

Monthly Financials

Vizo Financial Corporate Credit Union

February 2022 Edition | January 2022 Financials



David Brehmer
President & CEO

Corporate Update

Welcome to another edition of our monthly financials! I hope you find these reports informational and helpful in understanding your corporate's financial position. I believe them to be a good resource and a way to stay transparent for

our members. Now, I encourage you to keep reading for more details about upcoming education and our newest member-friendly service!

NEW SERVICE: DoubleCheck

Looking for an alternative solution for your non-sufficient funds (NSF) and overdraft program? Stop searching!

We've partnered with DoubleCheck to offer a member-driven NSF and overdraft program that gives your members the power to decide how their overdrafts are handled, meaning they determine what is paid, what is returned and what other resources can be used to cover any negative transactions.

And there's even more to consider, as impending legislation, widespread litigation, increasing fraud risk and added overhead are making NSF programs a major sore spot for credit unions.

DoubleCheck can keep all of these issues in check—while keeping your revenue healthy and empowering members to make their own financial choices.

Want to learn more about DoubleCheck? Register for our [Reimagining Your NSF Program webinar](#) on March 9.

You can also visit the [Payments](#) page or reach out to your [corporate account manager](#) for additional details!

Upcoming Events

It's another big year packed full of events for Vizo Financial! Visit our [Upcoming Events](#) page for more information.

GAC Reception: Visit with Vizo Financial

February 27, 2022, 5:00 - 7:00 p.m. ET - *The Henley Park Hotel, Washington, D.C.*

Financial Strategies Workshop (registration coming soon)

March 23, 2022 - *Richmond, Va.*

*More dates/locations available

Risk Management Conference

April 6-8, 2022 - *The Hotel Hershey, Hershey, Pa.*

Upcoming Webinars

Our webinar schedule also offers many educational opportunities! See what's on the horizon below, and look for more information on our [Upcoming Webinars](#) page:

[The World of Faster Payments](#)

Jessica Lelii, assistant director of education, Macha/PAR
February 23, 2022 at 2:00 p.m. ET

[Leadership Book Club Webinar Series - Group 1](#)

Joe Bertotto, chief culture officer, Vizo Financial
Begins March 3, 2022 at 10:00 a.m. ET

*Click the link for more sessions and group information

[Reimagining Your NSF Program](#)

Katie Weckler, DoubleCheck

Pete Bartolotta, DoubleCheck

Jessica Daughetee, DoubleCheck

March 9, 2022 at 2:00 p.m. ET

[Balance Sheet Strategies for Any Rate Environment](#)

Lisa Boylen, senior ALM consultant, Vizo Financial

March 16, 2022 at 2:00 p.m. ET

[DEI Deep Dive: Caribbean, presented by Worldwide Foundation for Credit Unions](#)

Ms. Denise Garfield, general manager, Caribbean

Confederation of Credit Unions

Ms. Roxann Linton, CEO, First Heritage Co-operative Credit Union Ltd. from Jamaica

March 22, 2022 at 11:00 a.m. ET

[The Impact of the FOMC Pivot](#)

Fred Eisel, chief investment officer, Vizo Financial

March 29, 2022 at 2:00 p.m. ET

Education Any Way You Like It!

Vizo Financial has all sorts of resources to help you learn any way you like it. Like to read articles? We have a blog! Like to listen to discussions? We have a podcast! Like to be part of the conversation? We have a forum! Find all of these platforms on the [Resources](#) page of our [website](#)!

Look for new blog and forum content bi-weekly and new podcast episodes every week! And stay tuned for a new podcast on the economic outlook with our chief investment officer, Fred Eisel, and chief credit officer, Tim Sustak, on February 28!

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



Financial Condition & Performance January 2022

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of January 31, 2022. These reports include information regarding our balance sheet, income statement, asset quality, capital adequacy, liquidity and interest rate risk. It contains all the financial data required for review under Regulation 703.

Balance Sheet

Member overnight balances averaged \$4.776 billion compared to \$4.331 billion in December and \$4.453 billion in November. Comparing total deposits which include the Excess Balance Account (EBA) balances, overall average deposits decreased \$225.7 million in January. The spread between the single day high and low balances was \$734 million compared to \$1.049 billion in December and \$995.5 million in November (includes EBA balances). Volatility of total member balances (on-balance sheet + EBA) continues to be low, dropping to just 8%. Part of this was due to shifting funds back from the EBA account which helped to level off balances.

Average off-balance sheet credit union balances - those held in our Excess Balance Account (EBA) - averaged \$4.378 billion and ended the month at \$3.962 billion. We appreciate all 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. This was not the case in 2020 or 2021 due to government stimulus packages that, both years, brought in over \$2 billion to the corporate. From a total deposit perspective April 2021 recorded our highest combined balances (on-balance sheet + EBA) coming in at an average of \$10.365 billion. In January, this average stood at \$9.153 billion. Our 12-month rolling average assets decreased, dropping from \$6.002 billion to \$5.867 billion. We are targeting an asset size of \$6 billion for 2022.

We increased the minimum targeted balance in our Fed account from \$500 million to \$700 million during January to reflect a higher level of settlement activity from our credit unions. In 2020, our Fed balances averaged \$2.471 billion with an average low of \$1.949 billion. In 2021, our Fed balances came down steadily due to shifting funds to our EBA account but still averaged \$1.692 billion with an average low of \$1.0 billion. In December, our Fed balances averaged \$1.026 billion with a low of \$455.8 million, prompting us to re-evaluate this minimum target. With this lower trend continuing in January and settlement activity growing, we shifted a portion of funds back onto

the balance sheet from our EBA account in mid-January. This brought our average Fed balances back up to \$1.3 billion with a low of \$464 million which occurred prior to the transfer from our EBA account.

Liquidity remains high on the balance sheet and 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 from the prior month, coming in at \$5.331 billion compared to \$4.865 billion in December and \$4.692 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, \$286.4 million were in certificates while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- › Month-end assets came in at \$5.859 billion. Average assets were lower, coming in at \$5.544 billion. Excluding non-perpetual capital accounts, our total net equity is at \$454.2 million. The unrealized gain/loss/AOCL figure was down, although still sits at a gain of \$10.4 million. More details regarding market values of securities are discussed later in the report under the heading "Unrealized Gains/Losses."
- › Total retained earnings ended the month at \$229.4 million. Gross operating income for the month came in at \$495,674. Distributions to members via PCC dividends totaled \$136,588. Our net increase to retained earnings was \$359,086.
- › Our 12-month average assets continue to drop due to our success in holding a large portion of member funds in our EBA. Our leverage/tier 1 capital ratio moved up to 7.37%, as well as our retained earnings ratio, which now stands at 3.91%. *Our total capital ratio ended the month at 7.51%.*
- › The net economic value (NEV) dollar value of assets came in at \$452.7 million at the end of January with an NEV ratio of 7.73% compared to the prior month's 8.45%. The NEV ratio will fluctuate quite a bit 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 7.17% with a negative fluctuation of 7.9%. We are well above required regulatory NEV levels (2%).
- › The available liquidity section reflects our capacity for generating liquidity. We factored out securities in the "available-for-sale" (AFS) portfolio whose current market

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continued from page 2

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 now stands at \$440.9 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 increased to \$11.2 million as of month-end due to acquiring a small ownership stake in TranzCapture. Without these reductions, our gross total capital amounts to \$452.1 million.

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

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

Off-Balance Sheet Activity

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

SimpliCDs	\$ 657 million
Security Sales*	\$ 1.022 billion
EBA Balances	\$ 3.962 billion
Total Off-Balance Sheet	\$ 5.641 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values continued to show some volatility in January as the outlook for rising rates has had an impact on various investments. January ended the month with unrealized gains of \$10.4 million, down from \$12.4 million. The SBA portfolio remains the largest percentage of our overall investment portfolio and showed unrealized gains of \$6.8 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 42.4%.*

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.

- › \$2.895 million GAIN is related to our government agency CMO securities portfolio (\$693.8 million total book value)
- › \$0.013 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$6.3 million total book value)
- › \$0.172 million GAIN is related to our government guaranteed mortgage securities (\$26.5 million total book value)
- › \$0.006 million LOSS is related to our agency floater portfolio (\$50.0 million total book value)
- › \$0.649 million GAIN is related to our corporate bond portfolio (\$60.4 million total book value)
- › \$0.008 million LOSS is related to our commercial paper portfolio (\$179.9 million total book value)
- › \$1.240 million GAIN is related to our credit card asset-backed securities (\$500.3 million total book value)
- › \$0.124 million GAIN is related to our auto floor-plan asset-backed securities (\$71.6 million total book value)
- › \$0.092 million LOSS is related to our student loan asset-backed securities (\$84.5 million total book value)
- › \$1.437 million LOSS is related to our U.S. treasury securities (\$148.9 million total book value)
- › \$6.839 million GAIN is related to our government guaranteed SBA portfolio (\$2.183 billion total book value)

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

Summary

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

Our highest priority will remain the financial strength and safety of the organization and total transparency in the reporting of our financial condition.

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

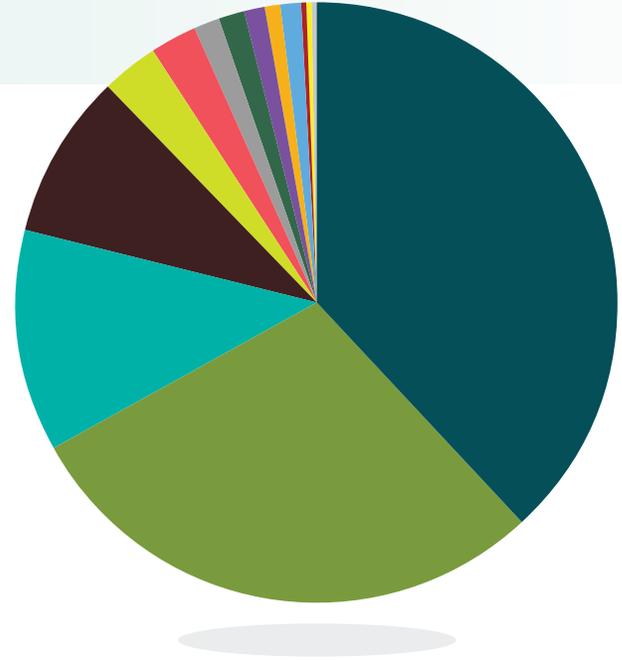


David W. Brehmer
President & CEO

Investment Portfolio January 2022

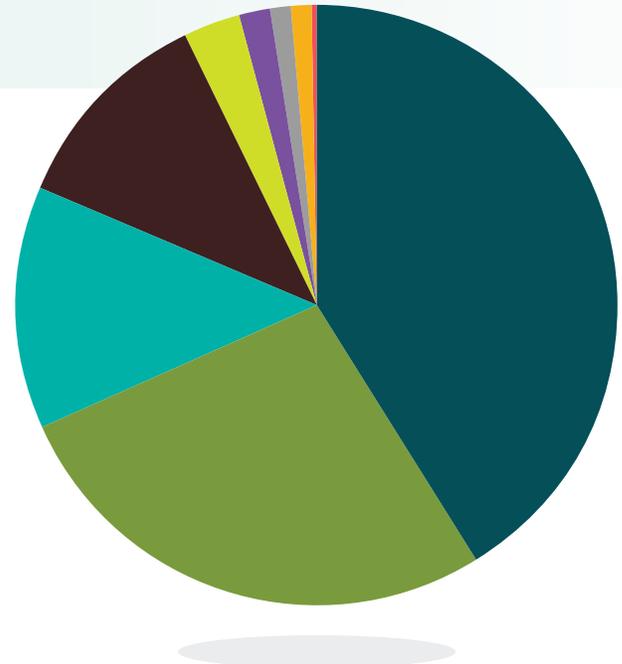
Total Book Values as of January 31, 2022

- \$ 2,184 - SBA Pool
- \$ 1,657 - Cash/FI Deposits
- \$ 694 - Agency CMO
- \$ 500 - ABS Credit Cards
- \$ 180 - Commercial Paper
- \$ 149 - U.S. Treasuries
- \$ 85 - ABS Student Loans
- \$ 72 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - CLF Stock
- \$ 50 - Agency Floaters
- \$ 27 - GNMA
- \$ 11 - CUSOs
- \$ 6 - CMBS/MBS
- \$ 4 - FHLB Stock



Credit Quality as of January 31, 2022

- \$ 2,359 - U.S. Gov't Guaranteed
- \$ 1,562 - Federal Reserve
- \$ 750 - U.S. Gov't Agency
- \$ 657 - Asset-Backed Securities (AAA)
- \$ 180 - Commercial Paper
- \$ 95 - CU/Bank Cash Holdings
- \$ 60 - Corporate Bonds (AA-/AA+)
- \$ 58 - CLF Stock
- \$ 11 - CUSOs
- \$ 4 - FHLB Stock



* All figures in the charts above are in millions.

Financial Condition & Performance January 2022

Balance Sheet	January 31, 2022		January 31, 2021	
Assets				
Loans	\$	2,015,548	\$	137,113
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	657,778,159	\$	715,674,293
U.S. Gov't (Notes/Floaters/Callables)	\$	49,993,625	\$	0
U.S. Gov't Agency (CMOs)	\$	723,378,086	\$	977,186,523
U.S. Gov't Agency (MBS)	\$	6,281,613	\$	14,377,092
U.S. Gov't (SBA)	\$	2,190,371,405	\$	2,347,263,419
Corporate Bonds	\$	61,097,755	\$	61,361,984
U.S. Treasuries	\$	147,437,500	\$	0
Commercial Paper	\$	179,919,400	\$	0
Federal Home Loan Bank - Atlanta	\$	3,692,000	\$	4,551,200
Credit Union & Bank Deposits	\$	94,997,451	\$	173,207,307
CUSOs	\$	11,235,497	\$	8,681,358
Federal Reserve Bank	\$	1,562,183,948	\$	3,077,629,036
CLF Stock	\$	57,738,003	\$	58,244,334
Receivables	\$	56,080,329	\$	48,777,517
Fixed Assets	\$	3,487,799	\$	5,068,571
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	49,530,434	\$	48,964,302
Total Assets:	\$	5,859,500,679	\$	7,543,406,176
Liabilities				
Other Liabilities:	\$	1,401,808	\$	1,360,459
Accounts Payable:	\$	64,575,343	\$	58,395,547
Notes Payable:	\$	0	\$	5,853,500
Shares	\$	5,044,360,842	\$	6,247,720,670
Certificates/Term Deposits	\$	286,455,163	\$	855,188,338
Total Shares:	\$	5,330,816,005	\$	7,102,909,008
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,428,017	\$	214,237,649
Reserves & Undivided Earnings	\$	206,822,264	\$	105,551,217
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	10,389,832	\$	24,031,386
Total Equity:	\$	462,707,523	\$	374,887,662
Total Liabilities & Equity:	\$	5,859,500,679	\$	7,543,406,176

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Financial Condition & Performance January 2022

Income Statement YTD	January 2022	January 2021
Interest Income	\$ 2,188,130	\$ 3,095,272
Interest Expense	\$ (400,204)	\$ (518,367)
Net Interest Income	\$ 1,787,926	\$ 2,576,905
Correspondent Service Income	\$ 2,464,709	\$ 2,083,334
Correspondent Service Expense	\$ (1,332,409)	\$ (550,055)
Net Correspondent Income	\$ 1,132,300	\$ 1,533,279
Gross Operating Income	\$ 2,920,226	\$ 4,110,184
Operating Expense	\$ (2,371,610)	\$ (2,314,762)
Net Income	\$ 548,616	\$ 1,795,422
Non-Operating Gains/(Losses)	\$ 0	\$ (70,591)
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ (52,942)	\$ (4,470)
USC MCA Distribution	\$ 0	\$ 0
-Less Member Distributions	\$ 0	\$ 0
Net Income before PCC Distributions	\$ 495,674	\$ 1,720,361
Less: Non-Controlling Interest in Net Income	\$ 0	\$ 0
Less: Equity Transfer for PCC Distribution	\$ (136,588)	\$ (136,467)
Net Increase to Retained Earnings	\$ 359,086	\$ 1,583,894
Earnings Spread/Net Operating Margin	January 2022	January 2021
Return on Average Assets	0.465%	0.509%
Interest/Dividend Expense	-0.085%	-0.085%
Net Interest Margin	0.380%	0.424%
Correspondent Service Income	0.240%	0.252%
Operating Expenses	-0.504%	-0.380%
Non-Operating Gains/(Losses)	0.000%	-0.012%
Amortization of Core Deposit Intangible	0.000%	0.000%
USC MCA Distribution	0.000%	0.000%
CUSO Income	-0.011%	-0.001%
Non-Controlling Interest in Net Income	0.000%	0.000%
Trf to Accrued Liability/Member Payout	0.000%	0.000%
PCC Distributions	-0.029%	-0.022%
Net Margin	0.076%	0.260%
Asset Quality	January 2022	
Non-Earning Assets/Average Assets	2.21%	
Delinquent Loans/Total Loans	0.00%	
Investment Portfolio		
U.S. Gov't/Agency Securities	53.73%	
Asset-Backed Securities (Non-Mortgage)	11.34%	
Federal Home Loan Bank	0.06%	
Corporate Bonds	1.05%	
Commercial Paper	3.10%	
Bank & Credit Union Deposits	1.64%	
Federal Reserve Bank	26.92%	
CUSO Equity	0.19%	
CLF Stock	1.00%	
Cash & Receivables	0.97%	
Credit Ratings		
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa	
Asset-Backed Securities (Student Loans)	AAA/Aaa	
Commercial Paper	A-1/P-1	
Corporate Bonds	AA- to AA+/A1 to Aa1	
Gov't Agencies/SBAs	AA+ to AAA	

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Key Financial Ratios January 2022

Capital Adequacy	January 2022	January 2021
RUDE + Acquired Equity Capital/monthly Average Net Assets	4.14%	1.79%
RUDE + Acquired Equity Capital/12-month Average Net Assets	3.91%	1.92%
Tier 1 (Leverage) Capital/12-month Average Net Assets	7.37%	5.01%
Total Capital/12-month Average Net Assets	7.51%	5.14%
Tier 1 Capital/12-month Average Risk-Weighted Assets	41.63%	26.49%
Total Capital/12-month Average Risk-Weighted Assets	42.44%	27.15%
Total Capital	\$ 440,930,964	\$ 342,066,897
Tier 1 (Leverage) Capital	\$ 432,576,784	\$ 333,669,508
Tier 2 Capital	\$ 8,354,180	\$ 8,397,389
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 10,389,832	\$ 24,031,386
Monthly Average Assets	\$ 5,543,763,552	\$ 7,163,470,759
Average 12-month Assets	\$ 5,867,385,052	\$ 6,659,845,329
Year-to-date Average Assets	\$ 5,543,763,552	\$ 7,163,470,759

Liquidity & Interest Rate Risk as of January 31, 2022

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 1,618,264,277
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 2,161,366,772
Overnight & Investments Maturing within 90 days:	\$ 84,837,451
Unsecured Fed Funds Lines Available:	\$ 150,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 1,461,336,206
-less fixed term existing loan advances	\$ 0
Primary Sources of Liquidity:	\$ 5,625,804,706
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 150,656,748
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 3,961,707,068
Secondary Sources of Liquidity:	\$ 4,112,363,816
Total Available Liquidity:	\$ 9,738,168,522

Interest Rate Risk as of January 31, 2022

		Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	Net Economic Value (NEV):	\$ 452,681,195
	NEV Ratio:	7.73%
Up 3% Rate Environment	Net Economic Value (NEV):	\$ 417,129,486
	NEV Ratio:	7.17%
	Percentage Change:	-7.9%
Down 1% Rate Environment	Net Economic Value (NEV):	\$ 464,319,001
	NEV Ratio:	7.91%
	Percentage Change:	2.6%

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Notes to Financials January 2022

1. Tier 1 (Leverage) Capital = Reserves, Undivided Earnings, Equity Acquired in Merger, & 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) -- \$8,354,180.
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 \$1,576,374,600 (1/31/22) - this will vary based on assets.
21. Unsecured fed funds lines: \$100 million from PNC Bank; \$50 million from Corporate One.
22. Secured fed funds lines comprised of \$150 million from U.S. Bank - line secured by asset-backed securities.
23. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
24. NEV & capital ratios are in compliance with policy and regulatory limits.
25. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totaled only \$450.

Required Credit Analysis Under Regulation 703

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

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

Financial Soundness Report

David W. Brehmer, President & CEO
Mark Brown, CFO
Fred Eisel, CIO

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



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