

Monthly Financials

Vizo Financial Corporate Credit Union

February 2021 Edition | January 2021 Financials



Jay Murray
CEO

Corporate Update

There sure hasn't been a shortage of hurdles to face in the last year, has there? But good news...Spring will be here soon to bring some color and brightness back into the world. Who else is ready for some sunshine and warmer weather? We certainly are! We look forward to the promising days of spring ahead, and we hope you do too!



David Brehmer
President

EBA Flex Account

Are you familiar with Vizo Financial's Excess Balance Account (EBA) Flex option? Let us fill you in! The EBA

Flex is an off-balance sheet account used to assist your Corporate in the management of the balance sheet and capital ratios.

How does it work? Your credit union will maintain the EBA Flex directly with Vizo Financial. All funds kept in an EBA Flex will be held directly with the Corporate's master account with the Federal Reserve. There are multiple EBA investment options, but the EBA Flex Account works similarly to the typical Flex Account we offer.

For more details about the EBA Flex Account, contact one of our [investment representatives](#) or your [corporate account manager](#) for additional information!

Get All Kinds of Education on Our Learn Page

Are you looking for more opportunities for education? Then we have a place for you to check out ASAP! The [Learn](#) page of our website, www.vfccu.org, has all kinds of resources for webinars, workshops and conferences, webinar recordings, training videos and more.

Interested to see what webinars are coming up? Curious to know when and where our next workshop will be? Missed a live webinar and want to watch the recording? Looking to brush up on your understanding of the ACH network with our training video? It's all here, in this one-stop-shop for continuous credit union learning. That is why it's called the Learn page, after all! So don't wait...head over to see all the educational resources we have for you!

Bringing Financial Strategies to You!

The economy and markets are in a little bit of a stir right now thanks to the pandemic, and that means developing a solid financial strategy for your credit union is so important. Good thing about that is, we have an event right around the corner that's poised to bring some information and potential strategies directly to you!

Our virtual Financial Strategies Workshop is set to take place on March 24, 2021. It will be a full day of learning about the post-virus economy and what to do with low rates vs. high liquidity. In addition, our closing session will feature a first-hand account of what a credit union CFO is doing to manage the credit union's balance sheets during this time. Add the fact that there are opportunities to earn CPE credits and have real discussions with fellow financial professionals just makes this event even better!

At only \$99 for members, we want to know...are you in? [Learn more](#) about our virtual Financial Strategies Workshop, and don't forget to [register](#) by March 17!

Get Daily Rates & Market Commentary Direct

Do you like to keep an eye on the daily rate indications for our share accounts, loans, CDs and market indications? Are you a consistent reader of our market commentary? If so, you may want to consider joining our Daily Rate Indications and Market Commentary notification lists to receive the information directly! As part of the Daily Rates list, you'll receive an email each business day to show you the rates, points of contact for your loans and investments, etc. And for the Market Commentary list, you'll get an email each time we post the weekly or monthly commentary, as provided by Oxford Economics.

Simply add the lists to your existing notifications profile, or create a new profile by clicking the Subscriptions button on our homepage. It's that easy!

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. Tell us your exceptional service stories! Just email marketing@vfccu.org.

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



Financial Condition & Performance January 2021

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of January 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 \$6.003 billion compared to \$5.585 billion in December and \$5.571 billion in November. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased \$600 million in January. The spread between the single day high and low balances was \$743.8 million compared to \$1.067 billion in December (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) dropped to just 9%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$1.503 billion and ended the month at \$1.611 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 later than usual in July, and then again in December. Use of our EBA program has helped bring average assets down, but they remain above where we want them to be relative to our capital. Our 12-month rolling average assets as of month-end were \$6.660 billion. Average assets, which are used in our capital calculations, peaked in June at \$7.650 billion, but have now crept back over \$7.1 billion in January. The steady upsurge in balances has meant that despite stable net earnings, our capital ratios continue to fall. We do not expect our 12-month average assets to reach their peak until the second quarter of this year, so most capital ratios will continue to trend lower. However, from a credit quality perspective, our risk-based capital ratio continues to remain extremely strong and stable, closing January 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. In January, our average Fed balances were \$2.958 billion with a low of \$2.551 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 \$7.103 billion compared to \$6.947 billion in December. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$855.2 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- ▶ Month-end assets came in at \$7.5 billion. Average assets were below month-end assets, coming in at \$7.163 billion. Excluding non-perpetual capital accounts, our total net equity is at \$366.4 million. The unrealized gain/loss/AOCL figure came in essentially unchanged 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 \$128.1 million. Gross income for the month came in at \$1,720,361. Distributions to members via PCC dividends totaled \$136,467. Our net increase to retained earnings was \$1,583,894.
- ▶ Our leverage/tier 1 capital ratio came in at 5.01% 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 1.92%. 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 5.14%.*
- ▶ The net economic value (NEV) dollar value of assets came in at \$366.1 million at the end of January, with an NEV ratio of 4.85% compared to the prior month's 4.93%. 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 4.55% with a negative fluctuation of 6.6%. 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 \$342.1 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 \$350.8 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	\$ 609 million
Security Sales*	\$ 621 million
EBA Balances	\$ 1.611 billion
Total Off-Balance Sheet	\$ 2.841 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values were stable in January, with unrealized gains staying right at \$24.0 million. There were no significant valuation changes. There were slight gains to the credit card and agency CMO portfolios, and a slight drop in gains with the SBA pool. The SBA portfolio remains our most positive, with unrealized gains of \$14.6 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 27.1%.

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.

- › \$5.239 million GAIN is related to our government agency CMO securities portfolio (\$934.5 million total book value)
- › \$0.093 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$8.4 million total book value)
- › \$0.094 million GAIN is related to our government guaranteed mortgage securities (\$37.3 million total book value)
- › \$0.902 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$2.211 million GAIN is related to our credit card asset-backed securities (\$506.0 million total book value)
- › \$0.766 million GAIN is related to our auto floor-plan asset-backed securities (\$202.5 million total book value)
- › \$0.080 million GAIN is related to our student loan asset-backed securities (\$4.2 million total book value)
- › \$14.647 million GAIN is related to our government guaranteed SBA portfolio (\$2.333 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.



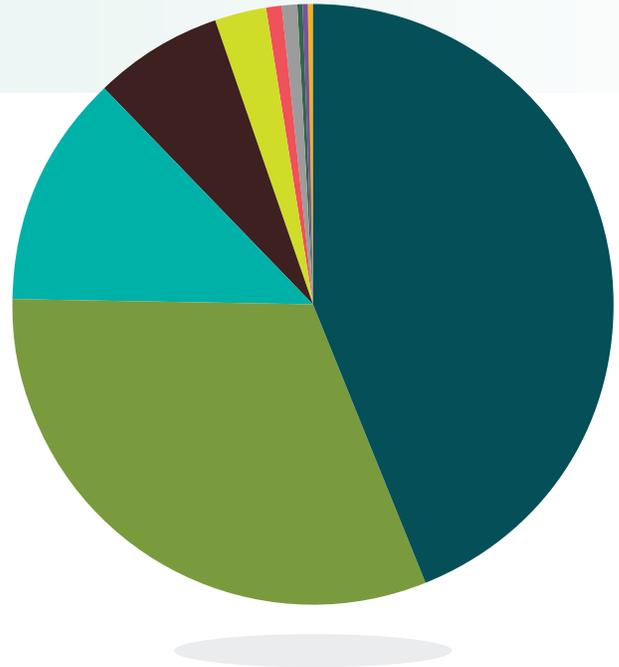
Jay R. Murray
CEO



David W. Brehmer
President

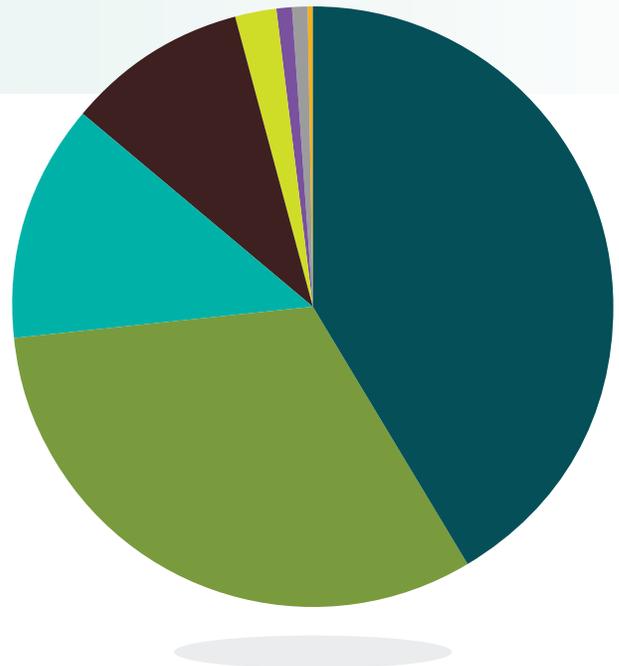
Total Book Values as of January 31, 2021

- \$ 3,251 - Cash/FI Deposits
- \$ 2,333 - SBA Pool
- \$ 935 - Agency CMO
- \$ 506 - ABS Credit Cards
- \$ 202 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - CLF Stock
- \$ 37 - GNMA
- \$ 9 - CUSOs
- \$ 8 - CMBS/MBS
- \$ 4 - ABS SL



Credit Quality as of January 31, 2021

- \$ 3,078 - Federal Reserve
- \$ 2,370 - U.S. Gov't Guaranteed
- \$ 943 - U.S. Gov't Agency
- \$ 713 - Asset-Backed Securities (AAA)
- \$ 173 - 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 January 2021

Balance Sheet	January 31, 2021		January 31, 2020	
Assets				
Loans	\$	137,113	\$	1,754,213
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	715,674,293	\$	865,484,604
U.S. Gov't (Notes/Floaters/Callables)	\$	0	\$	401,241
U.S. Gov't Agency (CMOs)	\$	977,186,523	\$	716,589,578
U.S. Gov't Agency (MBS)	\$	14,377,092	\$	18,020,644
U.S. Gov't (SBA)	\$	2,347,263,419	\$	1,465,876,411
Corporate Bonds	\$	61,361,984	\$	60,890,571
Commercial Paper	\$	0	\$	0
Federal Home Loan Bank - Atlanta	\$	4,551,200	\$	3,563,400
Credit Union & Bank Deposits	\$	173,207,307	\$	181,093,199
CUSOs	\$	8,681,358	\$	6,528,531
Federal Reserve Bank	\$	3,077,629,036	\$	1,791,880,596
CLF Stock	\$	58,244,334	\$	0
Receivables	\$	48,777,517	\$	39,585,662
Fixed Assets	\$	5,068,571	\$	5,987,636
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	48,964,302	\$	49,252,241
Total Assets:	\$	7,543,406,176	\$	5,209,190,654
Liabilities				
Other Liabilities:	\$	1,360,459	\$	2,088,489
Accounts Payable:	\$	58,395,547	\$	42,547,942
Notes Payable:	\$	5,853,500	\$	7,203,330
Shares	\$	6,247,720,670	\$	4,443,662,303
Certificates/Term Deposits	\$	855,188,338	\$	379,551,533
Total Shares:	\$	7,102,909,008	\$	4,823,213,836
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,237,649	\$	214,196,834
Reserves & Undivided Earnings	\$	105,551,217	\$	87,668,565
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	24,031,386	\$	1,204,248
Total Equity:	\$	374,887,662	\$	334,137,057
Other Equity/Non-Controlling Interest:	\$	0	\$	0
Total Liabilities & Equity:	\$	7,543,406,176	\$	5,209,190,654

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Financial Condition & Performance January 2021

Income Statement YTD	January 2021	January 2020
Interest Income	\$ 3,095,272	\$ 8,258,873
Interest Expense	\$ (518,367)	\$ (4,913,268)
Net Interest Income	\$ 2,576,905	\$ 3,345,605
Net Correspondent Service Income	\$ 1,533,279	\$ 1,332,247
-Trf to Accrued Liability/Member Payout	\$ 0	\$ 0
Gross Operating Income	\$ 4,110,184	\$ 4,677,852
Operating Expense	\$ (2,314,762)	\$ (2,326,206)
Net Income:	\$ 1,795,422	\$ 2,351,646
Non-Operating Gains/(Losses)	\$ (70,591)	\$ 15,149
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ (4,470)	\$ (11,230)
Net Income before PCC Distributions	\$ 1,720,361	\$ 2,355,565
Less: Non-Controlling Interest in Net Income	\$ 0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$ (136,467)	\$ (318,361)
Net Increase to Retained Earnings	\$ 1,583,894	\$ 2,036,970
Earnings Spread/Net Operating Margin	January 2021	January 2020
Return on Average Assets	0.510%	2.120%
Interest/Dividend Expense	-0.085%	-1.261%
Net Interest Margin	0.425%	0.859%
Correspondent Service Income	0.253%	0.342%
Operating Expenses	-0.382%	-0.597%
Non-Operating Gains/(Losses)	-0.012%	0.004%
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	0.000%	0.000%
PCC Distributions	-0.022%	-0.082%
Net Margin	0.261%	0.523%
Asset Quality	January 2021	
Non-Earning Assets/Average Assets	1.59%	
Delinquent Loans/Total Loans	0.00%	
Investment Portfolio		
U.S. Gov't/Agency Securities	44.60%	
Asset-Backed Securities (Non-Mortgage)	9.56%	
Federal Home Loan Bank	0.06%	
Corporate Bonds	0.82%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	2.31%	
Federal Reserve Bank	41.11%	
CUSO Equity	0.12%	
Cash & Receivables	0.65%	
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 January 2021

Capital Adequacy	January 2021	January 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	1.79%	2.40%
RUDE + Acquired Equity Capital/12 month Average Net Assets	1.92%	2.58%
Tier 1 (Leverage) Capital/12-month Average Net Assets	5.01%	7.44%
Total Capital/12-month Average Net Assets	5.14%	7.63%
Tier 1 Capital/12 month Average Risk-Weighted Assets	26.49%	27.69%
Total Capital/12 month Average Risk-Weighted Assets	27.15%	28.43%
Total Capital	\$ 342,066,897	\$ 326,339,465
Tier 1 (Leverage) Capital	\$ 333,669,508	\$ 317,898,868
Tier 2 Capital	\$ 8,397,389	\$ 8,440,597
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 24,031,386	\$ 1,204,248
Monthly Average Assets	\$ 7,163,470,759	\$ 4,587,279,131
Average 12-month Assets	\$ 6,659,845,329	\$ 4,274,782,423
Year-to-date Average Assets	\$ 7,163,470,759	\$ 4,587,279,131

Liquidity & Interest Rate Risk as of January 31, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 3,126,406,553
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 2,126,013,743
Overnight & Investments Maturing within 90 days:	\$ 161,807,307
Unsecured Fed Funds Lines Available:	\$ 200,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 1,764,021,067
-less fixed term existing loan advances	\$ (5,853,500)
Primary Sources of Liquidity:	\$ 7,522,395,170
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 9,775,500
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 1,374,419,725
Secondary Sources of Liquidity:	\$ 1,384,195,225
Total Available Liquidity:	\$ 8,906,590,395

Interest Rate Risk as of January 31, 2021

	Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	\$ 366,129,241
NEV Ratio:	4.85%
Up 3% Rate Environment	
Net Economic Value (NEV):	\$ 341,927,367
NEV Ratio:	4.55%
Percentage Change:	(6.6%)
Down 1% Rate Environment	
Net Economic Value (NEV):	\$ 408,357,248
NEV Ratio:	5.38%
Percentage Change:	11.5%

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Notes to Financials January 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) - \$8,397,388.
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 (1/31) - 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
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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