The POWER of COLLABORATION

2021 annual report

Vizo financial

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CHAIR & EXECUTIVES' REPORT

Jerry King
chair

David W. Brehmer
president / CEO

How do you define collaboration? According to Merriam-Webster, to collaborate is "to work with another person or group in order to achieve or do something." That's a good starting point, but we think of it a little differently. Our version has been demonstrated time and time again over the past two years, and particularly in 2021.

The way we see it, collaboration among credit unions has its very own unique meaning. After all, we didn't just work together through the pandemic to achieve something. We worked together to achieve something amazing…an unbreakable spirit.

Let's look at our Excess Balance Account (EBA), for example. We worked with many of our members to transfer a portion of their funds from our regular share accounts to our EBA in an effort to control our asset size and help improve our capital ratios. This was something we, at Vizo Financial, couldn't have done without the collaboration of our members.

Likewise, with the first of our recoveries of lost capital from the U.S. Central conservatorship estate in 2021, we were able to distribute $59.7 million to our capital members who had written off membership capital with us during the financial crisis more than a decade ago. It was collaboration among the NCUA, our board and management and, of course, our member credit unions, whose trust in us and longtime support through their recapitalization of the corporate made these distributions possible.

In August of 2021, we officially launched CUaxis, a collaborative community for credit unions using our core solution. It's a cooperative foundation – built by Vizo Financial, MY CU Services and our core partner, CU*Answers – where institutions on our core can find resources, education, community support, products and services, group-buying power and, best of all, camaraderie. It's the epitome of collaboration, brought to life as a powerful source for credit unions to harness as they enhance their core operations and relationships with peers and members.

We also continue our collaborative efforts with other corporate credit unions in bringing more services to credit unions, including: business services (CU Business Group), brokered CDs/SimpliCD program (Primary Financial) and, most recently, payment products and development of solutions for credit unions wanting access to the emerging faster payment networks (Aptys). We have ownership in each of these CUSOs and help direct their product initiatives for credit unions.

These are just a few of many instances where working together – as a partnership and as a united credit union movement – has paved the way for great things to happen, even in the face of unforeseen challenges. And through those cooperative efforts, a power was unleashed.

The power of collaboration allowed Vizo Financial to succeed as a corporate credit union. It allowed credit unions to keep operating in a high-liquidity, low-rate environment. It allowed institutions to progress in the areas of digital and contactless payments. And, most importantly, it gave our movement the confidence and resilient spirit needed to navigate the uncertainties of the pandemic and a forever-altered future. This is what collaboration means to us.

It's clear that collaboration was something credit unions embraced wholeheartedly in 2021. Merriam-Webster may be the authority on the traditional definition of collaboration, but we know better. We know that working together for a common goal isn't just a philosophy or an ideal we hold for ourselves. It's a way of life for credit unions.

We couldn't be prouder to stand among institutions like yours and see first-hand how the power of collaboration makes dreams and unlikely success stories a reality. Thank you for always being by our side – you prove to us each and every day that cooperation is the key to empowering our movement today, tomorrow and into the future.

CREDIT COMMITTEE REPORT

Genice DeCorte
chair

The Credit Committee is responsible for reviewing and approving credit line requests and is committed to ensuring that all of Vizo Financial Corporate Credit Union's lending decisions consider the creditworthiness of borrowers, as well as financial market conditions and credit constraints. The Committee also provides advice and guidance to the Vizo Financial board and management team regarding lending policies and procedures.

During 2021, the Credit Committee met quarterly to review requests for credit union line changes and evaluate the creditworthiness of borrowers and on an as-needed basis to address specific member needs.

At year-end 2021, Vizo Financial had $3.056 billion in approved lines of credit. Outstanding loans at year-end were just $1.2 million. There were no member loan delinquencies in 2021.

In our efforts to provide our member-owner credit unions with reliable sources of liquidity, Vizo Financial's Credit Committee remains committed to continually reviewing our lending program to maximize the benefits to members, ensuring the safety of our corporate and making certain that Vizo Financial is one of our members' primary liquidity sources.

We look forward to serving our members' liquidity needs in 2022!

TREASURER'S REPORT

Jeff Chelius
treasurer

Despite another challenging year, 2021 was very successful, financially, for Vizo Financial. Vizo Financial's total capital grew to $441.2 million by the end of 2021, maintaining its position as one of the strongest corporate credit unions in the nation.

Of the Corporate's total capital in 2021, $432.9 million is considered to be tier-one capital. Tier-one capital consists of $227.9 million in retained earnings plus $214.4 million in perpetual contributed capital (PCC), less equity in unconsolidated CUSOs of $9.4 million. Total capital includes tier-one capital plus $8.3 million in non-perpetual capital accounts.

Vizo Financial earned $31.5 million in net interest income, despite continued rock-bottom interest rates. The Corporate's net interest income combined with non-interest income, less operating expenses produced $14.6 million in net revenues in 2021. This total was reduced by a $1.1 million write-down of goodwill and $1.6 million in dividend payments on Perpetual Contributed Capital (PCC) accounts, which dropped net operating income to $11.9 million. In addition to operating income, 2021 saw Vizo Financial receive two recovery payments from the U.S. Central estate totaling $149.1 million. This represented recovery of capital written off back in 2009 due to the conservatorship of U.S. Central FCU. As a result, Vizo Financial made a distribution of capital to its members totaling $59.7 million, for a net gain from this recovery of $89.4 million. In total, net additions to retained earnings were $101.3 million in 2021 with year-end assets of $5.4 billion. Average assets for the year were right at $6.0 billion.

Vizo Financial's capital ratios were greatly impacted by the deposit surges resulting from the two government stimulus packages, the second of which took place in March of 2021. However, as a result of additions to retained earnings and usage of Vizo Financial's Excess Balance Account (EBA), which allows us to hold our members' deposits off balance sheet at the Federal Reserve Bank, we were able to significantly improve capital ratios. After reaching a low of 1.89% in March 2021, we ended 2021 with a retained earnings ratio of 3.80% and a tier-one/leverage ratio of 7.21% (this ratio dropped to 4.86%). The regulatory minimum tier-one capital ratio is 4.0%. At year-end, we held just over $5 billion off balance sheet in our EBA at the Fed.

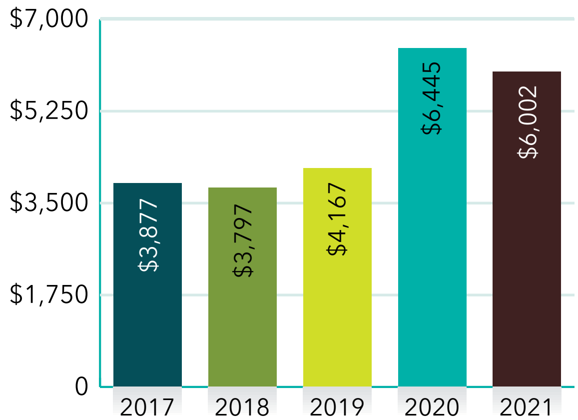
The Corporate's risk weighted capital ratios, however, were never impacted by the much larger balance sheet size. The Corporate's tier-one risk weighted capital ratio rose to end the year at 41.7% with a total risk weighted capital ratio of 42.5%. Both of these ratios far exceed their regulatory requirements and demonstrate the high credit quality of the Vizo Financial investment portfolio.

The power of collaboration was palpable thanks to our membership's unwavering trust and support through another challenging year. Your cooperation played a major role in our continued financial success in 2021.

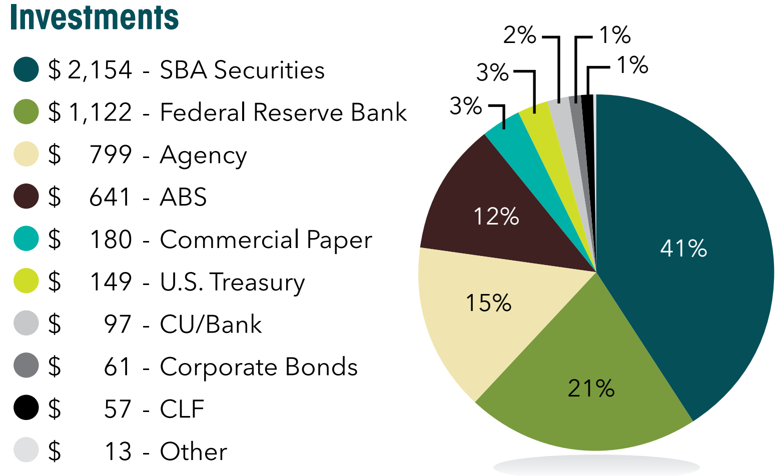
2021 FINANCIAL OVERVIEW

** All figures in the charts below are in millions.*

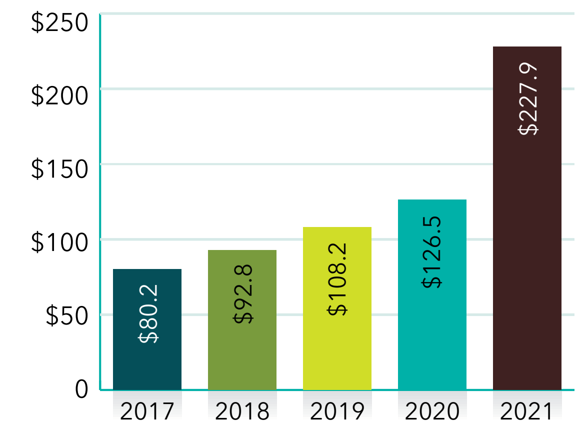
Average Assets



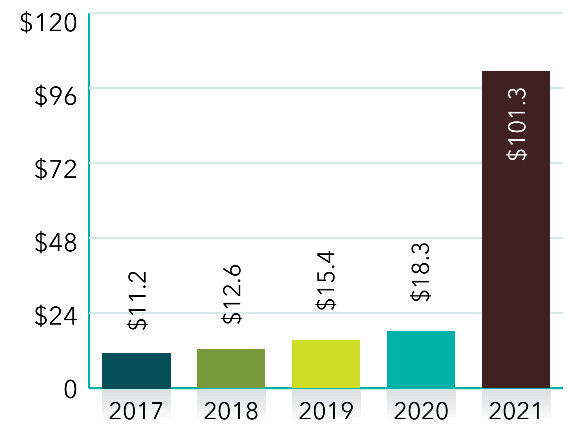
Investments



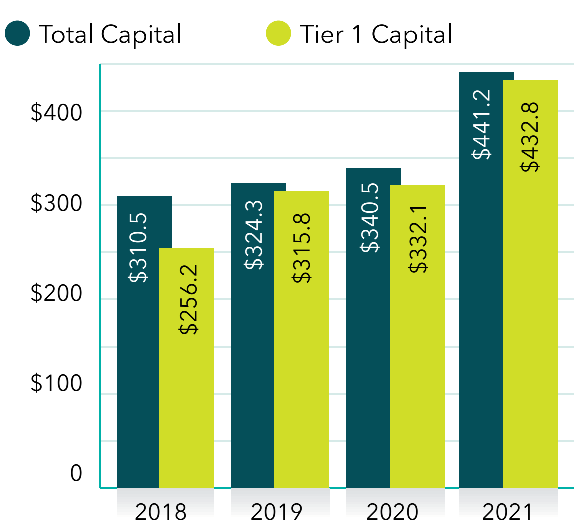
Retained Earnings



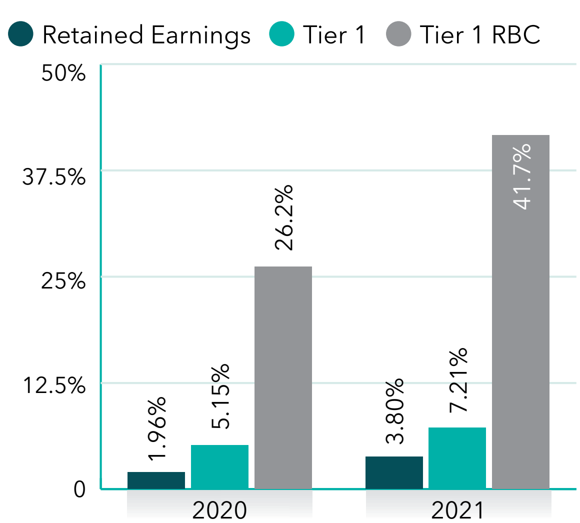
Net Increase to Retained Earnings



Capital



Capital Ratios



Supervisory **COMMITTEE REPORT**

Richard C. Burtnett
chair

Vizo Financial Corporate Credit Union's supervisory committee is pleased to inform the membership that your Corporate is safe and sound.

Throughout 2021, the supervisory committee was involved in reviewing numerous audits and examinations to ensure Vizo Financial was in compliance with the rules and regulations of the National Credit Union Administration (NCUA) and the North Carolina Credit Union Division.

The supervisory committee engaged Doeren Mayhew, CPAs and Advisors (Doeren Mayhew) for the year ended December 31, 2021. Doeren Mayhew expressed an unmodified opinion on the consolidated financial statements. The firm also conducted an audit regarding the effectiveness of internal controls and procedures over financial reporting. The auditors expressed an unmodified opinion for this audit. In addition, no significant deficiencies were noted in either audit.

The accounting firm of RKL, LLC carried out the internal audit function. Working closely with the supervisory committee, the audit team independently assessed the adequacy and effectiveness of the Corporate's internal controls. The results of all internal audits were reviewed by the committee and reported to the board of directors. We are pleased to report that no material weaknesses in Vizo Financial's internal controls were identified as a result of these audits.

The information security firm, Digital Defense, Inc., performed monthly security assessments and intrusion testing of Vizo Financial's computer network. The testing is designed to detect both external and internal vulnerabilities. Digital Defense, Inc., provided the information technology and security staff of Vizo Financial with recommendations of additional measures that will further protect sensitive member information.

The supervisory committee would like to thank the board of directors; David Brehmer, president/CEO; Lori Gall, chief risk officer; and the entire management and staff of Vizo Financial for their dedication to ensuring the safety and soundness of the assets entrusted to them.

Vizo Financial **BOARD** of **DIRECTORS**

Jerry King, chair
DEXSTA FCU
Wilmington, Del.
Assets: $398.4 million

Scott Woods, vice chair
South Carolina FCU
North Charleston, S.C.
Assets: $2.4 billion

Jeff Chelius, treasurer
Riverfront FCU
Wyomissing, Pa.
Assets: $266.3 million

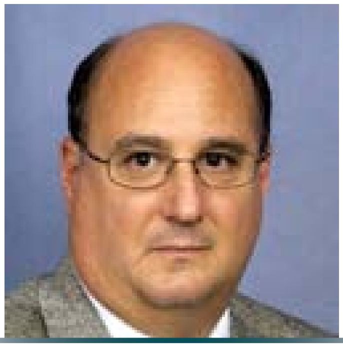
Scott Weaver, secretary
Carolina Foothills FCU
Spartanburg, S.C.
Assets: $179.7 million

Daniel Berry, director
Duke University FCU
Durham, N.C.
Assets: $200.6 million

Genice DeCorte, director
HealthShare CU
Greensboro, N.C.
Assets: $46.2 million

Alison DeTuncq, director
University of Va. Community CU
Charlottesville, Va.
Assets: $1.4 billion

Paul Hughes, director
Greenville FCU
Greenville, S.C.
Assets: $392.0 million



Mark Volponi, director
USX FCU
Cranberry Township, Pa.
Assets: $266.4 million

Report of INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DoerenMayhew
CPAs AND ADVISORS

March 31, 2022

To the Supervisory Committee and Board of Directors of Vizo Financial Corporate Credit Union:

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Vizo Financial Corporate Credit Union and its subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vizo Financial Corporate Credit Union and subsidiary as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the consolidated Financial Statements section of our report. We are required to be independent of Vizo Financial Corporate Credit Union and subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vizo Financial Corporate Credit Union's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Report of INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal controls relevant to the audits in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vizo Financial Corporate Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Vizo Financial Corporate Credit Union's internal control over financial reporting as of December 31, 2021, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 31, 2022, expressed an unmodified opinion.

Doeren Mayhew

Doeren Mayhew
Miami, FL

CONSOLIDATED STATEMENTS of FINANCIAL CONDITION

ASSETS		As of DECEMBER 31, 2021		2020
		(dollars in thousands)		
Cash and cash equivalents	$	1,209,119	$	3,161,070
Interest bearing deposits		10,160		88,148
Investments securities:				
Available-for-sale *(Note 2)*		3,983,941		3,957,817
Reverse repurchase agreement		—		6,023
Loans *(Note 3)*		1,209		140
Accrued interest receivable		8,426		8,227
Life insurance policies		36,675		35,732
Central Liquidity Fund (CLF) capital stock		57,738		58,244
Prepaid and other assets		67,136		56,682
Property and equipment *(Note 4)*		2,663		5,418
Federal Home Loan Bank (FHLB) stock		3,692		4,551
National Credit Union Share Insurance Fund (NCUSIF) deposit		1,743		1,749
TOTAL ASSETS	$	**5,382,502**	$	**7,383,801**

LIABILITIES AND MEMBERS' EQUITY		2021		2020
		(dollars in thousands)		
LIABILITIES:				
Members' shares and certificates *(Note 5)*	$	4,873,876	$	6,955,432
Borrowed funds *(Note 6)*		—		6,023
Uncollected deposits due to member accounts		49,812		53,136
Accrued expenses and other liabilities		4,119		4,432
Total liabilities		**4,927,807**		**7,019,023**
Commitments and contingent liabilities				
MEMBERS' EQUITY:				
Perpetual contributed capital		214,428		214,238
Undivided earnings		205,302		103,967
Equity acquired in acquisition		22,562		22,562
Accumulated other comprehensive income		12,403		24,011
Total members' equity		**454,695**		**364,778**
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	**5,382,502**	$	**7,383,801**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS of INCOME

		Years Ended DECEMBER 31, 2021		2020
			(dollars in thousands)	
INTEREST INCOME:				
Investments	$	35,851	$	54,118
Loans		157		30
Total interest income		36,008		54,148
INTEREST EXPENSE:				
Members' shares and certificates		4,485		18,226
Borrowed funds		9		40
Total interest expense		4,494		18,266
NET INTEREST INCOME		31,514		35,882
NON-INTEREST INCOME:				
Gain on U.S. Central Estate Settlement *(Note 13)*		149,127		—
Check services, bill payments services, EFT services		15,027		15,025
Fees and other income		6,250		6,188
Gain on sale of available-for-sale investments		952		487
Total non-interest income		171,356		21,700
NON-INTEREST EXPENSES:				
Compensation and benefits		19,890		18,629
Operations		15,284		13,867
Professional and outside services		3,312		3,122
Other		1,783		1,760
Total non-interest expenses		40,269		37,378
NET INCOME	$	162,601	$	20,204

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS of COMPREHENSIVE INCOME

	Years Ended DECEMBER 31, 2021	2020
	(dollars in thousands)	
Net income	$ 162,601	$ 20,204
Other comprehensive (loss)/income:		
Net unrealized holding (losses)/gains on investments classified as available-for-sale	(10,656)	25,869
Reclassification adjustments for gains included in net income	(952)	(487)
Other comprehensive (loss)/income:	(11,608)	25,382
COMPREHENSIVE INCOME	$ 150,993	$ 45,586

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS of MEMBERS' EQUITY

Years Ended **DECEMBER 31,**

	Perpetual Contributed Capital	Undivided Earnings	Equity Acquired in Acquisition	Non-Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	TOTAL
	(dollars in thousands)					
Balance, December 31, 2019	$ 214,197	$ 85,632	$ 22,562	$ 901	$ (1,371)	$ 321,921
Issuance of perpetual contributed capital	41	—	—	—	—	41
Net income	—	20,204	—	—	—	20,204
Repurchase of minority interest	—	—	—	(901)	—	(901)
Dividends on perpetual contributed capital	—	(1,869)	—	—	—	(1,869)
Other comprehensive income	—	—	—	—	25,382	25,382
Balance, December 31, 2020	214,238	103,967	22,562	—	24,011	364,778
Issuance of perpetual contributed capital	190	—	—	—	—	190
Net income	—	162,601	—	—	—	162,601
Special dividend declared	—	(59,659)	—	—	—	(59,659)
Dividends on perpetual contributed capital	—	(1,607)	—	—	—	(1,607)
Other comprehensive loss	—	—	—	—	(11,608)	(11,608)
Balance, December 31, 2021	$ 214,428	$ 205,302	$ 22,562	$ —	$ 12,403	$ 454,695

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS

	Years Ended DECEMBER 31, 2021	2020
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 162,601	$ 20,204
Adjustments:		
Depreciation	1,311	1,736
Amortization of investment premiums/discounts	25,427	25,234
Gain on sale of available-for-sale investments	(952)	(487)
Change in cash surrender value of life insurance policies	(943)	(965)
(Increase)/decrease in:		
Prepaid and other assets	(10,454)	(11,736)
Accrued interest receivable	(199)	1,600
Uncollected deposits due to member accounts	(3,324)	12,441
Accrued expenses and other liabilities	(312)	(2,170)
Total adjustments	10,554	25,653
NET CASH PROVIDED FROM OPERATING ACTIVITIES	173,155	45,857
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities, sales and repayments of available-for-sale investments	1,310,912	1,670,910
Proceeds from the sale of property and equipment	3,683	—
Change in reverse repurchase agreement	6,023	1,292
Purchase of available-for-sale investments	(1,373,120)	(2,572,767)
Net change in loans	(1,069)	5,872
Purchase of interest bearing deposits	—	(76,500)
Maturity of interest bearing deposits	77,988	77,954
Purchase of FHLB stock	—	(988)
Redemption of FHLB stock	859	—
Expenditures for property and equipment	(2,239)	(1,012)
(Decrease)/increase in CLF capital stock	506	(58,244)
Decrease in NCUSIF deposit	6	15
NET CASH PROVIDED FROM/(USED IN) INVESTING ACTIVITIES	23,549	(953,468)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS

Cash Flows (Continued)	Years Ended DECEMBER 31, 2021	2020
	(dollars in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in members' shares and certificates	(2,081,556)	2,632,977
Proceeds from borrowed funds	—	6,023
Proceeds from issuance of perpetual contributed capital	190	41
Repayments on borrowed funds	(6,023)	(7,315)
Dividends on perpetual contributed capital	(1,607)	(1,869)
Special dividend declared	(59,659)	—
Repurchase of minority interest	—	(901)
Net cash (used in)/provided from financing activities	(2,148,655)	2,628,956
Net change in cash and cash equivalents	(1,951,951)	1,721,345
Cash and cash equivalents, beginning of year	3,161,070	1,439,725
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,209,119	$ 3,161,070
SUPPLEMENTAL CASH FLOWS DISCLOSURES:		
Interest paid	$ 4,494	$ 18,266

See accompanying notes to the consolidated financial statements.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

Vizo Financial Corporate Credit Union and its subsidiary (the Credit Union) is a nonprofit financial cooperative organized to serve as a central money facility for investments and correspondent banking activity for its member credit unions through the financial system. The Credit Union provides a wide range of investment, liquidity and correspondent banking services for its member credit unions and affiliated organizations located in the Mid-Atlantic region, North Carolina and South Carolina.

MY CU Services, LLC, (MY CU Services) is a wholly-owned credit union service organization (CUSO) of the Credit Union. MY CU Services was formed for the purpose of providing electronic bill payment services to members of the Credit Union. Member settlements are processed directly through their settlement account at the Credit Union while non-member settlements are processed through either their corporate credit union or their correspondent institution where they have established an account. In addition to electronic bill payment services, MY CU Services offers cash services, cloud computing services, credit union consulting services, cooperative purchase programs, electronic bill payment, mobile services and payment services, including automated clearing house, international services, item processing and wire services. MY CU Services also provides core data processing, offsite backup, equipment, network solutions and hardware maintenance for credit unions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly-owned CUSO, MY CU Services. All significant intercompany balances and transactions have been eliminated in consolidation.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gains/(losses) on available-for-sale investments. When available-for-sale investments are sold, the gain/(loss) realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the net gain/(loss) on sale of available-for-sale investments reported in the consolidated statements of income.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from the Federal Reserve Bank (FRB) and other depository institutions as well as coin and currency maintained at various courier warehouses and interest bearing deposits in banks with an original maturity of 90 days or less, including overnight deposits. Amounts due from banks may, at times, exceed federally insured limits.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncollected Cash Items and Uncollected Deposits Due to Member Accounts

Uncollected cash items represent deposits made by the Credit Union's members that have cleared the FRB late in the day and credit had not been provided to the member credit union. Such amounts are generally credited to the member credit union within one to three business days. These are not interest bearing.

Interest Bearing Deposits

Interest bearing deposits are time deposits with financial institutions with an original maturity in excess of 90 days. These time deposits with financial institutions, at times, exceed federally insured limits.

Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

The Credit Union, as agent, entered into an Excess Balance Account (EBA) agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union's consolidated financial statements. These balances totaled approximately $4,964,257,000 and $1,375,870,000 as of December 31, 2021 and 2020, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. The agent is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

Available-for-Sale Investments

Securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on available-for-sale securities are recognized as direct increases or decreases in other comprehensive income/(loss). Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the Credit Union does not intend to sell these securities and (4) it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Small business administration (SBA) securities typically contain a limited number of larger dollar loans underlying the security. Therefore, the repayment, default or refinance of each underlying loan has a significant impact on the repayment of the security. As a result, determining an expected yield when applying the effective interest method is subject to significant volatility due to the uncertainty of the weighted average life of the securities. To amortize the premiums/discounts on SBA securities, the Credit Union uses the Constant Prepayment Rate (CPR) to determine the amortization of the premiums and discounts associated with the SBA securities to best conform with the effective interest method of accounting. The Credit Union used 12 CPR to determine the amortization of the premiums and discounts for SBA securities for the years ended December 31, 2021 and 2020.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CLF Capital Stock

In 2020, the U.S. Government enacted the Cares Act which included legislative changes that strengthened the Central Liquidity Fund (CLF) program. The CLF is a channel for credit unions to access funds from the U.S. Treasury. This legislation was temporary and expired on December 31, 2021. Under this program, the Credit Union, as a corporate credit union, was able to act as an Agent on behalf of its member credit unions with assets under $250,000,000. The Credit Union could also become a direct member in the CLF under the temporary program. The CLF capital stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

Securities Purchased Under Agreements to Resell

The Credit Union has entered into reverse repurchase agreements accounted for as secured borrowings at amortized cost. As the buyer-lender, the Credit Union bought the securities with an agreement to resell them to the seller-borrower at a stated price plus interest at a specified date.

Loans to Members

Loans to members are stated at the unpaid principal amount. Interest on loans is calculated using the simple-interest method on principal amounts outstanding. The Credit Union has divided the portfolio into three classes of loans (lines of credit, other secured loans and fixed-rate term loans) based on the risk characteristics of each type. Management's periodic evaluation of the need for an allowance for loan losses is based on the Credit Union's past loan experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay and current economic conditions. As of December 31, 2021 and 2020, no allowance for loan losses was deemed necessary as no loans were impaired and loans are fully collateralized.

Loan Charge-Off Policies

The Credit Union evaluates all lines of credit on an annual basis. Member credit unions that do not meet certain financial criteria are placed on a watch list.

Life Insurance Policies

Life insurance policies are carried at the estimated cash surrender value. These policies are used to fund the deferred compensation plans.

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB of Atlanta, the Credit Union is required to invest in stock of the FHLB. The Credit Union's minimum stock investment is based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost and its disposition is restricted. No ready market exists for the FHLB stock, and it has no quoted market value.

Property and Equipment

Land is carried at cost. Buildings and furniture and equipment are carried at cost less accumulated depreciation. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are carried at cost less accumulated amortization. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

Members' Shares and Certificates

Members' share accounts are the savings accounts of the owners of the Credit Union. Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest and dividends on members' accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. The board of directors has delegated management to set interest rates on members' share accounts, based on an evaluation of market conditions.

Borrowed Funds

The Credit Union maintains outstanding borrowings from the FHLB as of December 31, 2020. The FHLB borrowings are secured by pledges of qualified collateral, as defined in the FHLB Advance, Pledge and Security Agreement.

Perpetual Contributed Capital (PCC)

PCC is a secondary capital instrument that is classified as equity in the consolidated statements of financial condition. The PCC program requires member credit unions to contribute a one-time uninsured mandatory capital investment with no stated maturity or withdrawal provisions. PCC investments are not negotiable or assignable but may be transferred to another eligible member credit union under certain provisions. PCC ownership entitles the members to vote in the annual elections of the board of directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. PCC may not be pledged or used as security for borrowing. PCC dividends are determined based on net earnings and the overall capital needs of the Credit Union. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels. In the event of the Credit Union's liquidation, PCC is payable only after satisfaction of all liabilities of the Credit Union, including uninsured share obligations to members. Interest rates on PCC are set by management and approved by the board of directors, based on an evaluation of market conditions.

Federal and State Tax Exemption

The Credit Union is exempt from most federal, state and local income taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. However, IRC Section 511 imposes a tax on the unrelated business income derived by state-chartered credit unions. Generally, these taxes are insignificant to the Credit Union.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective January 1, 2022.

The Credit Union expects the impact of adoption of this standard to increase assets and liabilities by approximately $5,600,000 in 2022 which resulted in an insignificant impact to total members' equity ratios.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP, and may result in material changes to the Credit Union's accounting for loans and investments. The effective date of the ASU is January 1, 2023, however, early application is permitted. The Credit Union elected to early adopt ASU 2016-13 on January 1, 2022, as permitted by the ASU; however, the adoption did not have a material impact on the Credit Union's financial statements.

Revenue Recognition

The Credit Union earns fee income from its members for transaction-based services. Transaction-based services, which include services such as share-draft processing fees, coin and currency and wiring fees, are recognized at the time the transaction is executed, as that is the point in time the Credit Union fulfills the member's request, concurrently with the correspondent banking expenses provided to the member.

MY CU Services revenue consists of correspondent banking fees as well as core processing services income. Correspondent banking service fees represent fee income from transaction-based services provided to members of Vizo Financial Corporate Credit Union and others. The correspondent banking services fee income is recognized when transactions are processed. Core processing services income is earned on a monthly basis for core system hosting services provided to credit unions.

Subsequent Events

Management has evaluated subsequent events through March 31, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENT SECURITIES

The amortized cost and estimated fair value of investments are as follows:

	AS OF DECEMBER 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
AVAILABLE-FOR-SALE:				
Small business administration securities	$ 2,146,992	$ 16,507	$ (9,433)	$ 2,154,066
Collateralized-mortgage obligations	712,083	4,060	(741)	715,402
Asset-backed securities	639,801	1,484	(87)	641,198
Corporate bonds	240,342	713	(14)	241,041
Treasury notes	148,827	—	(241)	148,586
U.S. government agency securities	50,000	6	(45)	49,961
U.S. government mortgage-backed securities	33,493	199	(5)	33,687
TOTAL	$ 3,971,538	$ 22,969	$ (10,566)	$ 3,983,941

	AS OF DECEMBER 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
AVAILABLE-FOR-SALE:				
Small business administration securities	$ 2,128,725	$ 18,203	$ (2,978)	$ 2,143,950
Collateralized-mortgage obligations	962,356	5,160	(261)	967,255
Asset-backed securities	734,955	2,811	—	737,766
Corporate bonds	60,461	903	—	61,364
U.S. government mortgage-backed securities	47,309	181	(8)	47,482
TOTAL	$ 3,933,806	$ 27,258	$ (3,247)	$ 3,957,817

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

The proceeds from the sale of investments classified as available-for-sale approximated $311,856,000 during the year ended December 31, 2021. Gross gains of approximately $1,350,000 and gross losses of approximately $398,000 were realized from these sales during the year ended December 31, 2021. The proceeds from the sale of investments classified as available-for-sale approximated $250,533,000 during the year ended December 31, 2020. Gross gains of approximately $614,000 and gross losses of approximately $127,000 were realized from these sales during the year December 31, 2020, respectively.

The Credit Union's available-for-sale portfolio includes asset-backed securities, small business administration securities and U.S. government mortgage-backed securities. These securities return principal based on payments received on the underlying assets. These securities have expected weighted average lives of one to ten years. However, return of principal may differ from expectation based on fluctuations in the market interest rates, delinquency and foreclosure. The amortized cost and estimated fair value of investments with a contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	AVAILABLE-FOR-SALE	
	Amortized Cost	Fair Value
	(dollars in thousands)	
Within one year	$ 260,248	$ 260,175
One to five years	153,921	154,458
Five to ten years	25,000	24,955
	439,169	439,588
Small business administration securities	2,146,992	2,154,066
Collateralized-mortgage obligations	712,083	715,402
Asset-backed securities	639,801	641,198
U.S. government mortgage-backed securities	33,493	33,687
TOTAL	$ 3,971,538	$ 3,983,941

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

The following tables represent concentration limits on investments based on parameters established on *NCUA Regulation 704.5*:

	AS OF DECEMBER 31, 2021		
	Fair Value	Capital Based Limit	Asset Based Limit
		(dollars in thousands)	
By Security Type:			
Credit card ABS	$ 513,774	$ 2,206,056	$ 1,345,625
Corporate debt obligations	241,041	4,412,113	2,691,251
Auto loan/lease ABS	71,829	2,206,056	1,345,625
FFELP Student Loan ABS	55,595	4,412,113	2,691,251
Commercial MBS	5,412	1,323,634	807,375
Other ABS	4,330	2,206,056	1,345,625
Mortgage-backed securities			
(not including commercial MBS)	1,045	4,412,113	2,691,251
All other investments	3,090,915	4,412,113	2,691,251
TOTAL	$ 3,983,941		

	AS OF DECEMBER 31, 2021	
	Fair Value	Regulatory Limit
	(dollars in thousands)	
By Issuer:		
AMXCA	$ 133,272	$ 220,606
TOYCC	110,620	882,423
JP Morgan Mortgage Trust	99,937	882,423
NAVSL	55,595	110,303
COMET	50,705	220,606
NMOTR	45,627	110,303
APPLE	30,483	882,423
CCCIT	193,414	220,606
DCENT	136,382	220,606

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

The following tables show the gross unrealized losses and fair value of investments, aggregated by the length of time the individual securities have been in continuous unrealized loss position:

	AS OF DECEMBER 31, 2021											
	Less than 12 Months				12 Months or Longer				Total			
		Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses
	(dollars in thousands)											
Available-for-sale:												
Small business administration securities	$	800,393	$	(8,252)	$	156,085	$	(1,181)	$	956,478	$	(9,433)
Collateralized mortgage obligations		163,069		(497)		44,584		(244)		207,653		(741)
Treasury notes		148,586		(241)		—		—		148,586		(241)
Asset-backed securities		157,397		(87)		—		—		157,397		(87)
U.S. government agency securities		24,955		(45)		—		—		24,955		(45)
Corporate bonds		179,879		(14)		—		—		179,879		(14)
U.S. government mortgage-backed securities		—		—		4,368		(5)		4,368		(5)
TOTAL	$	1,474,279	$	(9,136)	$	205,037	$	(1,430)	$	1,679,316	$	(10,566)

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

	AS OF DECEMBER 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(dollars in thousands)			
Available-for-sale:						
Small business administration securities	$ 262,738	$ (1,401)	$ 258,348	$ (1,577)	$ 521,086	$ (2,978)
Collateralized mortgage obligations	83,032	(164)	57,525	(97)	140,557	(261)
U.S. government mortgage-backed securities	—	—	4,705	(8)	4,705	(8)
TOTAL	**$ 345,770**	**$ (1,565)**	**$ 320,578**	**$ (1,682)**	**$ 666,348**	**$ (3,247)**

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government. Unrealized losses on asset-backed securities and corporate bonds have not been recognized into income based on the evaluation of the credit rating and other factors for each issue. The decline in fair value is primarily due to differences between security yields and market interest rates. The unrealized losses on these securities are expected to be recovered as they approach their maturity dates. Management has the intent and ability to hold these securities to full recovery of fair value, which may be maturity.

The Credit Union evaluates each asset-backed security and corporate bond for other-than-temporary impairment (OTTI) by considering the following factors:

- A security has been in a continuous loss of 12 months or longer.
- The security experienced significant deterioration in earnings performance, credit rating and/or business prospects of the issuer or insurer.
- The issuer failed to make scheduled interest and/or principal payments.
- The issuer has experienced significant and/or adverse changes in the regulatory, economic and/or technological environment.
- The issuer experienced a significant and/or adverse change in general market conditions related to the industry and/or geographic location.
- An offer to purchase (solicited or unsolicited) and offer by the issuer to sell or a completed auction process for same or similar security for an amount less than the cost of the security.
- The entire cost basis of the security will not be recovered.

There was no OTTI recognized based on the factors above for the years ended December 31, 2021or 2020.

NOTE 3 - LOANS TO MEMBERS

The composition of loans to members is as follows:

	AS OF DECEMBER 31,	
	2021	2020
	(dollars in thousands)	
LOANS OUTSTANDING:		
Lines of credit	$ 1,038	$ 2
Other secured loans	121	138
Fixed-rate term	50	—
TOTAL	$ 1,209	$ 140

Lines of credit made by the Credit Union have variable short-term market interest rates. Outstanding advances and accrued interest amounts are due on demand. The Credit Union has no impaired, non-accrual, non-performing or restructured loans as of December 31, 2021 and 2020. All loans are secured with member credit union assets in excess of the loan or line-of-credit amount. Additionally, all lines are advised and the current financial condition can be re-assessed before allowing significant draws.

Impaired Loans

A loan is impaired when it is probable, based on current information and events, that the Credit Union will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. There were no impaired loans as of December 31, 2021 and 2020. Additionally, none of the loans outstanding as of December 31, 2021 and 2020 were past due or modified. The Credit Union places loans on non-accrual status when a loan reaches 90 days past due or when the collection of interest or principal becomes uncertain.

Commercial Credit Quality Indicators

The Credit Union reviews all lines of credit on an annual basis by reviewing the borrower's financial condition and key ratios. From this analysis, a watch list is created of members that are in a deteriorating financial condition.

Members are included on the watch list if they meet any of the following criteria:

- Net worth ratio below 6%
- Credit rating of C- or below from the Credit Union's rating agency
- Credit unions that are no longer submitting Call Reports to the NCUA, such as those in conservatorship or those in the process of merging.

NOTE 3 - LOANS TO MEMBERS (CONTINUED)

The following table summarizes the credit risk profile of the loan portfolio by class:

	AS OF DECEMBER 31, 2021	
Credit Grade	Lines of Credit	Total Loan Balance
	(dollars in thousands)	
Non-watch list	$ 3,054,193	$ 1,209
Watch list	59,876	—
TOTAL	$ 3,114,069	$ 1,209

	AS OF DECEMBER 31, 2020	
Credit Grade	Lines of Credit	Total Loan Balance
	(dollars in thousands)	
Non-watch list	$ 3,048,400	$ 140
Watch list	19,015	—
TOTAL	$ 3,067,415	$ 140

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2021 and 2020 by major classification as follows:

	2021	2020
	(dollars in thousands)	
Land	$ 133	$ 960
Building	374	5,593
Furniture and equipment	14,034	16,119
Leasehold improvements	271	172
	14,812	22,844
Less accumulated depreciation	(12,149)	(17,426)
TOTAL	$ 2,663	$ 5,418

Depreciation and amortization charged to operations was approximately $1,311,000 and $1,736,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 - MEMBERS' SHARES AND CERTIFICATES

Members' shares and certificates are summarized as follows:

	2021	2020
	(dollars in thousands)	
Daily shares	$ 4,164,501	$ 5,723,706
PSA-30 share accounts	23,137	30,940
PSA-90 share accounts	384,902	363,786
Holiday accumulation account	15,845	41,682
Certificates	276,986	786,813
Non-perpetual capital accounts	8,505	8,505
TOTAL	$ 4,873,876	$ 6,955,432

The aggregate balance of members' certificates in denominations that meet or exceed $250,000 was approximately $248,712,000 as of December 31, 2021.

NOTE 5 - MEMBERS' SHARES AND CERTIFICATES (CONTINUED)

Scheduled maturities of certificates are as follows:

		2021
		(dollars in thousands)
Within one year	$	210,211
1 to 2 years		21,192
2 to 3 years		28,482
3 to 4 years		11,957
4 to 5 years		5,144
TOTAL	$	276,986

NOTE 6 - BORROWED FUNDS

As of December 31, 2021 and 2020, the Credit Union had access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of the value of its qualified collateral, specifically investment securities, as defined in the FHLB Statement of Credit Policy.

Outstanding borrowed funds from the FHLB of Atlanta are summarized as follows:

Interest Type	Interest Rate	Final Maturity Date		2021		2020
				(dollars in thousands)		
Fixed	0.23 %	January 1, 2021	$	—	$	6,023
			$	—	$	6,023

NOTE 7 - EMPLOYEE BENEFIT PLANS

401(k) Plan

The Credit Union maintains a 401(k) Plan covering all employees (excluding temporary employees) of the Credit Union with no age or service requirement. The Credit Union provides a qualified non-elective contribution (QNEC) equal to 3% of employees' eligible compensation which is 100% vested when made. The Plan allows employees to make elective deferrals up to 100% of compensation, limited to the annual limits established by the IRC. Additionally, the Credit Union matches employee 401(k) contributions based on the employee's years of service. The employer match has a five-year vesting schedule. The board of directors may also approve an annual discretionary contribution. Employer contributions to the Plan approximated $963,000 and $932,000 during the years ended December 31, 2021 and 2020, respectively.

457(f) Plans

The Credit Union has a Retention Payment Plan for key employees of management to encourage long-term employment with the Credit Union. The Plan is a non-qualified deferred compensation plan intended to qualify for income tax deferral under Section 457(f) of the Internal Revenue code. The Credit Union acquired life insurance policies to fund its liability in connection with the Plan. The liability was approximately $1,775,000 and $1,688,000 as of December 31, 2021 and 2020, respectively, and is included in accrued expenses and other liabilities in the consolidated statements of financial condition. The balance of the life insurance policies was approximately $36,675,000 and $35,732,000 as of December 31, 2021 and 2020, respectively.

NOTE 8 - LINES OF CREDIT

Lines of Credit

The Credit Union has unused lines of credit with four separate financial institutions totaling $350 million. These lines include the following:

- PNC Bank - $100 million Fed Funds unsecured line of credit
- U.S. Bank - $150 million Fed Funds line of credit
- Truist Bank - $50 million advised repo line of credit
- Corporate One Federal Credit Union - $50 million Unsecured Fed Funds

There were no outstanding borrowings as of December 31, 2021 or 2020.

The interest rates charged vary from Fed Funds rate to repo rates depending on the collateral provided and the current market conditions.

Federal Home Loan Bank of Atlanta (FHLB)

The Credit Union is also a member of the FHLB of Atlanta. As of December 31, 2021, the Credit Union had access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of the value of its qualified collateral, as defined in the FHLB Statement of Credit Policy. As of December 31, 2021 and 2020, the unused credit available under this line-of-credit agreement was approximately $1,576,375,000 and $1,927,716,000, respectively. In order to access the unused portion of the line of credit, the Credit Union would need to pledge qualifying collateral in accordance with the terms of the agreement. As of December 31, 2021 and 2020, securities with book values totaling approximately $2,775,402,000 and $2,916,169,000, respectively, have been pledged as collateral to secure advances from the FHLB.

NOTE 8 - LINES OF CREDIT (CONTINUED)

Federal Reserve Bank (FRB)

The Credit Union has entered into a credit availability agreement with the FRB discount window. Under the terms of this secured line-of-credit agreement, the Credit Union has the ability to borrow up to 80% of the calculated fair value of its pledged eligible assets, investment secruities, with collateral values approximated $199,778,000 and $342,718,000 as of December 31, 2021 and 2020, respectively. The unused credit limit with the FRB is based on the various types of assets provided as collateral. As of December 31, 2021 and 2020, there were no outstanding borrowings under this agreement.

JP Morgan Securities, LLC (JPM)

The Credit Union has established a repurchase line of credit agreement with JPM, secured by unencumbered, qualified investment securities which are secured with the Bank of New York. The interest rate charged varies depending on the collateral provided and the current market conditions. There were no borrowed funds outstanding under this agreement as of December 31, 2021.

NOTE 9 - COMMITMENTS

Lease Commitments

The Credit Union leases three office locations. The minimum non-cancellable lease obligation approximates the following as of December 31, 2021:

Year ending December 31,		Amount
		(dollars in thousands)
2022	$	**935,000**
2023		**815,000**
2024		**837,000**
2025		**860,000**
2026		**751,000**
Thereafter		**2,335,000**
TOTAL	$	**6,533,000**

Net rent expense under the operating lease, included in expenses, was approximately $1,126,000 and $368,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 10 - OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Off-Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Credit Union's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit are agreements to lend to a member credit union as long as there is no violation of any condition established in the contract. Generally, the Credit Union offers advised lines of credit which have no fixed expiration dates but are reviewed periodically and enable the Credit Union to discontinue the member's line without notice. Since some or all of the commitments may be adjusted or discontinued without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2021, the unfunded commitment under members' lines of credit approximated $3,114,069,000. The Credit Union evaluates each member credit union's creditworthiness on a case-by-case basis. A majority of the lines of credit are secured and the amount of collateral obtained, if any, is based on management's credit evaluation of the member.

NOTE 11 - REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Failure to meet a minimum capital requirement would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting the Credit Union's ability to accept deposits.

Effective December 22, 2017, several changes were made to the capital regulations pertaining to corporate credit unions. The revised regulations provides an incentive to build retained earnings to at least 250 basis points by providing the following incentive if this is achieved:

- All PCC will be included in Tier 1 capital. If not, PCC in excess of retained earnings minus 200 basis points of daily average net assets, will be excluded from Tier 1 capital. Tier 1 capital is the key capital measure within NCUA Regulation Part 704 under which corporate credit unions operate.

The Credit Union's retained earnings and other equity ratio is 3.80% and 1.96% as of December 31, 2021 and 2020, respectively. The ratio was higher than the regulatory minimum for the year ending December 31, 2021 allowing the Credit Union to include all PCC as regulatory Tier 1 capital. By regulation, since the Credit Union's ratio as of December 31, 2020 fell below the regulatory minimum of 2.50%, it was required to exclude an amount of PCC equivalent to the PCC excess over retained earnings less two percent of moving daily average net assets from its Tier 1 Capital calculation.

NOTE 11 - REGULATORY CAPITAL (CONTINUED)

Based on this calculation, no PCC was excluded from Tier 1 Capital for the year ended December 31, 2020 as two percent of moving daily average net assets was greater than the excess of PCC over retained earnings.

The NCUA made changes to the definition of Tier 1 and Tier 2 capital to help clarify the definition. The changes eliminated many of the items that were either added or subtracted from capital to simplify the definition of regulatory capital.

Tier 1 Capital:

- Retained earnings
- Perpetual contributed capital
- Less:
    - Intangible assets that exceed one-half percent of the corporate credit union's moving daily average net assets,
    - Investments, both equity and debt, in unconsolidated CUSOs,
    - PCC received from federally insured credit unions that causes PCC minus retained earnings, all divided by moving daily average net assets, to exceed two percent when a corporate credit union's retained earnings ratio is less than two and one-half percent.

Tier 2 capital includes the following:

- Unamortized Non-perpetual Capital,
- Allowance for loan losses calculated under GAAP up to a maximum of 1.25% of risk-weighted assets,
- Any PCC deducted from Tier 1 capital,
- Forty-five percent of net unrealized gains (holding gains exceeding holding losses) on available-for-sale equity securities with readily determinable fair values.

Total capital includes Tier 1 and Tier 2 capital.

DECEMBER 31, 2021 and 2020

NOTE 11 - REGULATORY CAPITAL (CONTINUED)

The Credit Union's capital amounts used in the calculations for regulatory capital as of December 31, 2021 and 2020, below are as follows:

	2021	2020
	(dollars in thousands)	
Retained earnings	$ 205,302	$ 103,967
Retained earnings from merged credit unions	—	—
Equity acquired in merger	22,562	22,562
Total regulatory retained earnings	227,864	126,529
Perpetual contributed capital (PCC)	214,428	214,238
Investments in unconsolidated CUSOs	(9,438)	(8,686)
Tier 1 capital before PCC exclusion	432,854	332,081
PCC exclusion	—	—
Tier 1 capital	$ 432,854	$ 332,081
Tier 1 capital before PCC exclusion	$ 432,854	$ 332,081
Non-perpetual capital	8,358	8,401
Total capital	$ 441,212	$ 340,482
Daily average net assets – 12 month moving (DANA)	$ 6,002,358	$ 6,445,163
Monthly DANA less excluded PCC	$ 6,002,358	$ 6,445,163
Monthly moving average net risk-weighted assets	$ 1,038,625	$ 1,265,698

	2021	2020	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio (1)	7.21%	5.15%	4.00%	5.00%
Tier 1 risk based capital ratio (2)	41.68%	26.24%	4.00%	6.00%
Total risk based capital ratio (3)	42.48%	26.90%	8.00%	10.00%
Retained earnings ratio (4)	3.80%	1.96%	N/A	N/A

Calculations (Capital/Denominator):

(1) = T1C/DANA (2) = T1C/MMANRA (3) = TC/MMANRA (4) = Retained earnings/DANA

T1C = Tier 1 capital
DANA = Daily average net assets
TC = Total capital
MMANRA = Moving monthly average net risk-weighted assets

NOTE 12 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) provides a framework for measuring fair value that requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2) and the lowest priority to unobservable inputs (Level 3).

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, typically pricing models and/or discounted cash flow methodologies.

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value on a recurring basis.

NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

	ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2021			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Available-for-sale:				
Small business administration securities	$ —	$ 2,154,066	$ —	$ 2,154,066
Collateralized mortgage obligations	—	715,402	—	715,402
Asset-backed securities	—	641,198	—	641,198
Corporate bonds	—	241,041	—	241,041
Treasury notes	148,586	—	—	148,586
U.S. government agency securities	—	49,961	—	49,961
U.S. government mortgage-backed securities	—	33,687	—	33,687
	$ 148,586	$ 3,835,355	$ —	$ 3,983,941

	ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2020			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Available-for-sale:				
Small business administration securities	$ —	$ 2,143,950	$ —	$ 2,143,950
Asset-backed securities	—	737,766	—	737,766
Collateralized mortgage obligations	—	967,255	—	967,255
Corporate bonds	—	61,364	—	61,364
U.S. government mortgage-backed securities	—	47,482	—	47,482
	$ —	$ 3,957,817	$ –	$ 3,957,817

NOTE 13 - U.S. CENTRAL ESTATE SETTLEMENT

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to capital holders of the U.S. Central Asset Management Estate (AME). The Credit Union received two distributions during the year ended December 31, 2021 totaling $149,127,000. Of the amount received from the estate, the Credit Union provided a distribution totaling approximately $59,659,000 to the member credit unions who wrote off capital with one of the three corporate credit unions that today make up Vizo Financial Corporate Credit Union (First Carolina Corporate Credit Union, Mid-Atlantic Corporate Federal Credit Union and VACORP Federal Credit Union).

Gain on USC Estate Settlement (1)	**$149,126,684**
Special dividend declared (2)	**$59,659,145**

(1) Refer to Consolidated Statements of Income
(2) Refer to Consolidated Statements of Members' Equity

*** * * END OF NOTES * * ***

INDEPENDENT AUDITOR'S REPORT

DoerenMayhew
CPAs AND ADVISORS

March 31, 2022

To the Supervisory Committee and Board of Directors of Vizo Financial Corporate Credit Union:

We have audited Vizo Financial Corporate Credit Union and its subsidiary's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Annual Report 2021.

Auditor's Responsibility

Our responsibility is to express an opinion on the institution's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA Regulations, our audit of Vizo Financial Corporate Credit Union and its subsidiary's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 Call Report instructions. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Vizo Financial Corporate Credit Union and its subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of financial condition and the related consolidated statements of income, comprehensive income, members' equity and cash flows of Vizo Financial Corporate Credit Union and its subsidiary and our report dated March 31, 2022, expressed an unmodified opinion.

Doeren Mayhew

Doeren Mayhew
Miami, FL

STATEMENT of MANAGEMENT'S RESPONSIBILITIES

The management of Vizo Financial Corporate Credit Union and its subsidiary (Credit Union) is responsible for preparing the Credit Union's annual consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The management of the Credit Union is also responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the NCUA 5310 Corporate Call Report. The management of the Credit Union is also responsible for complying with any applicable federal laws, state laws and any regulations pertaining to affiliated transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

David W. Brehmer
president / CEO

Mark K. Brown
chief financial officer

Management's Assessment of Compliance with Safety and Soundness Laws and Regulations

The management of the Credit Union has assessed its compliance with all applicable federal laws, and as applicable, state laws, and any regulations pertaining to affiliated transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year ending December 31, 2021. Based on its assessment, management has concluded that the Credit Union has complied with all applicable federal laws, and, as applicable, state laws, and any regulations pertaining to affiliated transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year ending December 31, 2021.

Management's Assessment of Internal Control Over Financial Reporting

The Credit Union's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and consolidated financial statements for regulatory reporting purposes, i.e., NCUA 5310 Corporate Credit Union Call Report. The Credit Union's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Credit Union; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Credit Union are being made only in accordance with authorizations of management and directors of the Credit Union; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the Credit Union's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the NCUA 5310-Corporate Credit Union Call Report, as of December 31, 2021, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

STATEMENT of MANAGEMENT'S RESPONSIBILITIES

Based upon its assessment, management has concluded that, as of December 31, 2021, the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the NCUA 5310 Corporate Credit Union Call Report, is effective based on the criteria established in Internal Control-Integrated Framework.

The Credit Union's internal control over financial reporting as of December 31, 2021, has been audited by Doeren Mayhew, CPAs and Advisors, an independent public accounting firm, as stated in their accompanying report which expresses an unmodified opinion on the effectiveness of the Credit Union's internal control over financial reporting as of December 31, 2021.

COMPENSATION DISCLOSURE

The National Credit Union Administration's Rules and Regulations Part 704.19 requires that corporate credit unions annually prepare and maintain a disclosure of the compensation paid to their most highly compensated employees. Based on its number of full-time employees, Vizo Financial Corporate Credit Union is required to disclose the compensation paid to the five highest compensated employees. Vizo Financial Corporate Credit Union must distribute the most current disclosure to all members at least once a year.

A Vizo Financial Corporate Credit Union member may obtain a copy of the most current disclosure, and disclosures from the previous three years, on request in person or in writing. The corporate credit union must provide the disclosure(s), at no cost to the member, within five business days of receiving the request.

The compensation data below meets the requirement of Part 704.19 for disclosure of executive compensation for the year ending December 31, 2021.

POSITION	2021 W-2 REPORTABLE COMPENSATION	OTHER COMPENSATION	TOTAL COMPENSATION
Chief Investment Officer[1]	$518,282.39	$53,193.84	$571,476.23
Chief Financial Officer[2]	$495,583.29	$52,326.34	$547,909.63
President / Chief Executive Officer[3]	$477,545.05	$34,855.43	$512,400.48
(Former) Chief Operations Officer[4]	$271,707.96	$20,251.27	$291,959.23
(Former) Chief Executive Officer[5]	$233,967.47	$35,855.00	$269,822.47

[1] Reportable W-2 compensation includes annual salary, bonus, incentive, retention plan payment, co-owned universal life insurance policy
[2] Reportable W-2 compensation includes annual salary, bonus, incentive, retention plan payment, co-owned universal life insurance policy, PTO giving plan
[3] Reportable W-2 compensation includes annual salary, bonus, incentive, co-owned universal life insurance policy, PTO giving plan
[4] Reportable W-2 compensation includes severance payment
[5] Reportable W-2 compensation includes annual salary, incentive, PTO giving plan

Compensation Administration System

Vizo Financial Corporate Credit Union utilizes an external, customized compensation administration system to determine job grades and salary ranges. All positions are analyzed on several key factors and assigned a job grade and corresponding salary range, which is composed of a minimum salary, a mid-point salary (usually the middle of the salary range) and a maximum salary.

On an annual basis, Vizo Financial Corporate Credit Union's salary ranges are indexed to ensure compensation practices are externally competitive with local, regional and industry labor markets. Vizo Financial Corporate Credit Union's policy is to maintain fair and equitable salaries that are consistent with the economic requirements of the organization and competitive within the relevant labor market in order to attract, retain and reward qualified employees.

Other Compensation

Other compensation refers to standard employer paid benefits including: group health insurance, employer health savings account (HSA) contribution, life insurance, disability insurance, 401(k) employer match contribution, 401(k) employer safe harbor contribution and an employee assistance program (EAP).

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