IMPORTANT NOTICE

Your Member Update: May 1, 2020

Dear Recipient's First Name,

We hope all of you are well, healthy and your employees and families remain safe. Here at the Corporate, we find ourselves in week six of our remote work environment and are happy to report that operations are proceeding as normal. As we enter May, we are hopeful that we are getting closer to economies re-opening to some degree, but we are also very aware that this will happen at different speeds throughout our membership states. It is also clear that the recovery from the COVID-19 virus will not be quick and the negative impacts will be felt throughout the economy for quite some time.

To keep lines of communication open and fully transparent, here is a brief update on things going on at your Corporate.

Office Operations
As mentioned previously, over 90 percent of our staff continues to work remotely. Given the feedback received from our members who responded to our quick survey, we are very happy to know that staff accessibility and systems operations have not been impacted by our move to a remote workforce. This will allow us to make a more gradual transition back into the office than the rather hasty transition to go remote. We also surveyed our employees to assess their sense of the transition and were pleased to see how positive all the comments were regarding how well we've continued to stay connected as an organization. With all the video meetings between groups going on, many people are actually interacting with employees from different locations for the very first time.

As we asked in our prior update, please let us know immediately if you are experiencing any delays or gaps in service.

Balance Sheet
On the balance sheet front, our assets remain quite inflated. Short-term member deposits are averaging $800 million more than in March ($5.8 billion vs. $5.0 billion) and average assets are looking like they'll end the month at about $6.7 billion. Year-to-date average assets are at $5.5 billion, with our 12-month rolling average assets expected to reach $4.7 billion by month-

end (this is the figure used for capital calculations). This will drop our retained earnings ratio below 2.50 percent, probably in the 2.46 percent range. We had budgeted average assets of $3.9 billion for all of 2020.

Dropping below the 2.50 percent retained earnings ratio will mean we will once again have to deduct a portion of PCC from our Tier 1 capital calculations. This, however, should have a relatively minor impact on our Tier 1 capital ratio, as we estimate the required deduction will only be in the $5-6 million range so that the great majority of our member PCC ($214.2 million) will continue to be counted as part of our Tier 1 capital. When our retained earnings reach $119 million, even with a required calculation, we will no longer need to deduct any PCC from Tier 1 capital. We estimate our Tier 1 capital ratio to be right around 7.0 percent (regulatory minimum = 4.0 percent). Of course, our risk-based capital ratios remain stable at extremely high levels (27-28 percent).

NCUA is well aware of our (along with all other corporates) dramatic rise in balance sheet size and will not be looking for us to drive money out during the crisis. We will just need to be prudent in how we manage the funds so as not to create any liquidity issues with the anticipation that balances will come down over time. So, as stated last week, as much as we would like to be aggressively investing some of this money, we will have to be content with holding much of it in cash until we have a greater comfort level as to how long it may stay on deposit.

Earnings appear to be holding fairly steady, although well below what we earned during the first quarter. During our upcoming board meeting in mid-May, we will be discussing how we may be able to share some of these earnings with our members. This will, of course, be based on us being able to maintain relatively decent earnings through this health-induced economic crisis.

Coronavirus Resources
We have added a number of links on our website for convenient access to Coronavirus information. These include links to the website for the:

- Federal Reserve discount window and Paycheck Protection Program Liquidity Facility (PPPLF) – any credit union that has made Paycheck Protection Program (PPP) loans can borrow from the Fed's PPPLF at a rate of 35 basis points for a term that matches the loan.
- Small Business Administration (SBA) website for information concerning the Paycheck Protection Program (PPP).
- Federal Home Loan Bank (FHLB) Coronavirus resource pages from the websites of the Atlanta, New York and Pittsburgh FHLBs.
- Information from the websites of the Carolinas Credit Union League, the CrossState Credit Union Association and the Virginia Credit Union League.

Central Liquidity Facility (CLF)
There is good news on the Central Liquidity Facility (CLF) front as we move closer to all corporates funding their CLF stock requirements, which will cover all members under $250 million in assets. Our board has approved the required resolution and investment in CLF stock, so we are simply waiting for all the application forms to be ready for us to sign and submit. We anticipate this to happen by early next week. For us, this will be an investment of approximately $69 million, which will be reflected on our May month-end financial report. In addition, we are working alongside our fellow corporates to make the temporary legislative changes in the CARES Act permanent so we can remain a CLF Agent for this group of members well past the

year-end sunset date.

The NCUA has been monitoring the impact of COVID-19 on credit unions through information provided by corporate credit unions, other financial service providers and other government agencies. We've agreed to share balance and line of credit data in order to help the NCUA better monitor the national liquidity situation. If you have any questions or concerns, please let us know.

In the meantime, we appreciate all our members' continued support and we will continue to reach out to stay in touch to better to understand your challenges and how we may be able to assist.

Please let us know if there's anything we can do to assist you and your credit union.

Enjoy your weekend!

If you have any questions, please feel free to contact us at (800) 622-7494.

Sincerely,
David Brehmer & Jay Murray