

Monthly Financials

Vizo Financial Corporate Credit Union

May 2021 Edition | April 2021 Financials



Jay Murray
CEO

Corporate Update

As Jay carries out his last days with the Corporate, he wanted to share a few words with our members:

"First and foremost, I want to thank our member credit unions for the good times we've had over the many years I've been here. It's been a pleasure to work with you all, and I wish you nothing but the best. I look forward to seeing your accomplishments in the future. I'm also happy to leave you in good hands with David at the helm. I leave with joy and a feeling that we've accomplished so much together in our partnership. My sincerest thanks for a wonderful tenure - I won't forget it!"



David Brehmer
President

2021 Board Election: Dates & Information

Our 2021 board election process is underway! Credit unions will be receiving more information over the next few months in regards to our Annual Meeting website, board nominee bios, election materials, etc. But in the meantime, here are some important dates you might want to jot down:

Call for Nominations by Petition:

May 24 - June 25, 2021

Online Voting:

August 5 - September 2, 2021

Vizo Financial Annual Meeting:

September 8, 2021

Be sure to look for more election communications and resources, and add noreply@directvote.net to your safe sender list so you don't miss any important Vizo Financial election information. We appreciate your participation.

Vizo Financial Annual Report Available

Vizo Financial's 2020 Annual Report is now available on Zephyr and on the Corporate's website at www.vfccu.org.

To view the Annual Report, please [click here](#).

More Leadership Workshops Ahead!

Leaders are an asset to your credit union. Great leaders are an even better one. Invest in great leadership at your institution with our Leadership Workshops!

One workshop is in the books and the June event is at capacity, but not to worry! We've got two more Leadership Workshops ahead on August 18 and November 17, 2021. The August workshop will be held virtually and the November 17 workshop is tentatively scheduled to be held in Richmond, Va.

In these education-packed, one-day workshops, credit union staff will learn about effective leadership skills and the components of an engaging workplace culture. And who better to lead the way than our chief culture officer, Joe Bertotto?

Learn more about our upcoming Leadership Workshops on the [event website](#) and if you like what you see, go ahead and register! Spots are limited, so act quickly!

The Smart Way to Offer Student Loans

What makes a smart student loan program? All of this:

- High-value products that can attract and retain valuable members.
- Additional income without any upfront investment from your credit union.
- Easy promotion for your credit union with marketing materials provided through a resource portal.

Our partnership with Sallie Mae makes all this possible! Want to know more? [Our brochure](#) has all the details!

Exceptional Service

Vizo Financial strives each and every day to provide excellence in our service and we will continually work to improve your member experience.

Here's how we created our own brand of service: we mix together a willingness to go the extra mile, to work in the best interest of others and to serve with energy and enthusiasm. If you've ever felt our passion for service, please share! Send your story to marketing@vfccu.org!

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



Financial Condition & Performance April 2021

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of April 30, 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 \$5.636 billion compared to \$5.998 billion in March and \$5.552 billion in February. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased \$1.068 billion in April. The spread between the single day high and low balances was \$1.341 billion compared to \$2.615 billion in March and \$1.259 billion in February (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) decreased from 25% to 12%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$4.730 billion and ended the month at \$5.065 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. Therefore, from a total deposit perspective, April 2021 recorded our highest combined balances (on-balance sheet + EBA) to date, averaging \$10.365 billion. Our success in neutralizing the impact of this latest stimulus thanks to the EBA program has positioned us well going into May when we expect our 12-month average assets to start coming down. Our 12-month rolling average assets as of month-end increased to \$6.952 billion in April, up from \$6.933 billion in March. In May, we expect our rolling 12-month average assets to drop, thereby helping to stabilize our capital ratios. From a credit quality perspective, our risk-based capital ratios continue to remain extremely strong and stable, closing April in the 29-30% range.

We continue to re-invest cash flows to maintain a stable level of investments while making sure liquidity can be generated quickly if needed. 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 \$2.582 billion with an average low of \$1.858 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 \$6.569 billion compared to \$6.761 billion in March. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$464.8 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- ▶ Month-end assets came in at \$7.043 billion. Average assets were slightly below month-end assets, coming in at \$6.894 billion. Excluding non-perpetual capital accounts, our total net equity is at \$393.9 million. The unrealized gain/loss/AOCL figure was up slightly, coming in at a gain 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 \$156.7 million. Gross income for the month came in at \$1,268,859. In addition, we received our first US Central estate recovery payment of \$24,175,364 to bring total income for the month to \$25,444,223. Distributions to members via PCC dividends totaled \$132,064. Our net increase to retained earnings was \$25,312,159. A separate member correspondence was sent regarding this first recovery payment and the anticipation of future payments.
- ▶ Despite our 12-month average assets increasing slightly, thanks to receipt of the first recovery payment, our leverage/tier 1 capital ratio jumped to 5.21% (up from 4.86%). Given our dramatic increase in assets, our capital ratios had fallen steadily over the last year despite stable earnings. Likewise, our retained earnings ratio ended the month at 2.25% (up from 1.89%). 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 total capital ratio also climbed to 5.33% (up from 4.98%).*
- ▶ The net economic value (NEV) dollar value of assets came in at \$394.0 million at the end of April, with an NEV ratio of 5.59% compared to the prior month's 5.11%. 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 5.12% with a negative fluctuation of 9.1%. We are well above required regulatory NEV levels (2%).

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Financial Condition & Performance April 2021

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- › 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 stands at \$370.6 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 \$8.7 million as of month-end, so without this reduction, our gross total capital amounts to \$379.3 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	\$ 565 million
Security Sales*	\$ 887 million
EBA Balances	\$ 5.065 billion
Total Off-Balance Sheet	\$ 6.517 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values were fairly stable in April, with unrealized gains increasing slightly from \$22.2 million to \$22.9 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 30.7%.*

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.

- › \$5.402 million GAIN is related to our government agency CMO securities portfolio (\$890.5 million total book value)
- › \$0.070 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$7.9 million total book value)
- › \$0.203 million GAIN is related to our government guaranteed mortgage securities (\$34.4 million total book value)
- › \$0.851 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$0.032 million GAIN is related to our commercial paper portfolio (\$84.9 million total book value)
- › \$2.301 million GAIN is related to our credit card asset-backed securities (\$547.8 million total book value)
- › \$0.524 million GAIN is related to our auto floor-plan asset-backed securities (\$195.5 million total book value)
- › \$0.081 million GAIN is related to our student loan asset-backed securities (\$59.0 million total book value)
- › \$13.485 million GAIN is related to our government guaranteed SBA portfolio (\$2.500 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

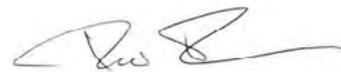
Please take a moment to review our financial statements. We also recommend that you share this information with your board of directors to satisfy the due diligence requirements set forth in NCUA Regulation 703.

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.



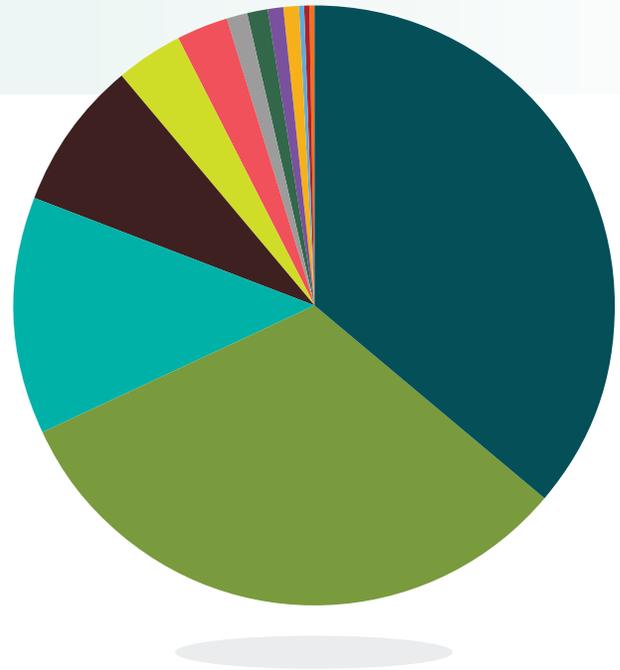
Jay R. Murray
CEO



David W. Brehmer
President

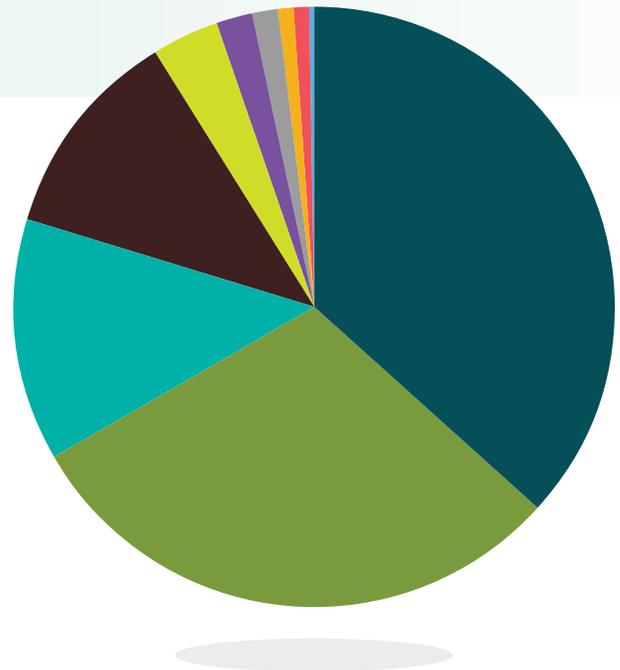
Total Book Values as of April 30, 2021

- \$ 2,500 - SBA Pool
- \$ 2,208 - Cash/FI Deposits
- \$ 890 - Agency CMO
- \$ 548 - ABS Credit Cards
- \$ 250 - Repo
- \$ 195 - ABS Auto
- \$ 85 - Commercial Paper
- \$ 60 - Corporate Bonds
- \$ 59 - ABS SL
- \$ 58 - CLF Stock
- \$ 34 - GNMA
- \$ 9 - CUSOs
- \$ 8 - CMBS/MBS
- \$ 4 - FHLB Stock



Credit Quality as of April 30, 2021

- \$ 2,534 - U.S. Gov't Guaranteed
- \$ 2,076 - Federal Reserve
- \$ 898 - U.S. Gov't Agency
- \$ 802 - Asset-Backed Securities (AAA)
- \$ 250 - Agency Repo
- \$ 131 - CU/Bank Cash Holdings
- \$ 85 - Commercial Paper
- \$ 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 April 2021

Balance Sheet	April 30, 2021		April 30, 2020	
Assets				
Loans	\$	251,560,240	\$	503,042
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	805,187,047	\$	886,589,905
U.S. Gov't (Notes/Floaters/Callables)	\$	0	\$	404,041
U.S. Gov't Agency (CMOs)	\$	930,436,646	\$	803,990,195
U.S. Gov't Agency (MBS)	\$	13,471,462	\$	17,191,940
U.S. Gov't (SBA)	\$	2,513,605,163	\$	1,768,913,285
Corporate Bonds	\$	61,308,533	\$	60,674,873
Commercial Paper	\$	84,966,000	\$	259,892,000
Federal Home Loan Bank - Atlanta	\$	3,909,500	\$	4,551,200
Credit Union & Bank Deposits	\$	131,245,867	\$	182,446,366
CUSOs	\$	8,657,325	\$	6,555,986
Federal Reserve Bank	\$	2,076,455,188	\$	3,274,769,749
CLF Stock	\$	57,738,003	\$	0
Receivables	\$	49,370,283	\$	43,300,443
Fixed Assets	\$	2,029,675	\$	5,545,914
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	50,389,586	\$	49,016,535
Total Assets:	\$	7,042,612,645	\$	7,366,627,601
Liabilities				
Other Liabilities:	\$	1,819,507	\$	2,208,041
Accounts Payable:	\$	63,785,322	\$	37,127,606
Accrued Liability for Member Payout:	\$	0	\$	1,084,391
Notes Payable:	\$	5,540,000	\$	6,880,310
Shares	\$	6,104,281,094	\$	6,320,034,475
Certificates/Term Deposits	\$	464,801,603	\$	656,243,478
Total Shares:	\$	6,569,082,697	\$	6,976,277,953
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,237,649	\$	214,296,834
Reserves & Undivided Earnings	\$	134,129,592	\$	92,820,322
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	22,950,468	\$	4,864,734
Total Equity:	\$	402,385,119	\$	343,049,300
Other Equity/Non-Controlling Interest:	\$	0	\$	0
Total Liabilities & Equity:	\$	7,042,612,645	\$	7,366,627,601

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Financial Condition & Performance April 2021

Income Statement YTD		April 2021	April 2020
Interest Income	\$	13,545,796	\$ 27,725,309
Interest Expense	\$	(1,811,400)	\$ (13,968,090)
Net Interest Income	\$	11,734,396	\$ 13,757,219
Net Correspondent Service Income	\$	4,770,029	\$ 5,332,232
-Trf to Accrued Liability/Member Payout	\$	0	\$ (1,084,391)
Gross Operating Income	\$	16,504,425	\$ 18,005,060
Operating Expense	\$	(10,823,376)	\$ (9,872,098)
Net Income	\$	5,681,049	\$ 8,132,962
Non-Operating Gains/(Losses)	\$	862,616	\$ 18,464
Amortization of Core Deposit Intangible	\$	0	\$ 0
CUSO Income	\$	(28,502)	\$ 16,226
USC MCA Distribution	\$	24,175,364	\$ 0
Net Income before PCC Distributions	\$	30,690,527	\$ 8,167,652
Less: Non-Controlling Interest in Net Income	\$	0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$	(528,257)	\$ (978,690)
Net Increase to Retained Earnings	\$	30,162,270	\$ 7,188,728
Earnings Spread/Net Operating Margin		April 2021	April 2020
Return on Average Assets		0.586%	1.517%
Interest/Dividend Expense		-0.078%	-0.764%
Net Interest Margin		0.508%	0.753%
Correspondent Service Income		0.206%	0.292%
Operating Expenses		-0.468%	-0.540%
Non-Operating Gains/(Losses)		0.037%	0.001%
Amortization of Core Deposit Intangible		0.000%	0.000%
USC MCA Distribution		1.046%	0.000%
CUSO Income		-0.001%	0.001%
Non-Controlling Interest in Net Income		0.000%	0.000%
Trf to Accrued Liability/Member Payout		0.000%	-0.059%
PCC Distributions		-0.023%	-0.054%
Net Margin		1.305%	0.393%
Asset Quality		April 2021	
Non-Earning Assets/Average Assets		1.64%	
Delinquent Loans/Total Loans		0.00%	
Investment Portfolio			
U.S. Gov't/Agency Securities		51.33%	
Asset-Backed Securities (Non-Mortgage)		11.95%	
Federal Home Loan Bank		0.06%	
Corporate Bonds		0.91%	
Commercial Paper		1.26%	
Bank & Credit Union Deposits		1.95%	
Federal Reserve Bank		30.82%	
CUSO Equity		0.13%	
Cash & Receivables		0.73%	
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 April 2021

Capital Adequacy	April 2021	April 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	2.27%	1.73%
RUDE + Acquired Equity Capital/12-month Average Net Assets	2.25%	2.47%
Tier 1 (Leverage) Capital/12-month Average Net Assets	5.21%	6.81%
Total Capital/12-month Average Net Assets	5.33%	7.10%
Tier 1 Capital/12-month Average Risk-Weighted Assets	29.98%	26.36%
Total Capital/12-month Average Risk-Weighted Assets	30.67%	27.52%
Total Capital	\$ 370,658,503	\$ 331,552,965
Tier 1 (Leverage) Capital	\$ 362,271,916	\$ 317,601,647
Tier 2 Capital	\$ 8,386,587	\$ 13,951,318
PCC deducted from Tier 1 Capital	\$ 0	\$ 5,521,523
Unrealized Gain/Loss on Securities	\$ 22,950,468	\$ 4,864,734
Monthly Average Assets	\$ 6,893,780,917	\$ 6,674,263,797
Average 12-month Assets	\$ 6,951,632,738	\$ 4,669,649,443
Year-to-date Average Assets	\$ 7,031,145,402	\$ 5,511,735,269

Liquidity & Interest Rate Risk as of April 30, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 2,125,825,471
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 236,913,959
Overnight & Investments Maturing within 90 days:	\$ 119,845,867
Unsecured Fed Funds Lines Available:	\$ 150,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 1,744,955,171
-less fixed term existing loan advances	\$ (5,540,000)
Primary Sources of Liquidity:	\$ 4,522,000,468
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 42,095,302
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 5,064,463,874
Secondary Sources of Liquidity:	\$ 5,106,559,176
Total Available Liquidity:	\$ 9,628,559,644

Interest Rate Risk as of April 30, 2021

		Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	Net Economic Value (NEV):	\$ 394,008,813
	NEV Ratio:	5.59%
Up 3% Rate Environment	Net Economic Value (NEV):	\$ 358,169,525
	NEV Ratio:	5.12%
	Percentage Change:	(9.1%)
Down 1% Rate Environment	Net Economic Value (NEV):	\$ 416,326,671
	NEV Ratio:	5.89%
	Percentage Change:	5.7%

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Notes to Financials April 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) - \$8,386,586.
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 \$2,215,140,300 (4/30) - 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

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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