

2011 Annual Report
Enhanced Member Value



service
quality
strength
integrity

2011 Annual Report

pg 1	Enhanced Member Value
pg 2-3	A Message from The Chairman, A Message from The President
pg 4-5	Annual Meeting Agenda, Nominating Committee Report, Supervisory Committee Report
pg 6-7	Treasurer's Report
pg 8-9	Minutes of The 63 rd Annual Meeting of The Membership
pg 10-11	Officials, Management
pg 12-13	Management (Cont.), Branch Locations



Enhanced Member Value

In 1948, 10 employees of Oak Ridge National Laboratory put forth \$50 in order to found ORNL Federal Credit Union (ORNL FCU) and offer lab employees better rates and terms than were traditionally available. Since then, our Credit Union has expanded to welcome and offer membership to anyone in Central East Tennessee.

Today, ORNL Federal Credit Union boasts more than 150,000 members and assets of more than \$1.3 billion. ORNL FCU offers the products and services you need to meet your day-to-day banking and financial goals. As a community credit union, we are focused on delivering a valued member experience by providing the best products, services, and employees the industry has to offer.

Through our continued efforts to enrich our members' financial lives, the Credit Union has and will continue to grow—just as the 10 lab employees envisioned 64 years ago.

A MESSAGE FROM THE CHAIRMAN



I am pleased to report that, thanks to your continued trust, ORNL Federal Credit Union had an outstanding year in 2011. In the face of sweeping financial reform and continuing turbulence in global, national, and local economies, our management team and employees have remained steadfast in continuing to focus on putting the financial needs of our members first and providing outstanding service.

In April 2011, we announced our new President and Chief Executive Officer, Chris Johnson. Chris brings over 25 years of credit union experience to his new position. Under his leadership, a series of successful organizational and management changes were made, all designed to strengthen our commitment to "become the preferred Credit Union in East Tennessee, by delivering unparalleled, enhanced member value."

As we look forward to 2012, I am confident that our management team and employees are poised and prepared to achieve our goals and objectives. We will continue to position ORNL Federal Credit Union for success and deliver our mission in spite of regulatory pressures or changes.

I am honored to have served on this Board of Directors for the past 13 years and look forward to many more years of continued success.


Mason Oakes
Chairman, ORNL FCU

service

A MESSAGE FROM THE PRESIDENT



2011 was an outstanding year despite the ongoing economic challenges that face our industry and the nation. Most evident of our strength was our growth. Your Credit Union ended the year with membership at 151,026. Total assets increased to \$1.35 billion at year-end, an increase for the year of \$76.3 million or 6.0%. Our deposits grew by \$63.8 million or 5.9% for the year, ending the year at \$1.15 billion. Net loans outstanding advanced \$13.3 million or 1.3% to a total outstanding of \$1.01 billion.

Our success last year was largely due to our dedicated employees and management team. We all win when our employees are engaged in their jobs and committed to the Credit Union and its members. Maintaining that continued dedication to exceptional member service remains our driving force. To that end, we are actively fostering an internal culture of high performance, developing member focused people and teams. These significant investments are being made to meet the ever-changing needs of our members and to guarantee your Credit Union can deliver enhanced member value and exceptional service.

We envision 2012 will be a year of new opportunities with new products, services, and technologies that will save you time and money and provide even greater value to your membership. On behalf of the management and staff, thank you for choosing ORNL Federal Credit Union.

A handwritten signature in dark ink, appearing to read "Chris Johnson".

Chris Johnson
President/CEO, ORNL FCU

AGENDA

64TH ANNUAL MEETING

1 / CALL TO ORDER

- a. Welcome
- b. Quorum determination

2 / MINUTES OF 63rd ANNUAL MEETING

3 / ANNOUNCEMENT OF BOARD MEMBERS

Introduction of newly appointed
Board Members

4 / REPORTS

- a. Chairman
- b. Treasurer
- c. Supervisory Committee

5 / OLD BUSINESS

6 / NEW BUSINESS

7 / ADJOURNMENT

NOMINATING COMMITTEE REPORT

The ORNL Federal Credit Union Nominating Committee reviewed the qualifications of members who submitted their names for consideration as candidates for the Board of Directors. We hereby nominate the following three individuals (pictured at right in alphabetical order) for the three positions to be filled at our Credit Union's 64th Annual Meeting on March 1, 2012.

There were no candidate petitions filed with the Credit Union this year.

Respectfully submitted, Wanda McCrosky, Chair;
James McKinley; Christy Griffith



Leigha Edwards



Randy Gorman



Jama Hill

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee, which is appointed by the ORNL FCU Board of Directors, is responsible for ensuring that the Credit Union's financial records are in order and that necessary internal controls are in place to protect the Credit Union's assets for its members. The Supervisory Committee performs these functions by regularly reviewing the data from internal and external financial audits and examining the results from testing the Credit Union's internal controls.

To assist in the execution of these responsibilities, the committee engages several external audit and testing firms to provide independent oversight and opinions on the state of your Credit Union. In 2010, a multi-year contract was placed with the firm Nearman, Maynard, Valdez, CPAs to annually audit our Credit Union's financial status. The goals of the annual financial audit, ending 12/31/2011, were (1) to determine the reliability and integrity of your Credit Union's financial and operating information and (2) to review the Credit Union's compliance with generally accepted accounting principles. The 2011 financial audit is currently in progress.

After a competitive procurement in 2010, Sword & Shield Enterprise Security was selected to perform computer network vulnerability, penetration testing, Web application, and social engineering exposure assessments. The results

for their 2011 audit found no significant issues. The Internal Audit Program, under the direction of the Supervisory Committee, provides an ongoing review of compliance with Credit Union policies and procedures. This program also includes an annual inspection of internal controls, cash, member loans, and other assets of your Credit Union. The audit program for the year 2011 was completed as planned with no major issues.

The Credit Union's Board of Directors and management are fully committed to complying with all applicable rules and regulations. As part of this ongoing commitment, the Supervisory Committee has the independent responsibility to monitor the Credit Union's business practices. Additional activities of the Supervisory Committee during 2011 included: approving the annual internal audit; creating monthly reports documenting Supervisory Committee activities; attending monthly Board of Directors meetings; participating in training programs; meeting with members of the management team; handling member complaints when directed by the NCUA; and participating in the Credit Union's strategic planning activities. The Supervisory Committee is pleased to report your Credit Union continues a tradition of excellent financial management and compliance.

TREASURER'S

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

Assets	2011	2010
Cash and cash equivalents	\$ 108,336,892	\$ 80,388,223
Investments	\$ 159,976,955	\$ 122,139,868
Loans to members, net of the allowance for loan losses	\$ 996,501,797	\$ 984,501,209
Loans held for sale	\$ 13,541,875	\$ 12,193,238
Accrued interest receivable	\$ 3,565,096	\$ 3,644,578
Property and equipment	\$ 33,927,450	\$ 35,674,417
National Credit Union Share Insurance Fund deposit	\$ 10,640,982	\$ 10,124,626
Other assets	\$ 27,848,758	\$ 29,398,633
Total Assets	\$ 1,354,339,805	\$ 1,278,064,792
Liabilities and Members' Equity		
Liabilities		
Members' deposits	\$ 1,151,408,810	\$ 1,087,651,320
Accrued expenses and other liabilities	\$ 23,280,088	\$ 8,705,101
Borrowed funds	\$ 43,607,427	\$ 56,091,288
Total Liabilities	\$ 1,218,296,325	\$ 1,152,447,709
Members' Equity		
Retained earnings	\$ 139,527,873	\$ 130,978,559
Accumulated other comprehensive gain/(loss)	\$ (3,484,393)	\$ (5,361,476)
Total Members' Equity	\$ 136,043,480	\$ 125,617,083
Total Liabilities and Members' Equity	\$ 1,354,339,805	\$ 1,278,064,792

CONSOLIDATED STATEMENT OF INCOME & EXPENSE

Income	2011	2010
Interest Income		
Interest on loans to members	\$ 53,257,765	\$ 55,617,615
Interest on investments and cash equivalents	\$ 3,731,097	\$ 4,690,126
Total Interest Income	\$ 56,988,862	\$ 60,307,741
Interest Expense		
Dividends on members' deposits	\$ 8,849,253	\$ 11,874,386
Interest paid on borrowed funds	\$ 1,689,231	\$ 2,200,835
Total Interest Expense	\$ 10,538,484	\$ 14,075,221
Net Interest Income	\$ 46,450,378	\$ 46,232,520
Provision for Loan Losses	\$ 6,326,314	\$ 6,117,225
Net Interest Income After Provision for Loan Losses	\$ 40,124,064	\$ 40,115,295
Non-Interest Income		
Fee income	\$ 10,490,380	\$ 11,038,118
Other non-interest income	\$ 13,201,028	\$ 12,602,769
Gain/(Loss) on investments	\$ 88,992	\$ 63,720
Mortgage servicing rights valuation	\$ (332,305)	\$ 450,001
Total Non-Interest Income	\$ 23,448,095	\$ 24,154,608
Income Before General and Administrative Expenses	\$ 63,572,159	\$ 64,269,903
General and Administrative Expenses		
Salaries and benefits	\$ 28,817,949	\$ 29,428,223
Operations	\$ 15,826,130	\$ 13,807,708
Occupancy	\$ 4,687,936	\$ 4,775,112
NCUSIF Premium	\$ 2,660,246	\$ 2,619,277
Other	\$ 3,030,545	\$ 2,992,542
Total General and Administrative Expenses	\$ 55,022,806	\$ 53,622,862
Net Income	\$ 8,549,353	\$ 10,647,041

NOTES TO FINANCIAL STATEMENTS

1. Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, demand deposits, money market funds and non-term share deposits in Volunteer Corporate Credit Union.

2. Investments - Investments consist primarily of government agency securities, mortgage backed securities and term deposits at other insured financial institutions.

3. Loans to Members

	12/31/11	12/31/10
First Mortgage Real Estate	\$ 355,199,661	\$ 309,786,751
Other Real Estate	\$ 148,516,836	\$ 161,204,959
Member Business	\$ 138,334,990	\$ 149,246,614
Automobile	\$ 311,635,057	\$ 311,196,363
Unsecured	\$ 35,584,018	\$ 27,421,277
Other Loans	\$ 49,015,852	\$ 45,706,270
Total Loans	\$1,018,286,414	\$ 1,004,562,234
Allowance for Loan Losses	\$ (8,242,742)	\$ (7,867,787)
Net Loans	\$1,010,043,672	\$ 996,694,447

4. Loan Servicing - Mortgage loans sold to FNMA are not included in the accompanying statements of financial condition. The unpaid principal balances as of December 31, 2011 and 2010 were \$510,388,538 and \$512,498,872 respectively.

5. National Credit Union Share Insurance Fund (NCUSIF) Deposit - The deposit in the NCUSIF is in accordance with the National Credit Union Administration regulations, which requires a deposit by each federally insured credit union in an amount equal to 1% of its insured members' shares.

6. Notes Payable - Notes payable are funds borrowed from the Federal Home Loan Bank which are used to lend to members for fixed rate mortgages.

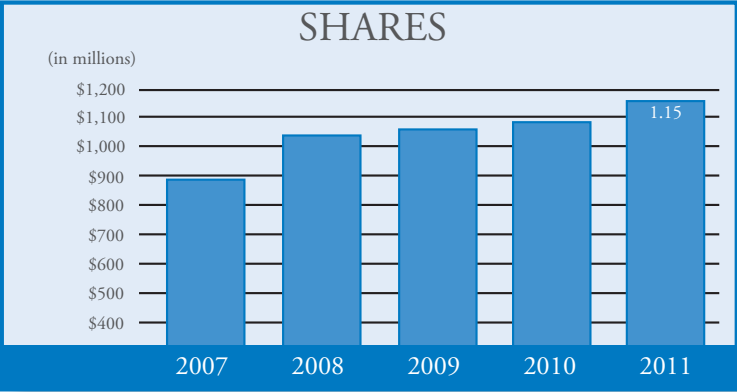
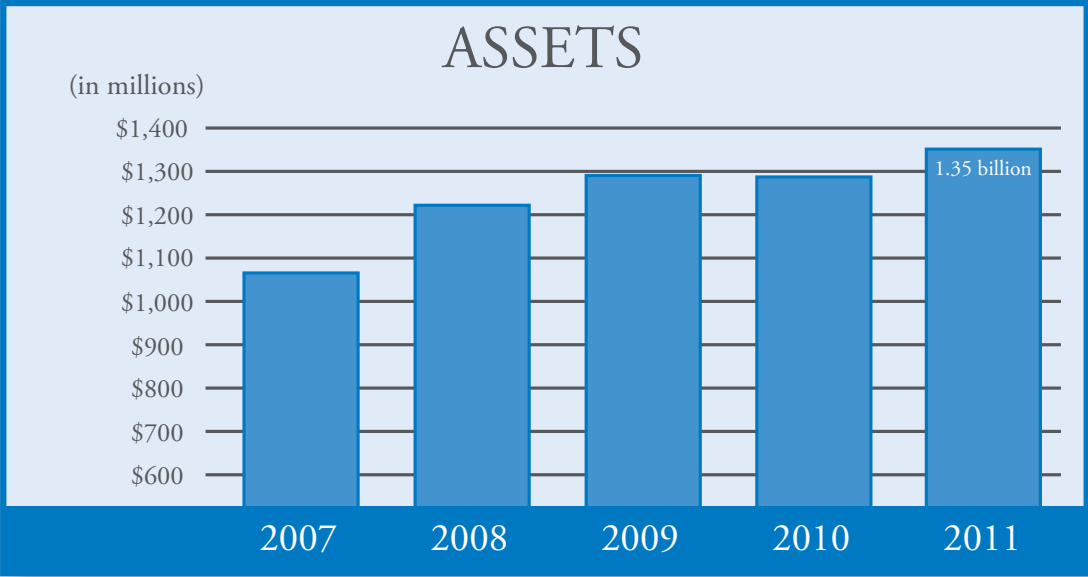
7. Members' Deposits

	12/31/11	12/31/10
Regular Share Accounts	\$ 318,099,915	\$ 267,328,216
Share Draft Accounts	\$ 200,379,586	\$ 181,931,709
Money Market Accounts	\$ 228,306,035	\$ 197,931,662
IRAs	\$ 105,685,052	\$ 105,641,551
Certificates	\$ 298,938,222	\$ 334,818,182
Total Deposits	\$1,151,408,810	\$ 1,087,651,320

8. Comprehensive Gain/(Loss) - Certain changes in assets and liabilities, such as 1) unrealized gains and losses on available-for-sale securities and 2) gains and losses on assets in defined benefit plans that are not recognized as components of net periodic benefit costs.

9. Consolidated Statements - The Credit Union wholly owns CU Community, LLC, a credit union service organization. The credit union's financial statements are consolidated as required by generally accepted accounting principles.

YEAR ENDING DECEMBER 31, 2011



MINUTES OF THE 63rd

1 Call to Order

a. WELCOME. The 63rd Annual Meeting of the ORNL Federal Credit Union (operating under NCUA Charter No. 5797, issued August 6, 1948) was called to order at 6:00 p.m. by Mason Oakes, Chair of the Board of Directors. He stated that the purposes of the meeting were to report to the membership, receive the report of the Nominating Committee, announce results of the election, and announce winners of the prizes. He noted that refreshments were provided by Double Tree Hotel.

b. QUORUM DETERMINATION. There were more than enough members present to constitute a quorum.

2 Minutes of the 62nd Annual Meeting

A motion was made, seconded, and passed to approve the minutes as written.

3 Election

a. REPORT OF THE NOMINATING COMMITTEE. Members of the Committee were Jama Hill, Chair; Joe Setaro; and James McKinley. Hill referred to the Nominating Committee's report as published in the 2010 Annual Report. Nominees were Wanda McCrosky, Herb Debban, Mason Oakes, and Joe Setaro.

b. ANNOUNCEMENT OF ELECTION RESULTS. Harvey Gray, Chair of the Supervisory Committee, announced the following results of electronic/paper voting prior to the meeting:

Wanda McCrosky	1,048
Mason Oakes	906
Herb Debban	802
Joe Setaro	753

Gray congratulated Wanda McCrosky, Mason Oakes, and Herb Debban on their election to the Board.

4 Reports

Oakes introduced President and Chief Executive Officer John D. McKittrick, current Board Members, and members of the Supervisory Committee. He thanked members of other committees and volunteers as listed in the printed report.

A six-minute audiovisual presentation on the Credit Union's activities during 2010 was shown.

Oakes thanked members of the Marketing Department for producing the audiovisual report. He referred to the Chairman's printed report and called for questions, but there were none.

ANNUAL MEETING

Marcella Catron, Treasurer, referred to her report and called for questions; there were none.

Chair Harvey Gray referred to the Supervisory Committee's report. He noted that the annual audit again gave ORNL FCU a clean bill of health, with no significant findings. There were no questions about the Supervisory Committee's report.

5 Old Business

None.

6 New Business

a. SENIOR MANAGEMENT RETIREES AND NEW PRESIDENT. Oakes recognized retirees John McKittrick, David Farmer, Taylor Scott, and Don Thaler. They were given a round of applause and well wishes, with a standing ovation for President John McKittrick. Oakes then introduced new President and CEO as of April 1, Chris Johnson, who also received a round of applause.

7 2010 Annual Meeting Prize Winners

Winners of \$100 prizes from a drawing of all members who voted were:

Laura R.
Jerry W.
Erin B.
Megan B.
Fred W.
Evelene F.
Donald B.
James C.

Jefferson H.
Judith M.
Kayla B.
Christopher R.
Donald L.
Clinton G.
Steven L.

8 Adjournment

The meeting adjourned at 6:25 p.m., followed by a reception catered by the Double Tree Hotel where the meeting was held.



OFFICIALS

Board of Directors

Mason Oakes, Chair	Randy Gorman
Herb Debban, Vice Chair	Jama Hill
Marcella Catron, Treasurer	Samuel P. McKenzie
Wanda McCrosky, Secretary	James E. Payne
Leigha Edwards	

Mary Helen Rose, Recording Secretary

Supervisory Committee

Harvey Gray, Chair
David Watkins, Vice Chair
Vickie Caughron, Secretary
Joel E. Pearman
Gerald Smith

Asset Liability & Investment Committee

Mason Oakes, Chair
Herb Debban, Vice Chair
Marcella Catron, Treasurer
Wanda McCrosky, Secretary

Legislative & Governmental Affairs Committee

James E. Payne, Chair
Leigha Edwards
Randy Gorman
Samuel P. McKenzie

Nominating & Election Committee

Wanda McCrosky, Chair
Christy Griffith
James McKinley

Board Policy & Governance Committee

Jama Hill, Chair
Leigha Edwards
Randy Gorman
Wanda McCrosky
Samuel P. McKenzie
James E. Payne

Retirement Plans & Investments Committee

Herb Debban, Chair
Marcella Catron
Jama Hill
Sally Jaunsen
Wanda McCrosky
Mason Oakes
Mary L. Yoder

MANAGEMENT

Chris Johnson, President/Chief Executive Officer

Dennis Bowker, Chief Financial Officer/SVP

Melodie Godfrey, Executive Vice President

Dawn Brummett, VP, Consumer Lending

Janita Clausell, President/Chief Operating Officer,
CU Community, VP Sales and Service

Stacey Foster, VP, Risk Management

Andrea Griffiths, VP, Audit Services

Larry Jackson, VP, Mortgage Lending

Clay Kearley, VP, Member Business Services

Michael McKnight, VP, Chief Technology Officer

Melissa McMahan, VP, IT Core Transformation

Brian Mullins, VP, Investment Services

Rochelle Pettus, VP, Operations

Lisa Taylor, VP, Controller & Funding Officer

Joy Wilson, VP, Talent Management

Tom Wright, VP, Marketing

Linda Evans, AVP, Sales and Service

Chris Fox, AVP, Information Technology

Emily Gibson, AVP, Consumer Lending Operations

Kevin O' Connor, AVP, Sales and Service

Dan Lovell, AVP, Member Business Lending

Cissi Reagan, AVP, Sales and Service

Tim Sirman, AVP, Facilities

Harriet Walker, AVP, Indirect Lending

Jean Eiler, Security Director

Don Bias, Facilities Manager

Christopher Boler, Mortgage Sales Manager

Sharon Burris, E-Services Manager

Melissa Chase, Deposit Servicing Manager

Becky Curry, Accounting Manager

Pam Lewis, Indirect Lending Manager

Renee McGinnis, Automated Dispenser
Services Manager

Janet Martin, Contact Center Manager

Trish Seiber, Servicing Manager

Lisa Thompson, Compliance Manager

Jennifer Trentham, Technical Training Manager

Amy Vichich, Compensation & Benefits Manager

Melanie Walsh, Staffing Manager

Jin Zhu, Continuous Process Improvement Manager

Stacey Znachko, Collections Manager

Donna Beeco, Branch Manager, Middlebrook
Food City

Ryan Bennett, Branch Manager, Oak Ridge
National Laboratory

Stanley Bollinger, Branch Manager, Powell Kroger

Lori Branam, Branch Manager, Sevierville

Debra Brown, Branch Manager, Farragut Kroger

Amy Chesney, Branch Manager, Karns

Holley Chitwood, Branch Manager, Lenoir City
Food City

Tommy G'Fellers, Branch Manager, West Knoxville

MANAGEMENT

(CONTINUED)

Debra Hankins, Branch Manager, Kingston

Mike Harrison, Branch Manager, Halls

John Hassell, Branch Manager, Madisonville

Terresa Hill, Branch Manager, Alcoa

Myra Kennedy, Branch Manager, Loudon

Angie Kizer, Branch Manager, Maryville Walmart

Michelle Leach, Branch Manager, North Knoxville

Jason Long, Branch Manager, Maynardville Food City

Amanda Mahan, Branch Manager, Bearden

Jeff McCord, Branch Manager, Northshore Kroger

Dawn Millican, Branch Manager, Lenoir City

Vicki Norton, Branch Manager, Millertown Pike

Darren Osborne, Branch Manager, Oak Ridge Walmart

Gale Pace, Branch Manager, Farragut

Holly Roach, Branch Manager, Clinton Food City

Cynthia Russell, Branch Manager, LaFollette

Megan Sandiford, Branch Manager, Morrell Road Food City

Angel Scott, Branch Manager, Oak Ridge

Kay Smith, Branch Manager, Clinton

Latanya Terrell-Upton, Branch Manager, East Knoxville

Teresa Trent, Branch Manager, Morristown

Jerry Ward, Branch Manager, South Knoxville

Angie White, Branch Manager, Fountain City

Misty Wright, Branch Manager, Rockwood Walmart



BRANCH LOCATIONS

Knox County

Bearden Branch—5505 Kingston Pike
East Knoxville Branch—3634 East Magnolia Avenue
Farragut Branch—11405 Municipal Center Drive
Farragut Kroger Branch—11240 Kingston Pike
Fountain City Branch—5208 North Broadway
Halls Branch—4510 East Emory Road
Karns Branch—7228 Oak Ridge Highway
Middlebrook Food City Branch—9565 Middlebrook Pike
Millertown Pike Branch—5409 Millertown Pike
Morrell Food City Branch—284 Morrell Road
North Knoxville Branch—808 Victor Drive
Northshore Kroger Branch—9501 South Northshore Drive
Powell Kroger Branch—6702 Clinton Highway
South Knoxville Branch—7325 Chapman Highway
West Knoxville Branch—8721 Kingston Pike

Anderson County

Oak Ridge Branch—221 South Rutgers Avenue
Oak Ridge Wal-Mart Branch—373 South Illinois Avenue
Clinton Branch—1117 North Charles Seivers Boulevard
Clinton Food City Branch—507 South Charles Seivers Boulevard

Blount County

Alcoa Branch—103 Hamilton Crossing Drive
Maryville Wal-Mart Branch—2410 US Highway 411 South

Campbell County

LaFollette Branch—2229 Jacksboro Pike

Hamblen County

Morristown Branch—1730 West Andrew
Johnson Highway

Loudon County

Lenoir City Branch—895 Highway 321 North
Lenoir City Food City Branch—1900 Highway 321
Loudon Branch—2859 Highway 72

Roane County

Kingston Branch—1204 North Kentucky Street
Lab Branch—Oak Ridge National Laboratory
Rockwood Wal-Mart Branch—1102 North
Gateway Avenue

Monroe County

Madisonville Branch—4201 Highway 411

Sevier County

Sevierville Branch—699 Parkway #5

Union County

Maynardville Food City Branch—4344
Maynardville Highway

