Monthly Financials

Vizo Financial Corporate Credit Union

April 2021 Edition | March 2021 Financials

Jay Murray
CEO

David Brehmer
President

Corporate Update

The sun is setting on a major chapter in Vizo Financial's history. It's with both happiness and sadness that we share Jay will be stepping down as CEO of the Corporate in June to focus on family and personal adventures. The board has selected David to take the role of president/CEO.

As we get ready to part ways in just a couple months, there are no words to describe the immense joy we've had working together as a duo to guide Vizo Financial to the successful organization it is today and helping to serve credit unions. We take comfort in the memories we share and in knowing there are bright horizons ahead for us as individuals, as a Corporate and as a movement. A congratulations and fond farewell are in order, indeed!

Corporate Capital Distributions

The NCUA recently announced that it would be distributing a portion of membership capital shares (MCA) written off during the financial crisis in 2009. Based on internal calculations, Vizo Financial should be receiving about 16 percent of any distributions from the U.S. Central estate. This is based on the fact that Vizo Financial holds certificates for U.S. Central capital written off by three corporates – First Carolina, Mid-Atlantic Corporate and VACORP.

With the initial distribution from the U.S. Central estate being $150 million, we could receive $24 million. This represents a recovery of roughly 8.8 percent of the total membership capital shares written off at U.S. Central. We do anticipate receiving a number of periodic recoveries over the next 12 months.

Per NCUA's announcement, this first distribution will be made on April 30, 2021. We will be discussing various options with our board over the next several months regarding a distribution to our members. Our ultimate goal remains to repay the full amount written down by our capital members. For Vizo Financial to distribute capital to members, we will need to obtain regulatory approval. We will also need to have stabilized and improved our capital ratios. Stay tuned for additional updates.

Educational Webinars: What's Coming Up?

Education abounds at Vizo Financial! Here are just some of the webinar opportunities we have coming up:

Global Regulatory Advocacy
April 20 at 11:00 a.m. EST

Meet CUaxis and CU*Answers
April 27 at 10:00 a.m. EST

Offer Education Loans to Your Members with Sallie Mae
April 28 at 10:00 a.m. EST

Leadership Book Club Webinar Series
Begins May 12 at 2:00 p.m. EST

Shifting Perspectives - Dynamic ALM Modeling
May 26 at 2:00 p.m. EST

Spring Refresher for the Resource Center
June 8 at 2:00 p.m. EST

Tabletop Exercise - Threats to Your Credit Union
June 10 at 10:00 a.m. EST

Arming Up for Elder Financial Abuse
June 15 at 2:00 p.m. EST

Want to find even more webinars and all the event details? Visit the **Upcoming Webinars** page of our **website** now!

Exceptional Service in Our Communities

Vizo Financial strives to provide excellence in our service, not just to our members, but also to our local communities.

The 2021 Walk for Children's event benefiting UPMC Children's Hospital of Pittsburgh, a Children's Miracle Network Hospital, is happening on June 5, 2021! Vizo Financial will once again be contributing to the walk as part of the Pittsburgh Credit Unions team. We encourage all credit unions, particularly those in the Pittsburgh community, to join the team! You can even become a sponsor for $150 or $500 (**more details on sponsorships available here**). Every ounce of support helps. **Visit the team page** for registration and more event information!

As always, if you have any questions regarding the financials, please don't hesitate to **contact us**.

Vizo financial

Financial Condition & Performance March 2021

Enclosed please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of March 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 $5.998 billion compared to $5.552 billion in February and $6.003 billion in January. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased $1.606 billion in March. The spread between the single day high and low balances was $2.615 billion compared to $1.259 billion in February and $743.8 million in January (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) increased from 15% to 25%.

Average off-balance sheet credit union balances – those held in our EBA – averaged $3.299 billion and ended the month at $4.330 billion. We continue to work with members to shift some of their short-term deposits with us into our EBA account with the Federal Reserve Bank 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, and now in March, with the impact of the most recent stimulus package being felt, our total member deposits balances are the highest yet. However, due to our success in moving funds off the balance sheet and into our EBA account, we were able to mitigate much of the impact of this latest deposit surge. Our 12-month rolling average assets as of month-end increased to $6.933 billion, up from $6.807 billion in February. Average on-balance sheet assets, which peaked in June 2020 at $7.650 billion, were $7.267 billion in March. The steady upsurge in balances means 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. From a credit quality perspective, our risk-based capital ratio continues to remain extremely strong and stable, closing March in the 27-28% 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 $2.723 billion with an average low of $2.092 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 $6.761 billion compared to $6.825 billion in February. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, $843.8 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- Month-end assets came in at $7.202 billion. Average assets were slightly above month-end assets, coming in at $7.267 billion. Excluding non-perpetual capital accounts, our total net equity is at $367.8 million. The unrealized gain/loss/AOCL figure came down, but still stands at a gain of $22.2 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 $131.4 million. Gross income for the month came in at $1,792,435. This was boosted by the sale of our Middletown office building in March (net gain of $662,670). We have executed a multi-year lease of the building where after the first year, we will reduce our lease space in coordination with our employee work plan where many will continue to work primarily from their homes. This will result in significant savings after year one. Distributions to members via PCC dividends totaled $136,467. Our net increase to retained earnings was $1,655,969.
- Our leverage/tier 1 capital ratio came in at 4.86% (down from 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, although we have greatly slowed the drops. Our Tier 1 capital ratio remains well above the minimum regulatory guideline of 4.0%. Our retained earnings ratio ended the month at 1.89% (down from 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 total capital ratio came in 4.98%.*
- The net economic value (NEV) dollar value of assets came in at $367.8 million at the end of March, with

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Financial Condition & Performance March 2021

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an NEV ratio of 5.11% compared to the prior month's 5.07%. 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 4.82% with a negative fluctuation of 6.0%. 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.
- Total capital stands at $345.4 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 $354.1 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

Current Balances

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

SimpliCDs	$ 574 million
Security Sales*	$ 792 million
EBA Balances	$ 4.330 billion
Total Off-Balance Sheet	**$ 5.696 billion**

**Security sales reflect sales over the past 18 months*

Unrealized Gains/Losses

Market values were mostly stable in March, although unrealized gains did drop from $24.7 million to $22.2 million. The only significant valuation changes were in the SBA securities portfolio, which decreased from unrealized gains of $15.2 million to unrealized gains of $13.1 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 28.2%.*

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.

- $5.207 million GAIN is related to our government agency CMO securities portfolio ($917.6 million total book value)
- $0.070 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities ($8.1 million total book value)
- $0.203 million GAIN is related to our government guaranteed mortgage securities ($35.3 million total book value)
- $0.865 million GAIN is related to our corporate bond portfolio ($60.5 million total book value)
- $2.037 million GAIN is related to our credit card asset-backed securities ($617.3 million total book value)
- $0.583 million GAIN is related to our auto floor-plan asset-backed securities ($196.5 million total book value)
- $0.091 million GAIN is related to our student loan asset-backed securities ($9.1 million total book value)
- $13.131 million GAIN is related to our government guaranteed SBA portfolio ($2.417 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.

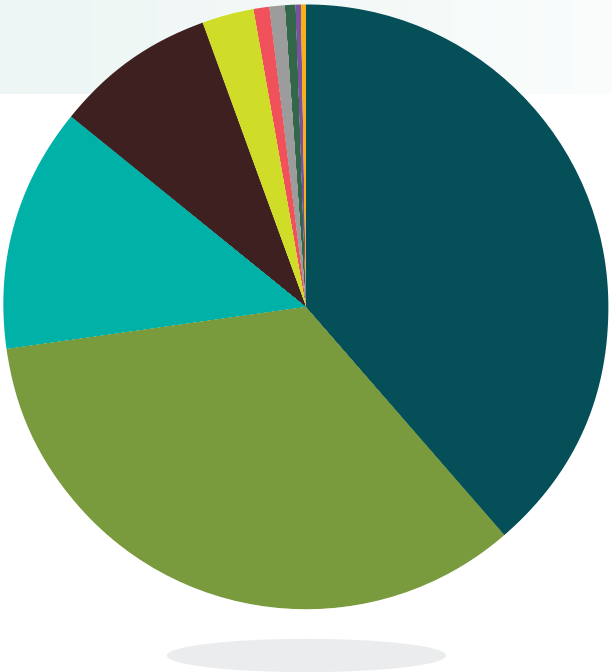
Jay R. Murray
CEO

David W. Brehmer
President

Investment Portfolio March 2021

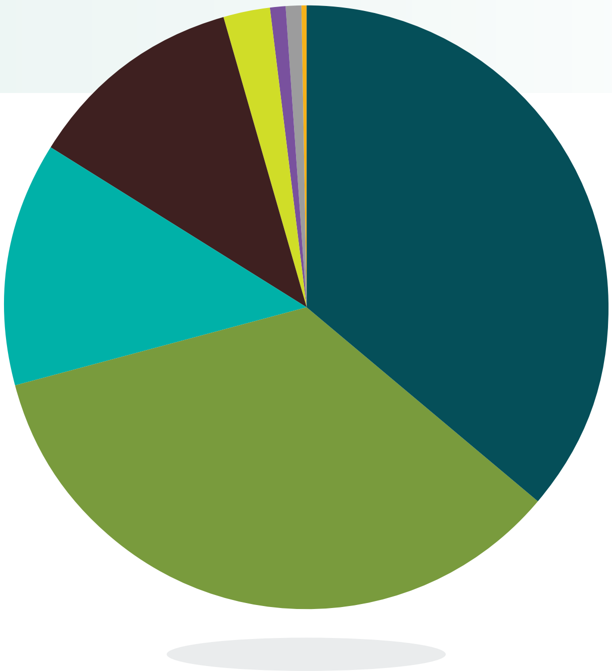
Total Book Values as of March 31, 2021

- $ 2,745 - Cash/FI Deposits
- $ 2,417 - SBA Pool
- $ 918 - Agency CMO
- $ 617 - ABS Credit Cards
- $ 197 - ABS Auto
- $ 60 - Corporate Bonds
- $ 58 - CLF Stock
- $ 35 - GNMA
- $ 9 - ABS SL
- $ 9 - CUSOs
- $ 8 - CMBS/MBS
- $ 4 - FHLB Stock



Credit Quality as of March 31, 2021

- $ 2,564 - Federal Reserve
- $ 2,452 - U.S. Gov't Guaranteed
- $ 926 - U.S. Gov't Agency
- $ 823 - Asset-Backed Securities (AAA)
- $ 181 - 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.*

Financial Condition & Performance March 2021

Balance Sheet		March 31, 2021		March 31, 2020
Assets				
Loans	$	1,219,831	$	2,605,328
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	825,708,244	$	891,751,257
U.S. Gov't (Notes/Floaters/Callables)	$	0	$	404,441
U.S. Gov't Agency (CMOs)	$	958,328,742	$	771,670,417
U.S. Gov't Agency (MBS)	$	13,811,664	$	17,458,752
U.S. Gov't (SBA)	$	2,430,143,705	$	1,685,257,794
Corporate Bonds	$	61,322,804	$	60,382,206
Commercial Paper	$	0	$	339,315,000
Federal Home Loan Bank - Atlanta	$	3,909,500	$	4,551,200
Credit Union & Bank Deposits	$	180,613,390	$	180,944,748
CUSOs	$	8,654,061	$	6,552,962
Federal Reserve Bank	$	2,564,050,108	$	1,841,294,643
CLF Stock	$	57,738,003	$	0
Receivables	$	41,502,261	$	43,292,691
Fixed Assets	$	2,167,496	$	5,659,342
Goodwill/Core Deposit Intangible	$	2,282,127	$	2,282,127
Other Assets	$	50,099,399	$	50,262,971
Total Assets:	**$**	**7,201,551,335**	**$**	**5,903,685,879**

Liabilities				
Other Liabilities:	$	1,800,455	$	2,502,331
Accounts Payable:	$	56,942,443	$	38,408,608
Notes Payable:	$	5,690,500	$	6,970,115
Shares	$	5,916,969,456	$	4,988,271,451
Certificates/Term Deposits	$	843,839,338	$	555,406,962
Total Shares:	**$**	**6,760,808,794**	**$**	**5,543,678,413**
Non-Perpetual Capital Accounts (NCA)	$	8,505,410	$	8,505,410
Perpetual Contributed Capital (PCC)	$	214,237,649	$	214,196,834
Reserves & Undivided Earnings	$	108,817,434	$	92,097,395
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	22,186,650	$	(25,235,227)
Total Equity:	**$**	**376,309,143**	**$**	**312,126,412**
Other Equity/Non-Controlling Interest:	$	0	$	0
Total Liabilities & Equity:	**$**	**7,201,551,335**	**$**	**5,903,685,879**

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Financial Condition & Performance March 2021

Income Statement YTD		March 2021		March 2020
Interest Income	$	10,076,199	$	23,839,222
Interest Expense	$	(1,393,856)	$	(13,032,381)
Net Interest Income	**$**	**8,682,343**	**$**	**10,806,841**
Net Correspondent Service Income	$	3,654,423	$	4,010,980
-Trf to Accrued Liability/Member Payout	$	0	$	0
Gross Operating Income	**$**	**12,336,766**	**$**	**14,817,821**
Operating Expense	$	(7,921,313)	$	(7,448,786)
Net Income	**$**	**4,415,453**	**$**	**7,369,035**
Non-Operating Gains/(Losses)	$	70,913	$	18,464
Amortization of Core Deposit Intangible	$	791,703	$	0
CUSO Income	$	(31,766)	$	13,201
Net Income before PCC Distributions	**$**	**5,246,303**	**$**	**7,400,700**
Less: Non-Controlling Interest in Net Income	$	0	$	(234)
Less: Equity Transfer for PCC Distribution	$	(396,193)	$	(934,667)
Net Increase to Retained Earnings	**$**	**4,850,110**	**$**	**6,465,799**

Earnings Spread/Net Operating Margin	March 2021	March 2020
Return on Average Assets	0.577%	1.866%
Interest/Dividend Expense	-0.080%	-1.020%
Net Interest Margin	**0.498%**	**0.846%**
Correspondent Service Income	0.209%	0.314%
Operating Expenses	-0.454%	-0.583%
Non-Operating Gains/(Losses)	0.004%	0.001%
Amortization of Core Deposit Intangible	0.045%	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%	0.000%
PCC Distributions	-0.023%	-0.073%
Net Margin	**0.278%**	**0.506%**

Asset Quality	March 2021
Non-Earning Assets/Average Assets	1.44%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	47.61%
Asset-Backed Securities (Non-Mortgage)	11.56%
Federal Home Loan Bank	0.05%
Corporate Bonds	0.86%
Commercial Paper	0.00%
Bank & Credit Union Deposits	2.53%
Federal Reserve Bank	35.88%
CUSO Equity	0.12%
Cash & Receivables	0.58%
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 March 2021

Capital Adequacy		March 2021		March 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets		1.81%		1.99%
RUDE + Acquired Equity Capital/12-month Average Net Assets		1.89%		2.55%
Tier 1 (Leverage) Capital/12-month Average Net Assets		4.86%		7.18%
Total Capital/12-month Average Net Assets		4.98%		7.37%
Tier 1 Capital/12-month Average Risk-Weighted Assets		27.49%		27.27%
Total Capital/12-month Average Risk-Weighted Assets		28.17%		27.98%
Total Capital	$	345,353,209	$	330,736,663
Tier 1 (Leverage) Capital	$	336,963,022	$	322,303,267
Tier 2 Capital	$	8,390,187	$	8,433,396
PCC deducted from Tier 1 Capital	$	0	$	0
Unrealized Gain/Loss on Securities	$	22,186,650	$	(25,235,227)
Monthly Average Assets	$	7,266,984,995	$	5,758,879,611
Average 12-month Assets	$	6,933,339,644	$	4,488,494,549
Year-to-date Average Assets	$	7,076,933,564	$	5,124,225,759

Liquidity & Interest Rate Risk as of March 31, 2021		
Available Liquidity:		**Available Within 90 Days**
Net Cash and Receivables:	$	2,605,552,369
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$	2,213,429,806
Overnight & Investments Maturing within 90 days:	$	169,213,390
Unsecured Fed Funds Lines Available:	$	150,000,000
Secured Fed Funds Lines Available:	$	150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	$	1,813,224,275
-less fixed term existing loan advances	$	(5,690,500)
Primary Sources of Liquidity:	$	7,095,729,340
Federal Reserve (FRB) Discount Window - borrowing capacity:	$	9,766,680
Excess Balance Account (EBA) - funds held for members @ FRB:	$	4,329,874,899
Secondary Sources of Liquidity:	$	4,339,641,579
Total Available Liquidity:	**$**	**11,435,370,919**

Interest Rate Risk as of March 31, 2021			
			Regulation 704 Operating Level: Base Plus
Base/Current Rate Environment	Net Economic Value (NEV):	$	367,787,538
	NEV Ratio:		5.11%
Up 3% Rate Environment	Net Economic Value (NEV):	$	345,823,701
	NEV Ratio:		4.82%
	Percentage Change:		(6.0%)
Down 1% Rate Environment	Net Economic Value (NEV):	$	400,821,756
	NEV Ratio:		5.54%
	Percentage Change:		9.0%

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Notes to Financials March 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) – $8,390,187.
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 (3/31) – 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

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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