



Financial Statements

Unaudited

December 31, 2022

Year-end financial statements reflect the realities of a financial institution operating in an inflationary environment, and a corporate that is well positioned to support its member credit unions in any environment. Assets declined in the latter half of the year due to both consumer responses to inflation, and as a whole, continued loan growth at member credit unions. A comparison to the prior year is more apt to depict how much the landscape has changed during 2022. Daily Average Net Assets (DANA) declined from December 2021's \$2.3 billion to \$1.4 billion at year-end 2022. The steady decline in DANA has reduced Moving Daily Average Net Assets, or daily average net assets over a twelve-month period, from \$2.6 billion to \$1.8 billion over the same period.

Although 2022 was a dynamic year from a financial standpoint, a few themes carried from 2021 into 2022. Distributions from the U.S. Central Asset Management Estate, which represent claims for VolCorp and its former merger partners on losses absorbed during the financial crisis, continued during 2022. While these are appropriately recording in operating income when realized, they greatly skew year over year operating or fee income comparisons. Due to new and evolving service offerings design to meet member needs in a unique fashion, like those offered by VolCorp's wholly owned CUSO Symphony, fee income remained strong and grew from the prior year. Expense controls remained diligent however the earnings environment allowed for investment into the future of VolCorp's membership.

VolCorp's Tier 1 capital ratio stands "well capitalized" at 8.26% and the retained earnings ratio of 4.60% sits well above regulatory requirements. The growth in regulatory ratios over the last year stems capital growth, both operational and one-time U.S. Central claims, along with contraction of the balance sheet back to a pre-stimulus normal. VolCorp's sensitivity to overnight rates and indices is displayed in the annual NII growth, which increased from \$2.97 million in 2021 to \$9.87 million in 2022. However, 2021's NII figure is skewed significantly lower by the one-time distribution to member credit unions who were impacted by capital charge-offs at West Virginia and Kentucky Corporates, due to U.S. Central losses, prior to merger with VolCorp. After factoring in 2022's operating expenses of \$14.9 million and competitive PCC dividends throughout the year, Tier 1 Capital grew from December 2021's \$124 million and eclipsed \$150 million at year-end.

Serving the liquidity needs of natural person credit unions was one of the primary reasons for VolCorp's charter over forty years ago. Despite many years of conservatively managed liquidity at our member credit union levels, VolCorp still strives to position itself for the possibility of unexpected membership liquidity needs. During the year VolCorp experienced more loan demand than usual, and while as a whole total loans outstanding represent a small fraction of VolCorp's balance sheet, year-end outstanding loans increased from 2021's \$1.5 million to \$54.7 million in 2022. While assets are structured to provide for routine member liquidity, VolCorp also has access to three separate lines of credit.

Assets quality remains high, with assets 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 \$906 million at year end, compared with \$978 million during the same period last year. The portfolio's net unrealized loss stands at \$19 million. An unrealized loss is to be expected during a period of increasing interest rates, however management of a small unrealized loss relative to the size of the portfolio is indicative of current market conditions, concentration in floating rate instruments, and the quality of securities held in the portfolio. The quality of assets held is ultimately reflected in the current Tier 1 risk-based capital ratio of 71.92%, which is much greater than its respective 'well capitalized' threshold of 6.00%.

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
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Volunteer Corporate Credit Union
Statement of Financial Condition (000)

(unaudited)

	December 2022		
	<u>2022</u>	<u>2021</u>	<u>%</u> <u>Change</u>
Assets			
Cash and Cash Equivalents	\$ 549,266	\$ 1,380,272	-60%
Certificates	0	308	-100%
FHLB Stock	14,918	5,157	189%
CLF Membership Stock	0	20,372	-100%
Investment Securities, at Fair Value	906,105	977,656	-7%
Loans to Members	54,677	1,454	3660%
Investment in CUSOs	2,685	3,389	-21%
Fixed assets	3,816	3,315	15%
Other Assets	14,555	12,477	17%
Total Assets	\$ 1,546,023	\$ 2,404,399	-36%
Liabilities			
Shares/Deposits	\$ 1,147,879	\$ 2,229,616	-49%
Borrowings	178,757	0	0%
Other Liabilities	85,666	45,278	89%
Total Liabilities	\$ 1,412,302	\$ 2,274,894	-38%
Member's Equity			
Perpetual Contributed Capital	\$ 69,242	\$ 69,242	0%
Retained Earnings	82,666	56,914	45%
Equity Acquired in Merger	863	863	0%
Total Capital	\$ 152,771	\$ 127,019	20%
Unrealized Security Gains (Losses)	(19,050)	2,487	-866%
Total Members Equity	\$ 133,721	\$ 129,506	3%
Total Liabilities and Member's Equity	\$ 1,546,023	\$ 2,404,399	-36%
Moving Daily Average Net Assets (MDANA)	\$ 1,817,757	\$ 2,616,687	-31%
Retained Earnings Ratio	4.60%	2.21%	
Tier 1 Capital Ratio	8.26%	4.72%	

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

(unaudited)

	December 2022		<u>%</u> <u>Change</u>
	<u>2022</u>	<u>2021</u>	
Net Interest Income			
Interest Income	\$ 47,028	\$ 9,177	412%
Interest Expense	37,162	6,207	499%
Total Net interest Income	\$ 9,865	\$ 2,970	232%
Fees and Charges	\$ 32,015	\$40,532	-21%
Total Operating Income	\$ 41,880	\$43,502	-4%
Operating Expense	\$ 14,914	\$ 13,866	8%
Non-Operating Income/Expenses	\$ (335)	\$ 273	-223%
Net Income	\$ 26,631	\$29,909	11%
YTD Return on Average Assets	1.89%	1.29%	