

Monthly Financials

Vizo Financial Corporate Credit Union

March 2021 Edition | February 2021 Financials



Jay Murray
CEO

Corporate Update

Benjamin Franklin contributed a lot of ideas to society that still hold a great deal of value today. In addition to those ideas, he gave us many quotes that continue to ring true. One of those is this - "An investment in knowledge pays the best interest." Is that perfect for credit unions or what? The truth behind what he said is that education is the best investment you can possibly make for yourself, and that's a philosophy we support wholeheartedly. As your corporate, we do our best to provide opportunities to

help you learn, grow and enhance your skills. Not only that, but we have a way for your credit union to offer a helping hand to your members for their higher education goals too! Keep reading to learn more!

Risk Management Conference: April 14-16

Stay current. Stay educated. Stay prepared. That's what Vizo Financial's Virtual Risk Management Conference is all about - helping credit unions get the information they need to manage the risks that come their way.

We invite all credit unions - far and wide - to join us on April 14-16 from wherever you may be for this three-day virtual risk management experience. Here's what we have in store for just \$295 for member credit unions:

- 10 CPE credits
- Eight [education sessions](#) on topics such as marijuana banking, cryptocurrency, top cyber threats & more
- A virtual chocolate or wine tasting [activity](#)
- Information directly from [expert speakers](#)
- Goodie bags filled with snacks, swag & more
- Use of our state-of-the-art event app for networking, prizes & connection to our staff

If this sounds like the kind of risk management education you're looking for, we encourage you to [watch this video](#) for more information, or [register here!](#)

Education Loans Made Easy & Affordable!

Vizo Financial has been a long-time partner of Sallie Mae, a provider of higher education loans, and it's easy to see why. The [Sallie Mae Smart Option Student Loan program](#) is one we offer to credit unions because it's easy to implement on the back-end and affordable for your members who need extra funding for their education.

There's no underwriting and funding done by your credit union - Sallie Mae takes care of all that. All you have to do is add a clickable link to your website for members to access and reap the rewards of extra referral income! As for your members, the program offers three flexible repayment options, access to the Sallie Mae customer service and support centers, ability to manage loans online 24/7, a fast and easy application process and even more.

The benefits are easy to see - so why not explore the Smart Option Student Loan program even further? Attend our [Offer Education Loans to Your Members with Sallie Mae webinar](#) on April 28 at 10:00 a.m. for a full rundown of this fantastic student loan program!

Virtual Annual Meeting Information

Got a pen? Jot this down! Our 2021 Annual Meeting is happening on September 8 at 10:30 a.m. EST! This year's meeting will once again be held virtually via Zoom.

As a reminder, the meeting will include a review of Vizo Financial's Annual Report, discussion of important board and committee reports and announcement of the board election results. All member credit unions are invited to attend, and we'd love to have you there! Registration will be available in the coming months, so keep your eyes peeled for more information!

Exceptional Service

Vizo Financial strives each and every day to provide excellence in our service, not just to our members, but also to our local communities. To stay current on our most recent community efforts, please visit our [Community Involvement](#) page at www.vfccu.org.

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



Financial Condition & Performance February 2021

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of February 28, 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 \$5.552 billion compared to \$6.003 billion in January and \$5.585 billion in December. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased \$184 million in February. The spread between the single day high and low balances was \$1.259 billion compared to \$743.8 million in January (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) increased from 9% to 15%, still historically very stable.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$2.138 billion and ended the month at \$2.580 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, in 2020, balances peaked in December. Balances in January surpassed December. However, in February, thanks to the increased use of our EBA program, balance sheet deposits were down despite overall deposits being up. Our 12-month rolling average assets as of month-end increased to \$6.807 billion. Average assets, which peaked in June 2020 at \$7.650 billion, were \$6.8 billion in February. The steady upsurge in balances has meant that despite stable net earnings, our capital ratios continue to fall. We continue to project that we will be able to turn this trend around starting in May, but will have to see the impact of the latest stimulus and seasonal inflows on our member balances. From a credit quality perspective, our risk-based capital ratio continues to remain extremely strong and stable, closing February in the 26-27% 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 \$2.688 billion with an average low of \$2.200 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 \$6.825 billion compared to \$7.103 billion in January. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$852.7 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- › Month-end assets came in at \$7.3 billion. Average assets were below month-end assets, coming in at \$6.8 billion. Excluding non-perpetual capital accounts, our total net equity is at \$368.6 million. The unrealized gain/loss/AOCL figure came in slightly up at a gain of \$24.7 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 \$129.7 million. Gross income for the month came in at \$1,733,508. Distributions to members via PCC dividends totaled \$123,260. Our net increase to retained earnings was \$1,610,248.
- › Our leverage/tier 1 capital ratio came in at 4.93% 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 1.91%. 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 5.05%.*
- › The net economic value (NEV) dollar value of assets came in at \$368.5 million at the end of February, with an NEV ratio of 5.07% compared to the prior month's 4.85%. 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 4.74% with a negative fluctuation of 6.9%. We are well above required regulatory NEV levels (2%).

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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 \$343.7 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 \$352.4 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	\$ 593 million
Security Sales*	\$ 676 million
EBA Balances	\$ 2.580 billion
Total Off-Balance Sheet	\$ 3.849 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values were stable in February, with unrealized gains moving up slightly from \$24.0 to \$24.7 million. There were no significant valuation changes. Most increased gains came from improvements in the SBA portfolio, which grew from \$14.6 to \$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 27.4%.*

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.

- › \$5.263 million GAIN is related to our government agency CMO securities portfolio (\$942.0 million total book value)
- › \$0.080 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$8.2 million total book value)
- › \$0.159 million GAIN is related to our government guaranteed mortgage securities (\$36.4 million total book value)
- › \$0.878 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$2.295 million GAIN is related to our credit card asset-backed securities (\$518.0 million total book value)
- › \$0.692 million GAIN is related to our auto floor-plan asset-backed securities (\$211.5 million total book value)
- › \$0.091 million GAIN is related to our student loan asset-backed securities (\$9.1 million total book value)
- › \$15.231 million GAIN is related to our government guaranteed SBA portfolio (\$2.373 billion total book value)

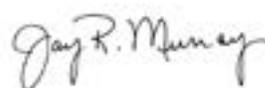
Market values and the associated unrealized gains/losses indicate an estimate of what the sale price of these assets in today’s markets would be, and do not necessarily reflect the actual gains/losses that would be realized if the assets were to be sold or held to maturity.

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.



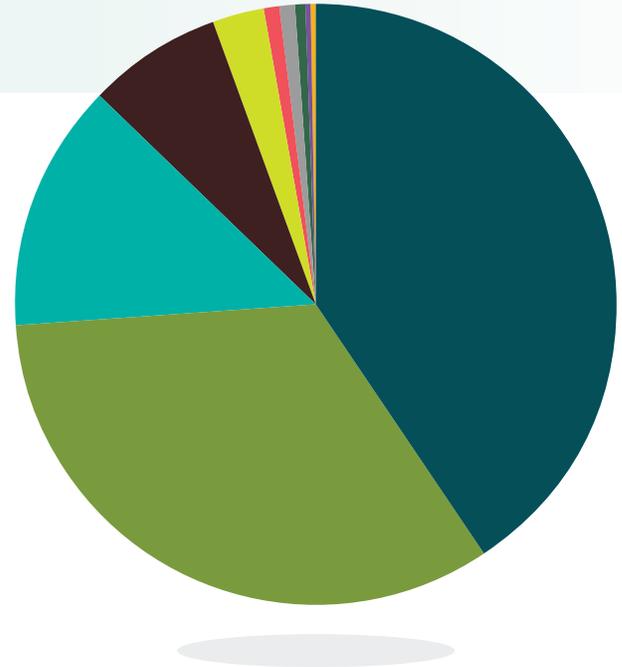
Jay R. Murray
CEO



David W. Brehmer
President

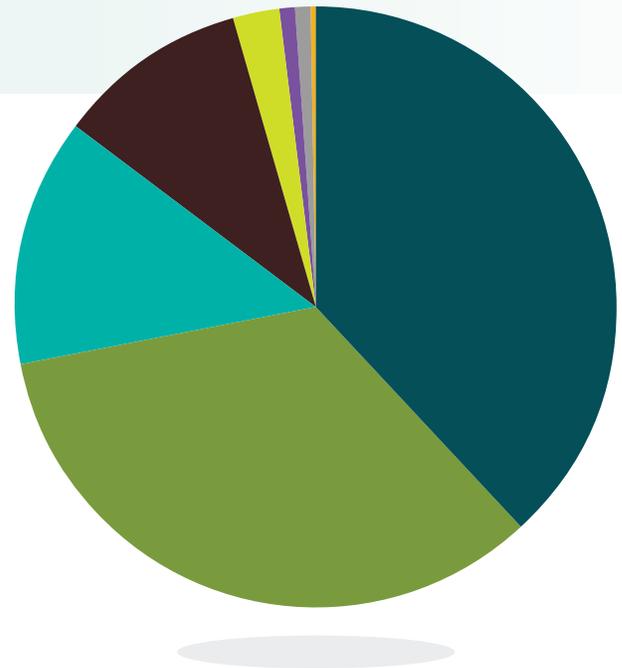
Total Book Values as of February 28, 2021

- \$ 2,905 - Cash/FI Deposits
- \$ 2,373 - SBA Pool
- \$ 942 - Agency CMO
- \$ 518 - ABS Credit Cards
- \$ 212 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - CLF Stock
- \$ 36 - GNMA
- \$ 9 - ABS SL
- \$ 9 - CUSOs
- \$ 8 - CMBS/MBS



Credit Quality as of February 28, 2021

- \$ 2,724 - Federal Reserve
- \$ 2,409 - U.S. Gov't Guaranteed
- \$ 950 - U.S. Gov't Agency
- \$ 739 - Asset-Backed Securities (AAA)
- \$ 182 - 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 February 2021

Balance Sheet	February 28, 2021	February 29, 2020
Assets		
Loans	\$ 135,164	\$ 1,376,899
Investments:		
Asset-Backed Securities (Non-Mortgage)	\$ 741,796,164	\$ 862,881,598
U.S. Gov't (Notes/Floaters/Callables)	\$ 0	\$ 402,321
U.S. Gov't Agency (CMOs)	\$ 983,830,412	\$ 791,758,053
U.S. Gov't Agency (MBS)	\$ 14,117,247	\$ 17,731,063
U.S. Gov't (SBA)	\$ 2,388,140,459	\$ 1,521,877,392
Corporate Bonds	\$ 61,337,075	\$ 61,054,571
Commercial Paper	\$ 0	\$ 0
Federal Home Loan Bank - Atlanta	\$ 4,551,200	\$ 3,563,400
Credit Union & Bank Deposits	\$ 181,787,695	\$ 179,669,176
CUSOs	\$ 8,678,427	\$ 6,542,655
Federal Reserve Bank	\$ 2,723,611,681	\$ 2,859,901,131
CLF Stock	\$ 57,738,003	\$ 0
Receivables	\$ 47,479,181	\$ 33,761,059
Fixed Assets	\$ 4,926,406	\$ 5,806,622
Goodwill/Core Deposit Intangible	\$ 2,282,127	\$ 2,282,127
Other Assets	\$ 49,724,645	\$ 49,383,796
Total Assets:	\$ 7,270,135,886	\$ 6,397,991,863
Liabilities		
Other Liabilities:	\$ 1,605,070	\$ 2,456,258
Accounts Payable:	\$ 60,881,530	\$ 45,208,208
Notes Payable:	\$ 5,797,500	\$ 7,077,210
Shares	\$ 5,971,949,748	\$ 5,570,188,779
Certificates/Term Deposits	\$ 852,746,338	\$ 436,146,962
Total Shares:	\$ 6,824,696,086	\$ 6,006,335,741
Non-Perpetual Capital Accounts (NCA)	\$ 8,505,410	\$ 8,505,410
Perpetual Contributed Capital (PCC)	\$ 214,237,649	\$ 214,196,834
Reserves & Undivided Earnings	\$ 107,161,465	\$ 89,350,994
Equity Acquired in Merger	\$ 22,562,000	\$ 22,562,000
Accumulated Other Comprehensive Loss	\$ 24,689,176	\$ 2,299,208
Total Equity:	\$ 377,155,700	\$ 336,914,446
Other Equity/Non-Controlling Interest:	\$ 0	\$ 0
Total Liabilities & Equity:	\$ 7,270,135,886	\$ 6,397,991,863

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Financial Condition & Performance February 2021

Income Statement YTD	February 2021	February 2020
Interest Income	\$ 6,562,266	\$ 16,370,416
Interest Expense	\$ (937,412)	\$ (10,068,194)
Net Interest Income	\$ 5,624,854	\$ 6,302,222
Net Correspondent Service Income	\$ 2,637,560	\$ 2,717,566
-Trf to Accrued Liability/Member Payout	\$ 0	\$ 0
Gross Operating Income	\$ 8,262,414	\$ 9,019,788
Operating Expense	\$ (4,801,467)	\$ (4,701,922)
Net Income:	\$ 3,460,947	\$ 4,317,866
Non-Operating Gains/(Losses)	\$ 322	\$ 15,178
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ (7,401)	\$ 2,895
Net Income before PCC Distributions	\$ 3,453,868	\$ 4,335,939
Less: Non-Controlling Interest in Net Income	\$ 0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$ (259,727)	\$ (616,306)
Net Increase to Retained Earnings	\$ 3,194,141	\$ 3,719,399
Earnings Spread/Net Operating Margin	February 2021	February 2020
Return on Average Assets	0.583%	2.072%
Interest/Dividend Expense	-0.083%	-1.274%
Net Interest Margin	0.500%	0.798%
Correspondent Service Income	0.234%	0.344%
Operating Expenses	-0.427%	-0.595%
Non-Operating Gains/(Losses)	0.000%	0.002%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	-0.001%	0.000%
Non-Controlling Interest in Net Income	0.000%	0.000%
Trf to Accrued Liability/Member Payout	0.000%	0.000%
PCC Distributions	-0.023%	-0.078%
Net Margin	0.284%	0.471%
Asset Quality	February 2021	
Non-Earning Assets/Average Assets	1.66%	
Delinquent Loans/Total Loans	0.00%	
Investment Portfolio		
U.S. Gov't/Agency Securities	46.94%	
Asset-Backed Securities (Non-Mortgage)	10.28%	
Federal Home Loan Bank	0.06%	
Corporate Bonds	0.85%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	2.52%	
Federal Reserve Bank	37.76%	
CUSO Equity	0.12%	
Cash & Receivables	0.66%	
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 February 2021

Capital Adequacy	February 2021	February 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	1.91%	2.23%
RUDE + Acquired Equity Capital/12 month Average Net Assets	1.91%	2.55%
Tier 1 (Leverage) Capital/12-month Average Net Assets	4.93%	7.29%
Total Capital/12-month Average Net Assets	5.05%	7.48%
Tier 1 Capital/12 month Average Risk-Weighted Assets	26.72%	27.70%
Total Capital/12 month Average Risk-Weighted Assets	27.39%	28.43%
Total Capital	\$ 343,676,475	\$ 328,004,170
Tier 1 (Leverage) Capital	\$ 335,282,687	\$ 319,567,173
Tier 2 Capital	\$ 8,393,788	\$ 8,436,997
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 24,689,176	\$ 2,299,208
Monthly Average Assets	\$ 6,800,344,939	\$ 5,026,518,537
Average 12-month Assets	\$ 6,807,664,196	\$ 4,384,219,681
Year-to-date Average Assets	\$ 6,981,907,849	\$ 4,806,898,834

Liquidity & Interest Rate Risk as of February 28, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 2,771,090,862
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 2,240,679,193
Overnight & Investments Maturing within 90 days:	\$ 170,387,695
Unsecured Fed Funds Lines Available:	\$ 200,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 1,932,780,663
-less fixed term existing loan advances	\$ (5,797,500)
Primary Sources of Liquidity:	\$ 7,459,140,913
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 9,764,720
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 2,580,067,618
Secondary Sources of Liquidity:	\$ 2,589,832,338
Total Available Liquidity:	\$ 10,048,973,251

Interest Rate Risk as of February 28, 2021

	Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	\$ 368,538,548
NEV Ratio:	5.07%
Up 3% Rate Environment	
Net Economic Value (NEV):	\$ 343,045,672
NEV Ratio:	4.74%
Percentage Change:	(6.9%)
Down 1% Rate Environment	
Net Economic Value (NEV):	\$ 395,232,617
NEV Ratio:	5.42%
Percentage Change:	7.2%

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Notes to Financials February 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) - \$8,393,787.
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 (2/28) - this will vary based on assets.
21. Unsecured fed funds lines comprised of \$100 million from PNC Bank; \$50 million from Wells Fargo; \$50 million from Corporate One.
22. Secured fed funds lines comprised of \$150 million from U.S. Bank - line secured by asset-backed securities.
23. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
24. NEV & capital ratios are in compliance with policy and regulatory limits.
25. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totaled only \$450.

Required Credit Analysis Under Regulation 703

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

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

Financial Soundness Report

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

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



7900 Triad Center Drive
Suite 410
Greensboro, NC 27409

1201 Fulling Mill Road
Middletown, PA 17057

www.vfccu.org