Monthly Financials

Vizo Financial Corporate Credit Union

November 2020

Corporate Update

Jay Murray, CEO
David Brehmer, President

The holidays are all about celebrating generosity and the things we are thankful for in our lives. This year, in particular, has been arguably one of the most challenging years in recent history. And with all of the eye-opening experiences we have been through, sharing our gratitude is more important than ever. So, as a thank you to our members for their ongoing support, we are pleased that we were able to provide a "Give Back Discount" to reduce member fees in November covering charges for services received in October. We have had a successful year and as a true cooperative, we wanted to show our gratitude and share some of that success with our capital members who have supported us throughout the years.

Other things our Vizo Financial team is thankful for include the health and safety of our collective staffs, volunteers, families, and friends. Simply put, we are very grateful and fortunate to be a part of our credit union community, for the support you show us on an ongoing basis and, for our ability to keep serving our communities in creative ways.

The Importance of ISRAs

Do you know how important information security risk assessments (ISRAs) are to your credit union? An ISRA is a review of your credit union's security controls to look for gaps that might pose risks to your sensitive information. This assessment will help bring awareness to your vulnerabilities, so you can make decisions to improve and implement sufficient security controls.

Not only are annual ISRAs required under NCUA rules and regulations part 748, but they're also crucial to protecting your members' sensitive information.

Let Vizo Financial be the resource you need to keep your members' information safe. Our experts will give your credit union the tools to be the secure and reliable institution your members need. For more information on our ISRAs, please visit the risk management page at www.vfccu.org.

New Credit Union Training Videos!

Fantastic news...we now have new credit union training videos available! We've added the following videos to our list on the Credit Union Training Videos page:

- Seven Cooperative Principles
- Banks vs. Credit Unions
- Key Economic Indicators - Parts 1 & 2
- Check Fundamentals Series - Parts of a Check
- Check Fundamentals Series - History of Checks
- Check Fundamentals Series - Important Definitions
- Check Fundamentals Series - Lifecycle of a Check
- Ratios, Risks and Internal Controls
- Cybersecurity Basics

To watch our newest videos, or any of our training videos, please visit the Credit Union Training Videos page at www.vfccu.org.

Save the Date for our 2021 Risk Management Conference!

Vizo Financial is looking ahead to next year for education, and we've got a fantastic Risk Management Conference in the works! More details will be available in the coming months, but for now, grab your phone/calendar/planner and jot down these dates...April 14-16, 2021. Thanks for saving the date!

Exceptional Service in Our Communities

Vizo Financial strives each and every day to provide excellence in our service, not just to our members, but also to our local communities. Children's Miracle Network (CMN) Hospitals is our movement's charity of choice...but you already knew that! What you may not have known, though, is that Vizo Financial is supporting CMN Hospitals through two radiothons this holiday season!

On November 12-13, Vizo Financial and several Central Pennsylvania credit unions acted as the naming rights sponsors of the annual Pay 4 Play radiothon to benefit CMN Hospitals at Penn State Children's Hospital in Hershey, Pa. The event brought in $315,981.35!

We'll also be co-sponsoring the Duke Children's Radiothon on December 15-16, under the name of Carolinas Credit Unions. Look for more details next month!

As always, if you have any questions regarding the financials, please don't hesitate to contact us.

Financial Condition & Performance *October 2020*

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of October 31, 2020. These reports include information regarding our balance sheet, income statement, asset quality, capital adequacy, liquidity and interest rate risk. It contains all the financial data required for review under Regulation 703.

Balance Sheet

Member overnight balances averaged $5.552 billion compared to $5.560 billion in September and $5.686 billion in August. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased $47.5 million in October. The spread between the single day high and low balances was $1.108 billion compared to $914.0 million in September (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) increased slightly (15% vs. 13% in September).

Average off-balance sheet credit union balances — those held in our EBA — averaged $1.210 billion and ended the month at $1.203 billion. We continue to work with members to shift some of their short-term deposits with us into our EBA account in an effort to better control the size of our balance sheet during this inflated asset period. We appreciate all of the members who have helped us in this effort to date.

March has historically been the month where deposits peak. However, this year has not followed norms. Balances continued to climb to record highs in July. Since then our total deposits have dropped off only about $75.6 million. Use of our EBA program has managed to bring on-balance sheet average assets down by $1.154 billion from our peak in June of $6.706 billion, yet year-to-date average assets are still running over $2.275 billion above levels in 2019. We do not expect our 12-month average assets to reach their peak until the end of the first quarter of 2021. Therefore, despite strong earnings, you will continue to see our capital ratios drop over the next six months before leveling off and starting to improve.

Much uncertainty still surrounds the economy, and how this will impact our balances is unknown. Strategically, we over-invest in the spring and manage cash flows the remainder of the year as assets roll out. This strategy has proved extremely effective as current market opportunities are very limited, so as much as we will try to re-invest cash flows, we anticipate our investment balances dropping over time. We target holding a minimum of $500 million in cash at the Federal Reserve Bank to ensure we have sufficient liquidity at all times for our member settlement activity. Last year, our average Fed balances ran $1.031 billion with an average low of $513 million. Through October 2020, our average Fed balances are running $2.475 billion with an average low of $1.958 billion. In October, our average Fed balances were $2.324 billion with a low of $1.851 billion.

Liquidity is currently very high on the balance sheet and remains readily accessible through our primary borrowing sources.

Some line items to note on this month's balance sheet:

- On-balance sheet (month-end) member shares were up, coming in at $7.333 billion compared to $6.013 billion in September. Month-end figures can vary considerably depending on what day of the week a month ends on. Of this month's total, $657.9 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- Month-end assets came in at $7.3 billion. Average assets were below month-end assets, coming in at $6.5 billion. Excluding non-perpetual capital accounts, our total net equity is at $362.8 million. The unrealized gain/loss/AOCL figure came in at a gain of $24.2 million. More details regarding market values of securities are discussed later in the report under the heading "Unrealized Gains/Losses."
- Total retained earnings ended the month at $124.4 million. Gross income for the month came in at $1,546,726. Distributions to members via PCC dividends totaled $90,977, and $400,000 was reserved for a member rebate toward fees in November. Our net increase to retained earnings was $1,055,748.
- Our leverage/tier 1 capital ratio came in at 5.44% based on our 12-month rolling average assets. Given our dramatic increase in assets, our capital ratios continue to fall despite stable earnings. Our retained earnings ratio ended the month at 2.05%. Despite being below 2.50%, which requires us to calculate a potential deduction of PCC from Tier 1 capital, no deduction was required this month. Our Tier 1 capital ratio remains well above the minimum regulatory guideline of 4%. *Our total capital ratio came in 5.58%.*
- The net economic value (NEV) dollar value of assets came in at $363.2 million at the end of October, with an NEV ratio of 4.95% compared to the prior month's 5.62%. The NEV ratio will fluctuate up and down month-to-month since it is calculated based on month-end assets versus average assets. In the up 300 basis points scenario, the NEV ratio drops to 4.71% with a negative fluctuation of 5.3%. We are well above required regulatory NEV levels (2%).

continued on page 3

Financial Condition & Performance *October 2020*

continued from page 2

- The available liquidity section reflects our capacity for generating liquidity. We factored out securities in the "available-for-sale" (AFS) portfolio whose current market values were lower than we realistically believed we would sell. Although 100% of our marketable securities are classified as AFS, unless the market value is positive or the unrealized loss is estimated at under $5,000, we do not include it as liquid in our "Available Liquidity" report.

- Total capital stands at $338.3 million, excluding unrealized gains and losses on securities and accumulated other comprehensive losses. This consists of PCC, retained earnings, equity acquired in merger and eligible non-perpetual capital accounts (NCAs), less total equity held in unconsolidated CUSOs. NCUA regulations require us to reduce capital by the total equity held in unconsolidated CUSOs in calculating our leverage and total capital ratios. Total equity in unconsolidated CUSOs stood at $8.7 million as of month-end, so without this reduction, our gross total capital amounts to $347.0 million.

We also help members manage funds through the use of off-balance sheet products:

- Marketable securities
- SimpliCD brokered certificates
- Federal Reserve Bank's EBA program

Current Balances

Current balances/usage of these off-balance sheet products are reflected below:

SimpliCDs	$ 681 million
Security Sales*	$ 553 million
EBA Balances	$ 1.203 billion
Total Off-Balance Sheet	**$2.437 billion**

**Security sales reflect sales over the past 18 months*

Unrealized Gains/Losses

Market values were stable in October with unrealized gains dropping slightly from $24.7 million to $24.2 million. There were no significant valuation changes. The market value of the SBA portfolio remains our most positive with unrealized gains of $15.8 million. We have enough collateral to borrow our full line at the Federal Home Loan Bank if needed, and all remaining securities are acceptable collateral for the Fed's Discount Window. *From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 26.8%.*

To provide additional insight on this month's unrealized gain/loss figures, we are providing a breakdown of what securities make up these changes in fair market value and book values.

- $4.703 million GAIN is related to our government agency CMO securities portfolio ($1.019 billion total book value)
- $0.088 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities ($9.4 million total book value)
- $0.111 million GAIN is related to our government guaranteed mortgage securities ($41.5 million total book value)
- $0.847 million GAIN is related to our corporate bond portfolio ($60.5 million total book value)
- $1.804 million GAIN is related to our credit card asset-backed securities ($645.7 million total book value)
- $0.816 million GAIN is related to our auto floorplan asset-backed securities ($228.7 million total book value)
- $0.014 million GAIN is related to our student loan asset-backed securities ($4.25 million total book value)
- $15.782 million GAIN is related to our government guaranteed SBA portfolio ($1.981 billion total book value)

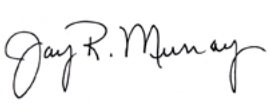
Market values and the associated unrealized gains/losses indicate an estimate of what the sale price of these assets in today's markets would be, and do not necessarily reflect the actual gains/losses that would be realized if the assets were to be sold or held to maturity.

Summary

Please take a moment to review our financial statements. We also recommend that you share this information with your board of directors to satisfy the due diligence requirements set forth in NCUA Regulation 703.

Our highest priority will remain the financial strength and safety of the organization and total transparency in the reporting of our financial condition.

We are very grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.

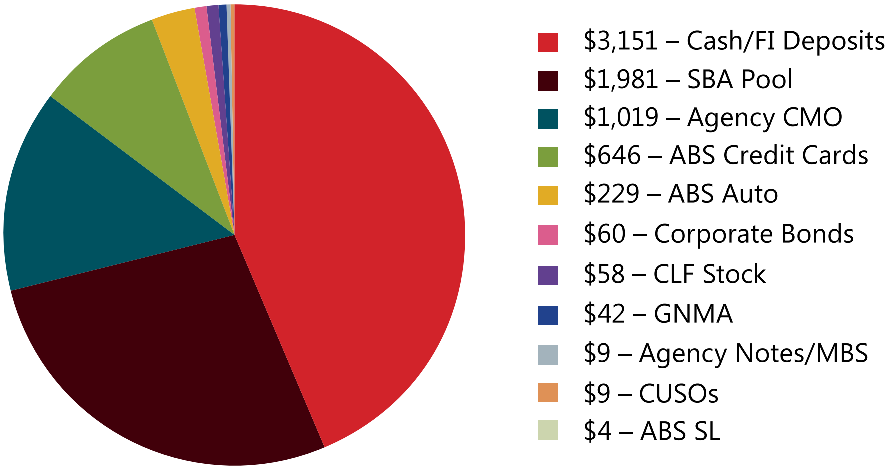


Jay R. Murray
CEO

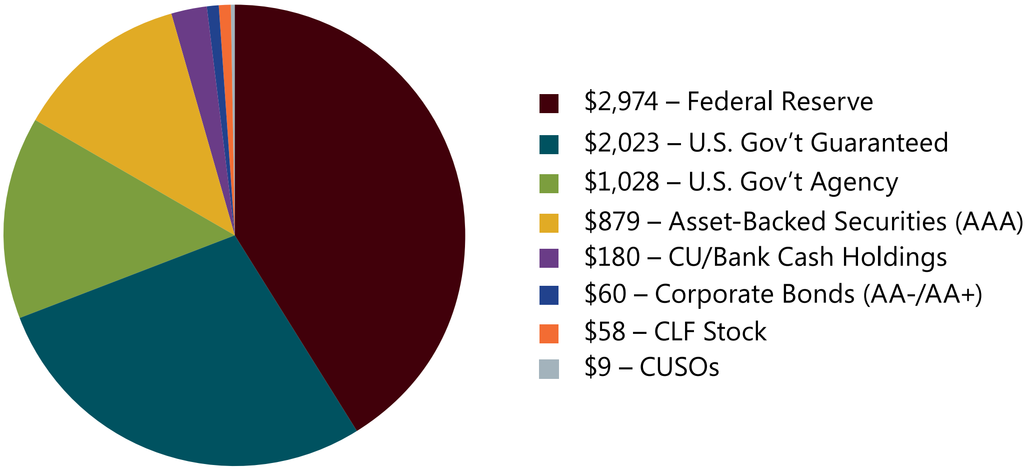
David W. Brehmer
President

Investment Portfolio

Total Book Values as of October 31, 2020



Credit Quality as of October 31, 2020



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

Financial Condition & Performance

Balance Sheet	October 31, 2020	October 31, 2019
Assets		
Loans	$ 391,653	$ 11,991,990
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 881,261,803	$ 922,022,934
U.S. Gov't (Notes/Floaters/Callables)	$ 400,761	$ 541,747
U.S. Gov't Agency (CMOs)	$ 1,064,988,069	$ 651,927,854
U.S. Gov't Agency (MBS)	$ 15,405,263	$ 47,350,001
U.S. Gov't (SBA)	$ 1,996,857,985	$ 1,329,024,936
Corporate Bonds	$ 61,310,210	$ 61,421,300
Commercial Paper	$ 0	$ 0
Federal Home Loan Bank - Atlanta	$ 4,551,200	$ 3,563,400
Credit Union & Bank Deposits	$ 176,465,473	$ 99,441,764
CUSOs	$ 8,690,512	$ 6,491,018
Federal Reserve Bank	$ 2,974,354,716	$ 937,980,010
CLF Stock	$ 58,244,334	$ 0
Receivables	$ 34,993,739	$ 36,964,222
Fixed Assets	$ 5,697,945	$ 6,955,777
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,282,127
Other Assets	$ 47,361,364	$ 47,872,335
Total Assets:	**$ 7,333,257,154**	**$ 4,165,831,415**
Liabilities		
Other Liabilities:	$ 2,959,244	$ 3,194,249
Accounts Payable:	$ 54,653,223	$ 45,632,571
Accrued Liability for Member Payout:	$ 400,000	$ 0
Notes Payable:	$ 6,306,475	$ 7,529,810
Shares	$ 6,239,762,717	$ 3,501,482,041
Certificates/Term Deposits	$ 657,869,410	$ 277,595,298
Total Shares:	$ 6,897,632,127	$ 3,779,077,339
Non-Perpetual Capital Accounts (NCA)	$ 8,505,410	$ 8,505,410
Perpetual Contributed Capital (PCC)	$ 214,237,649	$ 214,196,834
Reserves & Undivided Earnings	$ 101,834,894	$ 82,621,428
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ 24,166,132	$ (304,774)
Total Equity:	$ 371,306,085	$ 327,580,898
Other Equity/Non-Controlling Interest:	$ 0	$ 2,816,548
Total Liabilities & Equity:	**$ 7,333,257,154**	**$ 4,165,831,415**

unaudited financials

Financial Condition & Performance

Income Statement YTD	October 2020	October 2019
Interest Income	$ 48,103,487	$ 89,549,966
Interest Expense	$ (17,264,829)	$ (63,113,809)
Net Interest Income	**$ 30,838,658**	**$ 26,436,157**
Net Correspondent Service Income	$ 12,632,201	$ 13,988,729
-Trf to Accrued Liability/Member Payout	$ (1,484,391)	$ 0
Gross Operating Income	**$ 41,986,468**	**$ 40,424,886**
Operating Expense	$ (24,873,608)	$ (24,125,330)
Net Income:	**$ 17,112,860**	**$ 16,299,556**
Non-Operating Gains/(Losses)	$ 464,780	$ 253,635
Amortization of Core Deposit Intangible	$ 0	$ 0
CUSO Income	$ 41,788	$ 84,390
Net Income before PCC Distributions	**$ 17,619,428**	**$ 16,637,581**
Less: Non-Controlling Interest in Net Income	$ (234)	$ (50,520)
Less: Equity Transfer for PCC Distribution	$ (1,415,896)	$ (4,232,371)
Net Increase to Retained Earnings	**$ 16,203,298**	**$ 12,354,690**

Earnings Spread/Net Operating Margin	October 2020	October 2019
Return on Average Assets	0.903%	2.610%
Interest/Dividend Expense	-0.324%	-1.839%
Net Interest Margin	**0.579%**	**0.770%**
Correspondent Service Income	0.237%	0.408%
Operating Expenses	-0.467%	-0.703%
Non-Operating Gains/(Losses)	0.009%	0.007%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.001%	0.002%
Non-Controlling Interest in Net Income	0.000%	-0.001%
Trf to Accrued Liability in Net Income	-0.028%	0.000%
PCC Distributions	-0.027%	-0.123%
Net Margin	**0.304%**	**0.360%**

Asset Quality	October 2020
Non-Earning Assets/Average Assets	1.51%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	42.29%
Asset-Backed Securities (Non-Mortgage)	12.11%
Federal Home Loan Bank	0.06%
Corporate Bonds	0.84%
Commercial Paper	0.00%
Bank & Credit Union Deposits	2.42%
Federal Reserve Bank	40.87%
CUSO Equity	0.12%
Cash & Receivables	0.48%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	AAA/Aaa
Commercial Paper	A-1/P-1
Corporate Bonds	AA- to AA+/A1 to Aa1
Gov't Agencies/SBAs	AA+ to AAA

unaudited financials

Key Financial *Ratios*

Capital Adequacy	October 2020	October 2019
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.90%	2.49%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.05%	2.65%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.44%	7.88%
Total Capital/12-Month Average Net Assets	5.58%	8.09%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	26.12%	27.77%
Total Capital/12-Month Average Risk-Weighted Assets	26.79%	28.52%
Total Capital	$ 338,352,222	$ 321,340,643
Tier 1 (Leverage) Capital	$ 329,944,031	$ 312,889,244
Tier 2 Capital	$ 8,408,191	$ 8,451,399
PCC Deducted from Tier 1 Capital	$ 0	$ 0
Unrealized Gain/Loss on Securities	$ 24,166,132	$ (304,774)
Monthly Average Assets	$ 6,549,812,787	$ 4,228,154,188
Average 12-Month Assets	$ 6,062,433,635	$ 3,971,479,764
Year-to-Date Average Assets	$ 6,394,432,422	$ 4,119,671,964

Liquidity & Interest Rate Risk as of October 31, 2020

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 3,009,348,455
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	$ 1,695,189,214
Overnight & Investments Maturing within 90 days:	$ 164,271,473
Unsecured Fed Funds Lines Available:	$ 200,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,982,382,390
-less fixed term existing loan advances	$ (6,306,475)
Primary Sources of Liquidity:	$ 7,194,885,057
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 84,171,441
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 1,202,844,725
Secondary Sources of Liquidity:	$ 1,287,016,166
Total Available Liquidity:	**$ 8,481,901,223**

Interest Rate Risk as of October 31, 2020

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 363,179,265
NEV Ratio:	4.95%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 343,995,181
NEV Ratio:	4.71%
Percentage Change:	(5.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 402,403,447
NEV Ratio:	5.46%
Percentage Change:	10.8%

Notes to Financials *October 2020*

1. Tier 1 (Leverage) Capital = Reserves, Undivided Earnings, Equity Acquired in Merger and Perpetual Contributed Capital (PCC) less unconsolidated equity investments and less any amount of PCC that causes PCC minus retained earnings (all divided by moving daily average net assets) to exceed 2% (per NCUA Regulation 704).
2. Tier 2 Capital = The PCC that has been deducted from Tier 1 Capital + unamortized Non-perpetual Capital Accounts (NCAs) – $8,408,190.
3. Total Capital = Tier 1 + Tier 2 Capital.
4. Equity acquired in merger reflects the value of the retained earnings that came to Vizo Financial from First Carolina.
5. Marketable Securities are classified 100% as "available-for-sale."
6. Net Economic Value (NEV) = the fair value of assets less the fair value of liabilities.
7. NEV Ratio = Dollar NEV divided by the fair value of total assets.
8. PCC qualifies as equity capital in calculating our NEV ratios. As equity, PCC is not treated as a liability when calculating Vizo Financial's NEV.
9. The regulatory minimum required capital ratios today are:
    a) Leverage (Tier 1) Capital Ratio: 4.0%
    b) Tier 1 Risk-based capital ratio: 4.0%
    c) Total Risk-based capital ratio: 8.0%
10. The leverage capital ratio is calculated by dividing Tier 1 capital by MDANA (moving daily average net assets).
11. The Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by the moving monthly average net risk-weighted assets.
12. The Total risk-based capital ratio is calculated by dividing Total capital by the moving monthly average net risk-weighted assets.
13. All credit card and auto related asset-backed securities are rated by S&P (AAA), Moody's (Aaa), and/or Fitch (AAA).
14. Student loan asset-backed securities are rated by Moody's (Aaa) and S&P (AAA).
15. Corporate bonds ratings ranges are from S&P (AA+/AA-) and Moody's (A1/Aa1).
16. Available-for-sale securities in the liquidity section includes only bonds with market values showing: 1) Gains, or 2) Unrealized losses below $5,000.
17. Other Assets includes insurance policies held with Midland National, North American Company and Minnesota Life tied to 457F plans and a split-dollar plan to offset executive and employee benefits costs.
18. All borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
19. Primary credit access is available at the Federal Reserve Bank (FRB).
20. Current limit at FHLB-Atlanta $2,286,443,400 (10/31) – this will vary based on assets.
21. Unsecured fed funds lines comprised of $100 million from PNC Bank; $50 million from Wells Fargo; $50 million from Corporate One.
22. Secured fed funds lines comprised of $150 million from U.S. Bank – line secured by asset-backed securities.
23. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
24. NEV & capital ratios are in compliance with policy and regulatory limits.
25. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totaled only $450.

Required Credit Analysis Under Regulation 703

Except for investments that are issued or fully guaranteed as to principal and interest by the U.S. Government or its agencies, enterprises or corporations or fully insured (including accumulated interest) by the National Credit Union Administration or the Federal Deposit Insurance Corporation, you must conduct and document a credit analysis of the issuing entity and/or investment before you purchase the investment. You must update the analysis at least annually as long as you hold the investment.

Retain this report as part of the credit analysis required under Regulation 703.

Financial Soundness Report

Jay R. Murray, CEO
David W. Brehmer, President
Mark Brown, CFO
Fred Eisel, CIO

For more information concerning the content in this unaudited financial report, please contact Vizo Financial at (800) 622-7494.

Vizo financial

7900 Triad Center Drive
Suite 410
Greensboro, NC 27409

1201 Fulling Mill Road
Middletown, PA 17057
www.vfccu.org