

Monthly Financials

Vizo Financial Corporate Credit Union

July 2021 Edition | June 2021 Financials



David Brehmer
President & CEO

Corporate Update

While 2021 is halfway over, we are excited for what the latter part of the year holds. We've got so many events coming up over the next few months, and we can't wait to share

them with you. Read below to see what's happening!

2021 Board Election: Don't Forget to Vote!

Our 2021 board election online voting will begin soon, and your vote matters! This election will be conducted through an online, secure internet-based voting process, and each credit union's authorized representative will receive an electronic ballot from noreply@directvote.net on July 29! Be sure to add noreply@directvote.net to your safe sender list so you don't miss any important Vizo Financial election information. All votes must be received by midnight on September 2, 2021. The results will be announced during the Annual Meeting, which will be held virtually. For information on the candidates, head on over to the [Annual Meeting](#) website.

Important dates to remember:

- July 29, 2021 - Board election ballots sent via email
- September 2, 2021 - Ballots due to Vizo Financial
- September 2, 2021 - Deadline to register for Annual Meeting
- September 8, 2021 - Annual Meeting

Vizo Financial's Website Has a New Look with a New Blog and Forum!

Have you heard the exciting news? Vizo Financial's website has a new look! The website is still informational, straightforward and helpful, just with a new design and format. We have rearranged some of our tabs for greater efficiency and accommodation of our new blog and forum.

Our blog was created as a way for you to discover credit union knowledge and news, curated just for you! Our forum was created to provide you with a community where members can share content and new ideas and learn from each other! Be sure to [check it out!](#)

Upcoming Education

We have some exciting events coming in the next few months! For more information on the following events, visit the [Upcoming Events](#) page on our website!

[HR Exchange: Let's Talk DEI](#)

July 28, 2021

Are you trying to develop, implement or advance your organization's diversity, equity and inclusion (DEI) objectives, but you're not sure how? Do you have DEI objectives in place, but it has been a while since you've evaluated their effectiveness? Are you re-evaluating your DEI objectives in light of the social unrest in 2020? If you answered yes to any of the above questions, this is the interactive event for you!

[Small Credit Union Workshop](#)

August 3-4, 2021

Good things come in small packages, so the saying goes. Small credit unions are no exception! And to ensure all those good things your institution has to offer continue to flourish, Vizo Financial is excited to hold our second Small Credit Union Workshop on August 3-4, 2021. With this workshop designed for credit unions \$25 million in assets and under, our focus is centered around helping your credit union navigate challenges you may be facing.

[Financial Conference](#)

September 15-17, 2021

Our 2021 Financial Conference is all about learning how to adjust to the current financial landscape we're facing now, and whatever lies ahead in the future. Over three days, we'll cover strategies and trends, hear from experts in the field and gain insights from credit union peers that can help all of us move forward financially. And, of course, we can't forget the golf and spa activities that will be available to make your learning experience that much more enjoyable!

Vizo Financial Compliance Package Available

Vizo Financial's 2021 Compliance Package is now available on Zephyr. Download it today!

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



Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of June 30, 2021. These reports include information regarding our balance sheet, income statement, asset quality, capital adequacy, liquidity and interest rate risk. It contains all the financial data required for review under Regulation 703.

Balance Sheet

Member overnight balances averaged \$4.782 billion compared to \$5.128 billion in May and \$5.636 billion in April. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits decreased \$293.2 million in June. The spread between the single day high and low balances was \$931.8 million compared to \$1.453 billion in May and \$1.341 billion in April (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) was very stable, moving from 13% to 9%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$5.183 billion and ended the month at \$5.103 billion. We appreciate all of the members who have moved funds into our EBA account at the Fed, which has helped control the size of our balance sheet.

From a seasonal cash flow perspective, March has historically been the month where deposits peak. However, this has not been the case in 2020 or 2021, due primarily to government stimulus packages that, both years, brought in over \$2 billion to the Corporate. From a total deposit perspective, April 2021 recorded our highest combined balances (on-balance sheet + EBA) to date, averaging \$10.365 billion. In June, this total came down slightly to \$9.966 billion. The big difference is that over 50% of member deposits are now held off-balance sheet in our EBA. For the second straight month, our 12-month rolling average assets decreased, dropping from \$6.827 billion down to \$6.667 billion. We anticipate that our rolling 12-month average assets will continue to come down over the remainder of 2021.

Member participation in the EBA program now seems broad enough to give us the ability to control the size of our balance sheet going forward. 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 \$2.105 billion with an average low of \$1.461 billion. In June, our Fed balances averaged just over \$1 billion, coming in at \$1.046 billion.

Liquidity remains 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 \$5.110 billion compared to \$5.817 billion in May and \$5.723 billion in April. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$430.4 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- ▶ Month-end assets came in at \$5.572 billion. Average assets were slightly higher than month-end assets, coming in at \$5.723 billion. Excluding non-perpetual capital accounts, our total net equity is at \$389.3 million. The unrealized gain/loss/AOCL figure was down due to a change of calculation methodology, coming in at a gain of \$15.3 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 \$159.7 million. Gross income for the month came in at \$1,651,015. Distributions to members via PCC dividends totaled \$132,064. Our net increase to retained earnings was \$1,518,950.
- ▶ Our 12-month average assets decreased for a second straight month, which, along with stable earnings, increased our leverage/tier 1 capital ratio to 5.48% (up from 5.33%). Likewise, our retained earnings ratio ended the month at 2.40% (up from 2.32%). *Our total capital ratio also climbed to 5.61% (up from 5.48%).*
- ▶ The net economic value (NEV) dollar value of assets came in at \$389.4 million at the end of June, with an NEV ratio of 6.99% compared to the prior month's 6.28%. 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 6.63% with a negative fluctuation of 5.6%. 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 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.

continued on page 3

continued from page 2

- › Total capital stands at \$373.7 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 \$8.6 million as of month-end, so without this reduction, our gross total capital amounts to \$382.3 million.

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

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

Current Balances

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

SimpliCDs	\$ 560 million
Security Sales*	\$ 944 million
EBA Balances	\$ 5.103 billion
Total Off-Balance Sheet	\$ 6.607 billion

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

As expected, market values dropped more than normal due to a change in our market pricing source, which we believe is now more accurate. Our unrealized gains went from \$23.0 million down to \$15.3 million. The most significant change was in the SBA portfolio, which adjusted down by \$5.4 million, but remains as a portfolio showing unrealized gains of \$8.3 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 32.0%.*

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.

- › \$4.037 million GAIN is related to our government agency CMO securities portfolio (\$840.5 million total book value)
- › \$0.053 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$7.5 million total book value)
- › \$0.191 million GAIN is related to our government guaranteed mortgage securities (\$32.2 million total book value)
- › \$0.075 million GAIN is related to our corporate bond portfolio (\$60.5 million total book value)
- › \$2.184 million GAIN is related to our credit card asset-backed securities (\$533.6 million total book value)
- › \$0.439 million GAIN is related to our auto floor-plan asset-backed securities (\$107.1 million total book value)
- › \$0.109 million GAIN is related to our student loan asset-backed securities (\$58.4 million total book value)
- › \$8.266 million GAIN is related to our government guaranteed SBA portfolio (\$2.377 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.

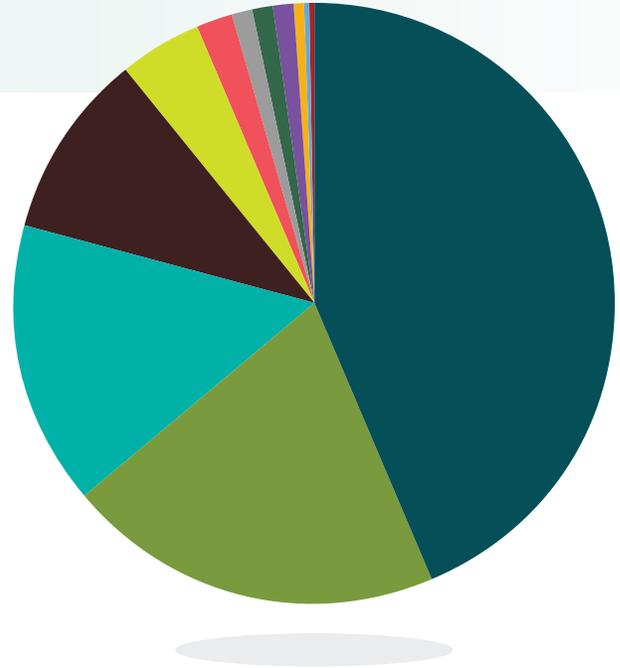
We are very grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.



David W. Brehmer
President & CEO

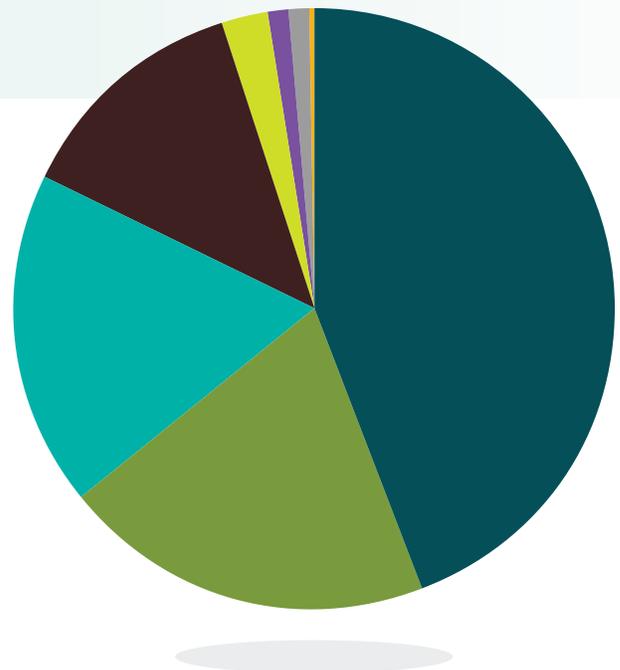
Total Book Values as of June 30, 2021

- \$ 2,377 - SBA Pool
- \$ 1,106 - Cash/FI Deposits
- \$ 841 - Agency CMO
- \$ 534 - ABS Credit Cards
- \$ 250 - Repo
- \$ 107 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - ABS SL
- \$ 58 - CLF Stock
- \$ 32 - GNMA
- \$ 9 - CUSOs
- \$ 7 - CMBS/MBS
- \$ 4 - FHLB Stock



Credit Quality as of June 30, 2021

- \$ 2,409 - U.S. Gov't Guaranteed
- \$ 1,098 - U.S. Gov't Agency
- \$ 979 - Federal Reserve
- \$ 699 - Asset-Backed Securities (AAA)
- \$ 127 - CU/Bank Cash Holdings
- \$ 60 - Corporate Bonds (AA-/AA+)
- \$ 58 - CLF Stock
- \$ 9 - CUSOs
- \$ 4 - FHLB Stock



* All figures in the charts above are in millions.

Balance Sheet	June 30, 2021		June 30, 2020	
Assets				
Loans	\$	250,870,942	\$	147,136
Investments:				
Asset-Backed Securities (Non-Mortgage)	\$	701,839,986	\$	889,913,318
U.S. Gov't (Notes/Floaters/Callables)	\$	0	\$	403,081
U.S. Gov't Agency (CMOs)	\$	876,951,767	\$	1,022,959,612
U.S. Gov't Agency (MBS)	\$	12,952,802	\$	16,605,674
U.S. Gov't (SBA)	\$	2,385,241,652	\$	1,872,732,229
Corporate Bonds	\$	60,530,207	\$	60,972,030
Commercial Paper	\$	0	\$	80,000,000
Federal Home Loan Bank - Atlanta	\$	3,909,500	\$	4,551,200
Credit Union & Bank Deposits	\$	127,082,887	\$	236,157,980
CUSOs	\$	8,624,949	\$	8,855,764
Federal Reserve Bank	\$	979,042,332	\$	3,282,682,966
CLF Stock	\$	57,738,003	\$	58,429,886
Receivables	\$	52,183,698	\$	32,659,484
Fixed Assets	\$	1,949,547	\$	5,460,710
Goodwill/Core Deposit Intangible	\$	2,282,127	\$	2,282,127
Other Assets	\$	50,461,014	\$	46,664,567
Total Assets:	\$	5,571,661,413	\$	7,621,477,764
Liabilities				
Other Liabilities:	\$	2,074,755	\$	2,405,834
Accounts Payable:	\$	56,488,858	\$	48,283,649
Accrued Liability for Member Payout:	\$	0	\$	7,111
Notes Payable:	\$	5,425,000	\$	6,725,010
Shares	\$	4,679,426,188	\$	6,602,618,806
Certificates/Term Deposits	\$	430,455,603	\$	602,379,479
Total Shares:	\$	5,109,881,791	\$	7,204,998,285
Non-Perpetual Capital Accounts (NCA)	\$	8,505,410	\$	8,505,410
Perpetual Contributed Capital (PCC)	\$	214,237,649	\$	214,196,834
Reserves & Undivided Earnings	\$	137,131,736	\$	96,272,370
Equity Acquired in Merger	\$	22,562,000	\$	22,562,000
Accumulated Other Comprehensive Loss	\$	15,354,214	\$	17,521,261
Total Equity:	\$	397,791,009	\$	359,057,875
Total Liabilities & Equity:	\$	5,571,661,413	\$	7,621,477,764

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Financial Condition & Performance June 2021

Income Statement YTD		June 2021	June 2020
Interest Income	\$	20,074,759	\$ 34,648,470
Interest Expense	\$	(2,472,567)	\$ (15,326,418)
Net Interest Income	\$	17,602,192	\$ 19,322,052
Net Correspondent Service Income	\$	6,751,886	\$ 7,883,335
-Trf to Accrued Liability/Member Payout	\$	0	\$ (1,084,391)
Gross Operating Income	\$	24,354,078	\$ 26,120,996
Operating Expense	\$	(16,050,737)	\$ (14,905,437)
Net Income	\$	8,303,341	\$ 11,215,559
Non-Operating Gains/(Losses)	\$	1,543,373	\$ 462,651
Amortization of Core Deposit Intangible	\$	0	\$ 0
CUSO Income	\$	(60,878)	\$ 31,003
USC MCA Distribution	\$	24,175,364	\$ 0
Net Income before PCC Distributions	\$	33,961,200	\$ 11,709,213
Less: Non-Controlling Interest in Net Income	\$	0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$	(796,788)	\$ (1,068,205)
Net Increase to Retained Earnings	\$	33,164,412	\$ 10,640,774
Earnings Spread/Net Operating Margin		June 2021	June 2020
Return on Average Assets		0.608%	1.118%
Interest/Dividend Expense		-0.075%	-0.495%
Net Interest Margin		0.533%	0.624%
Correspondent Service Income		0.205%	0.254%
Operating Expenses		-0.486%	-0.481%
Non-Operating Gains/(Losses)		0.047%	0.015%
Amortization of Core Deposit Intangible		0.000%	0.000%
USC MCA Distribution		0.732%	0.000%
CUSO Income		-0.002%	0.001%
Non-Controlling Interest in Net Income		0.000%	0.000%
Trf to Accrued Liability/Member Payout		0.000%	-0.035%
PCC Distributions		-0.024%	-0.034%
Net Margin		1.005%	0.343%
Asset Quality		June 2021	
Non-Earning Assets/Average Assets		2.02%	
Delinquent Loans/Total Loans		0.00%	
Investment Portfolio			
U.S. Gov't/Agency Securities		62.19%	
Asset-Backed Securities (Non-Mortgage)		13.33%	
Federal Home Loan Bank		0.07%	
Corporate Bonds		1.15%	
Commercial Paper		0.00%	
Bank & Credit Union Deposits		2.41%	
Federal Reserve Bank		18.59%	
CUSO Equity		0.16%	
Cash & Receivables		0.99%	
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 June 2021

Capital Adequacy	June 2021	June 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	2.79%	1.55%
RUDE + Acquired Equity Capital/12-month Average Net Assets	2.40%	2.28%
Tier 1 (Leverage) Capital/12-month Average Net Assets	5.48%	6.21%
Total Capital/12-month Average Net Assets	5.61%	6.37%
Tier 1 Capital/12-month Average Risk-Weighted Assets	31.30%	26.14%
Total Capital/12-month Average Risk-Weighted Assets	32.02%	26.82%
Total Capital	\$ 373,685,821	\$ 332,598,034
Tier 1 (Leverage) Capital	\$ 365,306,436	\$ 324,175,440
Tier 2 Capital	\$ 8,379,385	\$ 8,422,594
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 15,354,214	\$ 17,521,261
Monthly Average Assets	\$ 5,723,430,332	\$ 7,649,572,432
Average 12-month Assets	\$ 6,666,769,376	\$ 5,217,600,565
Year-to-date Average Assets	\$ 6,657,211,466	\$ 6,213,998,101

Liquidity & Interest Rate Risk as of June 30, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 1,031,226,030
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 1,619,789,382
Overnight & Investments Maturing within 90 days:	\$ 116,426,887
Unsecured Fed Funds Lines Available:	\$ 150,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 2,114,399,002
-less fixed term existing loan advances	\$ (5,425,000)
Primary Sources of Liquidity:	\$ 5,176,416,301
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 43,856,987
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 5,102,595,424
Secondary Sources of Liquidity:	\$ 5,146,452,411
Total Available Liquidity:	\$ 10,322,868,712

Interest Rate Risk as of June 30, 2021

	Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	\$ 389,455,219
NEV Ratio:	6.99%
Up 3% Rate Environment	
Net Economic Value (NEV):	\$ 367,828,969
NEV Ratio:	6.63%
Percentage Change:	(5.6%)
Down 1% Rate Environment	
Net Economic Value (NEV):	\$ 407,376,843
NEV Ratio:	7.29%
Percentage Change:	4.6%

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Notes to Financials June 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) - \$8,379,384.
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 \$2,160,465,300 (6/30) - this will vary based on assets.
21. Unsecured fed funds lines: \$100 million from PNC Bank; \$50 million from Corporate One.
22. Secured fed funds lines comprised of \$150 million from U.S. Bank - line secured by asset-backed securities.
23. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
24. NEV & capital ratios are in compliance with policy and regulatory limits.
25. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totaled only \$450.

Required Credit Analysis Under Regulation 703

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

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

Financial Soundness Report

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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