



# Financial Statements

Unaudited

December 31, 2011

Contact Information:

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December 31, 2011

To our members,

VolCorp has wrapped up another year and we look forward to moving into 2012 with good things on the horizon. For December we came in a little under budget on net income, but still hit our targeted ROA for the year. For most of 2011, we battled against a lower than budgeted Libor and an inability to place funds in the US Central certificates for short-term, reasonable yields that we had enjoyed over the years. As we head into 2012, we are able to see more clearly just what the road ahead looks like and can adjust accordingly. VolCorp remains well ahead of the capital targets set forth by the NCUA in the new regulations and should only continue to strengthen our position going forward.

At the end of December, VolCorp had unrealized losses of \$2.15 million as compared to total capital of \$60.2 million and retained earnings of \$7.79 million. This unrealized loss number is extremely modest for a portfolio of \$874 million in size, which is a direct reflection on the quality of securities we hold in our portfolio.

As of December 31, 2011, VolCorp increased retained earnings by \$147 thousand, resulting in a R.E. position of \$7.79 million. The increase was under budget but brought VolCorp's R.E. ratio (retained earnings /rolling moving average assets) up to .64%; well below the regulatory minimum of 2%, but well ahead of schedule in regards to the targets set by the NCUA for capitalization. Strategies remain in place to focus on being highly competitive for our members while simultaneously increasing our retained earnings position going forward.

Our total capital of \$60.16 million on December 31, 2011 provided a total capital ratio, or Interim Leverage Ratio, (total capital/rolling moving average assets) as of month-end to 4.94% compared to 4.01% for the same day last year. The ratio rests comfortably above the 4% minimum required by the NCUA and further confirms VolCorp's position of strength.

Assets totaled \$1.21 billion as of December 31, 2011, compared to \$1.35 billion a year ago.

The return on average assets was 0.14%, as compared to a 0.22% budgeted ROA for December.

VolCorp has made all necessary adjustments to continue to comply with the new regulatory environment. We were able to do so with little impact and little difficulty. We continue to be optimistic about the future as our position of strength bodes well for us and for our member credit unions. Without question, we appreciate the incomparable loyalty and support of you, our member owners.

Respectfully submitted,

Jeffrey W. Merry  
SVP, Chief Financial Officer

**Volunteer Corporate Credit Union**  
**Statement of Financial Condition (000)**  
(unaudited)

	December 31		<u>% Change</u>
	<u>2010</u>	<u>2011</u>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 39,006	\$ 76,236	95%
Overnight Deposits	220,554	118,374	-46%
Certificates	474,449	133,276	-72%
FHLB	6,045	5,854	-3%
Investment Securities, at Fair Value	601,533	871,563	45%
Loans to Members	2,550	433	-83%
Investment in CUSOs	63	475	654%
Fixed assets	3,662	3,496	-5%
Other Assets	3,834	3,063	-20%
<b>Total Assets</b>	<b>\$ 1,351,696</b>	<b>\$ 1,212,770</b>	<b>-10%</b>
<b>Liabilities</b>			
Shares/Deposits	\$ 1,260,682	\$ 1,093,131	-13%
Borrowings	0	0	0%
Other Liabilities	33,671	61,153	82%
<b>Total Liabilities</b>	<b>\$ 1,294,353</b>	<b>\$ 1,154,284</b>	<b>-11%</b>
<b>Member's Equity</b>			
Membership Capital Shares	\$ 52,282	\$ 4,202	-92%
Perpetual Contributed Capital	0	48,647	100%
Retained Earnings	5,379	7,787	45%
<b>Total Regulatory Capital</b>	<b>\$ 57,661</b>	<b>\$ 60,636</b>	<b>5%</b>
Unrealized Security Gains (Losses)	(318)	(2,150)	576%
<b>Total Members Equity</b>	<b>\$ 57,343</b>	<b>\$ 58,486</b>	<b>2%</b>
<b>Total Liabilities and Member's Equity</b>	<b>\$ 1,351,696</b>	<b>\$ 1,212,770</b>	<b>-10%</b>
Moving Average Assets	\$ 1,439,426	\$ 1,217,000	-15%
Retained Earnings Ratio	.37%	.64%	
Capital Ratio	4.01%	4.94%	

**Volunteer Corporate Credit Union**  
**Year-To-Date Statement of Income (000)**  
(unaudited)

	December 31		% Change
	<u>2010</u>	<u>2011</u>	
<b>Net Interest Income</b>			
Interest Income	\$ 10,401	\$ 7,650	-26%
Interest Expense	5,573	3,148	-44%
<b>Total Net interest Income</b>	<b>\$ 4,828</b>	<b>\$ 4,502</b>	<b>-7%</b>
Fees and Charges	\$ 6,040	\$ 5,780	-4%
<b>Total Operating Income</b>	<b>\$ 10,868</b>	<b>\$ 10,282</b>	<b>-5%</b>
Operating Expense	\$ 7,941	\$ 7,917	0%
Non-Operating Expenses	\$ 212	\$ -278	-232%
<b>Total Non-Interest Expense</b>	<b>\$ 8,153</b>	<b>\$ 7,639</b>	<b>-6%</b>
<b>Net Income</b>	<b>\$ 2,715</b>	<b>\$ 2,643</b>	<b>-3%</b>
<b>PCC Dividends</b>	<b>\$ 0</b>	<b>\$ 236</b>	<b>100%</b>
<b>Net Contribution to Equity</b>	<b>\$ 2,715</b>	<b>\$ 2,408</b>	<b>-11%</b>
Return on Average Assets	0.18%	0.20%	

**Securities Portfolio Analysis (000)**

**By Credit Rating:**

AAA	\$661,100	76%
AA	208,606	24%
< AA	4,007	0%
	<u>\$873,713</u>	<u>100%</u>

**By Type/Obligation:**

U.S. Agency	\$662,537	76%
ABS (non-RMBS) / Corporates	206,873	24%
Non-Agency RMBS	4,303	0%
	<u>\$873,713</u>	<u>100%</u>