



Financial Statements

Unaudited

September 30, 2021

Contact Information:

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Chief Financial Officer

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Despite the uncertainty on when the FRB's tapering will begin, the possibility of a rate hike in the next 12-15 months, and debate on whether inflationary pressure is transitory or not, at a more micro level the credit union network largely remains unchanged as we proceed into Q4. Like your credit union, VolCorp's assets remain elevated with monthly average assets or DANA declining from \$2.58 billion in August to \$2.57 billion. Although NIM compression is a reality for all credit unions, VolCorp's earnings remain healthy in light of the environment as well as a conscious decision to proceed with a strategic plan that invests in the long term health of VolCorp's membership.

While deposits are still at historic levels for many credit unions, VolCorp strives to position itself to support the possibility of unexpected liquidity needs to support its membership. Assets remain heavily concentrated in risk free or low risk assets such as the Federal Reserve Bank, government guaranteed securities, and agency securities. The total securities portfolio stood at \$1.04 billion at month end, compared with \$907 million during the same period last year. The net unrealized gain of \$4.2 million is indicative of current market conditions, concentration in floating rate instruments, and the quality of securities held in the portfolio. VolCorp also has access to three separate lines of credit to support liquidity if needed. The quality of assets held is ultimately reflected in the current Tier 1 risk-based capital ratio of 60.36%, which is much greater than its respective 'well capitalized' threshold of 10.00%.

According to NCUA regulation 704, the minimum Tier 1 capital ratio threshold to be considered 'adequately capitalized' is 4.00%, and 5.00% or greater is considered 'well capitalized'. The minimum retained earnings ratio requirement is 0.45%. MDANA (Moving Daily Average Net Assets or average assets over a 12 month period) of \$2.57 billion, and regulatory retained earnings of \$72.8 million, produced a retained earnings ratio (retained earnings / moving daily average net assets) of 2.83%. VolCorp's Tier 1 capital grew to \$138.65 million, placing the Tier 1 capital ratio in a 'well capitalized' status at 5.40%.

VolCorp reported fee income of \$665,340. Net interest income was \$524,592 and operating expenses were \$1,181,678. While capital continue to grow through ongoing operations, the year to date net income of \$33,545,624 is an outlier figure due to distributions from the US Central asset management estate.

The corporate's Asset-Liability Committee (ALCO) meets monthly overseeing investment activity, liquidity, asset-liability management, and credit risk. VolCorp's Enterprise Risk Management Committee (RMCO) meets regularly to monitor and address risks across the organization, based on strategic risk tolerance levels set by our board of directors. Our Supervisory Committee meets monthly to safeguard member assets through oversight of all audits and information security reporting.

Should you have questions regarding VolCorp's financial condition or strategies, please reach out to me by phone or email.

Respectfully submitted,

Justin Holt, Chief Financial Officer

Volunteer Corporate Credit Union
Statement of Financial Condition (000)

(unaudited)

| | September 30 | | |
|--|---------------------|---------------------|---------------------------|
| | <u>2021</u> | <u>2020</u> | <u>%</u> <u>Change</u> |
| Assets | | | |
| Cash and Cash Equivalents | \$ 1,424,333 | \$ 1,297,917 | 10% |
| Certificates | 308 | 328 | -6% |
| FHLB Stock | 5,157 | 5,756 | -10% |
| CLF Membership Stock | 20,372 | 20,377 | 0% |
| Investment Securities, at Fair Value | 1,040,061 | 906,989 | 15% |
| Loans to Members | 2,845 | 3,502 | -19% |
| Investment in CUSOs | 3,905 | 3,034 | 29% |
| Fixed assets | 3,293 | 3,503 | -6% |
| Other Assets | 10,618 | 9,428 | 13% |
| Total Assets | \$ 2,510,892 | \$ 2,250,834 | 12% |
| Liabilities | | | |
| Shares/Deposits | \$ 2,280,630 | \$ 2,066,363 | 10% |
| Borrowings | 0 | 0 | 0% |
| Other Liabilities | 84,086 | 75,545 | 11% |
| Total Liabilities | \$ 2,364,716 | \$ 2,141,907 | 10% |
| Member's Equity | | | |
| Perpetual Contributed Capital | \$ 69,242 | \$ 69,242 | 0% |
| Retained Earnings | 71,895 | 37,763 | 90% |
| Equity Acquired in Merger | 863 | 863 | 0% |
| Total Capital | \$ 142,000 | \$ 107,867 | 32% |
| Unrealized Security Gains (Losses) | 4,175 | 1,059 | 294% |
| Total Members Equity | \$ 146,176 | \$ 108,926 | 34% |
| Total Liabilities and Member's Equity | \$ 2,510,892 | \$ 2,250,834 | 12% |
| Moving Daily Average Net Assets (MDANA) | \$ 2,567,545 | \$ 1,820,684 | 41.02% |
| Retained Earnings Ratio | 2.83% | 2.12% | |
| Tier 1 Capital Ratio | 5.40% | 5.76% | |
| Base NEV | 5.82% | 4.83% | |

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

(unaudited)

| | September 30 | | % |
|--------------------------------------|--------------|-------------|---------------|
| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| Net Interest Income | | | |
| Interest Income | \$ 6,782 | \$ 10,921 | -38% |
| Interest Expense | 1,695 | 4,307 | -61% |
| Total Net interest Income | \$ 5,087 | \$ 6,614 | -23% |
| | | | |
| Fees and Charges | \$ 38,479 | \$ 5,775 | 566% |
| Total Operating Income | \$ 43,566 | \$ 12,389 | 252% |
| | | | |
| Operating Expense | \$ 10,273 | \$ 9,578 | 7% |
| | | | |
| Non-Operating Income/Expenses | \$ 253 | \$ 310 | -18% |
| | | | |
| Net Income | \$ 33,546 | \$ 3,122 | 975% |
| | | | |
| YTD Return on Average Assets | 1.74% | 0.06% | |

Securities Portfolio Analysis (000)

By Credit Rating:

| | | |
|------|-------------|------|
| AAA | 307,990 | 30% |
| AA | 718,820 | 69% |
| < AA | 9,077 | 1% |
| | \$1,035,886 | 100% |

By Type/Obligation:

| | | |
|-----------------------------|-------------|------|
| U.S. Agency | 899,581 | 87% |
| ABS (non-RMBS) / Corporates | 136,305 | 13% |
| | \$1,035,886 | 100% |