



BUILDING A
better tomorrow
2022 ANNUAL REPORT



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CHAIR & EXECUTIVE Report

Think back to high school...more specifically, high school history class. Some of us may have learned from history books that were written before the Berlin Wall was torn down, and some of us have children and grandchildren who will find America's first black president as part of their teachings. Regardless of what history looks like for any of us, it's a constant for a reason – because we learn and grow from the events that happened before us.

But beyond high school, history never stops playing a role in our lives. That's because it's being written as we live it. Think of the financial crisis in 2008 or, more recently, the pandemic. These are both examples of events we've experienced in our lifetime that have left their marks on our history. And from them, we ask ourselves, what did they teach us? What lessons did we learn from these historical milestones?

The lessons and the knowledge we glean from yesterday's events can guide us to make different decisions today. And everything we do today helps us pave the way for the future. Ultimately, these steps lead us to one simple yet powerful end: *building a better tomorrow*.

With that in mind, Vizo Financial set out to build a foundation and a vision for a better tomorrow based on insights from our history and purpose in our choices. In 2022, some of our successes were:

- We completed our full payback to capital members who had incurred capital losses at one of the three corporates that make up Vizo Financial today. It was a remarkable milestone to attain and validated our members' trust in our organization.
- We achieved most of our long-term capital plan goals, with our retained earnings ratio and tier 1 capital ratios reaching all-time highs.
- We completed our goal of 34 credit union core conversions from our internal system to our new core platform, CUAxis, powered by CU*Answers. We used the credit union principle of "cooperation among cooperatives" to form a key partnership with CU*Answers, a credit union service organization, to make this upgraded core solution part of our product mix. Our negotiated pricing for the platform makes it economical and provides for growth opportunities – both of which are necessary components for tomorrow's success.
- We initiated a project to consolidate our four different deposit capture platforms into a new web-based platform that is owned by a credit union service organization, TranzCapture, of which we are part owners. This will greatly enhance our service to members while gaining significant internal efficiencies by moving to a web-based solution.
- We enhanced our risk management capacities by forming a new payments risk group, implementing a wire anomaly system and converting our over 5,000 users to tokens for multi factor authentication purposes.
- We brought emerging challenges into the limelight with valuable solutions through the launch of our DoubleCheck and DefenseStorm services. We believe these solutions will be helpful as credit unions seek to provide superior overdraft programs and while upgrading their cybersecurity risk management capabilities.
- We expanded educational opportunities with more virtual and in-person learning events, as well as additional educational resources, including our podcast, *Financial Minds: Meet the Experts*. The podcast has been a great source of information characterized by real discussions with real credit union players so we can embrace the knowledge that will guide our movement forward.
- We joined the FedNow Service instant payments pilot program, a service that will certainly lead the future of the payments world in the coming years. By participating in the FedNow Service pilot and learning how to be a conduit and settlement agent to the program for our members, we're bringing the future of payments right to their doorsteps.
- We implemented the first year of our Diversity, Equity and Inclusion (DEI) program to ensure that all employees feel they are a part of the organization.

CHAIR & EXECUTIVE Report

- We aided our fellow credit unions and their members in Ukraine by raising funds for the Ukrainian Credit Union Displacement Fund. While our contribution was just one of many, the participation of our member credit unions and our staff signified that cooperation is still as ingrained in our movement today as it was when we got our start over a century ago.

We are certainly aware of the changing landscape for the financial services industry in which we operate. Our commitment to helping credit unions meet the challenges brought on by these changes has never wavered or been stronger than it is now. If we can look back on what's come before, if we use the knowledge we've gained from history's big lessons, that future we're looking to achieve can become even brighter. We want to thank our member credit unions for your continued support, patronage and trust as you help us build the foundation for a better tomorrow.



Scott Woods
chair

A handwritten signature in black ink, appearing to read "Scott Woods".



David W. Brehmer
president/CEO

A handwritten signature in black ink, appearing to read "David W. Brehmer".

CREDIT COMMITTEE Report



Genice DeCorte
chair

A handwritten signature in black ink, appearing to read 'Genice DeCorte', written in a cursive style.

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 2022, 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 2022, Vizo Financial had \$3.461 billion in approved lines of credit. Outstanding loans at year-end were just \$121.2 million. There were no member loan delinquencies in 2022.

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 2023!

TREASURER'S Report

With inflation and rapidly rising rates, it was an interesting year for finances in 2022. Despite the challenges, Vizo Financial experienced another successful year in terms of capital. Vizo Financial's total capital grew to \$519.6 million by the end of 2022, maintaining its position as one of the strongest corporate credit unions in the nation.

Of the Corporate's total capital in 2022, \$511.3 million is considered tier-one capital. Tier-one capital consists of \$305.6 million in retained earnings plus \$215.7 million in perpetual contributed capital (PCC), less equity in unconsolidated CUSOs of \$10.1 million. Total capital includes tier-one capital plus \$8.3 million in non-perpetual capital accounts.

Vizo Financial earned \$27.6 million in net interest income. The Corporate's net interest income combined with non-interest income of \$130.2 million, less operating expenses of \$39.2 million, produced \$118.6 million in net revenues in 2022. The non-interest income was augmented by recoveries of prior lost capital at U.S. Central FCU, which totaled \$109.2 million. Total revenues were reduced by \$3.2 million in regular dividend payments on perpetual contributed capital (PCC) accounts and a special dividend payout to members of \$37.7 million, which dropped net transfers to retained earnings to \$77.7 million. Average assets for the year were right at \$5.9 billion.

The Corporate ended 2022 with a retained earnings ratio of 5.17% and a tier 1/leverage ratio of 8.64% (this ratio had bottomed out at 4.86% in 2020). The regulatory minimum tier 1 capital ratio is 4.0%. At year-end, we held just under \$78 million in our off-balance sheet EBA account at the Fed.

The Corporate's risk weighted capital ratios remained strong in 2022. The Corporate's tier-one risk weighted capital ratio ended the year at 56.5%, with a total risk weighted capital ratio of 57.4%. Both ratios far exceed their regulatory requirements and demonstrate the high credit quality of the Vizo Financial investment portfolio.

With our members' support and cooperation, we can build a better tomorrow together. Once again, we thank you for being an integral part of our continued financial success in 2022.



Daniel Berry
treasurer

A handwritten signature in black ink that reads "Daniel Berry". The signature is written in a cursive style with a long horizontal flourish extending to the right.

SUPERVISORY COMMITTEE Report

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

Throughout 2022, 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, 2022. 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 control. 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 control were identified as a result of these internal 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.



Richard C. Burnett
chair

Richard C. Burnett

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



Scott Woods
chair

South Carolina FCU
North Charleston, S.C.
Assets: \$2.6 billion



Jeff Chelius
vice chair

Riverfront FCU
Wyomissing, Pa.
Assets: \$277.0 million



Daniel Berry
treasurer

Duke University FCU
Durham, N.C.
Assets: \$203.9 million



Genice DeCorte
secretary

HealthShare CU
Greensboro, N.C.
Assets: \$47.3 million



Derek Fuzzell
director

PAHO/WHO FCU
Washington, D.C.
Assets: \$285.1 million



Paul Hughes
director

Greenville FCU
Greenville, S.C.
Assets: \$409.3 million



Jerry King
director

DEXSTA FCU
Wilmington, Del.
Assets: \$401.6 million



Mark Volponi
director

USX FCU
Cranberry Township, Pa.
Assets: \$267.5 million



Scott Weaver
director

Carolina Foothills FCU
Spartanburg, S.C.
Assets: \$188.5 million



Sue DeStephano
associate director

First Capital FCU
York, Pa.
Assets: \$310.8 million



Brian Hedgepeth
associate director

Bronco FCU
Franklin, Va.
Assets: \$252.1 million

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021
(With Independent Auditor's Report Thereon)

VIZO FINANCIAL CORPORATE CREDIT UNION

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Independent Auditor's Report

March 23, 2023

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

Report on the Audits of 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, 2022 and 2021, 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, 2022 and 2021, 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 control 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.

Report on the Audits of the Consolidated Financial Statements (Continued)

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 control. 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.

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 control 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.

To the Supervisory Committee and Board of Directors of
Vizo Financial Corporate Credit Union
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Report on the Audits of the Consolidated Financial Statements (Continued)

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, 2022, 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 23, 2023, expressed an unmodified opinion.

Doeren Mayhew

Doeren Mayhew
Miami, FL

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
	<i>(dollars in thousands)</i>	
Cash and cash equivalents	\$2,537,486	\$1,209,119
Certificates of deposit	7,232	10,160
Available-for-sale investments (Note 2)	3,851,141	3,983,941
Loans (Note 3)	121,314	1,209
Accrued interest receivable	23,149	8,426
Life insurance policies	37,609	36,675
Central Liquidity Fund (CLF) capital stock	—	57,738
Prepaid and other assets	100,530	67,136
Property and equipment (Note 4)	2,757	2,663
Federal Home Loan Bank (FHLB) stock	57,942	3,692
National Credit Union Share Insurance Fund (NCUSIF) deposit	1,638	1,743
Total assets	\$6,740,798	\$5,382,502
<u>Liabilities and Members' Equity</u>		
Liabilities:		
Members' shares and certificates (Note 5)	\$4,878,475	\$4,873,876
Borrowed funds (Note 6)	1,300,000	—
Uncollected deposits due to member accounts	55,106	49,812
Accrued expenses and other liabilities	13,657	4,119
Total liabilities	6,247,238	4,927,807
Commitments and contingent liabilities		
Members' equity:		
Perpetual contributed capital	215,741	214,428
Undivided earnings	283,052	205,302
Equity acquired in acquisition	22,562	22,562
Accumulated other comprehensive (loss)/ income	(27,795)	12,403
Total members' equity	493,560	454,695
Total liabilities and members' equity	\$6,740,798	\$5,382,502

See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
	<i>(dollars in thousands)</i>	
Interest income:		
Investments	\$103,477	\$35,851
Loans	2,006	157
Total interest income	105,483	36,008
Interest expense:		
Members' shares and certificates	72,846	4,485
Borrowed funds	5,010	9
Total interest expense	77,856	4,494
Net interest income	27,627	31,514
Non-interest income:		
Gain on U.S. Central Estate Settlement (Note 12)	109,197	149,127
Check services, bill payments services, EFT services	13,644	15,027
Fees and other income	7,350	6,250
Gain on sale of available-for-sale investments	—	952
Total non-interest income	130,191	171,356
Non-interest expenses:		
Compensation and benefits	19,459	19,890
Operations	14,612	15,284
Professional and outside services	2,579	3,312
Other	2,574	1,783
Total non-interest expenses	39,224	40,269
Net income	\$118,594	\$162,601

See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	<i>(dollars in thousands)</i>	
Net income	\$118,594	\$162,601
Other comprehensive loss:		
Net unrealized holding losses on investments classified as available-for-sale	(40,198)	(10,656)
Reclassification adjustments for gains included in net income	—	(952)
Other comprehensive loss	(40,198)	(11,608)
Comprehensive income	<u>\$78,396</u>	<u>\$150,993</u>

See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021

	Perpetual Contributed Capital	Undivided Earnings	Equity Acquired in Acquisition	Accumulated Other Comprehensive (Loss)/Income	Total
	<i>(dollars in thousands)</i>				
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
Issuance of perpetual contributed capital	1,313	—	—	—	1,313
Net income	—	118,594	—	—	118,594
Special dividend declared	—	(37,679)	—	—	(37,679)
Dividends on perpetual contributed capital	—	(3,165)	—	—	(3,165)
Other comprehensive loss	—	—	—	(40,198)	(40,198)
Balance, December 31, 2022	\$215,741	\$283,052	\$22,562	(\$27,795)	\$493,560

See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	<i>(dollars in thousands)</i>	
Cash flows from operating activities:		
Net income	<u>\$118,594</u>	<u>\$162,601</u>
Adjustments:		
Depreciation and amortization	1,119	1,311
Amortization of investment premiums/discounts, net	23,932	25,427
Gain on sale of available-for-sale investments	—	(952)
Change in cash surrender value of life insurance policies	(934)	(943)
(Increase)/decrease in:		
Prepaid and other assets	(33,394)	(10,454)
Accrued interest receivable	(14,723)	(199)
Increase/(decrease) in:		
Uncollected deposits due to member accounts	5,294	(3,324)
Accrued expenses and other liabilities	9,537	(312)
Total adjustments	<u>(9,169)</u>	<u>10,554</u>
Net cash provided from operating activities	<u>109,425</u>	<u>173,155</u>

See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash Flows (Continued)

	2022	2021
	<i>(dollars in thousands)</i>	
Cash flows from investing activities:		
Proceeds from maturities, sales and repayments of available-for-sale investments	1,344,606	1,310,912
Proceeds from the sale of property and equipment	—	3,683
Change in reverse repurchase agreement	—	6,023
Purchase of available-for-sale investments	(1,275,935)	(1,373,120)
Net change in loans	(120,105)	(1,069)
Maturity of certificates of deposit	2,928	77,988
(Purchase)/redemption of FHLB stock	(54,250)	859
Expenditures for property and equipment	(1,213)	(2,239)
Redemption of CLF capital stock	57,738	506
Decrease in NCUSIF deposit	105	6
Net cash (used in)/provided from investing activities	(46,126)	23,549
Cash flows from financing activities:		
Net change in members' shares and certificates	4,599	(2,081,556)
Proceeds from borrowed funds	1,300,000	—
Proceeds from issuance of perpetual contributed capital	1,313	190
Repayment of borrowed funds	—	(6,023)
Dividends on perpetual contributed capital	(3,165)	(1,607)
Special dividend declared	(37,679)	(59,659)
Net cash provided from/(used in) financing activities	1,265,068	(2,148,655)
Net change in cash and cash equivalents	1,328,367	(1,951,951)
Cash and cash equivalents, beginning of year	1,209,119	3,161,070
Cash and cash equivalents, end of year	\$2,537,486	\$1,209,119

Supplemental Cash Flows Disclosures

Interest paid	\$74,658	\$4,494
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See accompanying notes to the consolidated financial statements.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 and the Carolinas.

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, the MY CU Services offers cash services, cloud computing services, credit union consulting services, cooperative purchase programs, 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Significant Accounting Policies (Continued)

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.

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.

Certificates of Deposit

Certificates of deposit 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 – 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 maintains, in aggregate, the excess funds 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 \$77,680,000 and \$4,964,257,000 as of December 31, 2022 and 2021, 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Significant Accounting Policies (Continued)

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, 2022 and 2021.

Central Liquidity Fund (CLF) Capital Stock

In 2020, the U.S. Government enacted the Cares Act which included legislative changes that strengthened the 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. The Credit Union, as a corporate credit union, can act as an Agent on behalf of its member credit unions with assets under \$250,000,000. The Credit Union may also become a direct member in the CLF. 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Significant Accounting Policies (Continued)

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 four classes of loans (lines of credit, fixed-rate term, variable rate term, and other secured 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, 2022 and 2021, 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, 2022. 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Significant Accounting Policies (Continued)

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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 effective date of the ASU was January 1, 2023; however, early application was permitted. As such, 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 consolidated 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. 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through March 23, 2023, the date the consolidated financial statements were available to be issued.

Note 2 - Available-for-Sale Investments

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

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(dollars in thousands)</i>			
Available-for-sale:				
Small business administration securities	\$1,985,442	\$8,966	(\$8,614)	\$1,985,794
Asset-backed securities	595,381	504	(3,204)	592,681
Collateralized-mortgage obligations	590,010	504	(9,346)	581,168
Treasury notes	576,657	—	(15,019)	561,638
U.S. government agency securities	79,789	—	(742)	79,047
Corporate bonds	29,997	—	(131)	29,866
U.S. government mortgage-backed securities	21,660	—	(713)	20,947
Total	\$3,878,936	\$9,974	(\$37,769)	\$3,851,141

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investments (Continued)

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

There was no sale of investments classified as available-for-sale during the year ended December 31, 2022. 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investments (Continued)

The Credit Union's available-for-sale portfolio includes small business administration securities, asset-backed securities, collateralized mortgage obligations, 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.

	<i>Available-for-sale</i>	
	Amortized Cost	Fair Value
	<i>(dollars in thousands)</i>	
Within one year	\$313,504	\$309,185
One to five years	322,939	311,748
Five to ten years	50,000	49,618
	686,443	670,551
Small business administration securities	1,985,442	1,985,794
Asset-backed securities	595,381	592,681
Collateralized-mortgage obligations	590,010	581,168
U.S. government mortgage-backed securities	21,660	20,947
Total	\$3,878,936	\$3,851,141

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investments (Continued)

The following tables represent concentration limits on investments based on parameters established on *NCUA Regulation 704.6*:

	As of December 31, 2022		
	Fair Value	Capital Based Limit	Asset Based Limit
	<i>(dollars in thousands)</i>		
<i>By Security Type:</i>			
Credit card ABS	\$419,483	\$2,598,095	\$1,685,199
Corporate debt obligations	29,866	5,196,191	3,370,399
Auto loan/lease ABS	100,821	2,598,095	1,685,199
FFELP Student Loan ABS	68,362	5,196,191	3,370,399
Other ABS	7,618	2,598,095	1,685,199
Mortgage-backed securities	542	5,196,191	3,370,399
All other investments	3,224,449	—	—
Total	\$3,851,141		

	As of December 31, 2022	
	Fair Value	Regulatory Limit
	<i>(dollars in thousands)</i>	
<i>By Issuer:</i>		
CCCIT	\$145,308	\$259,810
AMXCA	130,010	259,810
DCENT	97,221	259,810
NAVSL	68,362	129,905
COMET	46,944	259,810
TOYCC	29,866	1,039,238
GFORT	28,909	129,905
CARMX	23,241	129,905

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investments (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, 2022					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(dollars in thousands)</i>					
Available-for-sale:						
Small business administration securities	\$519,054	(\$2,203)	\$545,354	(\$6,411)	\$1,064,408	(\$8,614)
Asset-backed securities	405,205	(865)	98,893	(2,339)	504,098	(3,204)
Collateralized mortgage obligations	374,033	(6,431)	108,823	(2,915)	482,856	(9,346)
Treasury notes	418,474	(8,798)	143,164	(6,221)	561,638	(15,019)
U.S. government agency securities	54,264	(525)	24,783	(217)	79,047	(742)
Corporate bonds	29,866	(131)	—	—	29,866	(131)
U.S. government mortgage-backed securities	20,947	(713)	—	—	20,947	(713)
Total	\$1,821,843	(\$19,666)	\$921,017	(\$18,103)	\$2,742,860	(\$37,769)
	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
	<i>(dollars in thousands)</i>					
Available-for-sale:						
Small business administration securities	\$800,393	(\$8,252)	\$156,085	(\$1,181)	\$956,478	(\$9,433)
Asset-backed securities	157,397	(87)	—	—	157,397	(87)
Collateralized mortgage obligations	163,069	(497)	44,584	(244)	207,653	(741)
Treasury notes	148,586	(241)	—	—	148,586	(241)
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)

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investments (Continued)

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, 2022 or 2021.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans to Members

The composition of loans to members is as follows:

	As of December 31,	
	2022	2021
	<i>(dollars in thousands)</i>	
Loans outstanding:		
Lines of credit	\$61,233	\$1,038
Fixed-rate term	56,775	50
Variable rate term	3,195	—
Other secured loans	111	121
Total	<u>\$121,314</u>	<u>\$1,209</u>

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, 2022 and 2021. 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, 2022 and 2021. Additionally, none of the loans outstanding as of December 31, 2022 and 2021 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans to Members (Continued)

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

Credit grade	As of December 31, 2022	
	Lines of Credit	Total Loan Balance
	<i>(dollars in thousands)</i>	
Non-watch list	\$3,403,917	\$121,314
Watch list	56,733	—
Total	\$3,460,650	\$121,314

Credit grade	As of December 31, 2021	
	Lines of Credit	Total Loan Balance
	<i>(dollars in thousands)</i>	
Non-watch list	\$3,054,193	\$1,209
Watch list	59,876	—
Total	\$3,114,069	\$1,209

Note 4 - Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2022 and 2021 by major classification as follows:

	2022	2021
	<i>(dollars in thousands)</i>	
Land	\$133	\$133
Building	374	374
Furniture and equipment	12,944	14,034
Leasehold improvements	384	271
	13,835	14,812
Less accumulated depreciation	(11,078)	(12,149)
Total	\$2,757	\$2,663

Depreciation and amortization charged to operations was approximately \$1,119,000 and \$1,311,000 for the years ended December 31, 2022 and 2021, respectively.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 5 - Members' Shares and Certificates

Members' shares and certificates are summarized as follows:

	<u>2022</u>	<u>2021</u>
	<i>(dollars in thousands)</i>	
Daily shares	\$4,120,052	\$4,164,501
PSA-30 share accounts	7,012	23,137
PSA-90 share accounts	146,482	384,902
Holiday accumulation account	2,615	15,845
Certificates	593,809	276,986
Non-perpetual capital accounts	8,505	8,505
	<hr/>	
Total	<u>\$4,878,475</u>	<u>\$4,873,876</u>

The aggregate balance of members' certificates in denominations that meet or exceed \$250,000 was approximately \$537,397,000 as of December 31, 2022.

Scheduled maturities of certificates are as follows:

	<u>2022</u>
	<i>(dollars in thousands)</i>
Within one year	\$306,569
1 to 2 years	145,095
2 to 3 years	79,823
3 to 4 years	41,772
4 to 5 years	20,550
	<hr/>
Total	<u>\$593,809</u>

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 6 - Borrowed Funds

As of December 31, 2022 and 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, specifically investment securities, as defined in the FHLB Statement of Credit Policy.

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

<u>Interest Type</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>2022</u>	<u>2021</u>
			<i>(dollars in thousands)</i>	
Fixed	4.15%	January 6, 2023	\$800,000	\$—
Fixed	4.17%	January 13, 2023	500,000	—
			<u>\$1,300,000</u>	<u>\$—</u>

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 \$984,000 and \$963,000 during the years ended December 31, 2022 and 2021, 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 \$2,095,000 and \$1,775,000 as of December 31, 2022 and 2021, 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 \$37,609,000 and \$36,675,000 as of December 31, 2022 and 2021, respectively.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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
- US 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, 2022 or 2021.

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

The Credit Union is also a member of the FHLB of Atlanta. As of December 31, 2022, 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, 2022 and 2021, the unused credit available under this line-of-credit agreement was approximately \$2,092,351,000 and \$1,576,375,000, 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, 2022 and 2021, securities with fair market values totaling approximately \$3,177,731,000 and \$2,861,239,000, respectively, have been pledged as collateral to secure advances from the FHLB.

Federal Reserve Bank

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 securities, with collateral fair market values of approximately \$133,063,000 and \$203,943,000 as of December 31, 2022 and 2021, respectively. The unused credit limit with the FRB is based on the various types of assets provided as collateral. As of December 31, 2022 and 2021, there were no outstanding borrowings under this agreement.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 8 - Lines of Credit (Continued)

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, nor were there any securities pledged under this agreement as of December 31, 2022 and 2021.

Note 9 - 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 members 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, 2022, the unfunded commitment under members' lines of credit approximated \$3,410,650,000. 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 10 - 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 10 - Regulatory Capital (Continued)

The Credit Union's retained earnings and other equity ratio is 5.17% and 3.80% as of December 31, 2022 and 2021, respectively. The ratio was higher than the regulatory minimum for the years ending December 31, 2022 and 2021, respectively, allowing the Credit Union to include all PCC as regulatory Tier 1 capital.

The NCUA made changes to the definition of Tier 1 and Tier 2 capital to help clarify the definition. The changes eliminated many of 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:
 - o Intangible assets that exceed one-half percent of the corporate credit union's moving daily average net assets,
 - o Investments, both equity and debt, in unconsolidated CUSOs,
 - o 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 include Tier 1 and Tier 2 capital.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 10 - Regulatory Capital (Continued)

The Credit Union's capital amounts used in the calculations for regulatory capital as of December 31, 2022 and 2021, below are as follows:

	2022	2021
	<i>(dollars in thousands)</i>	
Retained earnings	\$283,052	\$205,302
Retained earnings from merged credit unions	—	—
Equity acquired in merger	22,562	22,562
Total regulatory retained earnings	305,614	227,864
Perpetual contributed capital (PCC)	215,741	214,428
Investments in unconsolidated CUSOs	(10,066)	(9,438)
Tier 1 capital before PCC exclusion	511,289	432,854
PCC exclusion	—	—
Tier 1 capital	\$511,289	\$432,854
Tier 1 capital before PCC exclusion	\$511,289	\$432,854
Non-perpetual capital	8,330	8,358
Total capital	\$519,619	\$441,212
Daily average net assets – 12 month moving (DANA)	\$5,915,262	\$6,002,358
Monthly DANA less excluded PCC	\$5,915,262	\$6,002,358
Monthly moving average net risk-weighted assets	\$904,550	\$1,038,625

	2022	2021	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio (1)	8.64%	7.21%	4.00%	5.00%
Tier 1 risk based capital ratio (2)	56.52%	41.68%	4.00%	6.00%
Total risk based capital ratio (3)	57.45%	42.48%	8.00%	10.00%
Retained earnings ratio (4)	5.17%	3.80%	N/A	N/A

Calculations (Capital/Denominator):

(1) = T1C/DANA

(2) = T1C/MMANRA

(3) = TC/MMANRA

(4) = Retained earnings/DANA

T1C = Tier 1 capital

TC = Total capital

DANA = Daily average net assets

MMANRA = Moving monthly average net risk-weighted assets

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 11 - 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.

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 11 - Fair Value Measurements (Continued)

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.

Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
<i>(dollars in thousands)</i>				
Available-for-sale:				
Small business administration securities	\$—	\$1,985,794	\$—	\$1,985,794
Asset-backed securities	—	592,681	—	592,681
Collateralized mortgage obligations	—	581,168	—	581,168
Treasury notes	561,638	—	—	561,638
U.S. government agency securities	—	79,047	—	79,047
Corporate bonds	—	29,866	—	29,866
U.S. government mortgage-backed securities	—	20,947	—	20,947
	\$561,638	\$3,289,503	\$—	\$3,851,141
Assets at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
<i>(dollars in thousands)</i>				
Available-for-sale:				
Small business administration securities	\$—	\$2,154,066	\$—	\$2,154,066
Asset-backed securities	—	641,198	—	641,198
Collateralized mortgage obligations	—	715,402	—	715,402
Treasury notes	148,586	—	—	148,586
U.S. government agency securities	—	49,961	—	49,961
Corporate bonds	—	241,041	—	241,041
U.S. government mortgage-backed securities	—	33,687	—	33,687
	\$148,586	\$3,835,355	\$—	\$3,983,941

VIZO FINANCIAL CORPORATE CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 12 - 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, 2022 totaling approximately \$109,197,000. Of the amount received from the estate, the Credit Union provided a distribution totaling approximately \$37,679,000 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)	<u>\$109,196,588</u>
Special dividend declared (2)	<u><u>\$37,678,525</u></u>

(1) Refer to Consolidated Statements of Income

(2) Refer to Consolidated Statements of Members' Equity

* * * End of Notes * * *

Independent Auditor's Report

March 23, 2023

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, 2022, 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 2022.

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.

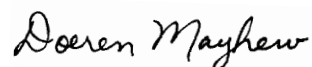
Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or 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, 2022, 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 23, 2023, expressed an unmodified opinion.



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.

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, 2022. 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, 2022.

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

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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, 2022, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based upon its assessment, management has concluded that, as of December 31, 2022, 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.

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The Credit Union's internal control over financial reporting as of December 31, 2022, 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, 2022.

A handwritten signature in black ink, appearing to read "David W. Brehmer", written over a horizontal line.

David W. Brehmer – CEO/President

A handwritten signature in black ink, appearing to read "Mark K. Brown", written over a horizontal line.

Mark K. Brown - CFO

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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, upon 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, 2022.

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).

POSITION	2022 W-2 REPORTABLE COMPENSATION	OTHER COMPENSATION	TOTAL COMPENSATION
President/CEO ¹	\$541,004.74	\$37,840.92	\$578,845.66
Chief Investment Officer ²	\$278,769.78	\$55,272.04	\$334,041.82
Chief Financial Officer ³	\$260,234.52	\$54,383.70	\$314,618.22
Chief Technology and Strategy Officer ⁴	\$245,565.09	\$54,166.59	\$299,731.68
Chief Engagement Officer ⁵	\$238,783.36	\$52,848.38	\$291,631.74

¹ W-2 compensation includes annual salary, incentive, co-owned universal life insurance policy

² W-2 compensation includes annual salary, incentive, co-owned universal life insurance policy, PTO giving plan

³ W-2 compensation includes annual salary, bonus, incentive, co-owned universal life insurance policy

⁴ W-2 compensation includes annual salary, incentive

⁵ W-2 compensation includes annual salary, bonus, incentive, commission



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