SOLVING YOUR
FINANCIAL PUZZLE.
2007 ANNUAL REPORT
PUTTING THE PIECES TOGETHER: SOLVING YOUR FINANCIAL PUZZLE

As a member-owned cooperative we’re simply not a place to perform transactions. Nor do we see you as just another “customer.” Our members are just that, members. And we believe our job is to provide each and every one of you with the tools needed to be successful in your personal and business finances. From checking and savings accounts and certificates, to auto, boat, and mortgage loans, we take pride in providing all the pieces to help put your financial puzzle together—providing honest, sound advice all along the way.
ORNL Federal Credit Union experienced steady growth and performance during 2007, and as Chairman of the Board, I am very pleased to announce another successful year.

Membership growth is not only attributed to our increasing presence in the community, but also through you, the member. When you share your pride in your credit union with friends, family, and neighbors, it shows in our overall growth. This past year produced a 10.0% growth in membership giving our credit union a total membership of 133,564. That’s an increase of 12,086 members for 2007.

Loans and deposits also posted excellent growth during 2007. Loans outstanding increased $95.5 million, or 12.6%, to a year-end total of $854.5 million. In the face of consistently low interest rates, deposits grew $64.3 million, or 7.8%, to end the year at $893.4 million. From our humble beginnings and the initial $50 deposit made by our founding members in 1948, your credit union’s total assets exceeded the one billion dollar mark in early 2007. Total assets for the credit union grew $72.98 million, or 7.4%, to a year-end total of $1.054 billion. We are extremely thankful for each and every member and the loyalty, trust, and support that has allowed us to reach this unprecedented milestone.

As an effort to greatly improve access to credit union services for our members throughout the area, four new branches were opened in 2007. An extended-hours in-store branch opened in the new Maryville Wal-Mart Super Center on March 14, 2007. Soon after, a new stand-alone branch opened in Alcoa on March 19th. Of course, our original branch in Blount County, located at 1743 West Broadway, remains open to serve members in that area of Maryville. In May, our Fountain City Branch received much needed relief relocating to a larger location with the addition of a drive-thru teller at 5208 North Broadway. Later in the year, on October 1st, our East Knoxville Branch also relocated to a larger location with a drive-thru teller at 3634 East Magnolia Avenue. As we follow the commitment of our community charter to serve the people in our 16 counties of East Tennessee, many more offices are on the horizon with at least five set to open in 2008.

Credit union growth, whether it’s in locations
or in membership, increases our challenges for new products and services. In May, we made our Web Bill Pay service free to members in an effort to offer even greater convenience to the increasing number of members paying bills online. Of course, with more online traffic, security remains a high priority. Early in the year, ORNL Federal Credit Union partnered with TraceSecurity, a leading provider of on-demand security compliance software and services to offer Multi-Factor Authentication. This service gives members a third level of security while transacting business online for better peace of mind.

To keep up with the demand of ATM users, ORNL Federal Credit Union became a member of the CO-OP ATM Network. This partnership increases the number of surcharge-free ATM machines by 25,000. We believe you shouldn’t have to spend your money to get your money and expanding ATM access is one way to do just that.

Late in the year, ORNL Federal Credit Union partnered with the Federal Home Loan Bank (FHLB) of Cincinnati’s HomeProtect Program to allocate $10 million to help homeowners fight adjustable mortgage rate increases. The credit union’s allocation was part of a $250 million fund started by the FHLB aimed at reducing foreclosures resulting from hybrid adjustable rate mortgages. Members who secured a low teaser rate in 2004 and 2005 began to see an increase in their monthly payments and many took advantage of this program by refinancing to a low, fixed-rate loan.

In 2004, ORNL Federal Credit Union established a Credit Union Service Organization (CUSO) and founded Affinity Title Company to assist members with mortgage loan closings. Since that time, CU Community L.L.C., has emerged, offering mortgage origination services (i.e., loan processing and underwriting), titling, and insurance. By the end of 2007, an awareness campaign for insurance services was in full swing. CU Community Insurance services have saved our members thousands of dollars on automobile, home, and renters insurance.

Saving money is just as important as saving your community. After all, the credit union philosophy
is “people helping people.” ORNL Federal Credit Union takes pride in being recognized as a good corporate citizen, so each year we sponsor hundreds of schools and charitable organizations in an effort to help our communities. Some highlights of 2007’s sponsorships included our fourth year as presenting sponsor of the Dogwood Arts Festival which helps fund arts education. Another big event involved 21 credit union employees paddling in the Knoxville Dragon Boat Race to benefit the Knox Area Rescue Ministries. Employees also participated in Junior Achievement to teach students the importance of being a good citizen in their own community.

The B. A. Candler/ORNL Federal Credit Union Scholarship fund is now going on its 16th year. The scholarship endowment started in 1993 upon the retirement of former credit union president, Bob A. Candler. Recipients of the scholarship are awarded funds to use toward tuition and books at the University of Tennessee-Knoxville.

Another way we reach out to area school children is through our annual Angel Tree. Over 100 children experienced a brighter holiday season this past holiday because of the generosity of credit union members and employees that helped by either purchasing gifts or sorting and delivering gifts to the Family Resource Center in Oak Ridge.

Looking back on our accomplishments of 2007 and looking forward in 2008, we promise to keep our commitment to provide our member-owners with competitive rates, convenient locations, and top-of-the-line member service. Our success would not be possible without member loyalty and our staff works very hard to give you the service you deserve. On behalf of ORNL Federal Credit Union’s Board of Directors and staff, thank you for making us your financial partner and service provider.

...total assets reached the one billion dollar mark...
# Statement of Financial Condition

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$57,002,594</td>
<td>$63,006,196</td>
</tr>
<tr>
<td>Investments</td>
<td>$90,899,718</td>
<td>$114,443,186</td>
</tr>
<tr>
<td>Loans to members, net of the allowance for loan losses</td>
<td>$833,249,164</td>
<td>$740,452,887</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>$18,308,297</td>
<td>$15,922,578</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>$3,853,976</td>
<td>$3,588,498</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>$7,691,495</td>
<td>$7,239,491</td>
</tr>
<tr>
<td>National Credit Union Share Insurance Fund deposit</td>
<td>$11,066,957</td>
<td>$10,485,174</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**  
$1,053,947,969  
$980,968,259

<table>
<thead>
<tr>
<th>Liabilities &amp; Members’ Equity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ shares</td>
<td>$893,447,898</td>
<td>$829,148,393</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>$16,989,321</td>
<td>$16,372,105</td>
</tr>
<tr>
<td>Federal Home Loan Bank advances</td>
<td>$38,198,433</td>
<td>$33,997,470</td>
</tr>
</tbody>
</table>

**Total Liabilities**  
$948,635,652  
$879,517,968

<table>
<thead>
<tr>
<th>Members’ Equity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned Earnings</td>
<td>$105,312,317</td>
<td>$101,450,291</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES & EQUITY**  
$1,053,947,969  
$980,968,259

# Statement of Income and Expense

<table>
<thead>
<tr>
<th>Income</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on loans to members</td>
<td>$50,395,805</td>
<td>$44,006,431</td>
</tr>
<tr>
<td>Interest on investments and cash equivalents</td>
<td>$6,480,998</td>
<td>$5,227,059</td>
</tr>
</tbody>
</table>

**Total Interest Income**  
$56,875,903  
$49,233,490

<table>
<thead>
<tr>
<th>Interest Expense</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends on members’ shares</td>
<td>$25,145,772</td>
<td>$20,027,428</td>
</tr>
<tr>
<td>Interest paid on borrowed funds</td>
<td>$1,460,561</td>
<td>$1,546,913</td>
</tr>
</tbody>
</table>

**Total Interest Expense**  
$26,606,333  
$21,574,341

<table>
<thead>
<tr>
<th>Non-Interest Income</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Before General and Administrative Expenses</td>
<td>$46,025,871</td>
<td>$41,073,117</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General &amp; Administrative Expenses</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$21,443,944</td>
<td>$18,030,534</td>
</tr>
<tr>
<td>Operations</td>
<td>$12,179,582</td>
<td>$11,154,137</td>
</tr>
<tr>
<td>Occupancy</td>
<td>$2,959,663</td>
<td>$2,465,236</td>
</tr>
<tr>
<td>Other</td>
<td>$2,273,820</td>
<td>$2,065,362</td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES**  
$38,857,009  
$33,715,269

**NET INCOME**  
$7,168,862  
$7,357,848

# 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**

<table>
<thead>
<tr>
<th>First Mortgage Real Estate</th>
<th>12/31/07</th>
<th>12/31/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Business</td>
<td>$7,925,128</td>
<td>$6,290,064</td>
</tr>
<tr>
<td>Automobile</td>
<td>$295,722,626</td>
<td>$264,954,957</td>
</tr>
<tr>
<td>Unsecured</td>
<td>$20,411,824</td>
<td>$12,532,046</td>
</tr>
<tr>
<td>Other Loans</td>
<td>$34,348,895</td>
<td>$26,786,430</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>$2,911,277</td>
<td>$2,630,764</td>
</tr>
</tbody>
</table>

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, 2007 and 2006, were $193,941,119 and $157,980,888, 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. **Federal Home Loan Bank Advances** - FHLB advances are payable in monthly installments of principal and interest. The average cost in 2007 was 4.16%. Interest paid is included in interest expense on the Statement of Income. Advances are used primarily to fund members’ fixed rate first mortgage loans.

7. **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.

8. **Members’ Shares**

<table>
<thead>
<tr>
<th>Regular Share Accounts</th>
<th>12/31/07</th>
<th>12/31/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Draft Accounts</td>
<td>$139,956,442</td>
<td>$133,954,861</td>
</tr>
<tr>
<td>Money Market Accounts</td>
<td>$112,602,407</td>
<td>$114,441,550</td>
</tr>
<tr>
<td>IRAs</td>
<td>$83,720,571</td>
<td>$76,611,291</td>
</tr>
<tr>
<td>Certificates</td>
<td>$424,740,791</td>
<td>$372,698,553</td>
</tr>
</tbody>
</table>

**YEAR ENDING DECEMBER 31, 2007**  
$893,447,898  
$829,148,393
A thorough review of the qualifying members who submitted their names for consideration as Board candidates by the ORNL Federal Credit Union Nominating Committee has been completed.

The three available positions on the Board of Directors will be filled by the online election held February 19th through February 28th prior to the 60th Annual Meeting. Winners of the election will be announced at the meeting and at www.ornlfcu.com.

We hereby nominate the following four individuals who we believe will serve the credit union in the best interests of the members. The order in which their names appear was determined by a random drawing.

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 internal controls are in place to protect the assets of the credit union for its members. The committee does this by conducting financial audits and by regular testing of internal controls.

To assist us in carrying out these responsibilities this past year, the committee engaged the firm of McGladrey and Pullen, CPAs, to perform an independent audit and provide an opinion on the financial condition of your credit union for the period ending December 31, 2007. The goals of this audit are to determine the reliability and integrity of the financial and operating information and to determine compliance with generally accepted accounting principles (GAAP). Independent audit findings are helpful in our oversight of credit union activities.

The committee also engaged CastleGarde to perform an internal vulnerability assessment. CastleGarde was also responsible for performing

Respectfully Submitted,
ORNL FCU Nominating Committee
Joe Setaro, Chairman
Dub Shults and Mary Beth Blair
quarterly intrusion testing.

An Internal Audit Program, under the direction of the Supervisory Committee, provides an ongoing review of compliance with policies and procedures. This program includes an annual inspection of internal controls, cash, member loans, and other assets of your credit union. The audit program for the year 2007 was completed as planned with no unresolved issues.

The Credit Union’s Board of Directors and management are fully committed to comply with all applicable rules and regulations. As part of this ongoing commitment, the responsibility for the credit union’s Compliance Program was added to the Internal Audit Program this past year.

The committee followed and offered guidance to our internal auditing function during the year. It approved the annual internal audit plan, participated in training programs, and met with credit union officers to discuss detailed operational information. The committee is pleased to report your credit union continues a tradition of excellent financial management and compliance.
Call to Order

a. WELCOME. The 59th Annual Meeting of the ORNL Federal Credit Union (operating under NCUA Charter No. 5797, issued August 6, 1948) was called to order at 7:00 p.m. by Mason Oakes, Chair of the Board of Directors.

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

Minutes of the 58th Annual Meeting

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

Election

a. REPORT OF THE NOMINATING COMMITTEE. Members of the committee were Herb Debban, Chair; Joe Setaro; and Crystal Schrof. Debban referred to the Committee’s report as published in the 2006 Annual Report. He introduced Nominees Marcella C. Catron, Karla J. Gaither, Samuel P. McKenzie, and James E. Payne.

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

- Marcella C. Catron 936
- Samuel P. McKenzie 869
- James E. Payne 833
- Karla J. Gaither 532

Spence congratulated Catron, McKenzie, and Payne on their election to the Board.

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. He stated that the purposes of the meeting were to report to the membership and to receive the report of the Nominating Committee and announce results of the election.

A six-minute audiovisual presentation on the Credit Union’s activities during 2006 was shown. Oakes thanked members of the Marketing Department for producing the audiovisual report. Oakes referred to reports of Chairman, Treasurer, and Supervisory Committee as shown in the Annual Report. He called for questions on any of the reports, but there were none.
Minutes of the 59th Annual Meeting

OLD BUSINESS

None.

NEW BUSINESS

a. PRESENTATIONS. Oakes stated that he wanted to express appreciation to three persons who are leaving their positions:

CINDY SPENCE was presented a gift in appreciation for her five years of service on the Supervisory Committee, including one year as Chair.

BOB HIGHTOWER was out of town, but later received a gift in appreciation for his service for one term on the Board.

BEN SMITH was presented a gift in appreciation for his 42 years of service as a volunteer to ORNL FCU. He was a member of the Board of Directors for 32 years and was Chairman for 17 of those years. Starting in 1969 with the construction of the building we call the 215 Rutgers Building (which was the main office until we constructed the current main branch), Ben was involved in the construction of every facility ORNL FCU built until the completion of the Farragut Branch in 2000. When he began service in 1965, assets were $4.6 million with 4,000 members. As he leaves the Board, assets are $981 million with over 121,000 members. Members present gave Smith a long standing ovation for his many years of service.

2007 ANNUAL MEETING PRIZE WINNERS

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

1. Charles Hill, Powell
2. Treva Hutton, Smyrna, GA
3. Michael West, Harriman
4. Amy Dover, Lenoir City
5. Wesley Gordon, Oak Ridge
6. Byrl Adkisson, Oak Ridge
7. Frances Brummett, Clinton
8. Evelyn Dowlen, Oak Ridge
9. John Johnson, Oak Ridge
10. Sandra Sherlin, Alcoa
11. Joseph Stachowicz, Lenoir City
12. Richard Gwaltney, Oak Ridge
13. William Fraker, Knoxville
14. Leslie White, Rockwood
15. Nancy Daugherty, Oak Ridge

ADJOURNMENT

The meeting was adjourned at 7:20 p.m., followed by a reception catered by Judy Dodd.
OFFICIALS

BOARD OF DIRECTORS

Herb Debban, Chairman
Mason Oakes, Vice Chairman
Marcella Catron, Treasurer
Wanda McCrosky, Secretary
Randy Gorman
Samuel P. McKenzie
Jama Hill
James E. Payne
Leigha Stewart
Mary Helen Rose, Recording Secretary

SUPERVISORY COMMITTEE

David Watkins, Chairman
Jeff Ault, Secretary
Vickie Caughron
James McKinley
Joel E. Pearman

NOMINATING & ELECTION COMMITTEE

Joseph Setaro, Chairman
Dub Shults
Mary Beth Blair

POLICY & GOVERNANCE COMMITTEE

Wanda McCrosky, Chair
Randy Gorman
Sam McKenzie
Mason Oakes
James Payne
John McKittrick
Brenda Owensby

RETIREMENT PLANS AND INVESTMENT COMMITTEE

Herb Debban, Chairman
Sally Jaunsen Freels
Jama Hill
Mason Oakes
Mary Yoder
John McKittrick
Dennis Bowker
Brenda Owensby

LEGISLATIVE AND GOVERNMENTAL AFFAIRS COMMITTEE

Leigha Stewart, Chair
Randy Gorman
Sam McKenzie
James Payne
Management

John D. McKittrick, President / CEO
Dennis Bowker, Senior Vice President, Finance
Chris Johnson, Senior Vice President
Larry A. Jones, Senior Vice President
R. Taylor Scott, Senior Vice President
Maxine W. Allen, Vice President, Mortgage Lending
Dawn Brummett, Vice President, Member Services
David Farmer, Vice President, New Branch Development
Clay Kearley, Vice President, Consumer Lending
Michael McKnight, Vice President, Chief Technology Officer
Brenda Owensby, Vice President, Human Resources
Lisa Taylor, Vice President, Controller & Funding Officer
Janita Clausell, Assistant Vice President, Member Services
Stacey Foster, Assistant Vice President, Fraud & Forgery, Security
Chris Fox, Assistant Vice President, Information Technology
Andrea Griffitts, Assistant Vice President, Audit Services
Lori Ihle, Assistant Vice President, Member Services
Vickie Kitts, Assistant Vice President, Loan Servicing, Collections
Melissa McMahen, Assistant Vice President, Remote Service Delivery
Tom Wright, Assistant Vice President, Marketing and Community Relations
Jean Eiler, Security Officer
Vicki Cox, Manager, Consumer Loan Quality Control
Tod Elam, Manager, Collections
Emily Gibson, Manager, Indirect Lending
Rochelle Pettus, Manager, Operations/Deposit Servicing
Karen Lawrence, Manager, Sales
Janet Martin, Manager, Contact Center
Brian Mullins, Manager, MEMBERS Financial Services
Renee Pemberton, Manager, eServices
Trish Seiber, Manager, Mortgage Servicing
Tim Sirman, Manager, Facilities
Amy Vichich, Manager, Benefits
Melanie Walsh, Manager, Staffing
Joy Wilson, Manager, Training, Oak Ridge
Ryan Bennett, Branch Manager, Oak Ridge National Lab
Lori Branam, Branch Manager, Sevierville
Brandi Breeden, Branch Manager, Wal-Mart Maryville
Debra Brown, Branch Manager, Clinton
Amy Chesney, Branch Manager, Fountain City
Barbie Evans, Branch Manager, Morristown
Linda Evans, Branch Manager, Alcoa
Tommy G’Fellers, Branch Manager, Karns
Debbie Hankins, Branch Manager, Wal-Mart Oak Ridge
Mike Harrison, Branch Manager, Powell Kroger
John Hassell, Branch Manager, Madisonville
Terresa Hill, Branch Manager, Maryville
Vickie Hill, Branch Manager, Millertown Pike
Michelle Leach, Branch Manager, North Knoxville
Amanda Mahan, Branch Manager, Middlebrook Pike
Gale Pace, Branch Manager, Farragut
Cissi Reagan, Branch Manager, Halls
Angel Scott, Branch Manager, West Knoxville
LaTanya Terrell, Branch Manager, East Knoxville
Don Thaler, Branch Manager, Lenoir City
Teresa Trent, Branch Manager, Morristown
Harriet Walker, Branch Manager, Kingston, Rockwood
Jerry Ward, Branch Manager, South Knoxville
**Knox County**

East Knoxville Branch  
3634 East Magnolia Avenue

Farragut Branch  
11405 Municipal Center

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

North Knoxville Branch  
808 Victor 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

**Blount County**

Alcoa Branch  
103 Hamilton Crossing Drive

Maryville Branch  
1743 West Broadway

Maryville Wal-Mart Branch  
2410 US Highway 411 South

**Hamblen County**

Morristown Branch  
1730 West Andrew Johnson Highway  
423-581-9800

**Loudon County**

Lenoir City Branch  
895 Highway 321 North
Roane County
Kingston Branch
1204 N. Kentucky Street

Lab Branch
Oak Ridge National Laboratory

Rockwood Wal-Mart Branch
1102 North Gateway Avenue

Monroe County
Madisonville Branch
111 Kefauver Lane
423-442-6061

Sevier County
Sevierville Branch
502 Dolly Parton Parkway

ORNL Federal Credit Union Branch
Telephone: 865-688-9555
OR Toll Free 1-800-676-5328
*All locations except Madisonville and Morristown

CyberBranch™
https://www.ornlfcu.com