

# Monthly Financials

Vizo Financial Corporate Credit Union

August 2021 Edition | July 2021 Financials



David Brehmer  
President & CEO

## Corporate Update

We have some very exciting news to share with you this month. Vizo Financial, MY CU Services and other credit union organizations have come together to launch CUaxis,

a core community for credit unions! Keep reading below to find out more about CUaxis, our board election/annual meeting, and the many educational opportunities going on at the Corporate!

### CUaxis: A Credit Union Core Community

We are delighted to present CUaxis, a community for credit unions that focuses on core processing, collaboration and the cooperative spirit. CUaxis is a place to enhance credit union connections to one another through a common core solution, making the movement's values of cooperation and people helping people the central focus.

In the CUaxis community, where core processing, as well as other solutions, education and knowledge stand side by side, you have all the resources you want in one place. That means you can spend less time searching for the essentials you need for your business and more time focusing on what matters: your members. And did we mention the support you'll receive? Professionals with years of experience are available to lend a helping hand. As part of the CUaxis community, you'll also have access to the [CUaxis blog](#), where you can stay up to date on all things core-related, and the [CUaxis forum](#), where you can join in on the core discussion and share insights with your fellow credit unions!

Check out the [CUaxis community](#) today and learn more about our [core processing solution](#) while you're there!

### Board Election: Make Sure You Vote!

Our 2021 board election online voting has begun! As a friendly reminder, all votes must be received by midnight on September 2, 2021. The results will be announced during our virtual Annual Meeting on September 8, 2021, at 10:30 a.m. ET. Visit the [Annual Meeting website](#) for more information on the candidates, and while you're there, [register](#) for the Annual Meeting and plan to attend from wherever you may be!

Important dates to remember:

**September 2** - Ballots due to Vizo Financial  
**September 2** - Deadline to register for Annual Meeting  
**September 8** - Annual Meeting

### Financial Conference: September 15-17 is Now Virtual!

Out of an abundance of caution we have decided to move our 2021 Financial Conference to a virtual event, as the health and safety of our members, speakers and staff continues to be our top priority.

Our agenda remains the same and over three days, speakers from Bloomberg Insight, Sage Policy Group, FHN Financial and more will cover topics such as portfolio strategies in challenging times, fintech, economic outlook, rates strategies, regulatory updates and so much more!

Join us from September 15-17 for this virtual event! Save your seat at the 2021 Financial Conference...[register today!](#)

### Upcoming Webinars

We have some exciting educational webinars coming up over the next few months! For more information on the following webinars, visit our [Upcoming Webinars](#) page!

#### [New ACH Meaningful Modernization Rules](#)

August 25, 2021

#### [Global Bridges Education Series](#)

September 21, 2021

September 28, 2021

October 5, 2021

October 12, 2021

#### [Onboarding in a Box Webinar Series](#)

October 14, 2021

October 21, 2021

October 28, 2021

#### [Meet CUaxis and CU\\*Answers](#)

October 27, 2021

#### [Tabletop Exercise - Threats to Your Credit Union](#)

November 2, 2021

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



# Financial Condition & Performance July 2021

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of July 31, 2021. 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 \$4.695 billion compared to \$4.782 billion in June and \$5.128 billion in May. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits decreased \$115.3 million in July. The spread between the single day high and low balances was \$1.115 billion compared to \$931.8 million in June and \$1.453 billion in May (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) was very stable, moving from 9% to 11%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$5.156 billion and ended the month at \$5.292 billion. We appreciate all of the members who have moved funds into our EBA account at the Fed, which has helped control the size of our balance sheet.

From a seasonal cash flow perspective, March has historically been the month where deposits peak. However, this has not been the case in 2020 or 2021, due primarily to government stimulus packages that, both years, brought in over \$2 billion to the Corporate. From a total deposit perspective, April 2021 recorded our highest combined balances (on-balance sheet + EBA) to date, averaging \$10.365 billion. In July, this total has come down slightly to \$9.850 billion. The big difference is that over 50% of member deposits are now held off-balance sheet in our EBA. Our 12-month rolling average assets decreased, dropping from \$6.667 billion down to \$6.552 billion. We expect our rolling 12-month average assets will continue to drop over the remainder of 2021.

Member participation in the EBA program now seems broad enough to give us the ability to control the size of our balance sheet going forward. Pre-pandemic, we targeted maintaining a minimum balance of \$500 million in our Fed account to ensure we always had sufficient liquidity to support our member settlement and lending activity. In 2020, our Fed balances averaged \$2.471 billion with an average low of \$1.949 billion. So far in 2021, our Fed balances are averaging \$1.960 billion with an average low of \$1.272 billion. In July, our Fed balances averaged just over \$1 billion, coming in at \$1.088 billion.

Liquidity remains 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 up, coming in at \$5.686 billion compared to \$5.110 billion in June and \$5.817 billion in May. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$385.5 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- › Month-end assets came in at \$6.147 billion. Average assets were slower than month-end assets, coming in at \$5.572 billion. Excluding non-perpetual capital accounts, our total net equity is at \$390.7 million. The unrealized gain/loss/AOCL figure was up slightly, coming in at a gain of \$15.4 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 \$161.0 million. Gross income for the month came in at \$1,460,087. Distributions to members via PCC dividends totaled \$136,467. Our net increase to retained earnings was \$1,323,621.
- › Our 12-month average assets decreased for a third straight month, which, along with stable earnings, increased our leverage/tier 1 capital ratio to 5.60% (up from 5.48%). Likewise, our retained earnings ratio ended the month at 2.46% (up from 2.40%). *Our total capital ratio also climbed to 5.72% (up from 5.61%).*
- › The net economic value (NEV) dollar value of assets came in at \$390.7 million at the end of July, with an NEV ratio of 6.36% compared to the prior month's 6.99%. 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 5.93% with a negative fluctuation of 7.3%. 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.

*continued on page 3*

continued from page 2

› Total capital stands at \$375.0 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 stood at \$8.6 million as of month-end, so without this reduction, our gross total capital amounts to \$383.6 million.

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

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

## Off-Balance Sheet Activity

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

SimpliCDs	\$ 558 million
Security Sales*	\$ 966 million
EBA Balances	\$ 5.292 billion
<b>Total Off-Balance Sheet</b>	<b>\$ 6.816 billion</b>

\*Security sales reflect sales over the past 18 months

## Unrealized Gains/Losses

Market values remained stable in July, with our unrealized gains going from \$15.354 million to \$15.451 million. The SBA portfolio remains the largest percentage of our overall investment portfolio and showed unrealized gains of \$7.756 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 32.6%.*

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.

- › \$3.903 million GAIN is related to our government agency CMO securities portfolio (\$811.0 million total book value)
- › \$0.055 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$7.3 million total book value)
- › \$0.181 million GAIN is related to our government guaranteed mortgage securities (\$31.0 million total book value)
- › \$0.956 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$2.110 million GAIN is related to our credit card asset-backed securities (\$519.9 million total book value)
- › \$0.401 million GAIN is related to our auto floor-plan asset-backed securities (\$106.1 million total book value)
- › \$0.088 million GAIN is related to our student loan asset-backed securities (\$58.0 million total book value)
- › \$7.756 million GAIN is related to our government guaranteed SBA portfolio (\$2.219 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.

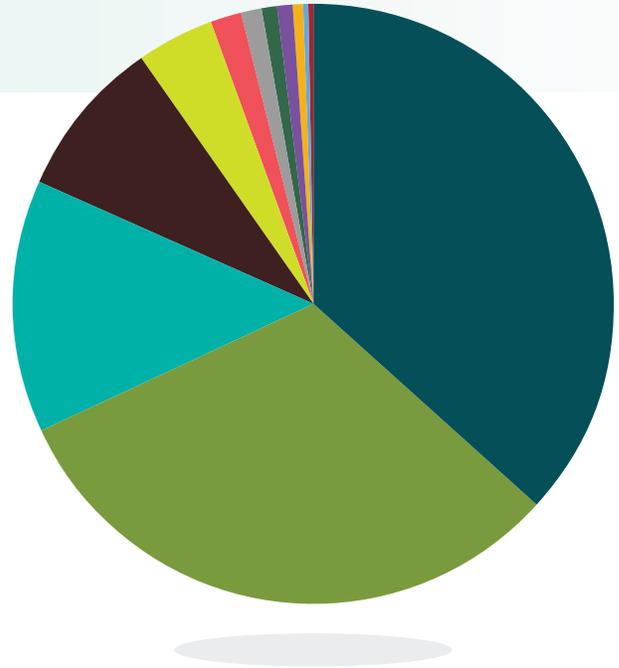
We are very grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.



**David W. Brehmer**  
President & CEO

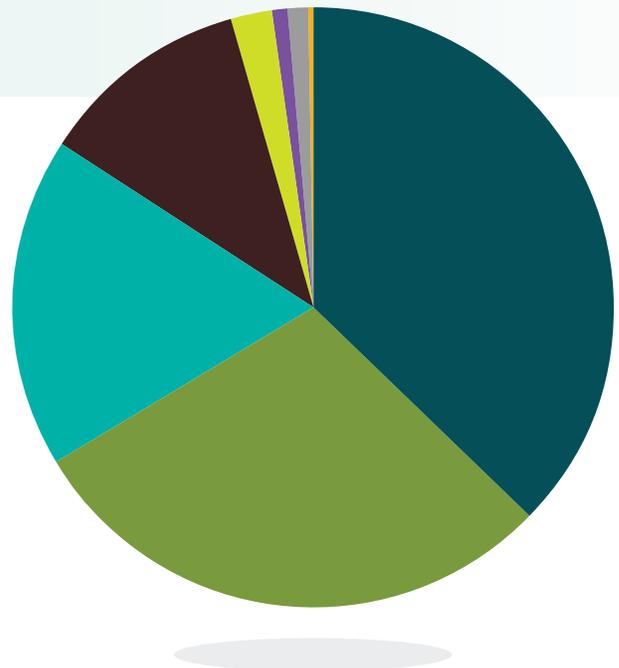
## Total Book Values as of July 31, 2021

- \$ 2,219 - SBA Pool
- \$ 1,895 - Cash/FI Deposits
- \$ 811 - Agency CMO
- \$ 520 - ABS Credit Cards
- \$ 250 - Repo
- \$ 106 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - ABS SL
- \$ 58 - CLF Stock
- \$ 31 - GNMA
- \$ 9 - CUSOs
- \$ 7 - CMBS/MBS
- \$ 4 - FHLB Stock



## Credit Quality as of July 31, 2021

- \$ 2,250 - U.S. Gov't Guaranteed
- \$ 1,768 - Federal Reserve
- \$ 1,068 - U.S. Gov't Agency
- \$ 684 - Asset-Backed Securities (AAA)
- \$ 128 - CU/Bank Cash Holdings
- \$ 60 - Corporate Bonds (AA-/AA+)
- \$ 58 - CLF Stock
- \$ 9 - CUSOs
- \$ 4 - FHLB Stock



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

# Financial Condition & Performance July 2021

Balance Sheet	July 31, 2021		July 31, 2020	
<b>Assets</b>				
Loans	\$	250,553,285	\$	3,827,033
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	686,670,920	\$	874,303,209
U.S. Gov't (Notes/Floaters/Callables)	\$	0	\$	402,521
U.S. Gov't Agency (CMOs)	\$	846,148,610	\$	1,027,693,187
U.S. Gov't Agency (MBS)	\$	7,340,198	\$	16,281,280
U.S. Gov't (SBA)	\$	2,226,434,444	\$	1,882,998,603
Corporate Bonds	\$	61,410,384	\$	61,287,165
Commercial Paper	\$	0	\$	0
Federal Home Loan Bank - Atlanta	\$	3,692,000	\$	4,551,200
Credit Union & Bank Deposits	\$	127,554,684	\$	220,741,461
CUSOs	\$	8,596,312	\$	8,681,440
Federal Reserve Bank	\$	1,767,705,691	\$	2,909,710,951
CLF Stock	\$	57,738,003	\$	58,244,334
Receivables	\$	48,647,751	\$	33,488,643
Fixed Assets	\$	2,137,514	\$	6,109,764
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	49,652,936	\$	47,218,744
<b>Total Assets:</b>	<b>\$</b>	<b>6,146,564,859</b>	<b>\$</b>	<b>7,157,821,662</b>
<b>Liabilities</b>				
Other Liabilities:	\$	2,215,272	\$	2,677,728
Accounts Payable:	\$	59,096,532	\$	55,248,774
Accrued Liability for Member Payout:	\$	0	\$	0
Notes Payable:	\$	0	\$	6,585,710
Shares	\$	5,300,562,539	\$	6,170,063,160
Certificates/Term Deposits	\$	385,478,868	\$	560,432,838
<b>Total Shares:</b>	<b>\$</b>	<b>5,686,041,407</b>	<b>\$</b>	<b>6,730,495,998</b>
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,237,649	\$	214,237,649
Reserves & Undivided Earnings	\$	138,455,356	\$	97,485,534
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	15,451,233	\$	20,022,859
<b>Total Equity:</b>	<b>\$</b>	<b>399,211,648</b>	<b>\$</b>	<b>362,813,452</b>
<b>Total Liabilities &amp; Equity:</b>	<b>\$</b>	<b>6,146,564,859</b>	<b>\$</b>	<b>7,157,821,662</b>

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# Financial Condition & Performance July 2021

Income Statement YTD		July 2021	July 2020
Interest Income	\$	23,153,837	\$ 37,994,288
Interest Expense	\$	(2,845,453)	\$ (15,846,121)
<b>Net Interest Income</b>	<b>\$</b>	<b>20,308,384</b>	<b>\$ 22,148,167</b>
Net Correspondent Service Income	\$	7,713,176	\$ 9,051,642
-Trf to Accrued Liability/Member Payout	\$	0	\$ (1,084,391)
<b>Gross Operating Income</b>	<b>\$</b>	<b>28,021,560</b>	<b>\$ 30,115,418</b>
Operating Expense	\$	(18,560,404)	\$ (17,610,714)
<b>Net Income</b>	<b>\$</b>	<b>9,461,156</b>	<b>\$ 12,504,704</b>
Non-Operating Gains/(Losses)	\$	1,874,282	\$ 462,651
Amortization of Core Deposit Intangible	\$	0	\$ 0
CUSO Income	\$	(89,515)	\$ 32,716
USC MCA Distribution	\$	24,175,364	\$ 0
<b>Net Income before PCC Distributions</b>	<b>\$</b>	<b>35,421,287</b>	<b>\$ 13,000,071</b>
Less: Non-Controlling Interest in Net Income	\$	0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$	(933,255)	\$ (1,145,898)
<b>Net Increase to Retained Earnings</b>	<b>\$</b>	<b>34,488,032</b>	<b>\$ 11,853,939</b>
Earnings Spread/Net Operating Margin		July 2021	July 2020
Return on Average Assets		0.613%	1.030%
Interest/Dividend Expense		-0.075%	-0.430%
<b>Net Interest Margin</b>		<b>0.538%</b>	<b>0.601%</b>
Correspondent Service Income		0.204%	0.245%
Operating Expenses		-0.491%	-0.478%
Non-Operating Gains/(Losses)		0.050%	0.013%
Amortization of Core Deposit Intangible		0.000%	0.000%
USC MCA Distribution		0.640%	0.000%
CUSO Income		-0.002%	0.001%
Non-Controlling Interest in Net Income		0.000%	0.000%
Trf to Accrued Liability/Member Payout		0.000%	-0.029%
PCC Distributions		-0.025%	-0.031%
<b>Net Margin</b>		<b>0.913%</b>	<b>0.321%</b>
Asset Quality		July 2021	
Non-Earning Assets/Average Assets		2.00%	
Delinquent Loans/Total Loans		0.00%	
<b>Investment Portfolio</b>			
U.S. Gov't/Agency Securities		52.72%	
Asset-Backed Securities (Non-Mortgage)		11.75%	
Federal Home Loan Bank		0.06%	
Corporate Bonds		1.05%	
Commercial Paper		0.00%	
Bank & Credit Union Deposits		2.18%	
Federal Reserve Bank		30.26%	
CUSO Equity		0.15%	
Cash & Receivables		0.83%	
<b>Credit Ratings</b>			
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 July 2021

Capital Adequacy	July 2021	July 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	2.89%	1.73%
RUDE + Acquired Equity Capital/12-month Average Net Assets	2.46%	2.20%
Tier 1 (Leverage) Capital/12-month Average Net Assets	5.60%	5.98%
Total Capital/12-month Average Net Assets	5.72%	6.13%
Tier 1 Capital/12-month Average Risk-Weighted Assets	31.89%	26.12%
Total Capital/12-month Average Risk-Weighted Assets	32.62%	26.80%
Total Capital	\$ 375,034,477	\$ 334,022,736
Tier 1 (Leverage) Capital	\$ 366,658,693	\$ 325,603,743
Tier 2 Capital	\$ 8,375,784	\$ 8,418,993
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 15,451,233	\$ 20,022,859
Monthly Average Assets	\$ 5,571,836,873	\$ 6,948,392,298
Average 12-month Assets	\$ 6,552,056,424	\$ 5,448,378,003
Year-to-date Average Assets	\$ 6,502,157,953	\$ 6,318,911,557

## Liquidity & Interest Rate Risk as of July 31, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 1,816,353,442
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 1,692,177,477
Overnight & Investments Maturing within 90 days:	\$ 117,394,684
Unsecured Fed Funds Lines Available:	\$ 150,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 2,061,179,608
-less fixed term existing loan advances	\$ 0
Primary Sources of Liquidity:	\$ 5,987,105,211
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 31,930,929
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 5,291,884,068
Secondary Sources of Liquidity:	\$ 5,323,814,997
<b>Total Available Liquidity:</b>	<b>\$ 11,310,920,208</b>

## Interest Rate Risk as of July 31, 2021

	Regulation 704 Operating Level: Base Plus
<b>Base/Current Rate Environment</b>	
Net Economic Value (NEV):	\$ 390,741,523
NEV Ratio:	6.36%
<b>Up 3% Rate Environment</b>	
Net Economic Value (NEV):	\$ 362,290,537
NEV Ratio:	5.93%
Percentage Change:	(7.3%)
<b>Down 1% Rate Environment</b>	
Net Economic Value (NEV):	\$ 403,511,868
NEV Ratio:	6.55%
Percentage Change:	3.3%

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# Notes to Financials July 2021

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) - \$8,375,784.
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 \$2,160,465,300 (7/31) - this will vary based on assets.
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.
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

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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