

Monthly Financials

Vizo Financial Corporate Credit Union

January 2021 Edition | December 2020 Financials



Jay Murray
CEO

Corporate Update

Happy 2021, everyone! We're still in the thick of a pandemic, but we're hoping that the fog starts to lift a little in the coming months. As we move forward, we're looking ahead to bring some new services and resources to credit unions for success in the new year. We're also jumping right on the community wagon and getting started with our first fundraiser of the year - it's a real dish of a challenge. We've been through some challenging events in the past 12+ months, so we like to believe that there is a light at the

end of the tunnel ahead. With that, we wish you a happy, healthy and prosperous new year!

New Share Draft Rewards Program

Share drafts are a part of many credit unions' product offerings, but now we have a way for you to take your program from good to great! We've partnered with StrategyCorps, an industry leader in retail checking solutions, for a new rewards program that will benefit both your credit union and your members.

From your credit union's perspective, the program features a share draft analysis, which will examine your current program and offer recommendations for improvements in terms of structure and building relationships with your most engaged members. For your members, they might just like the mobile rewards app. This will allow you to provide rewards and discounts for things like retailers, health savings, cell phone protection, roadside assistance and more.

You can see all the info about our new share draft rewards program on the [Technology page](#) at www.vfccu.org!

2021 Board Election News

Incoming board election news! Vizo Financial will be holding our 2021 election in September. Like last year, the election will be conducted through an online, secure internet-based voting process and our third-party election affiliate will be sending materials electronically via email

to your credit union's authorized representative. By holding an online election and sending the corresponding information electronically, we aim to make the entire election process more efficient and cost-effective for both your credit union and the Corporate. It will also eliminate the risk of lost or delayed mail, allowing for responses from credit unions in a timely manner.

For these reasons, we encourage all credit unions to go electronic for the election. Credit unions will be receiving more information and materials pertaining to the 2021 board election over the next few months. Stay tuned!

IT'S BACK: Risk Management Conference

It's back again! Our Risk Management Conference is making a huge comeback in 2021, as the pandemic has thrown risk to the forefront for credit unions. That's why we're bringing the world of risk - threats, solutions and all - to our members on April 14-16, 2021.

Due to concern for safety, the conference will be held virtually. Attendees are encouraged to join from their office, home or anywhere for this incredible three-day educational journey into the impact of cryptocurrency, vendor accountability, IT Audit and Risk Management, incident response and more. Come join your fellow credit unions in the search for valuable risk management education at our virtual Risk Management Conference. Look for more info soon, and in the meantime check out our other [events](#) and [webinars](#) at www.vfccu.org!

Exceptional Service in Our Communities

Our first community initiative of 2021 is underway! From January 19 through February 12, we're hosting an internal Meals Around the Corporate fundraiser for our local food banks. During this time, we've invited employees to get in the kitchen and prepare a meal, then share a picture with us. For every picture received, the Corporate will donate \$10 toward that campus' food bank. We're also sharing photos of our meals on our [Twitter](#) account...maybe you've seen some already! The ultimate goal is to provide monetary aid and raise awareness for our food banks, which include: [Central Pennsylvania Food Bank](#), [Greater Pittsburgh Community Food Bank](#), [Harvest Hope Food Bank](#) and [Second Harvest Food Bank](#).

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



Financial Condition & Performance December 2020

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of December 31, 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 \$5.585 billion compared to \$5.571 billion in November and \$5.552 billion in October. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased \$79.1 million in December. The spread between the single day high and low balances was \$1.067 billion compared to \$1.113 billion in November (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) was stable at 14%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$1.321 billion and ended the month at \$1.375 billion. We continue to work with members to shift some of their short-term deposits with us into our EBA account in an effort to 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. By the end of December, average total deposits, including our EBA account, were at their highest for the year, up \$67.4 million above July's high mark. Use of our EBA program has helped bring down average assets to \$6.747 billion from our peak in June of \$7.650 billion. However, year-to-date average assets are still running over \$2.278 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 see our capital ratios continue to drop through the first quarter of 2021.

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 normally 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. In 2019, our Fed balances averaged \$1.031 billion with an average low of \$513 million. In 2020, our Fed balances averaged \$2.468 billion with an average low of \$1.944 billion. In December, our

average Fed balances were \$2.502 billion with a low of \$2.006 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 up, coming in at \$6.947 billion compared to \$6.388 billion in November. Month-end figures can vary considerably depending on the day of the week on which a month ends. Of this month's total, \$786.8 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- ▶ Month-end assets came in at \$7.4 billion. Average assets were below month-end assets, coming in at \$6.747 billion. Excluding non-perpetual capital accounts, our total net equity is at \$364.8 million. The unrealized gain/loss/AOCL figure came in at a gain of \$24.0 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 \$126.5 million. Gross income for the month came in at \$1,456,115. Distributions to members via PCC dividends totaled \$363,911. Our net increase to retained earnings was \$1,092,204.
- ▶ Our leverage/tier 1 capital ratio came in at 5.15% 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 1.96%. 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 5.28%.*
- ▶ The net economic value (NEV) dollar value of assets came in at \$364.4 million at the end of December, with an NEV ratio of 4.93% compared to the prior month's 5.34%. 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 4.73% with a negative fluctuation of 4.4%. We are well above required regulatory NEV levels (2%).
- ▶ The available liquidity section reflects our capacity for generating liquidity. We factored out securities in the

continued on page 3

Financial Condition & Performance December 2020

continued from page 2

“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 \$340.5 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 \$349.2 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	\$ 624 million
Security Sales*	\$ 594 million
EBA Balances	\$ 1.375 billion
Total Off-Balance Sheet	\$ 2.593 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values were stable in December, with unrealized gains dropping slightly from \$24.4 million to \$24.0 million. There were no significant valuation changes. The slight drop in gains was due to the SBA pool, although the market value of that portfolio remains our most positive, with unrealized gains of \$15.2 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 26.9%.*

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.

- › \$4.899 million GAIN is related to our government agency CMO securities portfolio (\$962.4 million total book value)
- › \$0.085 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$8.6 million total book value)
- › \$0.089 million GAIN is related to our government guaranteed mortgage securities (\$38.7 million total book value)
- › \$0.903 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$1.990 million GAIN is related to our credit card asset-backed securities (\$506.0 million total book value)
- › \$0.799 million GAIN is related to our auto floor-plan asset-backed securities (\$224.8 million total book value)
- › \$0.022 million GAIN is related to our student loan asset-backed securities (\$4.207 million total book value)
- › \$15.225 million GAIN is related to our government guaranteed SBA portfolio (\$2.129 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.



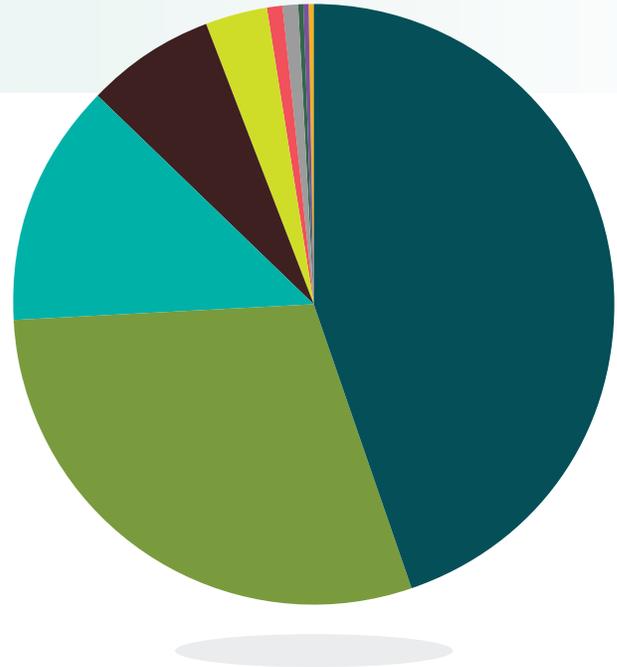
Jay R. Murray
CEO



David W. Brehmer
President

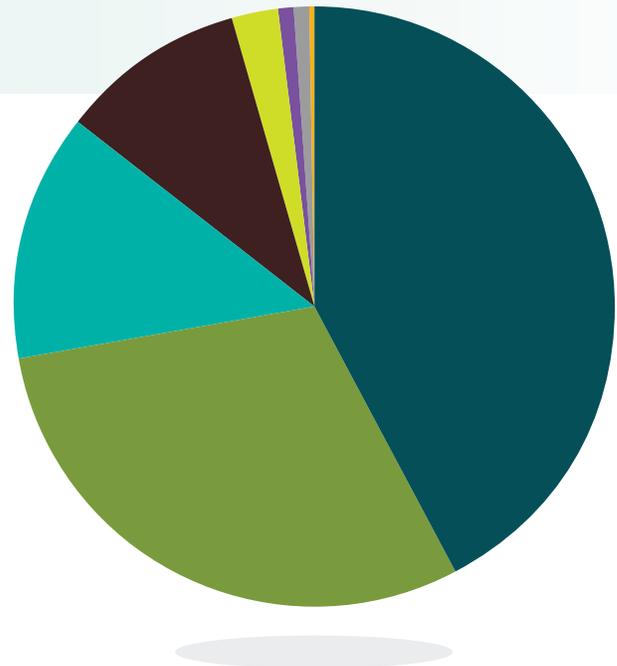
Total Book Values as of December 31, 2020

- \$ 3,249 - Cash/FI Deposits
- \$ 2,129 - SBA Pool
- \$ 962 - Agency CMO
- \$ 506 - ABS Credit Cards
- \$ 225 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - CLF Stock
- \$ 39 - GNMA
- \$ 9 - CUSOs
- \$ 9 - CMBS/MBS
- \$ 4 - ABS SL



Credit Quality as of December 31, 2020

- \$ 3,072 - Federal Reserve
- \$ 2,167 - U.S. Gov't Guaranteed
- \$ 971 - U.S. Gov't Agency
- \$ 735 - Asset-Backed Securities (AAA)
- \$ 177 - CU/Bank Cash Holdings
- \$ 60 - Corporate Bonds (AA-/AA+)
- \$ 58 - CLF Stock
- \$ 9 - CUSOs



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

Financial Condition & Performance December 2020

Balance Sheet	December 31, 2020		December 31, 2019	
Assets				
Loans	\$	140,050	\$	6,011,950
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	737,765,722	\$	920,188,747
U.S. Gov't (Notes/Floaters/Callables)	\$	0	\$	400,841
U.S. Gov't Agency (CMOs)	\$	1,006,031,224	\$	670,108,839
U.S. Gov't Agency (MBS)	\$	14,729,430	\$	23,923,929
U.S. Gov't (SBA)	\$	2,143,949,629	\$	1,385,865,654
Corporate Bonds	\$	61,363,849	\$	62,151,345
Commercial Paper	\$	0	\$	0
Federal Home Loan Bank - Atlanta	\$	4,551,200	\$	3,563,400
Credit Union & Bank Deposits	\$	177,169,186	\$	101,958,512
CUSOs	\$	8,685,828	\$	6,539,761
Federal Reserve Bank	\$	3,072,048,792	\$	1,427,368,115
CLF Stock	\$	58,244,334	\$	0
Receivables	\$	43,281,173	\$	33,713,472
Fixed Assets	\$	5,417,628	\$	6,142,209
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	48,140,690	\$	48,768,809
Total Assets:	\$	7,383,800,862	\$	4,698,987,710
Liabilities				
Other Liabilities:	\$	3,007,808	\$	4,178,128
Accounts Payable:	\$	54,559,757	\$	43,119,764
Notes Payable:	\$	6,022,800	\$	7,314,540
Shares	\$	6,160,114,231	\$	4,049,182,567
Certificates/Term Deposits	\$	786,812,448	\$	264,767,298
Total Shares:	\$	6,946,926,679	\$	4,313,949,865
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,237,649	\$	214,196,834
Reserves & Undivided Earnings	\$	103,967,323	\$	85,631,596
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	24,011,436	\$	(1,371,439)
Total Equity:	\$	373,283,818	\$	329,524,401
Other Equity/Non-Controlling Interest:	\$	0	\$	901,012
Total Liabilities & Equity:	\$	7,383,800,862	\$	4,698,987,710

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Financial Condition & Performance December 2020

Income Statement YTD	December 2020	December 2019
Interest Income	\$ 54,148,598	\$ 104,855,436
Interest Expense	\$ (18,266,631)	\$ (72,239,082)
Net Interest Income	\$ 35,881,967	\$ 32,616,354
Net Correspondent Service Income	\$ 15,158,625	\$ 16,857,936
-Trf to Accrued Liability/Member Payout	\$ (1,795,214)	\$ 0
Gross Operating Income	\$ 49,245,378	\$ 49,474,290
Operating Expense	\$ (29,567,142)	\$ (29,021,269)
Net Income:	\$ 19,678,236	\$ 20,453,021
Non-Operating Gains/(Losses)	\$ 488,473	\$ (281,884)
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ 37,103	\$ 133,133
Net Income before PCC Distributions	\$ 20,203,812	\$ 20,304,270
Less: Non-Controlling Interest in Net Income	\$ (234)	\$ 8,903
Less: Equity Transfer for PCC Distribution	\$ (1,867,850)	\$ (4,948,317)
Net Increase to Retained Earnings	\$ 18,335,728	\$ 15,364,856
Earnings Spread/Net Operating Margin	December 2020	December 2019
Return on Average Assets	0.840%	2.516%
Interest/Dividend Expense	-0.283%	-1.734%
Net Interest Margin	0.557%	0.783%
Correspondent Service Income	0.235%	0.405%
Operating Expenses	-0.459%	-0.696%
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%	0.000%
Trf to Accrued Liability/Member Payout	-0.028%	0.000%
PCC Distributions	-0.029%	-0.119%
Net Margin	0.284%	0.369%
Asset Quality	December 2020	
Non-Earning Assets/Average Assets	1.60%	
Delinquent Loans/Total Loans	0.00%	
Investment Portfolio		
U.S. Gov't/Agency Securities	43.19%	
Asset-Backed Securities (Non-Mortgage)	10.07%	
Federal Home Loan Bank	0.06%	
Corporate Bonds	0.84%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	2.42%	
Federal Reserve Bank	41.92%	
CUSO Equity	0.12%	
Cash & Receivables	0.59%	
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 December 2020

Capital Adequacy		December 2020	December 2019
RUDE + Acquired Equity Capital/monthly Average Net Assets		1.88%	2.43%
RUDE + Acquired Equity Capital/12 month Average Net Assets		1.96%	2.60%
Tier 1 (Leverage) Capital/12-month Average Net Assets		5.15%	7.58%
Total Capital/12-month Average Net Assets		5.28%	7.78%
Tier 1 Capital/12 month Average Risk-Weighted Assets		26.24%	27.66%
Total Capital/12 month Average Risk-Weighted Assets		26.90%	28.39%
Total Capital	\$	340,482,133	\$ 324,294,867
Tier 1 (Leverage) Capital	\$	332,081,144	\$ 315,850,669
Tier 2 Capital	\$	8,400,989	\$ 8,444,198
PCC deducted from Tier 1 Capital	\$	0	\$ 0
Unrealized Gain/Loss on Securities	\$	24,011,436	\$ (1,371,439)
Monthly Average Assets	\$	6,747,162,570	\$ 4,458,107,532
Average 12-month Assets	\$	6,445,162,693	\$ 4,166,799,920
Year-to-date Average Assets	\$	6,445,162,693	\$ 4,166,799,920
Liquidity & Interest Rate Risk as of December 31, 2020			
Available Liquidity:		Available Within 90 Days	
Net Cash and Receivables:		\$	3,115,329,965
Net Available For Sale (AFS) securities:		\$	1,848,859,095
(securities with adequate market values to sell)			
Overnight & Investments Maturing within 90 days:		\$	165,521,186
Unsecured Fed Funds Lines Available:		\$	200,000,000
Secured Fed Funds Lines Available:		\$	150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:		\$	1,898,957,958
-less fixed term existing loan advances		\$	(6,022,800)
Primary Sources of Liquidity:		\$	7,372,645,404
Federal Reserve (FRB) Discount Window - borrowing capacity:		\$	0
Excess Balance Account (EBA) - funds held for members @ FRB:		\$	1,374,419,725
Secondary Sources of Liquidity:		\$	1,374,419,725
Total Available Liquidity:		\$	8,747,065,129
Interest Rate Risk as of December 31, 2020			
		Regulation 704 Operating Level: Base Plus	
Base/Current Rate Environment	Net Economic Value (NEV):	\$	364,388,061
	NEV Ratio:		4.93%
Up 3% Rate Environment	Net Economic Value (NEV):	\$	348,450,867
	NEV Ratio:		4.73%
	Percentage Change:		(4.4%)
Down 1% Rate Environment	Net Economic Value (NEV):	\$	396,686,789
	NEV Ratio:		5.35%
	Percentage Change:		8.9%

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Notes to Financials December 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) - \$8,400,989.
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 (12/31) - 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
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For more information concerning the content in this unaudited financial report, please contact Vizo Financial at (800) 622-7494.



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