

# Monthly Financials

Vizo Financial Corporate Credit Union

January 2023 Edition | December 2022 Financials



David Brehmer  
President & CEO

## Corporate Update

Welcome to 2023! Each January, we usher in a new year and a new appreciation for the opportunities that lie ahead of us. At the same time, we're reminded of wise words

from the past, spoken by a historical figure who also holds a special place in the month of January, Dr. Martin Luther King, Jr.: "Take the first step in faith. You don't have to see the whole staircase, just take the first step."

His were wise words, indeed, and, while we can't say what the year may look like, we know that our "first steps" here at Vizo Financial are centered around education that benefits you, our member-owners. That means offering unforgettable educational experiences through events, webinars, blogs and more, and learning as much as we possibly can as a staff so that we are better able to serve your credit union.

I hope you're able to take advantage of some of our many opportunities for learning and education. And whatever your first steps may be, we wish you a happy and successful 2023!

## Upcoming Events You Won't Want to Miss!

New year, new events. We're wasting no time kicking off our 2023 event season with these exciting occasions:

### Winter TechCon

February 15-16, 2023 - Virtual Event

It may be cold outside, but the technology available to credit unions is definitely heating up! Vizo Financial will have 15 of the hottest companies and solutions for you to become acquainted with at our Winter TechCon. Come meet these organizations, see demonstrations of their revolutionary solutions and ask questions of the experts.

### GAC Reception

February 26, 2023 - The Henley Park Hotel, Washington, D.C.

It's time to jazz it up for Vizo Financial's annual GAC reception - Mardi Gras style! Join us from 5:30 - 7:30 p.m. for our annual reception while we dance to live music, wear our best Mardi Gras attire, eat scrumptious food and have lots of fun with our fellow industry peers.

### Financial Strategies Workshops

March 15, 2023 - Hershey, Pa.

March 29, 2023 - Richmond, Va.

\*More dates & locations available

While we can't be certain what's in store for 2023, we do know that planning, preparing and education are vital in helping us achieve our financial goals for the year.

That's why we're inviting you to join us in Hershey, Pa., Richmond, Va., Charlotte, N.C. or Pittsburgh, Pa., for Vizo Financial's 2023 Financial Strategies Workshops!

## We'll Be at LAUNCH & GAC!

Will you be attending any credit union trade shows this year? We certainly will! Make sure to stop by our booths at the Carolinas Credit Union League's LAUNCH event and CUNA's Governmental Affairs Conference next month.

### Carolinas Credit Union League LAUNCH 2023

Booth #160

Attending: Jill Bennett and Ashley Aubele

### CUNA Governmental Affairs Conference

Booth #1417

Attending: Joe Reiner, Ashley Aubele, Ty Snavelly and Jaime Agostino

## Have You Seen Jaime?!

We've got a situation and we need your help! Ok, here it is...we've accidentally lost our marketing and business development director, Jaime Agostino!

We know she's around here somewhere, but every time we think we know where she is, she disguises herself and runs again. She can be in any number of places, from Weekly Bulletins to social media and more, so be on the lookout for her *everywhere!* If you find her, email the marketing team at [marketing@vfccu.org](mailto:marketing@vfccu.org) and let us know where you found her along with her hashtag.

Once you've submitted your information, we'll enter your name into a drawing for a prize, which will be announced on April 3, 2023. And - great news - we will enter your name into the drawing each time you find her with a new hashtag!

Read the [terms and conditions](#) for this fun sweepstakes, and please help us answer this question...*where's Jaime?*

## You Simply MUST Read These...

We've got a [press release](#) summing up our 2022 community initiatives and some super informative [blog](#) posts you just *have* to read when you have a few minutes. Check them out:

### [Vizo Financial Gives Back to Local Communities in 2022](#)

### [Spread the Word: It's Poverty Awareness in America Month](#)

### [What to Expect from the Markets and Economy in 2023](#)

### [Employee Wellness: 10 Challenges to Engage Your Workforce](#)

As always, if you have any questions regarding the financials, please don't hesitate to [contact me](#).



# Financial Condition & Performance December 2022

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of December 31, 2022. 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 \$3.964 billion, down from \$4.485 billion in November and October's \$4.899 billion. Comparing total deposits, which include the EBA balances, overall average overnight deposits dropped another \$539 million as credit union liquidity continues to tighten. The spread between the single day high and low balances was \$1.164 billion, virtually unchanged from November's \$1.166 billion, although lower than October's \$1.233 billion (includes EBA balances). Volatility of short-term member balances has increased significantly over the last several months (on-balance sheet plus EBA) but has stabilized somewhat with December coming in at 24% (November was 23%).

Average off-balance sheet credit union balances – those held in our Excess Balance Account (EBA) – averaged just \$102 million and ended the month at just below \$78 million. The EBA has proved to be a key tool for controlling the size of our balance sheet; however, with liquidity coming down dramatically, the majority of EBA funds are back on the balance sheet.

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 December 2022, this average stood at \$4.066 billion, reflecting the major turnaround in the liquidity environment of our membership. Our 12-month rolling average assets moved up slightly, going from \$5.840 billion to \$5.915 billion. We are targeting a maximum on-balance sheet asset size of \$6 billion for 2023. We are waiting to see whether 2023 will provide more normal seasonal cash flows with deposits increasing in March.

We now target a minimum of \$700 million in our Fed account to cover member settlement activity. After two years of significant amounts of excess cash, we are back to having to actively monitor the cash levels in our Fed account. In December, our Fed balances averaged \$1.521 billion with a low of \$470 million. The higher average balance was due to us taking advantage of some borrowing opportunities to stockpile more liquidity.

While tightening liquidity continued in December, access to advances remains 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 up from the prior month, coming in at \$4.870 billion compared to \$4.738 billion in November. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, \$593.8 million were in certificates while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- ▶ Month-end assets came in at \$6.741 billion. Average assets were below that figure, coming in at \$5.996 billion. Excluding non-perpetual capital accounts, our total net equity is at \$502.1 million. The overall unrealized gain/loss/AOCL figure increased just slightly to an unrealized loss of \$27.8 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 \$305.6 million. As we have previously reported, operating revenues remain volatile due to a lag in the repricing of our assets compared to the repricing on our PSA accounts. Operating income was also lower due to the 50% credit on correspondent fees that our primary members received in December. Net operating income for the month came in at \$256,750. Reversal of some accruals added \$1,454,340 to income and adjustments to our CUSO equity position added \$561,507 to income. These were offset by the higher dividend paid on PCC accounts of \$930,059 for a net addition to retained earnings of \$1,342,638. Year-to-date, we have added \$77.750 million to retained earnings.
- ▶ Our leverage/tier 1 capital ratio is at 8.64% and our retained earnings ratio now stands at 5.17%. *Our total capital ratio ended the month at 8.78%.*
- ▶ The Net Economic Value (NEV) (economic value of assets less the economic value of liabilities) came in at \$518.0 million at the end of December with an NEV ratio of 7.68% compared to the prior month's 9.72%. 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 6.91% with a negative fluctuation of 11.2%. 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% 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 now stands at \$519.6 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

*continued on page 3*

# Financial Condition & Performance December 2022

continued from page 2

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 \$10.1 million. Without these reductions, our gross total capital amounts to \$529.7 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

## Off-Balance Sheet Activity

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

SimpliCDs	\$ 985 million
Security Sales*	\$ 861 million
EBA Balances	\$ 78 million
<b>Total Off-Balance Sheet</b>	<b>\$ 1.924 billion</b>

\*Security sales reflect sales over the past 18 months

## Unrealized Gains/Losses

Overall market values did not change much from November, although there were some shifts to specific asset classes. Our unrealized losses increased from \$27.6 million to \$27.8 million. The increase in loss was driven by the agency CMO portfolio, where the unrealized losses increased by \$1.2 million, and the SBA portfolio, where the unrealized gain declined by \$0.896 million. These drops were offset by a decline in unrealized losses in the U.S. Treasury portfolio of \$1.1 million. Our fixed rate Treasury portfolio continues to show the highest unrealized loss figure at \$15.0 million. The CMO portfolio reflects the next highest unrealized losses at \$8.8 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 57.4%.*

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.

- › \$8.842 million LOSS is related to our government agency CMO securities portfolio (\$590.0 million total book value)
- › \$0.020 million LOSS is related to our agency MBS/CMBS securities (\$0.6 million total book value)
- › \$0.693 million LOSS is related to our government guaranteed mortgage securities (\$21.1 million total book value)

- › \$0.742 million LOSS is related to our agency floater portfolio (\$79.8 million total book value)
- › \$0.131 million LOSS is related to our corporate bond portfolio (\$30.0 million total book value)
- › \$0.385 million LOSS is related to our credit card asset-backed securities (\$419.9 million total book value)
- › \$0.247 million GAIN is related to our auto and equipment asset-backed securities (\$104.6 million total book value)
- › \$2.561 million LOSS is related to our student loan asset-backed securities (\$70.9 million total book value)
- › \$15.019 million LOSS is related to our U.S. Treasury securities (\$576.7 million total book value)
- › \$0.352 million GAIN is related to our government guaranteed SBA portfolio (\$1.985 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 and do not hesitate to contact us if you have questions. 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.

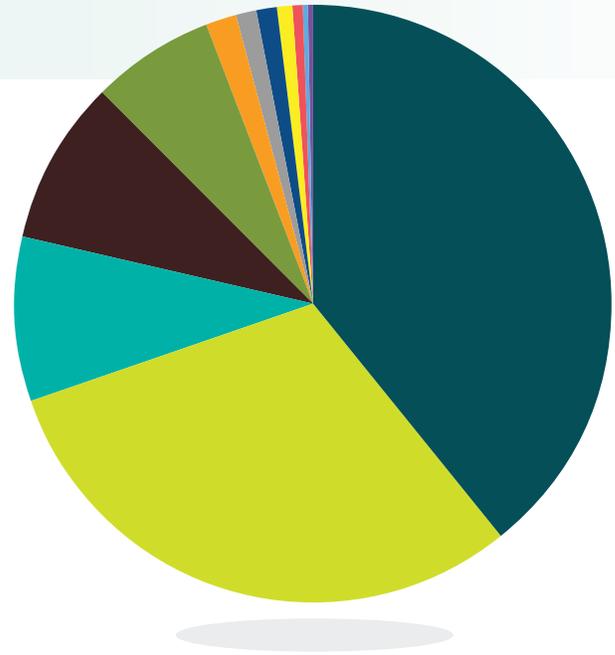
We are grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.



**David W. Brehmer**  
President & CEO

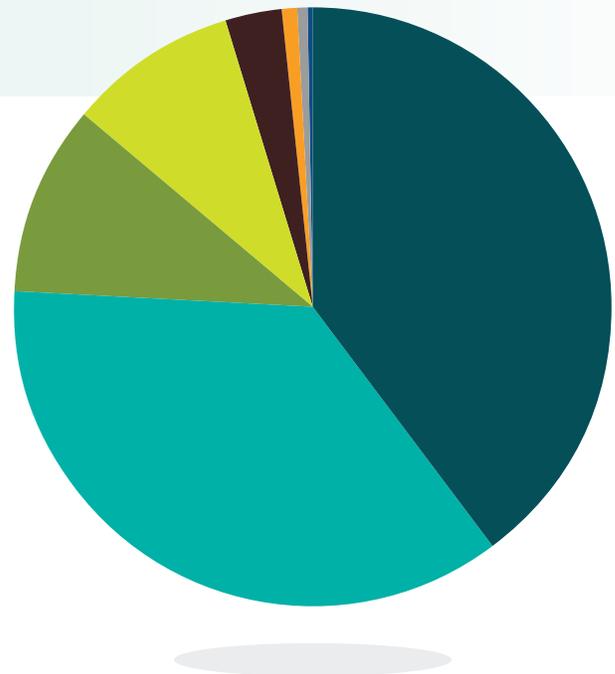
## Total Book Values as of December 31, 2022

- \$ 2,545 - Cash/FI Deposits
- \$ 1,985 - SBA Pool
- \$ 590 - Agency CMO
- \$ 577 - U.S. Treasuries
- \$ 420 - ABS Credit Cards
- \$ 105 - ABS Auto
- \$ 80 - Agency Floaters
- \$ 71 - ABS Student Loans
- \$ 58 - FHLB Stock
- \$ 30 - Corporate Bonds
- \$ 21 - GNMA
- \$ 10 - CUSOs
- \$ 1 - CMBS/MBS



## Credit Quality as of December 31, 2022

- \$ 2,583 - U.S. Gov't Guaranteed
- \$ 2,353 - Federal Reserve
- \$ 670 - U.S. Gov't Agency
- \$ 595 - Asset-Backed Securities (AAA)
- \$ 192 - CU/Bank Cash Holdings
- \$ 58 - FHLB Stock
- \$ 30 - Corporate Bonds (AA-/AA+)
- \$ 10 - CUSOs



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

# Financial Condition & Performance December 2022

Balance Sheet	December 31, 2022		December 31, 2021	
<b>Assets</b>				
Loans	\$	121,313,793	\$	1,208,860
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	592,680,427	\$	641,197,534
U.S. Gov't (Notes/Floaters/Callables)	\$	79,047,334	\$	49,961,450
U.S. Gov't Agency (CMOs)	\$	601,573,163	\$	742,632,696
U.S. Gov't Agency (MBS)	\$	541,960	\$	6,456,560
U.S. Gov't (SBA)	\$	1,985,793,689	\$	2,154,066,039
Corporate Bonds	\$	29,866,330	\$	61,162,147
U.S. Treasuries	\$	561,637,600	\$	148,585,940
Commercial Paper	\$	0	\$	179,878,726
Federal Home Loan Bank - Atlanta	\$	57,941,900	\$	3,692,000
Credit Union & Bank Deposits	\$	192,058,147	\$	97,237,882
CUSOs	\$	10,066,921	\$	9,438,439
Federal Reserve Bank	\$	2,352,660,081	\$	1,122,043,942
CLF Stock	\$	0	\$	57,738,003
Receivables	\$	83,327,235	\$	54,197,217
Fixed Assets	\$	7,992,843	\$	2,663,426
Goodwill/Core Deposit Intangible	\$	176,447	\$	1,120,822
Accrued Income/Prepaid Expense	\$	24,872,820	\$	10,801,765
Other Assets	\$	39,246,943	\$	38,418,301
<b>Total Assets:</b>	<b>\$</b>	<b>6,740,797,633</b>	<b>\$</b>	<b>5,382,501,749</b>
<b>Liabilities</b>				
Other Liabilities:	\$	11,978,450	\$	2,208,604
Accounts Payable:	\$	56,783,522	\$	51,722,508
Accrued for Member Distribution:	\$	0	\$	0
Notes Payable:	\$	1,300,000,000	\$	0
Shares	\$	4,276,160,771	\$	4,588,385,018
Certificates/Term Deposits	\$	593,808,847	\$	276,985,188
<b>Total Shares:</b>	<b>\$</b>	<b>4,869,969,618</b>	<b>\$</b>	<b>4,865,370,206</b>
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	215,741,198	\$	214,428,050
Reserves & Undivided Earnings	\$	283,052,362	\$	205,301,874
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	(27,794,927)	\$	12,403,097
<b>Total Equity:</b>	<b>\$</b>	<b>502,066,043</b>	<b>\$</b>	<b>463,200,431</b>
<b>Total Liabilities &amp; Equity:</b>	<b>\$</b>	<b>6,740,797,633</b>	<b>\$</b>	<b>5,382,501,749</b>

# Financial Condition & Performance December 2022

Income Statement YTD	December 2022	December 2021
Interest Income	\$ 105,483,471	\$ 36,008,627
Interest Expense	\$ (77,468,745)	\$ (4,493,675)
<b>Net Interest Income</b>	<b>\$ 28,014,726</b>	<b>\$ 31,514,952</b>
Correspondent Service Income	\$ 40,133,895	\$ 29,475,213
Correspondent Service Expense	\$ (27,359,937)	\$ (16,612,116)
<b>Net Correspondent Income</b>	<b>\$ 12,773,958</b>	<b>\$ 12,863,097</b>
<b>Gross Operating Income</b>	<b>\$ 40,788,684</b>	<b>\$ 44,378,049</b>
Operating Expense	\$ (30,189,918)	\$ (31,294,013)
<b>Net Income</b>	<b>\$ 10,598,766</b>	<b>\$ 13,084,036</b>
Non-Operating Gains/(Losses)	\$ 381,196	\$ 1,750,455
Amortization of Goodwill	\$ (944,375)	\$ (1,161,305)
CUSO Income	\$ (638,470)	\$ (199,389)
USC MCA Distribution	\$ 109,196,588	\$ 149,126,684
-Accrued Liability/Member Payouts	\$ (35,632,865)	\$ (59,659,145)
-Accrued Liability	\$ (2,045,660)	\$ 0
<b>Net Income before PCC Distributions</b>	<b>\$ 80,915,180</b>	<b>\$ 102,941,336</b>
Less: Non-Controlling Interest in Net Income	\$ 0	\$ 0
Less: Equity Transfer for PCC Distribution	\$ (3,164,691)	\$ (1,606,786)
<b>Net Increase to Retained Earnings</b>	<b>\$ 77,750,489</b>	<b>\$ 101,334,550</b>
Earnings Spread/Net Operating Margin	December 2022	December 2021
Return on Average Assets	1.783%	0.600%
Interest/Dividend Expense	-1.310%	-0.075%
<b>Net Interest Margin</b>	<b>0.474%</b>	<b>0.525%</b>
Correspondent Service Income	0.216%	0.214%
Operating Expenses	-0.510%	-0.521%
Non-Operating Gains/(Losses)	0.006%	0.029%
Amortization of Core Deposit Intangible	-0.016%	-0.019%
USC MCA Distribution	1.846%	2.484%
CUSO Income	-0.011%	-0.003%
Non-Controlling Interest in Net Income	0.000%	0.000%
Accrued Liability/Member Payout	-0.602%	-0.994%
PCC Distributions	-0.054%	-0.027%
<b>Net Margin</b>	<b>1.349%</b>	<b>1.688%</b>
Asset Quality	December 2022	
Non-Earning Assets/Average Assets	2.35%	
Delinquent Loans/Total Loans	0.00%	
<b>Investment Portfolio</b>		
U.S. Gov't Guaranteed Securities	38.91%	
U.S. Agency Securities	10.40%	
Asset-Backed Securities (non-mortgage)	9.05%	
Fed Home Loan Bank	0.88%	
Corporate Bonds	0.46%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	2.93%	
Federal Reserve Bank	35.93%	
CUSO Equity	0.15%	
CLF Stock	0.00%	
Cash & Receivables	1.27%	
<b>Credit Ratings</b>		
Asset-Backed Securities (Non-Mortgage)	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	

# Key Financial Ratios December 2022

Capital Adequacy	December 2022		December 2021	
RUDE + Acquired Equity Capital/monthly Average Net Assets		5.10%		4.47%
RUDE + Acquired Equity Capital/12-month Average Net Assets		5.17%		3.80%
Tier 1 (Leverage) Capital/12-month Average Net Assets		8.64%		7.21%
Total Capital/12-month Average Net Assets		8.78%		7.35%
Tier 1 Capital/12-month Average Risk-Weighted Assets		56.5%		41.7%
Total Capital/12-month Average Risk-Weighted Assets		57.4%		42.5%
Total Capital	\$	519,619,087	\$	441,211,266
Tier 1 (Leverage) Capital	\$	511,288,639	\$	432,853,485
Tier 2 Capital	\$	8,330,448	\$	8,357,781
PCC deducted from Tier 1 Capital	\$	0	\$	0
Unrealized Gain/Loss on Securities	\$	(27,794,927)	\$	12,403,097
Monthly Average Assets	\$	5,995,801,702	\$	5,092,940,224
Average 12-month Assets	\$	5,915,261,926	\$	6,002,357,531
Year-to-date Average Assets	\$	5,915,261,926	\$	6,002,357,531

## Liquidity & Interest Rate Risk as of December 31, 2022

Available Liquidity:	Available Within 90 Days	
Net Cash and Receivables:	\$	2,435,987,316
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$	1,281,515,386
Overnight & Investments Maturing within 90 days:	\$	184,826,147
Unsecured Fed Funds Lines Available:	\$	150,000,000
Secured Fed Funds Lines Available:	\$	150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$	2,092,350,900
-less fixed term existing loan advances	\$	(1,300,000,000)
Primary Sources of Liquidity:	\$	4,994,679,749
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$	208,549,239
Excess Balance Account (EBA) - funds held for members @ FRB:	\$	77,680,000
Secondary Sources of Liquidity:	\$	286,229,239
<b>Total Available Liquidity:</b>	<b>\$</b>	<b>5,280,908,988</b>

## Interest Rate Risk as of December 31, 2022

		Regulation 704 Operating Level: Base Plus	
<b>Base/Current Rate Environment</b>	Net Economic Value (NEV):	\$	517,989,981
	NEV Ratio:		7.68%
<b>Up 3% Rate Environment</b>	Net Economic Value (NEV):	\$	460,219,936
	NEV Ratio:		6.91%
	Percentage Change:		-11.2%
<b>Down 2% Rate Environment</b>	Net Economic Value (NEV):	\$	522,341,234
	NEV Ratio:		7.72%
	Percentage Change:		0.8%

# Notes to Financials December 2022

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) - \$8,330,448.
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 LOC limit at FHLB-Atlanta \$2,092,350,900 (12/31) - this will vary based on assets. Borrowing capacity reflects collateral available for accessing line.
21. Unsecured fed funds lines: \$100 million from PNC Bank; \$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.

## 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  
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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