Empowering our members.®

VOLUNTEER CORPORATE CREDIT UNION®

2012 FINANCIAL ANALYSIS

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VOLUNTEER CORPORATE CREDIT UNION®

An integral part of a credit union's investment policies, procedures and practices is the analysis of all institutions in which it has invested its surplus funds—including corporate credit unions. Part 703 of the National Credit Union Administration's (NCUA) Rules and Regulations states:

> *"A Federal credit union must conduct and document a credit analysis on an investment and the issuing entity before purchasing it, except for investments issued or fully guaranteed as to principal and interest by the U.S. government or its agencies, enterprises, or corporations or fully insured (including accumulated interest) by the National Credit Union Administration or the Federal Deposit Insurance Corporation. A Federal credit union must update this analysis at least annually for as long as it holds the investment."*

ASSETS (in thousands)

December 31,	2012	2011	2010	2009	2008
Cash and Uncollected Cash Items	$ 82,957	75,492	38,373	67,087	52,251
Certificates of Deposit and balances with other financial institutions	253,023	251,760	695,219	1,119,940	748,670
Government and Agency Obligations, Debentures, CMOs, REMICs, & Pass-thrus	539,073	562,729	316,087	263,349	134,777
Asset-backed Securities	282,130	300,991	275,767	84,308	65,041
Corporate Bonds	-	9,993	9,997	5,015	-
Federal Home Loan Bank Stock	9,819	5,829	5,829	5,021	1,619
Total Investments	1,084,045	1,131,302	1,302,899	1,477,633	950,107
Unrealized Gains and Losses on AFS	(183)	(2,150)	(318)	(2,164)	(10,928)
Net Investments	1,083,862	1,129,152	1,302,581	1,475,469	939,179
Demand Loans	4,656	433	2,549	954	3,154
Fixed Assets	3,690	3,923	4,089	3,915	3,123
NCUSIF Capitalization Deposit	646	448	476	485	69
All Other Assets	4,114	3406	3,627	4,852	5,286
TOTAL ASSETS	**$1,179,925**	**1,212,854**	**1,351,695**	**1,552,762**	**1,003,062**

In an Investment Guidance Paper, the NCUA further clarified its position on the analysis of corporate credit unions:

> *"NCUA recognizes that a small credit union may be unable to perform a detailed credit analysis. For a small credit union, investing funds in corporate credit unions may be an appropriate risk management alternative to investing in securities. However, NCUA expects a larger credit union to perform a credit analysis whenever there is credit risk. The uninsured portion of an investment in any insured institution presents such risk. NCUA supervision of corporate credit unions does not serve as a guarantee of the investment products offered by corporates, and does not ensure against potential loss. A credit union should review an institution's income, capital, and financial trends. In addition, for corporate credit unions, a credit union should review the corporate's operating level according to Section 704.8 and be aware of its exposure to a 300 basis point shift in interest rates."*

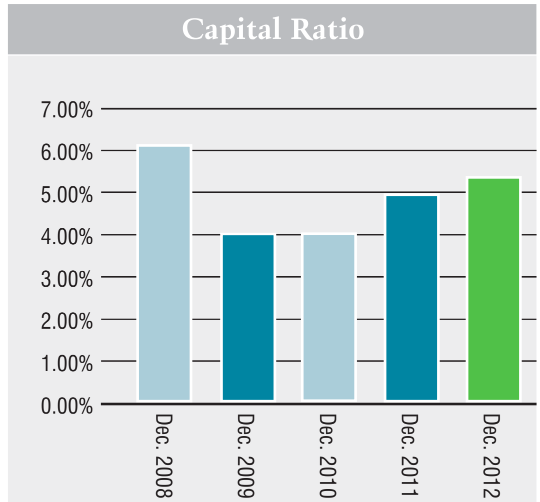
Though NCUA's investment regulation specifically exempts state-chartered credit unions, most are using the regulation as a guideline in their investment policies, procedures, and practices. Recognizing that the analysis of a corporate credit union can be burdensome and that some information may not be readily available, we are providing you with this comprehensive analysis of Volunteer Corporate Credit Union.

LIABILITIES & EQUITY (in thousands)

December 31,	2012	2011	2010	2009	2008
Accrued expenses and other liabilities	$ 1,654	1,087	1,183	2,534	3,229
Uncollected Funds	67,353	60,150	32,487	54,401	39,958
Federal Home Loan Bank Notes Payable	-	-	-	175,000	-
Total Liabilities	69,007	61,237	33,670	231,935	43,187
Daily Shares	992,927	1,043,349	1,130,581	945,696	558,968
Term Shares	41,586	46,588	128,589	321,885	338,198
Total Shares	1,034,513	1,089,937	1,259,170	1,267,581	897,166
Member Capital Shares	6,489	7,396	53,794	52,746	51,432
Perpetual Contributed Capital	60,780	48,647	-	-	-
Reserves and Undivided Earnings	9,319	7,787	5,379	2,664	22,205
Unrealized Losses on AFS	(183)	(2,150)	(318)	(2,164)	(10,928)
Total Capital	76,405	61,680	58,855	53,246	62,709
TOTAL LIABILITIES AND EQUITY	**$1,179,925**	**1,212,854**	**1,351,695**	**1,552,762**	**1,003,062**

REGULATORY ISSUES

Under the current regulatory requirements of Part 704 of the NCUA's Rules and Regulations, corporate credit unions' capital is segregated into two primary categories. These categories are *Adjusted Core Capital* (the basis of which is *Core Capital*) and *Supplementary Capital*.



Core Capital is defined as:

> *"(1) Retained earnings;*
> *(2) Perpetual contributed capital;*
> *(3) The retained earnings of any acquired credit union, or of an integrated set of activities and assets, calculated at the point of acquisition, if the acquisition was a mutual combination; and*
> *(4) Minority interests in the equity accounts of CUSOs that are fully consolidated. However, minority interests in consolidated ABCP programs sponsored by a corporate credit union are excluded from the credit unions' core capital or total capital base if the corporate credit union excludes the consolidated assets of such programs from risk-weighted assets pursuant to appendix C of this part."*

Adjusted Core Capital is defined as:

> *"Adjusted core capital means core capital modified as follows:*
> *(1) Deduct an amount equal to the amount of the corporate credit union's intangible assets that exceed one half percent of the corporate credit union's moving daily average net assets, but the NCUA, on its own initiative, upon petition by the applicable state regulator, or upon application from a corporate credit union, may direct that a particular corporate credit union add some or all of these excess intangibles back to the credit union's adjusted core capital;*
> *(2) Deduct investments, both equity and debt, in unconsolidated credit union service organizations (CUSOs);*
> *(3) If the corporate credit union, on or after October 20, 2011, contributes any perpetual contributed capital (PCC), or maintains any NCAs, at another corporate credit union, deduct an amount equal to this PCC or NCA;*
> *(4) Beginning on October 20, 2016, and ending on October 20, 2020, deduct any amount of perpetual contributed capital (PCC) that causes PCC minus retained earnings, all divided by moving daily net average assets, to exceed two percent; and*
> *(5) Beginning after October 20, 2020, deduct any amount of PCC that causes PCC to exceed retained earnings."*

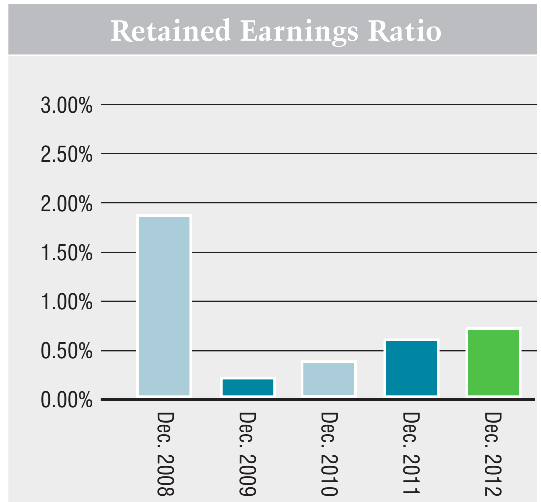
Supplementary Capital is defined as the sum of the following items:

> *"(1) Nonperpetual capital accounts, as amortized under §704.3(b)(3);*
> *(2) Allowance for loan and lease losses calculated under GAAP to a maximum of 1.25 percent of risk-weighted assets; and*
> *(3) Forty-five percent of unrealized gains on available-for-sale equity securities with readily determinable fair values. Unrealized gains are unrealized holding gains, net of unrealized holding losses, calculated as the amount, if any, by which fair value exceeds historical cost. The NCUA may disallow such inclusion in the calculation of supplementary capital if the NCUA determines that the securities are not prudently valued."*

There are numerous ratios that corporate credit unions calculate to determine the adequacy of capital and reserving requirements:

The *Capital Ratio* is calculated as follows:

> *"The corporate credit union's capital divided by its moving daily average net assets."*



The *Retained Earnings Ratio* is calculated as follows:

> *"The corporate credit union's retained earnings divided by its moving daily average net assets."*

The *Leverage Ratio* is calculated as follows:

> *"Leverage ratio means, before October 21, 2013, the ratio of total capital to moving daily average net assets. This is the interim leverage ratio."*

> *"Leverage ratio means, on or after October 21, 2013, the ratio of adjusted core capital to moving daily average net assets. This is the permanent leverage ratio."*

The *Tier 1 Capital Ratio* is calculated as follows:

> *"Tier 1 capital means adjusted core capital. Tier 1 risk-based capital ratio means the ratio of Tier 1 capital to the moving monthly average net risk-weighted assets."*

The *Tier 2 Capital Ratio* is calculated as follows:

> *"Tier 2 capital means supplementary capital plus any perpetual contributed capital deducted from adjusted core capital."*

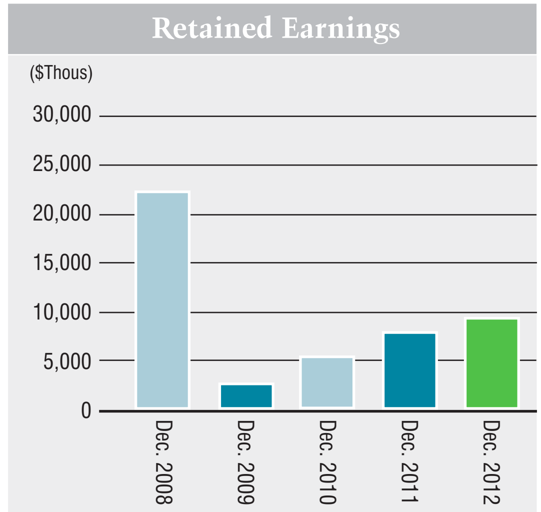
The *Total Risk-Based Capital Ratio* is calculated as follows:

> *"Total risk-based capital ratio means the ratio of total capital to moving monthly average net risk-weighted assets."*

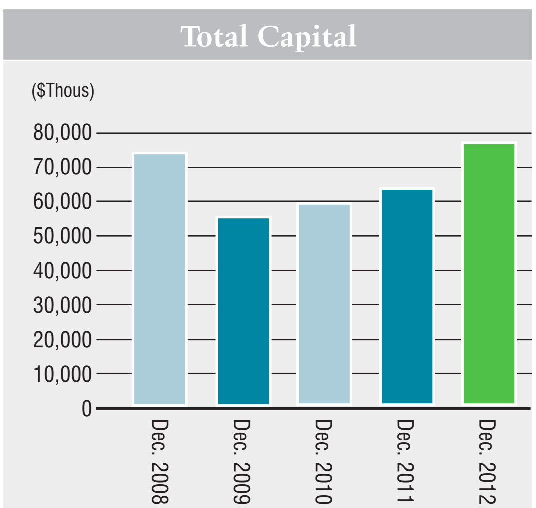
The NCUA's capital requirements for corporates are set forth in to Part 704.3 as follows:

> *"(1) A corporate credit union must maintain at all times:*
> *(i) A leverage ratio of 4.0 percent or greater;*
> *(ii) A Tier 1 risk-based capital ratio of 4.0 percent or greater; and*
> *(iii) A total risk-based capital ratio of 8.0 percent or greater.*
> *(2) To ensure it meets its capital requirements, a corporate credit union must develop and ensure implementation of written short- and long-term capital goals, objectives, and strategies which provide for the building of capital consistent with regulatory requirements, the maintenance of sufficient capital to support the risk exposures that may arise from current and projected activities, and the periodic review and reassessment of the capital position of the corporate credit union.*
> *(3) Beginning with the first call report submitted on or after October 21, 2013, a corporate credit union must calculate and report to NCUA the ratio of its retained earnings to its moving daily average net assets. If this ratio is less than 0.45 percent, the corporate credit union must, within 30 days, submit a retained earnings accumulation plan to the NCUA for NCUA's approval. The plan must contain a detailed explanation of how the corporate credit union will accumulate earnings sufficient to meet all its future minimum leverage ratio requirements, including specific semiannual milestones for accumulating retained earnings. In the case of a state-chartered corporate credit union, the NCUA will consult with the appropriate state supervisory authority (SSA) before making a determination to approve or disapprove the plan, and will provide the SSA a copy of the completed plan. If the corporate credit union fails to submit a plan acceptable to NCUA, or fails to comply with any element of a plan approved by NCUA, the corporate will immediately be classified as significantly undercapitalized or, if already significantly undercapitalized, as critically undercapitalized for purposes of prompt corrective actions. The corporate credit union will be subject to all the associated actions under §704.4."*

RETAINED EARNINGS AND TOTAL CAPITAL



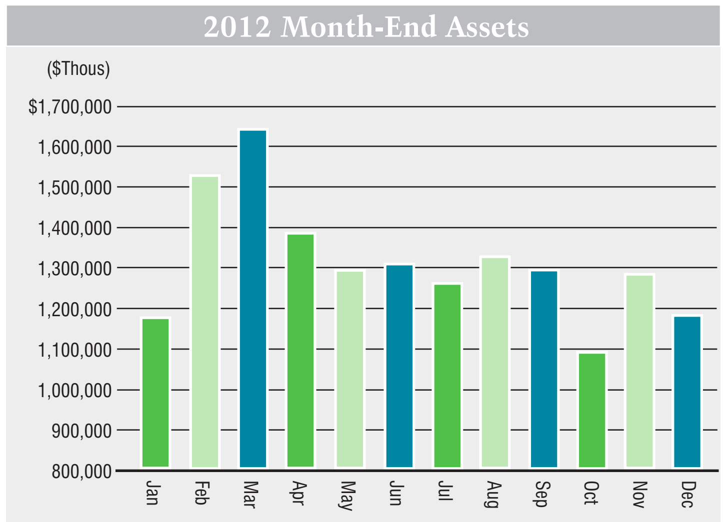
Since 2010, with all U.S. Central impairments behind us, VolCorp has continued to show bottom line profitability as the process of rebuilding retained earnings is under way. VolCorp remained profitable again throughout each month of 2012. Maintaining profitability is heavily reliant on careful balance sheet management. In 2012, this also included careful management of the merger process as VolCorp merged with West Virginia Corporate Federal Credit Union. By year-end 2012, the integration process was complete and all one-time merger expenses had been fully realized on the 2012 statement of income. Maintaining profitability also includes monitoring the performance of each of VolCorp's securities and making the appropriate strategic decisions as dictated by the then current economic environment. VolCorp did not experience any write-downs on any securities in its portfolio during 2012. Twice during the year, VolCorp had a third party vendor analyze each of the securities that has resulted in impairment charges in prior years and the results of the analysis were that VolCorp did not need to record any additional *Other-Than-Temporary Impairments* (OTTI) charges. In fact, performance on each of the three previously impaired securities has improved since they were impaired to the extent that two such securities were able to be liquidated in December of 2012, further strengthening the VolCorp balance sheet. After all of these items, as well as regular business operations, are taken into account, the resulting 2012 year-end retained earnings balance was $9.319 million. Additionally, all member capital remains 100% intact and unimpaired.

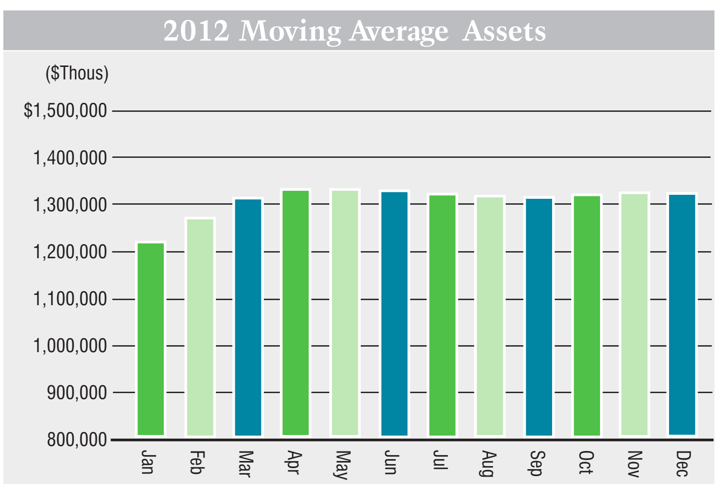


Corporate credit unions' balance sheets reflect the liquidity needs and cash flows of its members. Therefore, it is not unusual for a corporate credit union to experience asset fluctuations of 25 percent or more, not only from month-to-month, but also within periods of less than 30 days. In addition, corporate credit unions' month-end assets are often significantly inflated due to routine payrolls that flow into their member credit unions. As a result, it can be misleading to analyze a corporate credit union's retained earnings and capital ratios using month-end data. The NCUA recognized the distortion such fluctuations can cause, and, in its corporate credit union regulations, adopted the concept of using the corporates' moving daily average net assets (DANA) when calculating the retained earnings and capital ratios. For the twelve-month period ending December 31, 2012, Volunteer Corporate's moving DANA equaled $1.32 billion compared with $1.22 billion for 2011. This reflects an 8.47 percent growth rate during 2012. Cash remained steady throughout the year as a result of high balances at member credit unions and the continued confidence those member credit unions have in VolCorp. Credit unions saw the steady earnings, competitive rates, excellent performance of VolCorp's securities portfolio, and ample liquidity position and felt comfortable leaving their deposits with VolCorp. Retained earnings grew during every month of 2012. VolCorp's strong 2012 resulted in a retained earnings ratio of .71 percent at December 31, 2012, as compared to .64 percent in 2011. The strong earnings for 2012 caused the Interim Leverage Ratio to increase from 4.94 percent in 2011 to 5.33 percent at year-end 2012.

NET ECONOMIC VALUE (NEV) ANALYSIS

NEV is the net present value of a corporate's assets and the value of the assets' embedded options, minus the net present value of the corporate's shares and liabilities and the value of the shares' and liabilities' embedded options. A corporate's NEV Ratio is computed by dividing the NEV by the mark-to-market value of assets. NEV and the NEV Ratio are used to measure the inherent risk in a financial institution's balance sheet and as a proxy assessment of the liquidation value of the financial institution under certain interest rate environments. Under part 704.8(d)(ii) of its Rules and Regulations, the NCUA Board set a minimum base NEV Ratio of 2 percent for all corporate credit unions. In addition, the Board set a minimum NEV Ratio and maximum permissible downward NEV shifts under industry standard +/- 100, 200, and 300 basis point rate shocks. Shocking a corporate's balance sheet means determining the impact on the NEV and the NEV Ratio of an immediate, parallel, and sustained upward and downward shift in market interest rates. The NEV shift is the percent increase and percent decrease of current capital. Current capital is the difference between the mark-to-market value of assets and liabilities at current interest rates. The permissible, downward NEV shift is dependent, in part, upon the level of authority granted each corporate by the NCUA Board. As a starting point, all corporate credit unions have the authority to operate at Base level.





At this level, the permissible negative shift in the corporates' NEV Ratio is 15 percent under +/- 100, 200, and 300 basis point rate shocks. Each corporate credit union may petition the NCUA Board to operate under expanded authority. To obtain such authority, the corporate credit union must meet all the requirements of Part 704 of the NCUA's Rules and Regulations and fulfill additional capital, management, infrastructure, and asset liability requirements.

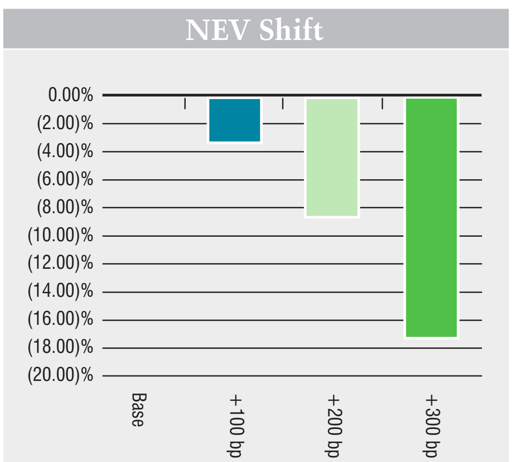
continued...

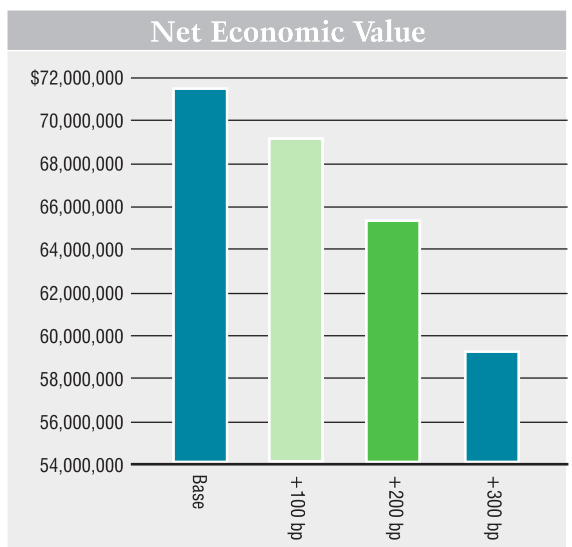
NET ECONOMIC VALUE (NEV) ANALYSIS (CONTINUED)

In September 1997, Volunteer Corporate's Board of Directors requested authority to operate at the expanded level termed *Base Plus*. In November 1997, Volunteer Corporate became the first corporate credit union to receive authority by the NCUA Board to operate above Base level. At Base Plus, the Corporate's permissible negative NEV shift increased from 15 percent to 20 percent. As of December 31, 2012, the cumulative change in Volunteer Corporate's NEV is a decrease of $12.34 million in an immediate up 300-basis point scenario. Given the December 31, 2012 level of interest rates with the Fed Funds Target rate set at 0-25 basis points, a downward shock scenario is non-applicable. This equates to an NEV shift of negative 17.26 percent – below the maximum 20 percent negative shift permitted by Federal law.

The following table shows the impact on Volunteer Corporate's Net Economic Value of the various interest rate scenarios:

	Base	+100 bp	+200 bp	+300 bp
NEV (thous.)	$71,504	69,130	65,298	59,163
Δ**NEV** (from Base, thous.)	$ 0	(2,374)	(6,206)	(12,341)
%Δ**NEV** (from Base)	0.00%	(3.32)%	(8.68)%	(17.26)%



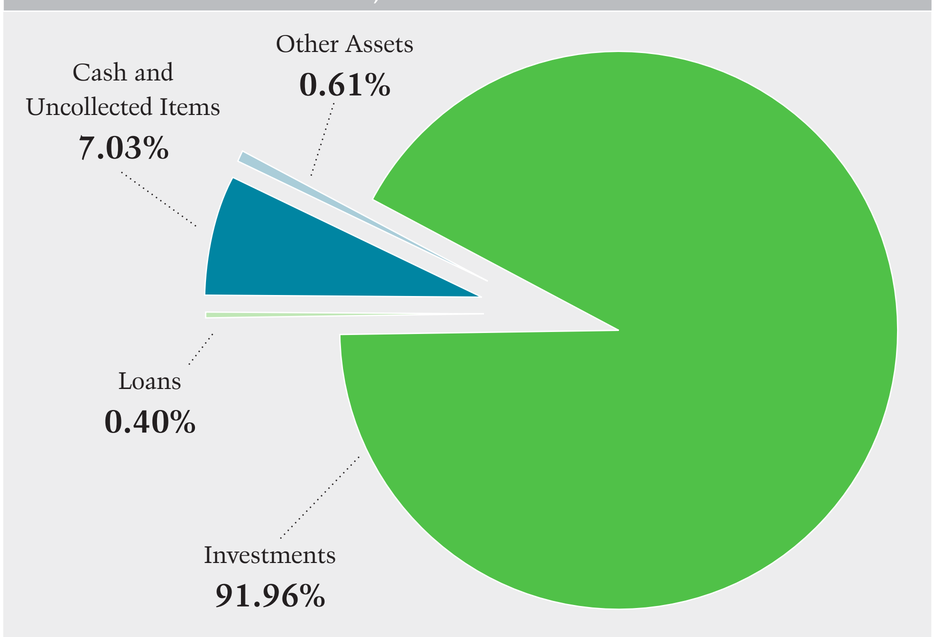


The quality of a financial institution's assets is one of the most important factors contributing to its financial soundness. In its 1997 study of the credit union movement, the Treasury addressed the quality of the corporate credit unions' assets in general when it stated, "Corporate credit unions invest in high-quality assets and thus have limited exposure to credit risk. In general, corporate credit unions' investment portfolios are of very high credit quality." VolCorp can still be proudly described as such, despite the recent collapse of the mortgage market and the resulting turmoil in both the securities markets and the securities portfolios of many financial institutions. As of December 31, 2012, 99.4 percent of VolCorp's assets consisted of cash and uncollected cash items, loans to member credit unions, and high-quality, low credit-risk investments. Furthermore, as of December 31, 2012, 99.7% of VolCorp's marketable security holdings were rated AA or AAA and 76% were issued or guaranteed by U.S. Government Agencies. Volunteer Corporate monitors the quality of its assets through extensive monthly credit analyses and portfolio modeling and has a qualified third party perform impairment analysis on non-agency securities as needed. As of March 31, 2013, the continued quality of VolCorp's investments was illustrated in that VolCorp had a marketable securities portfolio totaling $838 million with a total net unrealized loss of only $281 thousand.

MEMBER LOANS

The Corporate has a responsibility to meet the liquidity needs of its membership, while protecting the deposits of its member credit unions. As of December 31, 2012, the Corporate's total outstanding loans and lines of credit to its members equaled $4.66 million, well below one percent of total assets. However, member credit unions had 242 approved lines established with Volunteer Corporate totaling $737.3 million. The quality of the loan portfolio is governed by the loan policies established by the Board of Directors and by the procedures followed by management in implementing these policies. All lines are reviewed on a semi-annual basis and detailed financial analyses are performed. From this review, it is determined which credit unions will be monitored on a more frequent basis and which credit unions may need additional attention. Moreover, each line of credit is secured by a general pledge of the borrowing credit union's assets. No loans at Volunteer Corporate are currently delinquent and delinquency is extremely rare. Since its charter, Volunteer Corporate has never charged off a loan to a member credit union.

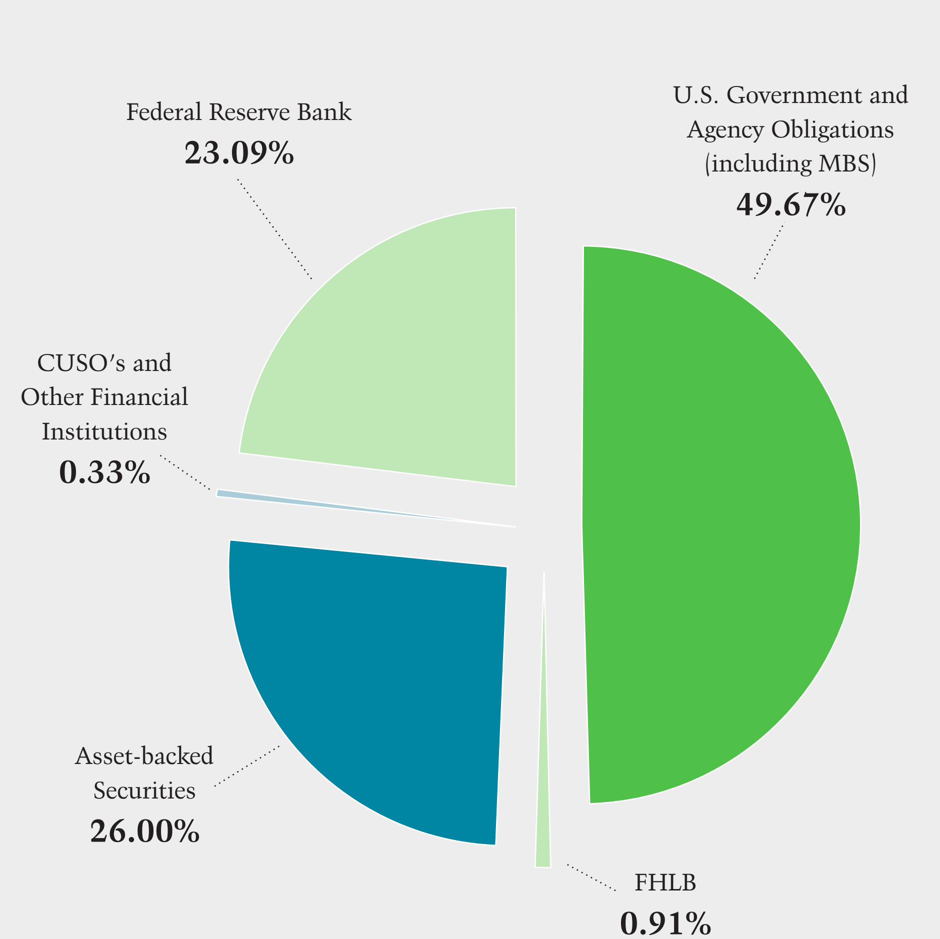
December 31, 2012 Asset Distribution



INVESTMENTS

When making investment decisions, Volunteer Corporate has always kept a close eye on safety, liquidity, and yield. In order to minimize credit risk, Volunteer Corporate's policies allow funds to be placed only in Federal Home Loan Bank of Cincinnati, Federal Reserve Bank of Atlanta, U.S. Government securities, federal agency securities or in other highly rated securities and top-rated banks and domestically chartered corporations. These policies further limit investments in banks, corporations and securities individually and in aggregate, and require extensive analysis and monitoring. The Corporate's approved-institution analysis considers size, capital adequacy, asset quality, management, earnings performance, and liquidity.

December 31, 2012 Investment Distribution



EARNINGS

Like all other credit unions, Volunteer Corporate is a not-for-profit financial cooperative, existing solely for the benefit of its members. The Corporate's policy is to help its members increase their net income by providing cost-effective services and attractive investment yields. Since any profit would come at the expense of its member owners, it is not the policy of Volunteer Corporate to earn the maximum net income possible. Even so, the corporate must maintain a stable earnings position in order to pay dividends, cover budgeted expenses, provide service excellence, develop new services, maintain capital adequacy, and meet statutory reserve requirements. The events of the last several years have caused earnings to become all the more paramount for VolCorp as we work to increase our retained earnings and continue to provide services at competitive prices and investments at competitive yields. It is the policy of the Corporate's Board of Directors to not increase earnings by sacrificing the safety of the members' shares through high risk investments or investment practices. As a result, Volunteer Corporate operates on an extremely thin operating margin and can do so only if efficiencies are maximized and expenses are controlled. Net income for 2012 equaled $2.13 million for a 15 basis point return on assets as efficiencies were maintained and our position of strength continued to garner the confidence of our member owners.

Comparative Income and Expenses (in thousands)

December 31,	2012	2011	2010	2009	2008
Interest Income					
Certificates of Deposit and balances with other financial institutions	$1,701	2,889	6,803	10,827	33,303
Investment Securities	5,311	4,747	3,588	4,067	4,910
Loans	17	14	9	9	42
Total Interest Income	7,029	7,650	10,400	14,903	38,255
Interest Expense					
Dividends on Shares	1,839	3,144	5,257	9,090	30,391
Interest on Borrowed Funds	119	4	316	260	654
Total Interest Expense	1,958	3,148	5,573	9,350	31,045
Net Interest Income	5,071	4,502	4,827	5,553	7,210
Non-Interest Income					
Item Processing	3,057	3,216	3,507	3,576	3,309
Gain(Loss) on Securities	183	114	250	771	-
Other	3,774	2,841	2,534	2,593	1,764
Total Non-Interest Income	7,014	6,171	6,291	6,940	5,073
Non-Intererst Expenses					
Salaries and Benefits	4,802	4,086	3,940	4,188	3,914
Other	5,153	3,943	4,463	27,846	14,558
Total Non-Interest Expenses	9,955	8,029	8,403	32,034	18,472
Net Contribution to Retained Earnings	**$2,130**	**2,644**	**2,715**	**(19,541)**	**(6,189)**

LIQUIDITY

Volunteer Corporate is the primary depository institution and source of liquidity for the majority of its member credit unions. As such, the Corporate has the responsibility of protecting the safety of its members' deposits while providing sufficient liquidity to meet their cash flow needs. To meet this responsibility, Volunteer Corporate maintains sufficient cash and overnight investments to provide for reasonable cash flow demands. The Corporate's liquidity position is monitored daily and adjusted, as necessary, for seasonal and anticipated fluctuations in our members' liquidity needs.

CORPORATE OFFICE:

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Nashville, Tennessee 37214

Websites:
www.volcorp.org
www.volcorpdesign.org

NUMBERS:
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(800) 470-3444
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Operations Fax: (615) 232-7979

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Member Services/Operations/Item Processing/ACH . . . 1
Investment Sales . . . 2
Marketing and Business Development . . . 3
Administration and President's Office . . . 4
Product Support . . . 5
West Virginia Office . . . 8
Operator . . . 0

Office Hours:
VolCorp is open Monday, Tuesday, Wednesday and Friday from 7:30 a.m. to 4:30 p.m. (Central time). Thursday hours are from 8:30 a.m. to 4:30 p.m. (Central time). Our Member Services Department closes at 4:15 p.m. (Central time) each day. Office closings are coordinated with the Federal Reserve Bank holiday schedule.

WEST VIRGINIA OPERATIONS:

Physical Address:
411 Cedar Grove Road
Parkersburg, WV 26104

Mailing Address:
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Parkersburg, WV 26102-0209

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