

Monthly Financials

Vizo Financial Corporate Credit Union

March 2023 Edition | February 2023 Financials



David Brehmer
President & CEO

Corporate Update

Spring has officially sprung! We're all brushing off the winter dust and starting to emerge from our hibernation, so to speak. We invite you to venture out for some of the many educational opportunities we have coming up, or just reach out to discuss some solutions to the evolving (and challenging) financial landscape. We're always here for you!

Financial Strategies Workshops

The last three years have held a pandemic, record inflation and a rise in interest rates, so what does 2023 hold for the economy? That's a question on a lot of people's minds which is why you should join us at an upcoming workshop.

These one-day workshops will offer expert-led sessions on asset liability management, investments, the economy and more, along with the opportunity to earn CPE credits and network with fellow credit union professionals. Choose the location and date that works best for you.

March 29, 2023 - Richmond, Va.

April 5, 2023 - Charlotte, N.C.

April 26, 2023 - Pittsburgh, Pa.

Register today by visiting our [event website](#).

Liquidity Solutions to Meet Your Needs

Things are constantly changing in our industry. Just a few years ago, credit unions were experiencing excess liquidity. Now, credit union liquidity is tightening. But, like you've heard us say before, we've got you covered with these [liquidity solutions](#):

Letters of Credit

The Corporate offers letters of credit to guarantee a credit union's financial obligation or contractual agreement with a third party.

Lines of Credit

Vizo Financial offers advised lines of credit to members at very competitive interest rates, without charging origination or legal fees.

Loan Participations

LoanStreet offers a comprehensive online marketplace for all aspects of loan participations with the tools you need to buy, sell and manage your loan portfolio within a single platform.

SimpliCD Issuance

Your credit union can issue federally insured CDs through the SimpliCD program, making your deposit offerings available to a nationwide market of potential investors. Contact your [investment representative](#) for more details.

Bank Term Funding Program

The Federal Reserve's Bank Term Funding Program (BTFP) offers loans of up to one year in length to federally insured credit unions and other depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities and other qualifying assets as collateral. Advances can be requested under the program until March 11, 2024.

If your credit union needs assistance or has questions, contact Vizo Financial at liquidity@vfccu.org. We would be happy to assist you with this new program.

Leadership Workshops

Calling all credit union leaders! We have an event that is just for you – our 2023 Leadership Workshops. This year's workshops will focus on leading a service culture that creates sales. As such, participants will learn how to increase their value to members by uncovering sales opportunities and managing employees to boost sales through modeling, caring and coaching.

We will hold four one-day, in-person workshops. Select the date and location that works best for you:

May 4, 2023 - Hershey, Pa.

May 11, 2023 - Richmond, Va.

May 25, 2023 - Charlotte, N.C.

June 1, 2023 - Pittsburgh, Pa.

Learn more or register by visiting the [event website](#).

Is the Risk Management Conference a YES?

The timer is ticking down to register for our 2023 Risk Management Conference, and it's time to make your move! But before you decide, consider these questions:

- Are you interested in learning more about crisis communications, payment risks and the biggest credit union risks of the year?
- Would you like the chance to ask questions of experts from the FBI, Macha/PAR, Ncontracts and more?
- Are you intrigued by the opportunity to earn CPE credits and network with fellow credit union folks?
- Would it be an interesting conversation starter to say you've enjoyed some of the finest dining and accommodations in the sweetest place on Earth?

If you answered yes to any of these questions, then you must attend the Risk Management Conference on April 20-21 at The Hotel Hershey. [REGISTER](#) today!

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



Financial Condition & Performance February 2023

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of February 28, 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 \$3.666 billion, slightly below January's \$3.682 billion, and down from \$3.964 billion in December. Comparing total deposits, which include the EBA balances, overall average overnight deposits dropped just \$5.8 million, as credit union liquidity remained tight, but was more stable in February. The spread between the single day high and low balances was \$845.5 million, down from January's \$1.088 billion (includes EBA balances). Volatility of short-term member balances remains high but did drop from 25% to 20%.

Average off-balance sheet credit union balances – those held in our Excess Balance Account (EBA) – averaged just \$91.7 million and ended the month at \$93.4 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 February 2023, this average stood at \$3.758 billion, reflecting the major turnaround in the liquidity environment of our membership. Our 12-month rolling average assets dropped \$5.997 billion to \$5.909 billion. We are targeting a maximum on-balance sheet asset size of \$6 billion for 2023. We are waiting to see whether March will bring in normal seasonal cash flows.

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 February, our Fed balances averaged \$1.049 billion with a low of \$324.8 million. Average liquidity borrowings in February dropped to just \$187.5 million with no outstanding borrowings at month-end.

While tightening liquidity continued in February, 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 \$4.219 billion compared to \$4.007 billion in January and \$4.870 billion

in December. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, \$544.8 million were in certificates while the remaining balances were distributed between the various PSA and settlement deposit accounts.

- › Month-end assets came in at \$4.793 billion. Average assets were above that figure, coming in at \$5.004 billion. Excluding non-perpetual capital accounts, our total net equity is at \$500.3 million. The overall unrealized gain/loss/AOCL figure increased to an unrealized loss of \$24.3 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 \$308.5 million. Net operating income for the month came in at \$2,352,303. Dividends paid on PCC accounts totaled \$621,437 for a net addition to retained earnings of \$1,730,866.
- › Our leverage/tier 1 capital ratio is at 8.71%, and our retained earnings ratio now stands at 5.22%. *Our total capital ratio ended the month at 8.85%.*
- › The Net Economic Value (NEV) (economic value of assets less the economic value of liabilities) came in at \$523.3 million at the end of February, with an NEV ratio of 10.92% compared to the prior month's 8.58%. 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 10.23% with a negative fluctuation of 7.4%. 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 \$523.0 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 \$10.0 million. Without these reductions, our gross total capital amounts to \$533.0 million.

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Financial Condition & Performance February 2023

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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	\$ 1.034 billion
Security Sales*	\$ 830 million
EBA Balances	\$ 93 million
Total Off-Balance Sheet	\$ 1.957 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

The unrealized loss for February 2023 was \$24,283,017.39, compared to a loss of \$22,870,970.97 in January. The increase in unrealized loss was driven by treasury notes, where the unrealized loss increased by \$1.1 million to \$14.4 million, followed by ABS autos & equipment where the unrealized gain declined by \$833,000 to \$180,000. 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 61.65%.*

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.

- › \$6.515 million LOSS is related to our government agency CMO securities portfolio (\$571.6 million total book value)
- › \$0.017 million LOSS is related to our agency MBS/CMBS securities (\$0.5 million total book value)
- › \$0.622 million LOSS is related to our government guaranteed mortgage securities (\$20.6 million total book value)
- › \$0.710 million LOSS is related to our agency floater portfolio (\$79.8 million total book value)
- › \$0.096 million LOSS is related to our corporate bond portfolio (\$30.0 million total book value)
- › \$0.454 million LOSS is related to our credit card asset-backed securities (\$281.0 million total book value)
- › \$0.180 million GAIN is related to our auto and equipment asset-backed securities (\$96.7 million total book value)

- › \$1.665 million LOSS is related to our student loan asset-backed securities (\$68.6 million total book value)
- › \$14.368 million LOSS is related to our U.S. treasury securities (\$507.0 million total book value)
- › \$0.016 million LOSS is related to our government guaranteed SBA portfolio (\$1.9 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.

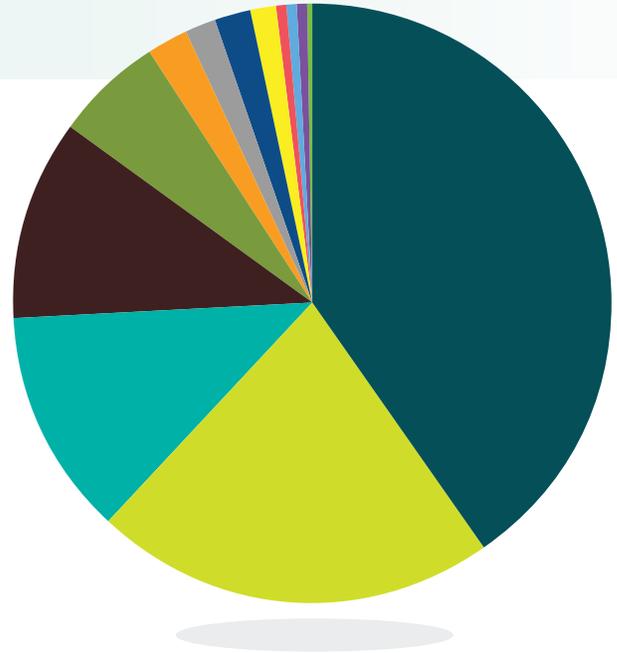
We are grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.



David W. Brehmer
President & CEO

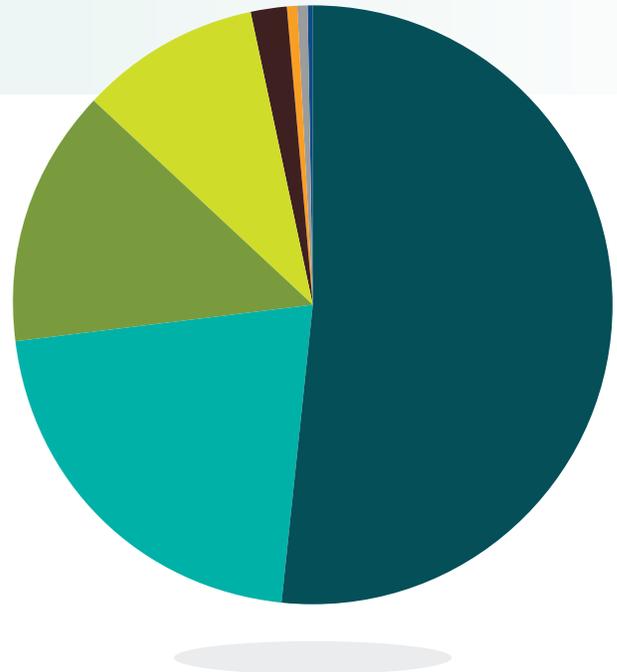
Total Book Values as of February 28, 2023

- \$ 1,900 - SBA Pool
- \$ 1,033 - Cash/FI Deposits
- \$ 572 - Agency CMO
- \$ 507 - U.S. Treasuries
- \$ 281 - ABS Credit Cards
- \$ 97 - ABS Auto
- \$ 89 - Member Loans
- \$ 80 - Agency Floaters
- \$ 69 - ABS Student Loans
- \$ 30 - Corporate Bonds
- \$ 21 - GNMA
- \$ 10 - CUSOs
- \$ 3 - FHLB Stock
- \$ 1 - CMBS/MBS



Credit Quality as of February 28, 2023

- \$ 2,427 - U.S. Gov't Guaranteed
- \$ 1,012 - Federal Reserve
- \$ 652 - U.S. Gov't Agency
- \$ 446 - Asset-Backed Securities (AAA)
- \$ 89 - Member Loans
- \$ 30 - Corporate Bonds (AA-/AA+)
- \$ 21 - CU/Bank Cash Holdings
- \$ 10 - CUSOs
- \$ 3 - FHLB Stock



* All figures in the charts above are in millions.

Financial Condition & Performance February 2023

Balance Sheet	February 28, 2023		February 28, 2022	
Assets				
Loans	\$	89,014,864	\$	5,619,098
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	444,427,073	\$	582,374,969
U.S. Gov't (Notes/Floaters/Callables)	\$	79,079,517	\$	74,945,150
U.S. Gov't Agency (CMOs)	\$	585,108,745	\$	706,861,119
U.S. Gov't Agency (MBS)	\$	484,020	\$	6,106,158
U.S. Gov't (SBA)	\$	1,899,752,252	\$	2,158,651,033
Corporate Bonds	\$	29,901,940	\$	60,997,578
U.S. Treasuries	\$	492,643,207	\$	146,804,690
Commercial Paper	\$	0	\$	179,945,800
Federal Home Loan Bank - Atlanta	\$	2,691,900	\$	3,692,000
Credit Union & Bank Deposits	\$	21,474,931	\$	99,477,921
CUSOs	\$	9,972,752	\$	9,965,384
Federal Reserve Bank	\$	1,011,586,154	\$	2,103,016,115
CLF Stock	\$	0	\$	57,738,003
Receivables	\$	51,231,416	\$	55,381,898
Fixed Assets	\$	7,741,646	\$	9,193,329
Goodwill/Core Deposit Intangible	\$	176,447	\$	1,120,822
Accrued Income/Prepaid Expense	\$	28,182,691	\$	11,378,378
Other Assets	\$	39,401,537	\$	38,574,094
Total Assets:	\$	4,792,871,092	\$	6,311,843,539
Liabilities				
Other Liabilities:	\$	7,015,658	\$	7,172,511
Accounts Payable:	\$	58,322,169	\$	63,413,087
Accrued for Member Distribution:	\$	0	\$	0
Notes Payable:	\$	0	\$	0
Shares	\$	3,673,890,770	\$	5,372,548,277
Certificates/Term Deposits	\$	544,816,847	\$	411,436,102
Total Shares:	\$	4,218,707,617	\$	5,783,984,379
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	216,112,699	\$	214,433,317
Reserves & Undivided Earnings	\$	285,928,556	\$	206,113,850
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	(24,283,017)	\$	5,658,985
Total Equity:	\$	508,825,648	\$	457,273,562
Total Liabilities & Equity:	\$	4,792,871,092	\$	6,311,843,539

Financial Condition & Performance February 2023

Income Statement YTD	February 2023	February 2022
Interest Income	\$ 39,436,260	\$ 4,636,509
Interest Expense	\$ (32,009,327)	\$ (898,656)
Net Interest Income	\$ 7,426,933	\$ 3,737,853
Correspondent Service Income	\$ 4,288,443	\$ 4,766,700
Correspondent Service Expense	\$ (2,259,063)	\$ (2,660,817)
Net Correspondent Income	\$ 2,029,380	\$ 2,105,883
Gross Operating Income	\$ 9,456,313	\$ 5,843,736
Operating Expense	\$ (5,154,395)	\$ (4,638,746)
Net Income	\$ 4,301,918	\$ 1,204,990
Non-Operating Gains/(Losses)	\$ (22,420)	\$ 0
Amortization of Goodwill	\$ 0	\$ 0
CUSO Income	\$ (94,170)	\$ (133,055)
USC MCA Distribution	\$ 0	\$ 0
-Accrued Liability/Member Payouts	\$ 0	\$ 0
-Accrued Liability	\$ 0	\$ 0
Net Income before PCC Distributions	\$ 4,185,328	\$ 1,071,935
Less: Non-Controlling Interest in Net Income	\$ 0	\$ 0
Less: Equity Transfer for PCC Distribution	\$ (1,309,136)	\$ (259,958)
Net Increase to Retained Earnings	\$ 2,876,192	\$ 811,977
Earnings Spread/Net Operating Margin	February 2023	February 2022
Return on Average Assets	4.234%	0.495%
Interest/Dividend Expense	-3.436%	-0.096%
Net Interest Margin	0.797%	0.399%
Correspondent Service Income	0.218%	0.225%
Operating Expenses	-0.553%	-0.495%
Non-Operating Gains/(Losses)	-0.002%	0.000%
Amortization of Core Deposit Intangible	0.000%	0.000%
USC MCA Distribution	0.000%	0.000%
CUSO Income	-0.010%	-0.014%
Non-Controlling Interest in Net Income	0.000%	0.000%
Accrued Liability/Member Payout	0.000%	0.000%
PCC Distributions	-0.141%	-0.028%
Net Margin	0.309%	0.087%
Asset Quality	February 2023	
Non-Earning Assets/Average Assets	2.17%	
Delinquent Loans/Total Loans	0.00%	
Investment Portfolio		
U.S. Gov't Guaranteed Securities	51.69%	
U.S. Agency Securities	14.36%	
Asset-Backed Securities (non-mortgage)	9.60%	
Fed Home Loan Bank	0.06%	
Corporate Bonds	0.65%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	0.46%	
Federal Reserve Bank	21.86%	
CUSO Equity	0.22%	
CLF Stock	0.00%	
Cash & Receivables	1.11%	
Credit Ratings		
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 February 2023

Capital Adequacy	February 2023		February 2022	
RUDE + Acquired Equity Capital/monthly Average Net Assets	6.17%		3.78%	
RUDE + Acquired Equity Capital/12-month Average Net Assets	5.22%		3.94%	
Tier 1 (Leverage) Capital/12-month Average Net Assets	8.71%		7.46%	
Total Capital/12-month Average Net Assets	8.85%		7.61%	
Tier 1 Capital/12-month Average Risk-Weighted Assets	60.67%		42.00%	
Total Capital/12-month Average Risk-Weighted Assets	61.65%		42.80%	
Total Capital	\$	522,960,243	\$	441,494,362
Tier 1 (Leverage) Capital	\$	514,630,503	\$	433,143,783
Tier 2 Capital	\$	8,329,740	\$	8,350,579
PCC deducted from Tier 1 Capital	\$	0	\$	0
Unrealized Gain/Loss on Securities	\$	(24,283,017)	\$	5,658,985
Monthly Average Assets	\$	5,003,775,318	\$	6,051,449,118
Average 12-month Assets	\$	5,909,516,551	\$	5,804,892,704
Year-to-date Average Assets	\$	5,762,646,638	\$	5,797,118,889

Liquidity & Interest Rate Risk as of February 28, 2023

Available Liquidity:	Available Within 90 Days	
Net Cash and Receivables:	\$	1,062,817,570
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$	1,176,698,581
Overnight & Investments Maturing within 90 days:	\$	13,490,931
Unsecured Fed Funds Lines Available:	\$	150,000,000
Secured Fed Funds Lines Available:	\$	150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$	2,002,549,427
-less fixed term existing loan advances	\$	0
Primary Sources of Liquidity:	\$	4,555,556,509
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$	97,254,783
Excess Balance Account (EBA) - funds held for members @ FRB:	\$	93,431,700
Secondary Sources of Liquidity:	\$	190,686,483
Total Available Liquidity:	\$	4,746,242,992

Interest Rate Risk as of February 28, 2023

		Regulation 704 Operating Level: Base Plus	
Base/Current Rate Environment	Net Economic Value (NEV):	\$	523,348,743
	NEV Ratio:		10.92%
Up 3% Rate Environment	Net Economic Value (NEV):	\$	484,711,583
	NEV Ratio:		10.23%
	Percentage Change:		-7.4%
Down 3% Rate Environment	Net Economic Value (NEV):	\$	551,858,516
	NEV Ratio:		11.40%
	Percentage Change:		5.4%

Notes to Financials February 2023

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) - \$8,329,739.
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 \$2,022,239,400 (2/28) - 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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