Monthly Financials

Vizo Financial Corporate Credit Union

December 2020

Corporate Update

Jay Murray, CEO
David Brehmer, President

What else can we say about 2020? As this strange and complicated year finally draws to a close, we look back on it with a multitude of feelings - astonishment, uncertainty, hyperawareness, etc. But most of all, the feeling of overwhelming support from our member credit unions is the strongest. It's been a true learning experience for us over this past year to see how we can adapt and overcome, and even give back to those who have seen us through these hard times - aka, you! All these lessons have left a lasting impression and will continue to permeate the very foundation of how we serve our members.

We're hopeful that 2021 will see some relief, but in the meantime, we've done our best to provide some relief efforts of our own.

More Financial Givebacks

In last month's financials, we announced that a second rebate - or giveback, as we like to call them - was being given to our capital members. We're pleased to say that management and our board have come together again to provide yet another round of givebacks for credit unions in December. In this third giveback, credit unions received a discount on fees, as well as a higher dividend rate of 2% in December on all of our perpetual contributed capital (PCC) accounts!

We know that this year has seen unprecedented events, but we've been blessed by our loyal member-owners' flexibility and support, and we're so happy to be able to return the favor in a way that can provide some financial respite.

Uniting for Success

As we enter our fifth year as Vizo Financial Corporate Credit Union, we've made several efforts to streamline our operations. Many of those efforts were made in 2020 and involved the consolidation of many of our CUSOs to be brought back under the Vizo Financial umbrella.

In 2021, the consolidation will continue as we bring MY CU Services under the Corporate's infrastructure. All services and fees will remain the same, but this will allow us to create efficiencies that will benefit our members in the future.

In addition, we've partnered with several credit union-related organizations to provide even more solutions and support to our operations. These include:

- Harbinger Technologies - ARCSys CECL platform
- Aptys Solutions - payment processing & PayMōli
- CU*Answers - core processing solutions

And not only have we fostered new partnerships, but we've also leveraged some of our existing ones to alleviate some burdens brought about by the pandemic. CU Business Group (business services support), Primary Financial Company (investments and SimpliCD) and LoanStreet (loan participations) have provided some services that have been a huge help to credit unions.

Our team of partnerships are with organizations that care about the future survival and growth of the credit union movement and share our cooperative principles. We're proud to call these like-minded organizations allies!

Exceptional Service

Understanding our past and where we are heading in the future, we hope you will consider engaging with Vizo Financial at a deeper level and explore some of the services that may not be familiar to you. The more support and scale we attain for your corporate credit union services, the more benefit we can generate for all member credit unions.

Every part of our relief efforts listed above plays a strategic role in our mission to provide exceptional service that aids in your credit union's success. Vizo Financial's board of directors and management are committed to the future success of your individual credit union.

So after a long and tumultuous year, we once again thank you for your support and trust in Vizo Financial. Let's keep moving forward so we may all experience a thriving 2021 together!

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

Financial Condition & Performance *November 2020*

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of November 30, 2020. These reports include information regarding our balance sheet, income statement, asset quality, capital adequacy, liquidity and interest rate risk. It contains all the financial data required for review under Regulation 703.

Balance Sheet

Member overnight balances averaged $5.571 billion compared to $5.552 billion in October and $5.560 billion in September. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased $63.9 million in November. The spread between the single day high and low balances was $1.113 billion compared to $1.108 billion in October (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) was unchanged at 15%.

Average off-balance sheet credit union balances — those held in our EBA — averaged $1.256 billion and ended the month at $1.310 billion. We continue to work with members to shift some short-term deposits with us into our EBA account in an effort to better control the size of our balance sheet during this inflated asset period. We appreciate all of the members who have helped us in this effort to date.

March has historically been the month where deposits peak. However, this year, due to government stimulus payments, balances did not peak until July. After dropping slightly in August and September, balances have moved up again, whereas by the end of November, average total deposits are only down $11.7 million from the July peaks. Use of our EBA program has helped us bring down average assets to $6.650 billion from our peak in June of $7.650 billion, yet year-to-date average assets are still running over $2.277 billion above levels in 2019. We do not expect our 12-month average assets to reach their peak until the end of the first quarter of 2021. Therefore, despite strong earnings, you will continue to see our capital ratios to drop through the first quarter of 2021.

Economic uncertainty still surrounds the future predictability of balances and what 2021 will have in store for us and our members. We continue to re-invest cash flows to maintain a stable level of investments, while making sure liquidity can be generated quickly if needed. We target a minimum balance of $500 million in our Fed account to ensure we have sufficient liquidity at all times for our member settlement activity. Last year, our average Fed balances ran $1.031 billion with an average low of $513 million. Through November 2020, our average Fed balances are running at $2.465 billion with an average low of $1.938 billion. In November, our average Fed balances were $2.362 billion with a low of $1.742 billion.

Liquidity is currently very high on the balance sheet and remains readily accessible 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, coming in at $6.388 billion compared to $7.333 billion in October. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, $760.1 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- Month-end assets came in at $6.8 billion. Average assets were below month-end assets, coming in at $6.65 billion. Excluding non-perpetual capital accounts, our total net equity is at $364.1 million. The unrealized gain/loss/AOCL figure came in at a gain of $24.4 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 $125.4 million. Gross income for the month came in at $1,328,268. Distributions to members via PCC dividends totaled $88,043, and $200,000 was reserved for a member rebate toward fees in December. Our net increase to retained earnings was $1,040,225.
- Our leverage/tier 1 capital ratio came in at 5.29% based on our 12-month rolling average assets. Given our dramatic increase in assets, our capital ratios continue to fall despite stable earnings. Our retained earnings ratio ended the month at 2.01%. Despite being below 2.50%, which requires us to calculate a potential deduction of PCC from Tier 1 capital, no deduction was required this month. Our Tier 1 capital ratio remains well above the minimum regulatory guideline of 4%. *Our total capital ratio came in 5.43%.*
- The net economic value (NEV) dollar value of assets came in at $364.6 million at the end of November, with an NEV ratio of 5.34% compared to the prior month's 4.95%. The NEV ratio will fluctuate up and down month-to-month since it is calculated based on month-end assets versus average assets. In the up 300 basis points scenario, the NEV ratio drops to 5.07% with a negative fluctuation of 5.4%. We are well above required regulatory NEV levels (2%).
- The available liquidity section reflects our capacity for generating liquidity. We factored out securities in

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Financial Condition & Performance *November 2020*

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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 stands at $339.4 million, excluding unrealized gains and losses on securities and accumulated other comprehensive losses. This consists of PCC, retained earnings, equity acquired in merger and eligible non-perpetual capital accounts (NCAs), less total equity held in unconsolidated CUSOs. NCUA regulations require us to reduce capital by the total equity held in unconsolidated CUSOs in calculating our leverage and total capital ratios. Total equity in unconsolidated CUSOs stood at $8.7 million as of month-end, so without this reduction, our gross total capital amounts to $348.1 million.

We also help members manage funds through the use of off-balance sheet products:

- Marketable securities
- SimpliCD brokered certificates
- Federal Reserve Bank's EBA program

Current Balances

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

SimpliCDs	$ 664 million
Security Sales*	$ 579 million
EBA Balances	$ 1.310 billion
Total Off-Balance Sheet	**$2.553 billion**

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

Unrealized Gains/Losses

Market values were stable in November with unrealized gains increasing slightly from $24.2 million to $24.4 million. There were no significant valuation changes. The market value of the SBA portfolio remains our most positive with unrealized gains of $15.9 million. We have enough collateral to borrow our full line at the Federal Home Loan Bank if needed, and all remaining securities are acceptable collateral for the Fed's Discount Window. *From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 26.7%.*

To provide additional insight on this month's unrealized gain/loss figures, we are providing a breakdown of what securities make up these changes in fair market value and book values.

- $4.736 million GAIN is related to our government agency CMO securities portfolio ($988.7 million total book value)
- $0.083 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities ($9.2 million total book value)
- $0.095 million GAIN is related to our government guaranteed mortgage securities ($40.1 million total book value)
- $0.958 million GAIN is related to our corporate bond portfolio ($60.5 million total book value)
- $0.006 million GAIN is related to our commercial paper portfolio ($80.0 million total book value)
- $1.793 million GAIN is related to our credit card asset-backed securities ($620.5 million total book value)
- $0.826 million GAIN is related to our auto floorplan asset-backed securities ($225.7 million total book value)
- $0.014 million GAIN is related to our student loan asset-backed securities ($4.25 million total book value)
- $15.922 million GAIN is related to our government guaranteed SBA portfolio ($2.064 billion total book value)

Market values and the associated unrealized gains/losses indicate an estimate of what the sale price of these assets in today's markets would be, and do not necessarily reflect the actual gains/losses that would be realized if the assets were to be sold or held to maturity.

Summary

Please take a moment to review our financial statements. We also recommend that you share this information with your board of directors to satisfy the due diligence requirements set forth in NCUA Regulation 703.

Our highest priority will remain the financial strength and safety of the organization and total transparency in the reporting of our financial condition.

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

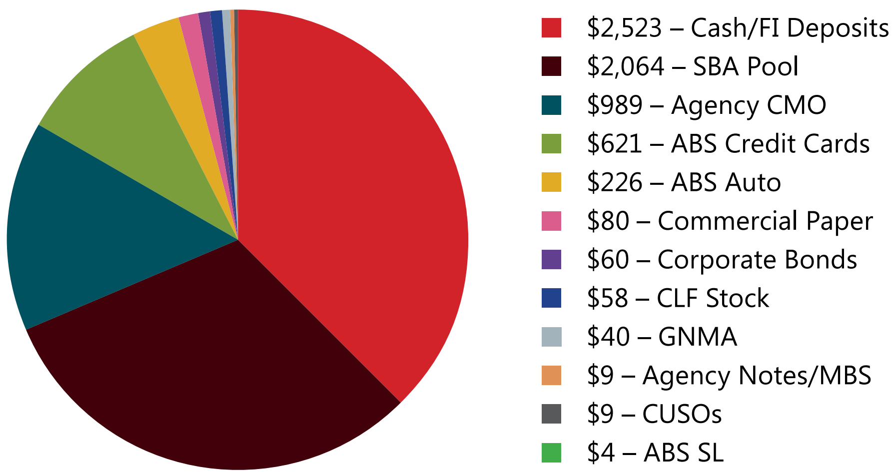
Jay R. Murray

Jay R. Murray
CEO

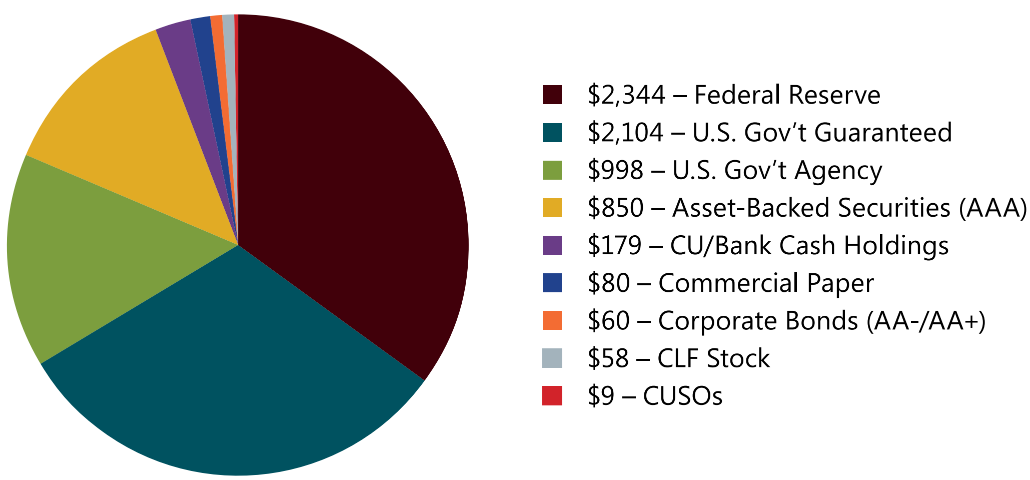
David W. Brehmer
President

Investment Portfolio

Total Book Values as of November 30, 2020



Credit Quality as of November 30, 2020



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

Balance Sheet	November 30, 2020	November 30, 2019
Assets		
Loans	$ 2,418,370	$ 8,287,386
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 853,112,302	$ 922,937,742
U.S. Gov't (Notes/Floaters/Callables)	$ 400,201	$ 541,907
U.S. Gov't Agency (CMOs)	$ 1,033,695,854	$ 669,025,723
U.S. Gov't Agency (MBS)	$ 14,962,791	$ 24,201,424
U.S. Gov't (SBA)	$ 2,080,139,774	$ 1,355,477,063
Corporate Bonds	$ 61,420,030	$ 61,711,300
Commercial Paper	$ 80,000,000	$ 0
Federal Home Loan Bank - Atlanta	$ 4,551,200	$ 3,563,400
Credit Union & Bank Deposits	$ 178,554,008	$ 109,863,885
CUSOs	$ 8,701,031	$ 6,507,115
Federal Reserve Bank	$ 2,344,429,684	$ 1,835,694,474
CLF Stock	$ 58,244,334	$ 0
Receivables	$ 46,001,415	$ 33,566,278
Fixed Assets	$ 5,541,371	$ 6,854,757
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,282,127
Other Assets	$ 47,801,357	$ 47,590,376
Total Assets:	**$ 6,822,255,849**	**$ 5,088,104,957**

Liabilities		
Other Liabilities:	$ 3,466,647	$ 3,135,096
Accounts Payable:	$ 51,646,040	$ 43,824,054
Accrued Liability for Member Payout:	$ 200,000	$ 0
Notes Payable:	$ 6,067,450	$ 7,360,330
Shares	$ 5,628,135,684	$ 4,436,982,797
Certificates/Term Deposits	$ 760,126,448	$ 265,158,298
Total Shares:	$ 6,388,262,132	$ 4,702,141,095
Non-Perpetual Capital Accounts (NCA)	$ 8,505,410	$ 8,505,410
Perpetual Contributed Capital (PCC)	$ 214,237,649	$ 214,196,834
Reserves & Undivided Earnings	$ 102,875,119	$ 84,790,295
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ 24,433,402	$ (1,234,528)
Total Equity:	$ 372,613,580	$ 328,820,011
Other Equity/Non-Controlling Interest:	$ 0	$ 2,824,371
Total Liabilities & Equity:	**$ 6,822,255,849**	**$ 5,088,104,957**

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Financial Condition & Performance

Income Statement YTD	November 2020	November 2019
Interest Income	$ 51,135,764	$ 97,380,493
Interest Expense	$ (17,764,792)	$ (67,510,048)
Net Interest Income	**$ 33,370,972**	**$ 29,870,445**
Net Correspondent Service Income	$ 13,909,756	$ 15,473,482
-Trf to Accrued Liability/Member Payout	$ (1,778,604)	$ 0
Gross Operating Income	**$ 45,502,124**	**$ 45,343,927**
Operating Expense	$ (27,256,303)	$ (26,531,672)
Net Income:	**$ 18,245,821**	**$ 18,812,255**
Non-Operating Gains/(Losses)	$ 449,567	$ 253,634
Amortization of Core Deposit Intangible	$ 0	$ 0
CUSO Income	$ 52,306	$ 100,487
Net Income before PCC Distributions	**$ 18,747,694**	**$ 19,166,376**
Less: Non-Controlling Interest in Net Income	$ (234)	$ (58,343)
Less: Equity Transfer for PCC Distribution	$ (1,503,939)	$ (4,584,476)
Net Increase to Retained Earnings	**$ 17,243,521**	**$ 14,523,557**

Earnings Spread/Net Operating Margin	November 2020	November 2019
Return on Average Assets	0.871%	2.570%
Interest/Dividend Expense	-0.302%	-1.782%
Net Interest Margin	**0.568%**	**0.788%**
Correspondent Service Income	0.237%	0.408%
Operating Expenses	-0.464%	-0.700%
Non-Operating Gains/(Losses)	0.008%	0.007%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.001%	0.003%
Non-Controlling Interest in Net Income	0.000%	-0.002%
Trf to Accrued Liability/Member Payout	-0.030%	0.000%
PCC Distributions	-0.026%	-0.121%
Net Margin	**0.294%**	**0.383%**

Asset Quality	November 2020
Non-Earning Assets/Average Assets	1.66%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	46.26%
Asset-Backed Securities (Non-Mortgage)	12.61%
Federal Home Loan Bank	0.07%
Corporate Bonds	0.91%
Commercial Paper	1.18%
Bank & Credit Union Deposits	2.64%
Federal Reserve Bank	34.66%
CUSO Equity	0.13%
Cash & Receivables	0.68%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	AAA/Aaa
Corporate Bonds	AA- to AA+/A1 to Aa1
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial Ratios

Capital Adequacy	November 2020	November 2019
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.89%	2.47%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.01%	2.64%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.29%	7.75%
Total Capital/12-Month Average Net Assets	5.43%	7.96%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	26.01%	27.67%
Total Capital/12-Month Average Risk-Weighted Assets	26.67%	28.41%
Total Capital	$ 339,378,327	$ 323,489,813
Tier 1 (Leverage) Capital	$ 330,973,737	$ 315,042,014
Tier 2 Capital	$ 8,404,590	$ 8,447,799
PCC Deducted from Tier 1 Capital	$ 0	$ 0
Unrealized Gain/Loss on Securities	$ 24,433,402	$ (1,234,528)
Monthly Average Assets	$ 6,650,460,747	$ 4,346,771,867
Average 12-Month Assets	$ 6,254,407,709	$ 4,065,716,609
Year-to-Date Average Assets	$ 6,417,707,725	$ 4,140,317,410

Liquidity & Interest Rate Risk as of November 30, 2020

Available Liquidity	Available Within 90 Days
Net Cash and Receivables:	$ 2,390,431,099
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	$ 1,979,401,314
Overnight & Investments Maturing within 90 days:	$ 166,906,008
Unsecured Fed Funds Lines Available:	$ 200,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,852,035,982
-less fixed term existing loan advances	$ (6,067,450)
Primary Sources of Liquidity:	$ 6,732,706,953
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 37,660,959
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 1,310,044,725
Secondary Sources of Liquidity:	$ 1,347,705,684
Total Available Liquidity:	**$ 8,080,412,637**

Interest Rate Risk as of November 30, 2020

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 364,599,504
NEV Ratio:	5.34%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 344,786,440
NEV Ratio:	5.07%
Percentage Change:	(5.4%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 394,713,679
NEV Ratio:	5.76%
Percentage Change:	8.3%

Notes to Financials *November 2020*

1. Tier 1 (Leverage) Capital = Reserves, Undivided Earnings, Equity Acquired in Merger and Perpetual Contributed Capital (PCC) less unconsolidated equity investments and less any amount of PCC that causes PCC minus retained earnings (all divided by moving daily average net assets) to exceed 2% (per NCUA Regulation 704).
2. Tier 2 Capital = The PCC that has been deducted from Tier 1 Capital + unamortized Non-perpetual Capital Accounts (NCAs) – $8,404,589.
3. Total Capital = Tier 1 + Tier 2 Capital.
4. Equity acquired in merger reflects the value of the retained earnings that came to Vizo Financial from First Carolina.
5. Marketable Securities are classified 100% as "available-for-sale."
6. Net Economic Value (NEV) = the fair value of assets less the fair value of liabilities.
7. NEV Ratio = Dollar NEV divided by the fair value of total assets.
8. PCC qualifies as equity capital in calculating our NEV ratios. As equity, PCC is not treated as a liability when calculating Vizo Financial's NEV.
9. The regulatory minimum required capital ratios today are:
   a) Leverage (Tier 1) Capital Ratio: 4.0%
   b) Tier 1 Risk-based capital ratio: 4.0%
   c) Total Risk-based capital ratio: 8.0%
10. The leverage capital ratio is calculated by dividing Tier 1 capital by MDANA (moving daily average net assets).
11. The Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by the moving monthly average net risk-weighted assets.
12. The Total risk-based capital ratio is calculated by dividing Total capital by the moving monthly average net risk-weighted assets.
13. All credit card and auto related asset-backed securities are rated by S&P (AAA), Moody's (Aaa), and/or Fitch (AAA).
14. Student loan asset-backed securities are rated by Moody's (Aaa) and S&P (AAA).
15. Corporate bonds ratings ranges are from S&P (AA+/AA-) and Moody's (A1/Aa1).
16. Available-for-sale securities in the liquidity section includes only bonds with market values showing: 1) Gains, or 2) Unrealized losses below $5,000.
17. Other Assets includes insurance policies held with Midland National, North American Company and Minnesota Life tied to 457F plans and a split-dollar plan to offset executive and employee benefits costs.
18. All borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
19. Primary credit access is available at the Federal Reserve Bank (FRB).
20. Current limit at FHLB-Atlanta $1,933,739,100 (11/30) – this will vary based on assets.
21. Unsecured fed funds lines comprised of $100 million from PNC Bank; $50 million from Wells Fargo; $50 million from Corporate One.
22. Secured fed funds lines comprised of $150 million from U.S. Bank – line secured by asset-backed securities.
23. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
24. NEV & capital ratios are in compliance with policy and regulatory limits.
25. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totaled only $450.

Required Credit Analysis Under Regulation 703

Except for investments that are issued or fully guaranteed as to principal and interest by the U.S. Government or its agencies, enterprises or corporations or fully insured (including accumulated interest) by the National Credit Union Administration or the Federal Deposit Insurance Corporation, you must conduct and document a credit analysis of the issuing entity and/or investment before you purchase the investment. You must update the analysis at least annually as long as you hold the investment.

Retain this report as part of the credit analysis required under Regulation 703.

Financial Soundness Report

Jay R. Murray, CEO
David W. Brehmer, President
Mark Brown, CFO
Fred Eisel, CIO

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

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