Middlebrook Pike
Knoxville, TN 37923

13128 Kingston Pike
Knoxville, TN 37934

2377 Cherahala Blvd.
Knoxville, TN 37932

530 E. Emory Road
Powell, TN 37849

LOUDON COUNTY

391 Highway 321
Lenoir City, TN 37771

ROANE COUNTY

1715 Roane State Hwy.
Harriman, TN 37748

SEVIER COUNTY

1203 Dolly Parton Pkwy.
Sevierville, TN 37862

Federally insured by NCUA

