

Monthly Financials

Vizo Financial Corporate Credit Union

February 2023 Edition | January 2023 Financials



David Brehmer
President & CEO

Corporate Update

The month of February is packed full of celebrations that bring inclusivity and acceptance of all people. These include Black History Month, Ethnic Equality Month, World Day of Social

Justice and Rare Disease Day to name a few. Vizo Financial is proud and happy to recognize these celebrations of inclusivity and empowerment.

Risk Management Conference

Do you like to play chess? Do you enjoy the thrill of planning out your next move and anticipating what your opponent might do next? If so, then our [Risk Management Conference](#) is just the event for you!

Coming up on April 20-21, we're bringing the entire spectrum of credit union risk – from crisis communications to payment risks – to the sweetest place on Earth: Hershey, Pa. We want you to be there with us, and here's why:

- Hear speakers from Macha/PAR, RKL, Ncontracts, Reputation Management, LLC and more.
- Earn up to 10 CPE credits in just two days.
- Stay and learn in the epitome of sweet luxury at the historic Hotel Hershey.
- And, most importantly, glean insights and information that will give your credit union the tactical edge to help overcome the riskiest aspects of your business – checkmate and all.

It's time to learn about the risks to your credit union and become a formidable player in the financial arena. [Register](#) for the 2023 Risk Management Conference today!

So Many Upcoming Webinars!

Webinars, webinars, webinars! If you're looking for some virtual education, we have plenty of opportunities on the horizon. Here are some of our many [upcoming webinars](#):

[A Healthcare Solution for Small Credit Unions](#)

March 8, 2023 - 10:00 a.m. ET

[Vizo Financial's Quarterly Tech-Talks](#)

March 21, 2023 - 1:00 p.m. ET

[Protect Yourself - The Proper Handling of Government Reclamations and Garnishments](#)

March 22, 2023 - 2:00 p.m. ET

[Security Threats: Seeing Through the Kaleidoscope of Risk](#)

March 28, 2023 - 10:00 a.m. ET

What Separates CUaxis and Our Core?

When it comes to core processing, there are so many solutions with so many options offered by (you guessed it) so many providers. So what separates us apart from the others, what makes [CUaxis](#) and our core different? Here are just 10 examples of what makes our core community unique:

1. A cooperative model that drives credit unions to engage, participate and win.
2. A commitment to reduce fees with deals and discounts that *no* other organization offers.
3. An uncommonly deep core with a suite of staff and member-facing tools at an aggressive price point.
4. A passion to innovate with a do-it-together philosophy, and the resources to make your needs a reality.
5. Free APIs for simple, yet massive integration.
6. Free releases and updates – no additional costs!
7. Free ongoing education including networking events, focus groups, webinars and the like.
8. Analytics booth for delivering critical data points.
9. A talented team of industry and business development experts ready to work for your credit union.
10. A one-stop delivery channel, which eliminates the need for many costly third-party vendor contracts.

And, ultimately, what you can count on is a vested network of partners with tightly integrated services and a common goal of helping credit unions, all at a fraction of the cost of "traditional" vendors. [Learn more about CUaxis today!](#)

Community Involvement Page

At Vizo Financial, we like to share our passion for "concern for community" with our credit union partners. Each month, we update the [Community Involvement](#) page of our [website](#) with our latest fundraisers, drives, events and more.

Check out this page to see what we're doing now and what we'll be planning for the coming months. Read all about how we're currently participating in one of our favorite campaigns - the American Cancer Society's Daffodil Days!

And, if you head to the Community Involvement page through the end of this month, you may even catch Jaime as part of our [Where's Jaime? sweepstakes](#). If you find her, email marketing@vfccu.org and earn an entry for a chance to win a \$50 Amazon gift card!

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



Financial Condition & Performance January 2023

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of January 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 \$3.682 billion, down from \$3.964 billion in December and \$4.485 billion in November. Comparing total deposits, which include the EBA balances, overall average overnight deposits dropped another \$282 million as credit union liquidity continues to tighten. The spread between the single day high and low balances was \$1.088 billion, down from December's \$1.164 billion (including EBA balances). Volatility of short-term member balances remains high, although, somewhat stable as it grew 1% to 25%.

Average off-balance sheet credit union balances – those held in our Excess Balance Account (EBA) – averaged just \$81.7 million and ended the month at just below \$81.5 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 January 2023, this average stood at \$3.764 billion, reflecting the major turnaround in the liquidity environment of our membership. Due to our borrowings, our 12-month rolling average assets moved up slightly, going from \$5.915 billion to \$5.997 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 January, our Fed balances averaged \$2.283 billion with a low of \$1.680 billion. The higher average balances were due to us taking advantage of some borrowing opportunities to stockpile more liquidity. Average liquidity borrowings in January totaled \$1.653 billion.

While tightening liquidity continued in January, 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 down from the prior month, coming in at \$4.007 billion, compared to \$4.870 billion in December and \$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, \$580 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.

- › Month-end assets came in at \$6.083 billion. Average assets were above that figure, coming in at \$6.521 billion. Excluding non-perpetual capital accounts, our total net equity is at \$499.9 million. The overall unrealized gain/loss/AOCL figure decreased to an unrealized loss of \$22.9 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 \$306.7 million. Net operating income for the month came in at \$1,833,027. Dividends paid on PCC accounts totaled \$687,700 for a net addition to retained earnings of \$1,145,327.
- › Our leverage/tier 1 capital ratio is at 8.55%, and our retained earnings ratio now stands at 5.12%. *Our total capital ratio ended the month at 8.69%.*
- › The Net Economic Value (NEV) (economic value of assets less the economic value of liabilities) came in at \$521.8 million at the end of January, with an NEV ratio of 8.58% compared to the prior month's 7.68%. 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 7.96% with a negative fluctuation of 8.1%. 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 \$521.1 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 \$531.1 million.

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Financial Condition & Performance January 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	\$	1.002 billion
Security Sales*	\$	867 million
EBA Balances	\$	81 million
Total Off-Balance Sheet	\$	1.950 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Overall market values improved in January, with our unrealized losses dropping from \$27.8 million to \$22.9 million. The improvement was primarily in the agency CMO portfolio, where the unrealized losses decreased by \$2.1 million, and the U.S. Treasury portfolio, where the unrealized losses declined by \$1.8 million. Our fixed rate Treasury portfolio continues to show the highest unrealized loss figure at \$13.2 million. The CMO portfolio reflects the next highest unrealized losses at \$6.8 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 59.3%.*

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.

- › \$6.789 million LOSS is related to our government agency CMO securities portfolio (\$580.8 million total book value)
- › \$0.018 million LOSS is related to our agency MBS/CMBS securities (\$0.5 million total book value)
- › \$0.627 million LOSS is related to our government guaranteed mortgage securities (\$20.8 million total book value)
- › \$0.666 million LOSS is related to our agency floater portfolio (\$79.8 million total book value)
- › \$0.120 million LOSS is related to our corporate bond portfolio (\$30.0 million total book value)
- › \$0.095 million GAIN is related to our credit card asset-backed securities (\$362.2 million total book value)
- › \$1.013 million GAIN is related to our auto and equipment asset-backed securities (\$101.6 million total book value)

- › \$2.051 million LOSS is related to our student loan asset-backed securities (\$69.2 million total book value)
- › \$13.248 million LOSS is related to our U.S. treasury securities (\$546.6 million total book value)
- › \$0.461 million LOSS is related to our government guaranteed SBA portfolio (\$1.939 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.

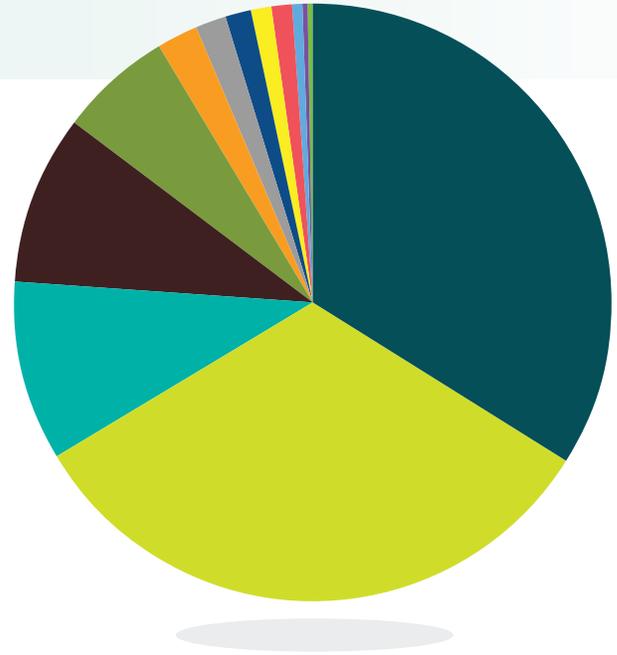


David W. Brehmer
President & CEO

Investment Portfolio January 2023

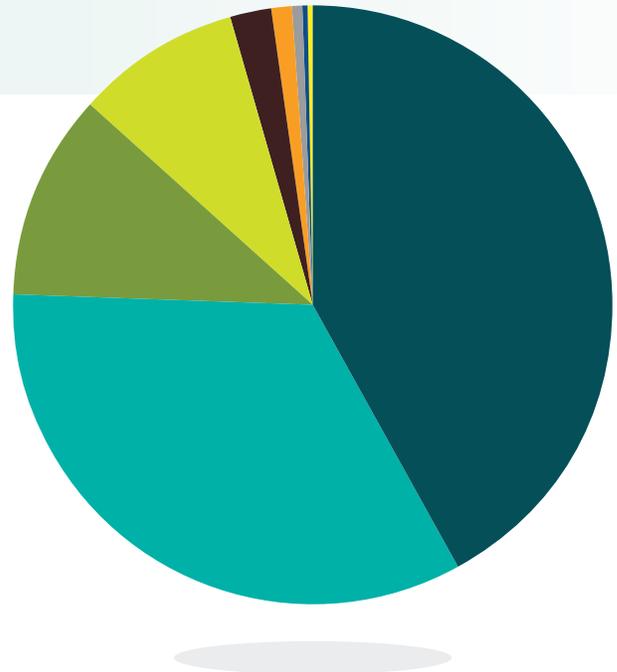
Total Book Values as of January 31, 2023

- \$ 2,032 - Cash/FI Deposits
- \$ 1,940 - SBA Pool
- \$ 581 - Agency CMO
- \$ 547 - U.S. Treasuries
- \$ 362 - ABS Credit Cards
- \$ 131 - Member Loans
- \$ 102 - ABS Auto
- \$ 80 - Agency Floaters
- \$ 69 - ABS Student Loans
- \$ 66 - FHLB Stock
- \$ 30 - Corporate Bonds
- \$ 21 - GNMA
- \$ 10 - CUSOs
- \$ 1 - CMBS/MBS



Credit Quality as of January 31, 2023

- \$ 2,507 - U.S. Gov't Guaranteed
- \$ 2,010 - Federal Reserve
- \$ 661 - U.S. Gov't Agency
- \$ 533 - Asset-Backed Securities (AAA)
- \$ 131 - Member Loans
- \$ 66 - FHLB Stock
- \$ 30 - Corporate Bonds (AA-/AA+)
- \$ 22 - CU/Bank Cash Holdings
- \$ 10 - CUSOs



* All figures in the charts above are in millions.

Financial Condition & Performance January 2023

Balance Sheet	January 31, 2023		January 31, 2022	
Assets				
Loans	\$	131,044,210	\$	2,015,548
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	532,049,018	\$	657,778,159
U.S. Gov't (Notes/Floaters/Callables)	\$	79,122,742	\$	49,993,625
U.S. Gov't Agency (CMOs)	\$	594,280,478	\$	723,378,086
U.S. Gov't Agency (MBS)	\$	512,918	\$	6,281,613
U.S. Gov't (SBA)	\$	1,939,040,038	\$	2,190,371,405
Corporate Bonds	\$	29,878,100	\$	61,097,755
U.S. Treasuries	\$	533,398,033	\$	147,437,500
Commercial Paper	\$	0	\$	179,919,400
Federal Home Loan Bank - Atlanta	\$	66,441,900	\$	3,692,000
Credit Union & Bank Deposits	\$	22,414,033	\$	94,997,451
CUSOs	\$	10,018,237	\$	11,235,497
Federal Reserve Bank	\$	2,009,654,141	\$	1,562,183,948
CLF Stock	\$	0	\$	57,738,003
Receivables	\$	60,237,396	\$	56,080,329
Fixed Assets	\$	7,905,467	\$	3,487,799
Goodwill/Core Deposit Intangible	\$	176,447	\$	1,120,822
Accrued Income/Prepaid Expense	\$	27,801,782	\$	11,033,575
Other Assets	\$	39,325,155	\$	38,496,859
Total Assets:	\$	6,083,300,095	\$	5,858,339,374
Liabilities				
Other Liabilities:	\$	11,866,301	\$	1,401,808
Accounts Payable:	\$	56,337,680	\$	64,575,343
Accrued for Member Distribution:	\$	0	\$	0
Notes Payable:	\$	1,500,000,000	\$	0
Shares	\$	3,426,718,197	\$	5,044,360,842
Certificates/Term Deposits	\$	579,963,847	\$	286,455,163
Total Shares:	\$	4,006,682,044	\$	5,330,816,005
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	216,019,941	\$	214,428,017
Reserves & Undivided Earnings	\$	284,197,690	\$	205,660,959
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	(22,870,971)	\$	10,389,832
Total Equity:	\$	508,414,070	\$	461,546,218
Total Liabilities & Equity:	\$	6,083,300,095	\$	5,858,339,374

Financial Condition & Performance January 2023

Income Statement YTD		January 2023	January 2022
Interest Income	\$	22,541,919	\$ 2,188,130
Interest Expense	\$	(19,082,460)	\$ (400,204)
Net Interest Income	\$	3,459,459	\$ 1,787,926
Correspondent Service Income	\$	2,084,369	\$ 2,464,709
Correspondent Service Expense	\$	(1,057,365)	\$ (1,391,596)
Net Correspondent Income	\$	1,027,004	\$ 1,073,113
Gross Operating Income	\$	4,486,463	\$ 2,861,039
Operating Expense	\$	(2,605,231)	\$ (2,312,423)
Net Income	\$	1,881,232	\$ 548,616
Non-Operating Gains/(Losses)	\$	479	\$ 0
Amortization of Goodwill	\$	0	\$ 0
CUSO Income	\$	(48,684)	\$ (52,942)
USC MCA Distribution	\$	0	\$ 0
-Accrued Liability/Member Payouts	\$	0	\$ 0
-Accrued Liability	\$	0	\$ 0
Net Income before PCC Distributions	\$	1,833,027	\$ 495,674
Less: Non-Controlling Interest in Net Income	\$	0	\$ 0
Less: Equity Transfer for PCC Distribution	\$	(687,700)	\$ (136,588)
Net Increase to Retained Earnings	\$	1,145,327	\$ 359,086
Earnings Spread/Net Operating Margin		January 2023	January 2022
Return on Average Assets		4.070%	0.465%
Interest/Dividend Expense		-3.445%	-0.085%
Net Interest Margin		0.625%	0.380%
Correspondent Service Income		0.185%	0.228%
Operating Expenses		-0.470%	-0.491%
Non-Operating Gains/(Losses)		0.000%	0.000%
Amortization of Core Deposit Intangible		0.000%	0.000%
USC MCA Distribution		0.000%	0.000%
CUSO Income		-0.009%	-0.011%
Non-Controlling Interest in Net Income		0.000%	0.000%
Accrued Liability/Member Payout		0.000%	0.000%
PCC Distributions		-0.124%	-0.029%
Net Margin		0.207%	0.076%
Asset Quality		January 2023	
Non-Earning Assets/Average Assets		1.80%	
Delinquent Loans/Total Loans		0.00%	
Investment Portfolio			
U.S. Gov't Guaranteed Securities		42.07%	
U.S. Agency Securities		11.47%	
Asset-Backed Securities (non-mortgage)		9.05%	
Fed Home Loan Bank		1.13%	
Corporate Bonds		0.51%	
Commercial Paper		0.00%	
Bank & Credit Union Deposits		0.38%	
Federal Reserve Bank		34.19%	
CUSO Equity		0.17%	
CLF Stock		0.00%	
Cash & Receivables		1.02%	
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 January 2023

Capital Adequacy	January 2023		January 2022	
RUDE + Acquired Equity Capital/monthly Average Net Assets		4.70%		4.12%
RUDE + Acquired Equity Capital/12-month Average Net Assets		5.12%		3.89%
Tier 1 (Leverage) Capital/12-month Average Net Assets		8.55%		7.35%
Total Capital/12-month Average Net Assets		8.69%		7.50%
Tier 1 Capital/12-month Average Risk-Weighted Assets		58.4%		41.53%
Total Capital/12-month Average Risk-Weighted Assets		59.3%		42.33%
Total Capital	\$	521,091,488	\$	439,769,659
Tier 1 (Leverage) Capital	\$	512,761,394	\$	431,415,479
Tier 2 Capital	\$	8,330,094	\$	8,354,180
PCC deducted from Tier 1 Capital	\$	0	\$	0
Unrealized Gain/Loss on Securities	\$	(22,870,971)	\$	10,389,832
Monthly Average Assets	\$	6,521,517,958	\$	5,542,788,659
Average 12-month Assets	\$	5,996,822,701	\$	5,867,303,811
Year-to-date Average Assets	\$	6,521,517,958	\$	5,542,788,659

Liquidity & Interest Rate Risk as of January 31, 2023

Available Liquidity:	Available Within 90 Days	
Net Cash and Receivables:	\$	2,069,891,537
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$	1,206,784,353
Overnight & Investments Maturing within 90 days:	\$	15,430,033
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	\$	(1,500,000,000)
Primary Sources of Liquidity:	\$	4,184,456,823
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$	180,153,427
Excess Balance Account (EBA) - funds held for members @ FRB:	\$	81,495,000
Secondary Sources of Liquidity:	\$	261,648,427
Total Available Liquidity:	\$	4,446,105,250

Interest Rate Risk as of January 31, 2023

		Regulation 704 Operating Level: Base Plus	
Base/Current Rate Environment	Net Economic Value (NEV):	\$	521,857,657
	NEV Ratio:		8.58%
Up 3% Rate Environment	Net Economic Value (NEV):	\$	479,395,136
	NEV Ratio:		7.96%
	Percentage Change:		-8.1%
Down 3% Rate Environment	Net Economic Value (NEV):	\$	556,497,233
	NEV Ratio:		9.06%
	Percentage Change:		6.6%

Notes to Financials January 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) - \$8,330,093.
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 (1/31) - 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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