Monthly Financials

Vizo Financial Corporate Credit Union

September 2023 Financials

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of September 30, 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 $3.115 billion, just below August's $3.159 billion and July's $3.289 billion. Comparing total deposits, which include the EBA balances, overall average overnight deposits were down $46.2 million in September. Given the overall liquidity tightness in the system, we have warehoused liquidity through the Fed's Bank Term Funding Program (BTFP) to maintain excess cash levels; however, half of those borrowings matured in September. The spread between the single day high and low balances was $1.193 billion, above August's fluctuation of $1.004 billion (which includes EBA balances). This led to the volatility of short-term member balances moving up to 31% (from 27%).

Average off-balance sheet credit union balances – those held in our Excess Balance Account (EBA) – averaged just $60.5 million and ended the month at $57.5 million. Despite the current low balances, the EBA will be maintained for potential future use to control the size of our balance sheet, if the liquidity environment shifts.

From a seasonal cash flow perspective, March-April have historically been the months where deposits peak. Total short-term deposits (on-balance sheet plus EBA), hit a record high of $10.365 billion in April 2021. In September 2023, this average stood at $3.176 billion, reflecting the major turnaround in the liquidity environment. March was our highest balance month in 2023, with average short-term deposits of $3.943 billion. Our 12-month rolling average assets dropped from $5.657 billion to $5.564 billion. We are targeting a maximum on-balance sheet asset size of $6 billion, which, given the current liquidity environment, we expect to be well below throughout 2023.

We now target a minimum of $700 million in our Fed account to cover member settlement activity. In September, our Fed balances averaged $1.738 billion, with a low of $959.5 million. The average Fed balances came down in the second half of the month, as we allowed a $500 million loan to pay off on September 18. We still have one $500 million advance, which was the result of taking advantage of warehousing liquidity at attractive pricing levels. This advance will pay off at the end of October. We will look to borrow additional funds to warehouse liquidity as we approach year-end. Average liquidity borrowings in September averaged $783.3 million, with $500 million in outstanding borrowings at month-end.

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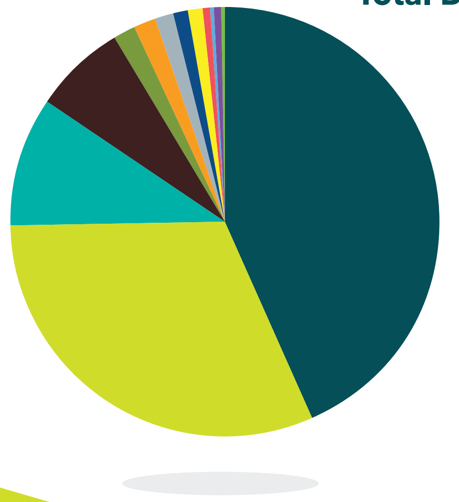
Total Book Values as of September 30, 2023



$2,272	Cash/FI Deposits	$ 63	Member Loans
$ 1,642	SBA Pool	$ 62	ABS Student Loans
$ 508	Agency CMO	$ 20	Corporate Bonds
$ 364	U.S. Treasuries	$ 20	CMBS/MBS
$ 94	ABS Credit Cards	$ 19	GNMA
$ 80	Agency Floaters	$ 9	CUSOs
$ 79	ABS Auto/Equipment	$ 5	FHLB Stock

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

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

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

- On-balance sheet (month-end) member shares were up from the prior month, coming in at $4.206 billion compared to $3.323 billion in August and $3.667 billion in July. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, $400.5 million was in certificates while the remaining balances were distributed between the various PSA and settlement deposit accounts
- Month-end assets came in at $5.329 billion. Average net assets were below that figure, coming in at $4.942 billion. Excluding non-perpetual capital accounts, but including net unrealized losses, our total net equity is $537.6 million. The overall unrealized loss/AOCL figure dropped to $32.1 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 $352.9 million. Net operating income for the month came in at $2,165,413. This was reduced by negative CUSO income ($57,921), and the write down of our Constellation CUSO equity ($499,999), which was offset by a small gain on the sale of our Pittsburgh building (+$144,781). In addition, we received a recovery from the U.S. Central estate of $12,729,720, from which we reserved $2.0 million as an accrued liability. Dividends paid on PCC accounts totaled $756,754 for a net addition to retained earnings of $11,612,125.
- Our leverage/tier 1 capital ratio is at 10.08%, and our retained earnings ratio now stands at 6.34%. *Our total capital ratio ended the month at 10.23%.*
- The Net Economic Value (NEV), or economic value of assets less the economic value of liabilities, came in at $555.6 million at the end of September, with an NEV ratio of 10.43% compared to the prior month's 11.02%. 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 10.03%, with a negative fluctuation of 4.5%. 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 $568.9 million, excluding unrealized gains and/or losses on securities and accumulated other comprehensive losses. This consists of PCC, retained earnings, equity acquired in merger and eligible non-perpetual capital accounts (NCAs) less total equity held in unconsolidated CUSOs. NCUA regulations require us to reduce capital by the total equity held in unconsolidated CUSOs in calculating our leverage and total capital ratios. Total equity in unconsolidated CUSOs stands at $9.0 million. Without these reductions, our gross total capital amounts to $577.9 million.

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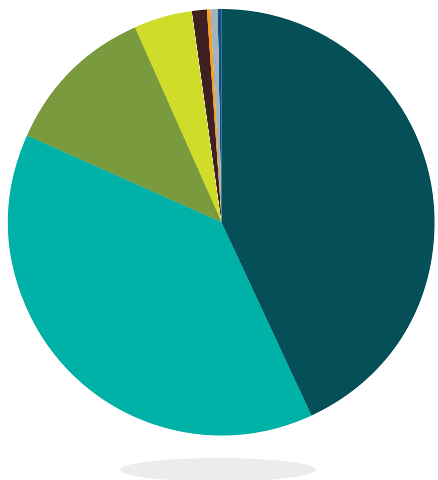
Credit Quality as of September 30, 2023



- $ 2,256 - Federal Reserve
- $ 2,024 - U.S. Gov't Guaranteed
- $ 608 - U.S. Gov't Agency
- $ 235 - Asset-Backed Securities (AAA)
- $ 63 - Member Loans
- $ 20 - Corporate Bonds (AA-/AA+)
- $ 16 - CU/Bank Cash Holdings
- $ 9 - CUSOs
- $ 5 - FHLB Stock

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

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

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

Off-Balance Sheet Activity

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

SimpliCDs	$	1.028 billion
Security Sales*	$	399 million
EBA Balances	$	57 million
Total Off-Balance Sheet	**$**	**1.484 billion**

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

Unrealized Gains/Losses

Unrealized losses for September 2023 were $32,055,604, compared to $32,460,873 in August. For the most part, values were fairly stable in September, as the Fed paused its rate increases and the market believes we are close to the top of this cycle of Fed rate hikes. We have just under $1.9 billion in eligible collateral that can be used to access funds from the Federal Home Loan Bank or the Fed's Bank Term Funding Program, 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 91.6%.*

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

- $15.861 million LOSS is related to our government agency CMO securities portfolio ($508.2 million total book value)
- $0.251 million LOSS is related to our agency MBS/CMBS securities ($20.2 million total book value)
- $0.772 million LOSS is related to our government guaranteed mortgage securities ($18.8 million total book value)
- $0.374 million LOSS is related to our agency floater portfolio ($79.8 million total book value)
- $0.003 million LOSS is related to our corporate bond portfolio ($20.0 million total book value)
- $0.718 million LOSS is related to our credit card asset-backed securities ($94.0 million total book value)
- $0.435 million LOSS is related to our auto and equipment asset-backed securities ($78.9 million total book value)
- $0.944 million LOSS is related to our student loan asset-backed securities ($61.9 million total book value)
- $7.539 million LOSS is related to our U.S. treasury securities ($363.8 million total book value)
- $5.159 million LOSS is related to our government guaranteed SBA portfolio ($1.642 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

Balance Sheet

		September 2023		September 2022
Assets				
Loans	$	62,568,464	$	47,381,461
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	232,724,961	$	585,549,836
U.S. Gov't (Notes/Floaters/Callables)	$	79,417,100	$	78,801,515
U.S. Gov't Agency (CMOs)	$	510,385,218	$	626,745,853
U.S. Gov't Agency (MBS)	$	19,916,537	$	4,931,775
U.S. Gov't (SBA)	$	1,636,637,001	$	2,109,603,330
Corporate Bonds	$	19,996,800	$	29,838,160
U.S. Treasuries	$	356,222,674	$	631,395,054
Commercial Paper	$	0	$	0
Federal Home Loan Bank - Atlanta	$	4,718,600	$	9,179,400
Credit Union & Bank Deposits	$	15,875,526	$	331,817,980
CUSOs	$	9,026,866	$	9,620,594
Federal Reserve Bank	$	2,256,479,548	$	2,335,409,597
CLF Stock	$	0	$	57,738,003
Receivables	$	50,355,370	$	49,290,402
Fixed Assets	$	6,627,889	$	8,231,851
Goodwill/Core Deposit Intangible	$	0	$	176,447
Accrued Income/Prepaid Expense	$	28,089,528	$	19,586,245
Other Assets	$	40,004,972	$	39,205,614
Total Assets:	**$**	**5,329,047,054**	**$**	**6,974,503,117**
Liabilities				
Other Liabilities:	$	7,998,272	$	7,534,785
Dividends/Interest Payable:	$	9,593,150	$	29,122
Accounts Payable:	$	59,324,240	$	64,968,924
Notes Payable:	$	500,000,000	$	173,000,000
Shares	$	3,805,745,709	$	5,630,579,681
Certificates/Term Deposits	$	400,472,205	$	595,665,347
Total Shares:	**$**	**$4,206,217,914**	**$**	**$6,226,245,028**
Non-Perpetual Capital Accounts (NCA)	$	8,332,575	$	8,505,410
Perpetual Contributed Capital (PCC)	$	216,763,055	$	214,433,317
Reserves & Undivided Earnings	$	330,311,452	$	278,126,570
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	(32,055,604)	$	(20,902,039)
Total Equity:	**$**	**545,913,478**	**$**	**502,725,258**
Total Liabilities & Equity:	**$**	**5,329,047,054**	**$**	**6,974,503,117**

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Financial Condition & Performance

Income Statement YTD		September 2023		YTD 2023		September 2022
Interest Income	$	20,306,490	$	187,073,112	$	53,587,526
Interest Expense	$	(16,008,177)	$	(151,075,746)	$	(35,148,233)
Net Interest Income	**$**	**4,298,313**	**$**	**35,997,366**	**$**	**18,439,293**
Correspondent Service Income	$	2,066,184	$	20,894,861	$	33,723,239
Correspondent Service Expense	$	(1,053,720)	$	(9,695,610)	$	(24,297,570)
Net Correspondent Income	**$**	**1,012,464**	**$**	**11,199,251**	**$**	**9,425,669**
Gross Operating Income	**$**	**5,310,777**	**$**	**47,196,617**	**$**	**27,864,962**
Operating Expense	$	(3,145,364)	$	(24,468,851)	$	(22,125,245)
Net Income	**$**	**2,165,413**	**$**	**22,727,766**	**$**	**5,739,717**
Gain/Loss on Sale of Investments	$	0	$	(327,750)	$	0
Gain/Loss on Sale of Other Assets/Goodwill	$	(468,333)	$	(644,780)	$	(1,162,899)
CUSO Income	$	(57,921)	$	(540,056)	$	(477,844)
USC MCA Distribution	$	12,729,720	$	36,450,492	$	109,196,588
-Member Payout	$	0	$	0	$	(35,632,865)
-Accrued Liability	$	(2,000,000)	$	(3,932,086)	$	(3,500,000)
Net Income before PCC Distributions	**$**	**12,368,879**	**$**	**53,733,586**	**$**	**74,162,697**
Less: Non-Controlling Interest in Net Income	$	0	$	0	$	0
Less: Equity Transfer for PCC Distribution	$	(756,754)	$	(6,474,497)	$	(1,338,000)
Net Increase to Retained Earnings	**$**	**11,612,125**	**$**	**47,259,089**	**$**	**72,824,697**

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Earnings Spread/Net Operating Margin	September 2023	September 2022
Return on Average Assets	4.602%	1.214%
Interest/Dividend Expense	-3.716%	-0.796%
Net Interest Margin	**0.885%**	**0.418%**
Correspondent Service Income	0.275%	0.213%
Operating Expenses	-0.602%	-0.501%
Gain/Loss on Sale of Investments	-0.008%	0.000%
Gain/Loss on Other Assets/Goodwill	-0.016%	-0.026%
USC MCA Distribution	0.897%	2.473%
CUSO Income	-0.013%	-0.011%
Non-Controlling Interest in Net Income	0.000%	0.000%
Accrued Liability/Member Payout	-0.097%	-0.886%
PCC Distributions	-0.159%	-0.030%
Net Margin	**1.162%**	**1.649%**

Capital Adequacy	September 2023	September 2022
RUDE + Acquired Equity Capital/Monthly Average Net Assets	7.14%	4.96%
RUDE + Acquired Equity Capital/12-month Average Net Assets	6.34%	5.24%
Tier 1 (Leverage) Capital/12-month Average Net Assets	10.08%	8.82%
Total Capital/12-month Average Net Assets	10.23%	8.96%
Tier 1 Capital/12-month Average Risk-Weighted Assets	90.31%	54.16%
Total Capital/12-month Average Risk-Weighted Assets	91.65%	55.05%
Total Capital	$ 568,936,901	$ 513,832,804
Tier 1 (Leverage) Capital	$ 560,609,641	$ 505,501,293
Tier 2 Capital	$ 8,327,260	$ 8,331,511
PCC deducted from Tier 1 Capital	$ 0	$ 0
Unrealized Gain/Loss on Securities	$ (32,055,604)	$ (20,902,039)
Monthly Average Assets	$ 4,942,441,995	$ 6,060,091,487
Average 12-month Assets	$ 5,563,893,320	$ 5,733,306,929
Year-to-date Average Assets	$ 5,435,474,147	$ 5,903,965,622

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Key Financial Ratios

Liquidity & Interest Rate Risk as of September 30, 2023

Available Liquidity:		Available Within 90 Days
Net Cash and Receivables:	$	2,306,834,918
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$	709,053,641
Overnight & Investments Maturing within 90 days:	$	8,879,526
Unsecured Fed Funds Lines Available:	$	150,000,000
Secured Fed Funds Lines Available:	$	75,000,000
Federal Home Loan Bank (FHLB) - eligible collateral:	$	1,881,753,546
-less fixed term existing loan advances	$	(500,000,000)
Primary Sources of Liquidity:	$	4,631,521,631
Federal Reserve (FRB) Discount Window - borrowing capacity:	$	109,732,143
Excess Balance Account (EBA) - funds held for members @ FRB:	$	57,492,799
Secondary Sources of Liquidity:	$	167,224,942
Total Available Liquidity:	**$**	**4,798,746,573**

Interest Rate Risk as of September 30, 2023

			Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	Net Economic Value (NEV):	$	555,651,352
	NEV Ratio:		10.43%
Up 3% Rate Environment	Net Economic Value (NEV):	$	530,441,372
	NEV Ratio:		10.03%
	Percentage Change:		-4.5%
Down 3% Rate Environment	Net Economic Value (NEV):	$	576,295,678
	NEV Ratio:		10.74%
	Percentage Change:		3.7%

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Notes to Financials

1. Tier 1 (Leverage) Capital = Reserves, Undivided Earnings, Equity Acquired in Merger & Perpetual Contributed Capital (PCC) less unconsolidated equity investments and less any amount of PCC that causes PCC minus retained earnings (all divided by moving daily average net assets) to exceed 2% (per NCUA Regulation 704).
2. Tier 2 Capital = The PCC that has been deducted from Tier 1 Capital + unamortized Non-perpetual Capital Accounts (NCAs) – $8,327,259.
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 $1,784,023,800 (9/30) – 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 $100 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, EVP

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

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