Monthly Financials

October 2023 Financials

Vizo Financial Corporate Credit Union

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of October 31, 2023. 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 $3.164 billion, just up from September's $3.115 billion and nearly the same as August's $3.159 billion. Comparing total deposits, which include the EBA balances, overall average overnight deposits were up $42.7 million in October. Given the overall liquidity tightness in the system, we have warehoused liquidity through the Fed's Bank Term Funding Program (BTFP) to maintain excess cash levels; however, half of those borrowings matured in October. The spread between the single day high and low balances was $1.102 billion, below September's fluctuation of $1.193 billion (includes EBA balances). This led to the volatility of short-term member balances moving down to 28% (from 31%).

Average off-balance sheet credit union balances – those held in our Excess Balance Account (EBA) – averaged just $54.8 million and ended the month at $53.7 million. Despite the current low balances, the EBA will be maintained for potential future use to control the size of our balance sheet if the liquidity environment shifts.

From a seasonal cash flow perspective, March-April have historically been the months where deposits peak. Total short-term deposits (on-balance sheet plus EBA), hit a record high of $10.365 billion in April 2021. In October 2023, this average stood at $3.219 billion, reflecting the major turnaround in the liquidity environment. March was our highest balance month in 2023, with average short-term deposits of $3.943 billion. Our 12-month rolling average assets dropped from $5.564 billion to $5.463 billion. We are targeting a maximum on-balance sheet asset size of $6 billion, which, given the current liquidity environment, we expect to be well below throughout 2023.

We now target a minimum of $700 million in our Fed account to cover member settlement activity. In October, our Fed balances averaged $1.894 billion with a low of $1.202 billion. We still took a $500 million advance to take advantage of warehousing liquidity at attractive pricing levels. This advance was scheduled to pay off on April 30, 2024. However, in November, Vizo Financial repositioned this borrowing by adding an additional $250 million at a lower rate than on October 31, 2023. If necessary, we will look to borrow additional funds to warehouse liquidity as we approach year-end. Average liquidity borrowings in October averaged $822.6 million, with $500 million in outstanding borrowings at month-end.

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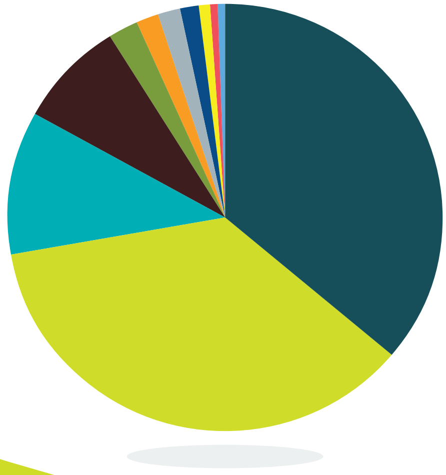
Total Book Values as of October 31, 2023



$ 1,619 - SBA Pool	$ 79 - ABS Auto/Equipment
$ 1,615 - Cash/FI Deposits	$ 62 - ABS Student Loans
$ 488 - Agency CMO	$ 32 - CMBS/MBS
$ 357 - U.S. Treasuries	$ 19 - GNMA
$ 94 - ABS Credit Cards	$ 9 - CUSOs
$ 80 - Agency Floaters	$ 5 - FHLB Stock
$ 80 - Member Loans	$ 0 - Corporate Bonds

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

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While system liquidity remains tight, access to advances is readily available through our primary borrowing sources.

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

- On-balance sheet (month-end) member shares were down from the prior month, coming in at $3.508 billion compared to $4.206 billion in September and $3.323 billion in August. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, $378.4 million was in certificates while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- Month-end assets came in at $4.626 billion. Average net assets were above that figure, coming in at $5.029 billion. Excluding non-perpetual capital accounts but including net unrealized losses, our total net equity is $538.7 million. The overall unrealized loss/AOCL figure dropped to $32.4 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 $354.3 million. Net operating income for the month came in at $2,308,156. This was reduced by negative CUSO income ($46,846). Dividends paid on PCC accounts totaled $828,451 for a net addition to retained earnings of $1,432,859.
- Our leverage/tier 1 capital ratio is at 10.29%, and our retained earnings ratio now stands at 6.49%. *Our total capital ratio ended the month at 10.44%.*
- The Net Economic Value (economic value of assets less the economic value of liabilities) came in at $555.7 million at the end of October with an NEV ratio of 12.01% compared to the prior month's 10.43%. The NEV ratio will fluctuate quite a bit 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 11.55% with a negative fluctuation of 4.8%. We are well above required regulatory NEV levels (2%).
- The available liquidity section reflects our capacity for generating liquidity.
- Total capital now stands at $570.4 million, excluding unrealized gains and/or 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 stands at $9.0 million. Without these reductions, our gross total capital amounts to $579.4 million.

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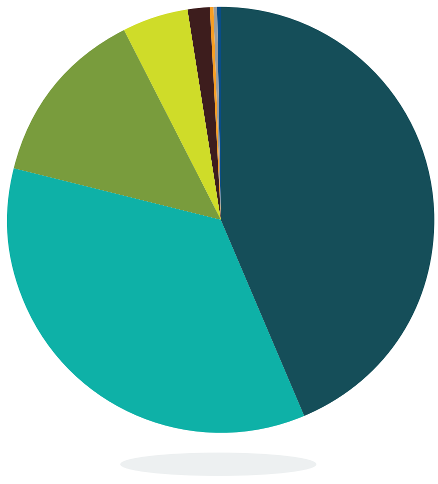
Credit Quality as of October 31, 2023



- $ 1,994 - U.S. Gov't Guaranteed
- $1,598 - Federal Reserve
- $ 600 - U.S. Gov't Agency
- $ 228 - Asset-Backed Securities (AAA)
- $ 80 - Member Loans
- $ 16 - CU/Bank Cash Holdings
- $ 9 - CUSOs
- $ 5 - FHLB Stock
- $ 0 - Corporate Bonds (AA-/AA+)

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

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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

Off-Balance Sheet Activity

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

SimpliCDs	$ 1.006 billion
Security Sales*	$ 344 million
EBA Balances	$ 54 million
Total Off-Balance Sheet	**$ 1.404 billion**

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

Unrealized Gains/Losses

Unrealized losses for October 2023 were $32,390,205, compared to $32,055,604 in September. For the most part, values were stable in October as the Fed paused its rate increases and the market believes we are close to the top of this cycle of Fed rate hikes. *From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 97.44%.*

To provide additional insight into 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.

- $15.609 million LOSS is related to our government agency CMO securities portfolio ($488.1 million total book value)
- $1.429 million LOSS is related to our agency MBS/CMBS securities ($32.2 million total book value)
- $0.801 million LOSS is related to our government guaranteed mortgage securities ($18.6 million total book value)
- $0.379 million LOSS is related to our other agency portfolio ($79.8 million total book value)
- $0.705 million LOSS is related to our credit card asset-backed securities ($94.0 million total book value)
- $0.927 million LOSS is related to our auto, equipment and other asset-backed securities ($72.3 million total book value)
- $1.152 million LOSS is related to our student loan asset-backed securities ($61.2 million total book value)
- $6.562 million LOSS is related to our U.S. treasury securities ($356.8 million total book value)
- $4.826 million LOSS is related to our government guaranteed SBA portfolio ($1.619 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 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.

Mark K Brown

Mark K. Brown
senior vice president/chief financial officer

Balance Sheet

		October 2023		October 2022
Assets				
Investments:				
Investment in CUSOs	$	8,980,020	$	9,566,696
Investment in CLF - Stock	$	0	$	57,738,003
Investment in FHLB - Stock	$	4,718,600	$	2,691,900
Federal Reserve	$	1,598,396,938	$	1,477,108,646
Bank and Credit Union Deposits	$	16,159,390	$	199,269,955
Asset-Backed Securities - Non-Mortgage	$	224,777,939	$	571,262,235
U.S. GSE Securities - Notes	$	79,412,186	$	78,900,752
U.S. GSE Securities - CMO	$	472,482,322	$	602,074,935
U.S. GSE Securities - MBS	$	30,742,660	$	4,776,486
U.S. Govt Agency Securities - GNMA	$	17,770,890	$	21,134,609
U.S. Govt Agency Securities - SBA	$	1,614,124,193	$	2,073,085,592
Corporate Bonds	$	0	$	29,864,470
U.S. Treasuries	$	350,206,112	$	610,860,111
Loans	$	79,534,439	$	75,204,527
Receivables	$	52,502,203	$	47,443,417
Accrued Income/Prepaid Expense	$	29,683,954	$	22,460,674
Fixed Assets	$	6,512,942	$	8,046,685
Goodwill	$	0	$	176,447
Other Assets	$	40,080,168	$	39,204,578
Total Assets:	**$**	**4,626,084,956**	**$**	**5,930,870,719**
Liabilities & Equity				
Other Liabilities:	$	7,882,045	$	7,706,110
Dividends/Interest Payable:	$	1,490,411	$	0
Accounts Payable:	$	61,795,452	$	66,984,142
Notes Payable:	$	500,000,000	$	0
Shares	$	3,129,499,106	$	4,764,335,871
Certificates/Term Deposits	$	378,406,205	$	591,021,347
Total Shares:	**$**	**3,507,905,312**	**$**	**5,355,357,218**
Non-Perpetual Capital Accounts (NCA)	$	8,332,575	$	8,505,410
Perpetual Contributed Capital (PCC)	$	216,763,055	$	214,671,502
Reserves & Undivided Earnings	$	331,744,311	$	280,447,535
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	(32,390,205)	$	(25,363,197)
Total Equity:	**$**	**547,011,736**	**$**	**500,823,248**
Total Liabilities & Equity:	**$**	**4,626,084,956**	**$**	**5,930,870,719**

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Financial Condition & Performance

Income Statement YTD		October 2023		YTD 2023		YTD 2022
Interest Income	$	21,047,339	$	208,120,452	$	70,574,707
Interest Expense	$	(17,010,460)	$	(168,086,205)	$	(47,867,656)
Net Interest Income	**$**	**4,036,880**	**$**	**40,034,246**	**$**	**22,707,051**
Correspondent Service Income	$	1,991,318	$	22,886,178	$	35,939,755
Correspondent Service Expense	$	(1,059,728)	$	(10,755,338)	$	(25,341,841)
Net Correspondent Income	**$**	**931,589**	**$**	**12,130,840**	**$**	**10,597,914**
Gross Operating Income	**$**	**4,968,469**	**$**	**52,165,086**	**$**	**33,304,965**
Operating Expense	$	(2,660,313)	$	(27,129,164)	$	(24,715,126)
Net Income	**$**	**2,308,156**	**$**	**25,035,923**	**$**	**8,589,839**
Gain/Loss on Sale of Investments	$	0	$	(327,750)	$	0
Gain/Loss on Sale of Other Assets/Goodwill	$	0	$	(644,780)	$	(1,182,632)
CUSO Income	$	(46,846)	$	(586,903)	$	(531,743)
Member Payout	$	0	$	0	$	(35,632,865)
Transfer to Accrued Liability	$	0	$	(3,932,086)	$	(3,500,000)
USC Distribution	$	0	$	36,450,492	$	109,196,588
Net Income before PCC Distributions	**$**	**2,261,310**	**$**	**55,994,896**	**$**	**76,939,187**
Less: Non-Controlling Interest in Net Income	$	0	$	0	$	0
Less: Equity Transfer for PCC Distribution	$	(828,451)	$	(7,302,947)	$	(1,793,526)
Net Increase to Retained Earnings	**$**	**1,432,859**	**$**	**48,691,949**	**$**	**75,145,661**

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Earnings Spread/Net Operating Margin	YTD 2023	YTD 2022
Return on Average Assets	4.632%	1.427%
Interest/Dividend Expense	-3.741%	-0.968%
Net Interest Margin	**0.891%**	**0.459%**
Net Correspondent Service Income	0.270%	0.214%
Operating Expenses	-0.604%	-0.500%
Gain/Loss on Sale of Investments	-0.007%	0.000%
Gain/Loss on Other Assets/Goodwill	-0.014%	-0.024%
USC Distribution	0.811%	2.208%
CUSO Income	-0.013%	-0.011%
Non-Controlling Interest in Net Income	0.000%	0.000%
Accrued Liability/Member Payout	-0.088%	-0.791%
PCC Distributions	-0.163%	-0.036%
Net Margin	**1.084%**	**1.520%**

Capital Adequacy		October 2023		October 2022
RUDE + Acquired Equity Capital/Monthly Average Net Assets		7.05%		4.86%
RUDE + Acquired Equity Capital/12-month Average Net Assets		6.49%		5.22%
Tier 1 (Leverage) Capital/12-month Average Net Assets		10.29%		8.75%
Total Capital/12-month Average Net Assets		10.44%		8.89%
Tier 1 Capital/12-month Average Risk-Weighted Assets		96.02%		55.00%
Total Capital/12-month Average Risk-Weighted Assets		97.44%		55.09%
Total Capital	$	570,416,252	$	516,445,498
Tier 1 (Leverage) Capital	$	562,089,346	$	508,114,340
Tier 2 Capital	$	8,326,906	$	8,331,158
PCC deducted from Tier 1 Capital	$	0	$	0
Unrealized Gain/Loss on Securities	$	(32,390,205)	$	(25,363,197)
Monthly Average Assets	$	5,028,716,096	$	6,238,179,235
Year-to-date Average Assets	$	5,394,798,342	$	5,937,386,984
Average 12-month Assets	$	5,463,104,725	$	5,808,355,666

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Key Financial Ratios

Liquidity as of October 31, 2023

Available Liquidity Sources		
Cash on Hand	$	1,607,560,329
Federal Reserve Discount Window	$	100,686,411
Federal Reserve BTFP	$	1,264,051,093
Fed Funds Lines	$	300,000,000
FHLB Lines	$	1,145,772,652
JPM Chase Secured Repo	$	Variable*
Total Available Liquidity:	**$**	**4,418,070,484**
Less Borrowings (BTFP)	$	(500,000,000)
Less Borrowings (FHLB)	$	-
Total Liquidity Uses	$	(500,000,000)
Net Available Liquidity	**$**	**3,918,070,484**

* This amount is based upon the amount of securities collateral that we have available to pledge at the time.

All liquidity sources are collateralized by investments. Alternatively, investments could be sold for cash if unrealized loss is less than $5,000.

Interest Rate Risk as of October 31, 2023

			Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	Net Economic Value (NEV):	$	555,669,871
	NEV Ratio:		12.0%
Up 3% Rate Environment	Net Economic Value (NEV):	$	529,038,027
	NEV Ratio:		11.6%
	Percentage Change:		-4.8%
Down 3% Rate Environment	Net Economic Value (NEV):	$	578,133,088
	NEV Ratio:		12.4%
	Percentage Change:		4.0%

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Notes to Financials

1. Tier 1 (Leverage) Capital = Reserves, Undivided Earnings, Equity Acquired in Merger & 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) – $8,326,906.
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 present value of assets less the present value of liabilities.
7. NEV Ratio = Dollar NEV divided by the economic 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. 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.
17. All borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
18. Primary credit access is available at the Federal Reserve Bank (FRB).
19. Current LOC limit at FHLB-Atlanta $1,784,023,800 (10/31) – this will vary based on assets. Borrowing capacity reflects collateral available for accessing line.
20. Unsecured fed funds lines: $100 million from PNC Bank; $50 million from Corporate One.
21. Secured fed funds lines comprised of $150 million from U.S. Bank – line secured by asset-backed securities.
22. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
23. NEV & capital ratios are in compliance with policy and regulatory limits.

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

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

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