Monthly Financials

Vizo Financial Corporate Credit Union

October 2020

Corporate Update

Jay Murray, CEO
David Brehmer, President

Change. It's all around us - in the beautifully colored leaves falling from the trees, in each tick of the clock, in the way we live our day-to-day lives and in the manner in which we serve our members in the midst of a pandemic. We have to remember that change is always happening. It's a cycle on an endless continuum and it's up to us to rise to the challenges of our evolving environment. We've been doing that since our world was turned upside down in March and we will continue to do so as we head into 2021. Whatever challenges arise, credit unions will always be about helping people and making differences in our communities. That's what this month's international credit union day reminded us all of, and is something that will NEVER change!

Consider I-Care

How is your credit union handling benefits this year? With open enrollment right around the corner for most organizations, we wanted to remind you that you have access to I-Care through Vizo Financial. I-Care is a program made exclusively for credit unions to help receive better employee benefits for potentially less money. It's made possible by our partner, InterLutions, and the willingness of credit unions to collaborate for cost-savings on a vast array of benefit options. Want to learn more about I-Care? Click here or go to www.vfccu.org!

About CMN Hospitals & Victory Junction

Vizo Financial takes a lot of pride in our community involvement efforts. We've given our time and donations to numerous organizations over the years, but there are two charities we're particularly passionate about: Children's Miracle Network (CMN) Hospitals and Victory Junction!

CMN Hospitals is a network of 170 children's hospitals across the U.S. and Canada that treats sick and injured kids. For credit unions, CMN Hospitals is our charity of choice. In fact, we're all part of Credit Unions for Kids (CU4Kids), the organization that collaboratively raises funds to benefit CMN Hospitals. Every dollar we earn from these efforts goes toward much-needed equipment, breakthrough research, life-saving treatment programs and high-tech facilities to help the children and families of CMN Hospitals keep fighting.

Victory Junction is a camp for children who suffer from serious illnesses and disabilities. The camp comes at no cost to the families and provides activities that help these children build confidence, make lasting friendships and experience things they never thought possible. Located in Randleman, N.C., Victory Junction was founded in 2004 by Kyle and Richard Petty in honor of Kyle's son, Adam. Since then, the camp has served more than 23,000 campers and their families from across the country.

Upcoming Education for Credit Unions

We value education at Vizo Financial. It's a critical piece of our service to credit unions, as it helps your employees continue to learn and grow. And great news...we've got lots of great educational opportunities coming up. Want to know where you can find them and get all the details? Go to the Learn page on our website at www.vfccu.org and check out our upcoming webinars and events for the remainder of 2020!

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. Vizo Financial has been supporting the following organizations in our communities throughout 2020. Our goal is to work together to help raise funds and volunteer for these well-deserving organizations! Click the links to learn more about each one.

BackPack Beginnings
Children's Miracle Network Hospitals
Harvest Hope Food Bank
Hospice of Central Pennsylvania
Pet Match Rescue PA
American Cancer Society
ROAR Outdoors
Cure Sanfilippo Foundation
Milagro House
Victory Junction

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

Financial Condition & Performance *September 2020*

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of September 30, 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 $5.560 billion compared to $5.686 billion in August and $6.022 billion in July. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits decreased $40.8 million in September. The spread between the single day high and low balances was $914.0 million compared to $699.2 million in August (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) increased slightly (13% vs. 10% in August).

Average off-balance sheet credit union balances — those held in our EBA — averaged $1.155 billion compared to $1.071 billion in August, and ended the month at $1.168 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. *With ongoing discussions regarding another government stimulus package, use of the EBA program to control our balance sheet size will become a key part of our product mix.*

March has historically been the month where our deposits peak. However, given the stimulus packages and lack of consumer lending, balances climbed to record levels by July. Over the last two months, we have seen a slight drop in short-term deposits, although our 12-month rolling average assets figure, which is used in calculating our capital ratios, continues to climb. Use of our EBA program, has managed to bring on-balance sheet average assets down by $1.146 billion from our peak in June of $6.706 billion. Yet, on-balance sheet average assets are still running over $2.2 billion above levels in 2019, so 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 should expect to see our capital ratios continue to drop over the next six months before leveling off and starting to move back up.

There remains much uncertainty surrounding the economy and the impact on our balances, and whether the expected next stimulus will have a similar effect on all of our balances as prior relief packages have. Strategically, we generally 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 September 2020, our average Fed balances are running $2.492 billion with an average low of $1.970 billion. In September, our average Fed balances were $2.299 billion with a low of $1.828 billion.

Liquidity is currently very high on the balance sheet and remains readily accessible through our primary borrowing sources. Liquidity over the long-term remains somewhat of an unknown due to the nation's unemployment numbers that are projected to remain high for an extended period of time.

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

- On-balance sheet (month-end) member shares were down slightly, coming in at $6.013 billion compared to $6.172 billion in August. The drop in member shares is the direct result of our success in moving some member balances into our EBA account as described earlier in this report. Month-end figures can vary considerably depending on what day of the week a month ends on. Of this month's total, $636.7 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.

- Month-end assets came in at $6.4 billion. Average assets were slightly above month-end assets, coming in at $6.5 billion. Excluding non-perpetual capital accounts, our total net equity is at $362.3 million. The unrealized gain/loss/AOCL figure came in at a gain of $24.7 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 $123.3 million. Gross income for the month came in at $1,788,917. Our net increase to retained earnings was $1,700,874. Distributions to members via PCC dividends totaled $88,043.

- Our leverage/tier 1 capital ratio came in at 5.60% 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 2.10%. 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 5.75%.*

- The net economic value (NEV) dollar value of assets came in at $362.6 million at the end of September, with

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Financial Condition & Performance *September 2020*

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an NEV ratio of 5.62% compared to the prior month's 5.44%. 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 5.39% with a negative fluctuation of 4.5%. We are well above required regulatory NEV levels (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 percent 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 $337.3 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 $346.0 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	$ 719 million
Security Sales*	$ 522 million
EBA Balances	$ 1.168 billion
Total Off-Balance Sheet	**$2.409 billion**

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

Unrealized Gains/Losses

Market values continued to improve in September with unrealized gains increasing from $23.4 million to $24.7 million. Most of the improvement was in the SBA portfolio, which improved by $1.1 million. The market value of the SBA portfolio remains our most positive with unrealized gains of $15.9 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.

- $4.999 million GAIN is related to our government agency CMO securities portfolio ($1.015 billion total book value)
- $0.096 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities ($9.6 million total book value)
- $0.130 million GAIN is related to our government guaranteed mortgage securities ($42.94 million total book value)
- $0.811 million GAIN is related to our corporate bond portfolio ($60.5 million total book value)
- $1.876 million GAIN is related to our credit card asset-backed securities ($648.7 million total book value)
- $0.840 million GAIN is related to our auto floorplan asset-backed securities ($232.1 million total book value)
- $15.975 million GAIN is related to our government guaranteed SBA portfolio ($1.945 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.

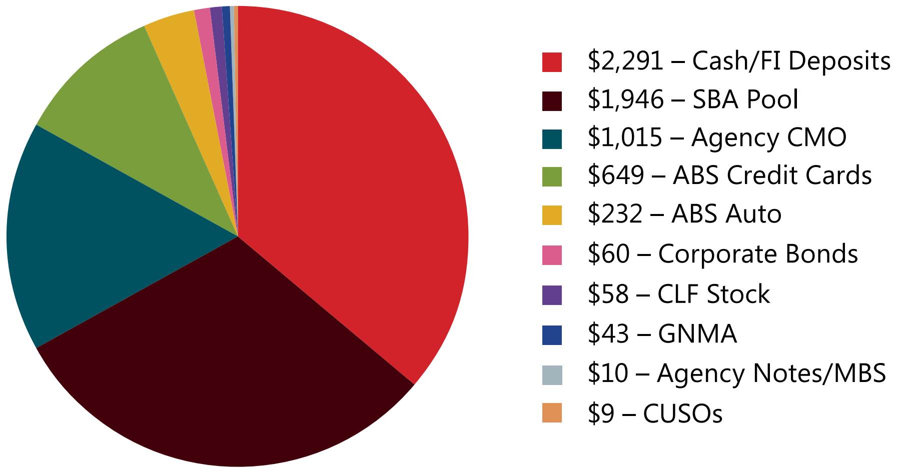
Jay R. Murray

Jay R. Murray
CEO

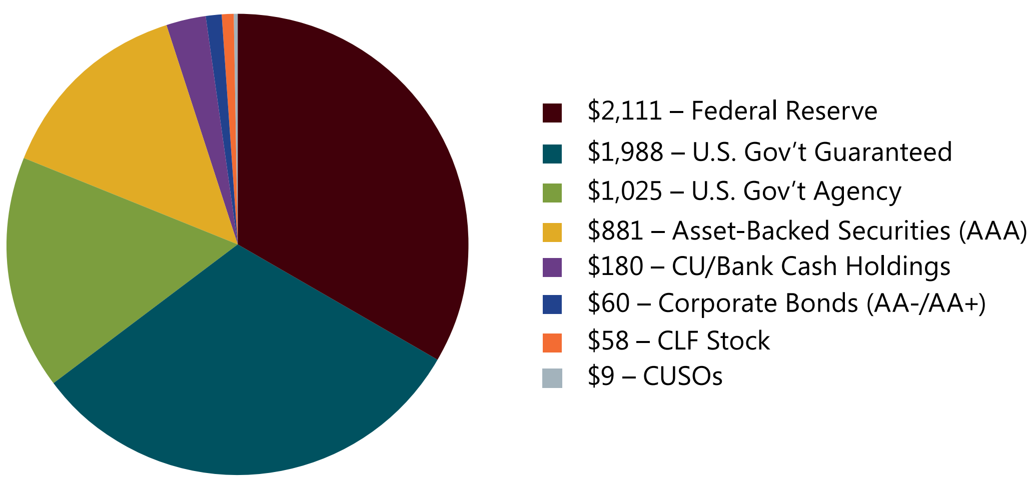
David W. Brehmer
President

Investment Portfolio

Total Book Values as of September 30, 2020



Credit Quality as of September 30, 2020



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

Balance Sheet		September 30, 2020		September 30, 2019
Assets				
Loans	$	8,080,045	$	11,497,973
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	883,564,337	$	912,236,923
U.S. Gov't (Notes/Floaters/Callables)	$	401,361	$	540,929
U.S. Gov't Agency (CMOs)	$	1,063,477,877	$	617,743,795
U.S. Gov't Agency (MBS)	$	15,787,415	$	47,583,203
U.S. Gov't (SBA)	$	1,961,500,870	$	1,307,875,796
Corporate Bonds	$	61,274,759	$	61,366,849
Commercial Paper	$	0	$	0
Federal Home Loan Bank - Atlanta	$	4,551,200	$	8,457,400
Credit Union & Bank Deposits	$	179,687,427	$	101,756,587
CUSOs	$	8,691,404	$	6,497,305
Federal Reserve Bank	$	2,111,104,351	$	1,074,705,859
CLF Stock	$	58,244,334	$	0
Receivables	$	33,837,992	$	31,682,009
Fixed Assets	$	5,890,859	$	7,088,763
Goodwill/Core Deposit Intangible	$	2,282,127	$	2,282,127
Other Assets	$	47,420,540	$	48,879,273
Total Assets:	**$**	**6,445,796,898**	**$**	**4,240,194,791**

Liabilities				
Other Liabilities:	$	2,865,966	$	3,084,379
Accounts Payable:	$	52,677,572	$	47,038,561
Accrued Liability for Member Payout:	$	0	$	0
Notes Payable:	$	6,488,850	$	122,577,800
Shares	$	5,376,205,994	$	3,457,198,499
Certificates/Term Deposits	$	636,747,410	$	283,200,985
Total Shares:	$	6,012,953,404	$	3,740,399,484
Non-Perpetual Capital Accounts (NCA)	$	8,505,410	$	8,505,410
Perpetual Contributed Capital (PCC)	$	214,237,649	$	214,196,849
Reserves & Undivided Earnings	$	100,779,145	$	81,908,913
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	24,726,902	$	(2,887,460)
Total Equity:	$	370,811,106	$	324,285,712
Other Equity/Non-Controlling Interest:	$	0	$	2,808,855
Total Liabilities & Equity:	**$**	**6,445,796,898**	**$**	**4,240,194,791**

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Financial Condition & Performance

Income Statement YTD	September 2020	September 2019
Interest Income	$ 44,826,496	$ 82,236,766
Interest Expense	$ (16,787,462)	$ (57,883,992)
Net Interest Income	**$ 28,039,034**	**$ 24,352,774**
Net Correspondent Service Income	$ 11,478,794	$ 12,563,525
-Trf to Accrued Liability/Member Payout	$ (1,084,391)	$ 0
Gross Operating Income	**$ 38,433,437**	**$ 36,916,299**
Operating Expense	$ (22,468,196)	$ (21,723,616)
Net Income:	**$ 15,965,241**	**$ 15,192,683**
Non-Operating Gains/(Losses)	$ 464,781	$ 246,698
Amortization of Core Deposit Intangible	$ 0	$ 0
CUSO Income	$ 42,680	$ 90,677
Net Income before PCC Distributions	**$ 16,472,702**	**$ 15,530,058**
Less: Non-Controlling Interest in Net Income	$ (234)	$ (42,826)
Less: Equity Transfer for PCC Distribution	$ (1,324,918)	$ (3,845,057)
Net Increase to Retained Earnings	**$ 15,147,550**	**$ 11,642,175**

Earnings Spread/Net Operating Margin	September 2020	September 2019
Return on Average Assets	0.936%	2.677%
Interest/Dividend Expense	-0.351%	-1.884%
Net Interest Margin	**0.586%**	**0.793%**
Correspondent Service Income	0.240%	0.409%
Operating Expenses	-0.469%	-0.707%
Non-Operating Gains/(Losses)	0.010%	0.008%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.001%	0.003%
Non-Controlling Interest in Net Income	0.000%	-0.001%
Trf to Accrued Liability in Net Income	-0.023%	0.000%
PCC Distributions	-0.028%	-0.125%
Net Margin	**0.316%**	**0.379%**

Asset Quality	September 2020
Non-Earning Assets/Average Assets	1.50%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	47.65%
Asset-Backed Securities (Non-Mortgage)	13.84%
Federal Home Loan Bank	0.07%
Corporate Bonds	0.96%
Commercial Paper	0.00%
Bank & Credit Union Deposits	2.82%
Federal Reserve Bank	33.08%
CUSO Equity	0.14%
Cash & Receivables	0.53%
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

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Key Financial *Ratios*

Capital Adequacy	September 2020	September 2019
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.89%	2.61%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.10%	2.66%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.60%	7.95%
Total Capital/12-Month Average Net Assets	5.75%	8.17%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	26.16%	27.96%
Total Capital/12-Month Average Risk-Weighted Assets	26.83%	28.72%
Total Capital	$ 337,299,182	$ 320,625,457
Tier 1 (Leverage) Capital	$ 328,887,390	$ 312,170,457
Tier 2 Capital	$ 8,411,792	$ 8,455,000
PCC Deducted from Tier 1 Capital	$ 0	$ 0
Unrealized Gain/Loss on Securities	$ 24,726,902	$ (2,887,460)
Monthly Average Assets	$ 6,528,173,164	$ 4,007,252,351
Average 12-Month Assets	$ 5,868,962,085	$ 3,925,386,305
Year-to-Date Average Assets	$ 6,377,167,937	$ 4,107,618,384

Liquidity & Interest Rate Risk as of September 30, 2020

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 2,144,942,343
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	$ 1,765,179,526
Overnight & Investments Maturing within 90 days:	$ 166,997,427
Unsecured Fed Funds Lines Available:	$ 200,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,953,114,520
-less fixed term existing loan advances	$ (6,488,850)
Primary Sources of Liquidity:	$ 6,373,744,966
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 50,199,245
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 1,167,844,725
Secondary Sources of Liquidity:	$ 1,218,043,970
Total Available Liquidity:	**$ 7,591,788,936**

Interest Rate Risk as of September 30, 2020

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 362,581,766
NEV Ratio:	5.62%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 346,190,790
NEV Ratio:	5.39%
Percentage Change:	(4.5%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 384,671,957
NEV Ratio:	5.95%
Percentage Change:	6.1%

Notes to Financials *September 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) – $8,411,791.
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 (9/30) – 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.

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