

# Monthly Financials

Vizo Financial Corporate Credit Union

December 2021 Edition | November 2021 Financials



David Brehmer  
President & CEO

## Corporate Update

Grab your party hats and noisemakers...the new year is almost here! I would like to take this time to reflect upon the experiences we've had and the lessons we've

learned these past 12 months. I continue to be amazed by the strength and camaraderie shown by our credit union community in the face of economic, social and health issues. Regardless of the challenges in 2021, it's always best to start a new year with an attitude of optimism. And in that spirit, I wish you all a happy, healthy and blessed New Year! Cheers to 2022!

### Cutting-Edge FinTech at TechCon 2022!

For the past year and half, technology has brought us together virtually when we couldn't be together physically. And as technology constantly changes and evolves, so do member expectations. From faster payments to easier access to applications, the digital transformation journey is one that credit unions are traveling together. For this reason, Vizo Financial is excited to announce our virtual TechCon on February 8-9, 2022!

Every day, we see companies that are set to revolutionize how financial institutions do business based on research and consumer demand. Now, TechCon is bringing these organizations right to your virtual doorstep. You see, Vizo Financial has invited several fintech organizations to showcase their innovative new technologies and services for credit unions. Each organization will present a seven-minute pitch/demo followed by a Q&A session, all so you can learn more and see what technologies might be a good fit for your institution.

**Register** for this exclusive credit union event today! You can also learn more from the [Upcoming Events](#) page on our [website](#).

### Chat & Learn: Check Out Our Forum & Blog

Are you looking for a fast and accessible way to squeeze in some extra education? Would it be helpful to share your questions with your peers and get their feedback? These are all things you can do with the Vizo Financial and CUaxis blogs and forums!

On the Vizo Financial blog, you can find tons of posts about risk management, leadership, technology, finance and more. Each one is written by experts in their respective fields and provides information that may be helpful to your credit union. At the same time, feel free to explore the Vizo Financial forum, which covers many of the same topics... but YOU get to control the conversation! Ask questions, answer discussion boards and share with other credit union professionals. And for members of the CUaxis community, there is a blog and forum to cover all things core-related.

The bottom line is that information sharing benefits us all! As credit union partners, Vizo Financial and CUaxis aim to be a source of information for all of our credit unions, so all institutions can succeed!

Find the Vizo Financial blog and forum on the [Resources](#) page of our [website](#). To access the CUaxis blog and forum, check out the [Community](#) page at [www.cuaxis.org](http://www.cuaxis.org).

### Upcoming ALM & Investment Webinars

Financial wellbeing is a top priority for credit unions, especially in the current economic environment. With that in mind, Vizo Financial is bringing you two webinars you won't want to miss in the first quarter - one on ALM and one on investments. Get more details on both sessions below!

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

*Lisa Boylen, senior ALM consultant, Vizo Financial*  
March 16, 2022 at 2:00 p.m. ET

[Learn More](#)

#### [The Impact of the FOMC Pivot](#)

*Fred Eisel, chief investment officer, Vizo Financial*  
March 29, 2022 at 2:00 p.m. ET

[Learn More](#)

Register today for one or both of these webinars or learn more about them on the [Upcoming Webinars page](#) of our [website](#)!

### Happy Holidays from the Vizo Financial Family!

We've got a special message for all of our credit union members during this wonderful time of year in our 2021 holiday video. [Watch it here!](#)

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 November 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 \$4.453 billion compared to \$4.485 billion in October and \$4.441 billion in September. Comparing total deposits, which include the Excess Balance Account (EBA) balances, overall average deposits increased \$254.0 million in November. The spread between the single day high and low balances was \$995.5 million compared to \$1.444 billion in October and \$1.133 billion in September (including EBA balances). Volatility of total member balances (on-balance sheet + EBA) continues to be low, dropping to 10%.

Average off-balance sheet credit union balances – those held in our EBA – averaged \$5.073 billion and ended the month at \$5.065 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 November, this average stood at \$9.526 billion. Our 12-month rolling average assets decreased dropping from \$6.258 billion to \$6.140 billion. We expect our rolling 12-month average assets will continue to drop over the next few months.

Member participation in the EBA program should enable us 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 have sufficient liquidity to support 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 \$1.753 billion with an average low of \$1.050 billion. In November, our Fed balances averaged \$1.362 billion with a low of \$844.3 million.

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 from the prior months, coming in at \$4.692 billion compared to \$5.204 billion in October and \$4.728 billion in September. Month-end figures vary considerably depending on the day of the week on which a month ends. Of this month's total, \$299.4 million were in certificates, while the remaining balances were distributed between the various PSA and settlement deposit accounts.
- › Month-end assets came in at \$5.209 billion. Average assets were right about the same, coming in at \$5.233 billion. Excluding non-perpetual capital accounts, our total net equity is at \$456.4 million. The unrealized gain/loss/AOCL figure was down, although still sits at a gain of \$13.6 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 \$228.6 million. Gross operating income for the month came in at \$765,058. Distributions to members via PCC dividends totaled \$132,058. Our net increase to retained earnings was \$633,000.
- › Our 12-month average assets continue to drop due to our success in holding a large portion of member funds in our EBA. This has helped our leverage/tier 1 capital ratio which finished the month at 7.06% as well as our retained earnings ratio which now stands at 3.72%. *Our total capital ratio ended the month at 7.19%.*
- › The net economic value (NEV) dollar value of assets came in at \$457.1 million at the end of November, with an NEV ratio of 8.78% compared to the prior month's 7.99%. 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 8.24% with a negative fluctuation of 6.7%. 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*

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› Total capital stands at \$441.7 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 \$9.5 million as of month-end, so without this reduction, our gross total capital amounts to \$451.2 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	\$ 603 million
Security Sales*	\$ 1.082 million
EBA Balances	\$ 5.065 billion
<b>Total Off-Balance Sheet</b>	<b>\$ 6.750 billion</b>

\*Security sales reflect sales over the past 18 months

## Unrealized Gains/Losses

Market values remained stable in November, with our unrealized gains decreasing slightly from \$15.5 million to \$13.6 million. The SBA portfolio remains the largest percentage of our overall investment portfolio and showed unrealized gains of \$7.3 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 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.

- › \$3.483 million GAIN is related to our government agency CMO securities portfolio (\$729.4 million total book value)
- › \$0.031 million GAIN is related to our agency MBS/CMBS/Notes/Callable securities (\$6.6 million total book value)
- › \$0.177 million GAIN is related to our government guaranteed mortgage securities (\$27.8 million total book value)
- › \$0.765 million GAIN is related to our corporate bond portfolio (\$60.4 million total book value)
- › \$1.370 million GAIN is related to our credit card asset-backed securities (\$482.3 million total book value)
- › \$0.188 million GAIN is related to our auto floor-plan asset-backed securities (\$71.7 million total book value)
- › \$0.001 million GAIN is related to our student loan asset-backed securities (\$56.4 million total book value)
- › \$0.274 million GAIN is related to our U.S. treasury securities (\$148.8 million total book value)
- › \$7.289 million GAIN is related to our government guaranteed SBA portfolio (\$2.151 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.

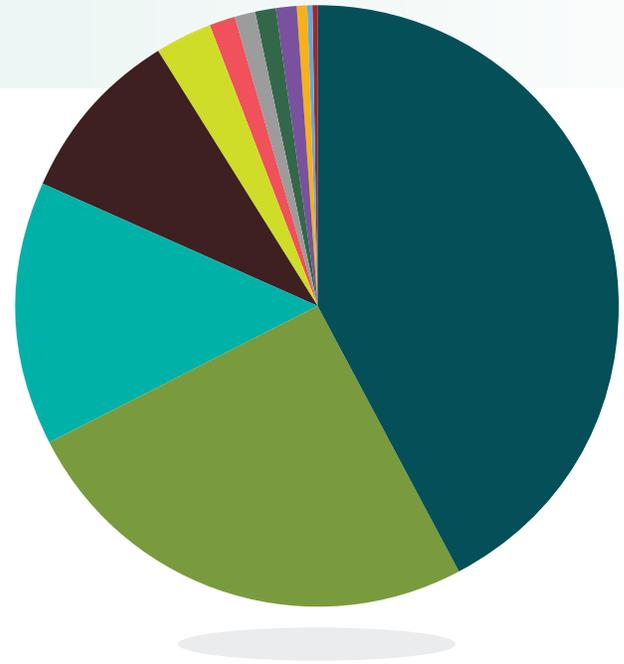
We are very grateful to our members for their continued support and for the trust you place in us. If you have any questions, please do not hesitate to contact us.



**David W. Brehmer**  
President & CEO

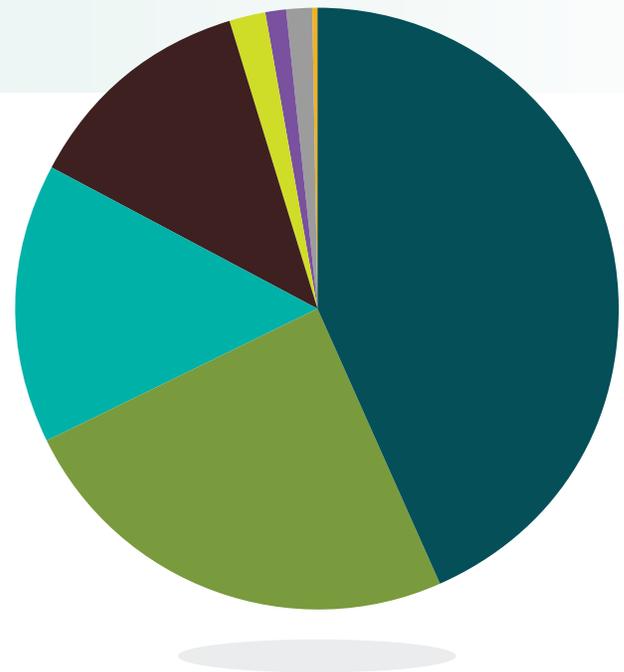
## Total Book Values as of November 30, 2021

- \$ 2,151 - SBA Pool
- \$ 1,286 - Cash/FI Deposits
- \$ 729 - Agency CMO
- \$ 482 - ABS Credit Cards
- \$ 149 - U.S. Treasuries
- \$ 72 - ABS Auto
- \$ 60 - Corporate Bonds
- \$ 58 - CLF Stock
- \$ 56 - ABS Student Loans
- \$ 28 - GNMA
- \$ 9 - CUSOs
- \$ 7 - CMBS/MBS
- \$ 4 - FHLB Stock



## Credit Quality as of November 30, 2021

- \$ 2,328 - U.S. Gov't Guaranteed
- \$ 1,190 - Federal Reserve
- \$ 736 - U.S. Gov't Agency
- \$ 610 - Asset-Backed Securities (AAA)
- \$ 96 - 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 November 2021

Balance Sheet	November 30, 2021	November 30, 2020
<b>Assets</b>		
Loans	\$ 968,130	\$ 2,418,370
Investments:		
Asset-Backed Securities (Non-Mortgage)	\$ 611,951,505	\$ 853,112,302
U.S. Gov't (Notes/Floaters/Callables)	\$ 0	\$ 400,201
U.S. Gov't Agency (CMOs)	\$ 760,840,828	\$ 1,033,695,854
U.S. Gov't Agency (MBS)	\$ 6,629,567	\$ 14,962,791
U.S. Gov't (SBA)	\$ 2,158,360,313	\$ 2,080,139,774
Corporate Bonds	\$ 61,214,966	\$ 61,420,030
U.S. Treasuries	\$ 149,054,695	\$ 0
Commercial Paper	\$ 0	\$ 80,000,000
Federal Home Loan Bank - Atlanta	\$ 3,692,000	\$ 4,551,200
Credit Union & Bank Deposits	\$ 95,800,979	\$ 178,554,008
CUSOs	\$ 9,467,738	\$ 8,701,031
Federal Reserve Bank	\$ 1,190,007,258	\$ 2,344,429,684
CLF Stock	\$ 57,738,003	\$ 58,244,334
Receivables	\$ 48,810,265	\$ 46,001,415
Fixed Assets	\$ 2,774,015	\$ 5,541,371
Goodwill/Core Deposit Intangible	\$ 2,282,127	\$ 2,282,127
Other Assets	\$ 49,117,786	\$ 47,801,357
<b>Total Assets:</b>	<b>\$ 5,208,710,175</b>	<b>\$ 6,822,255,849</b>
<b>Liabilities</b>		
Other Liabilities:	\$ 2,068,840	\$ 3,466,647
Accounts Payable:	\$ 49,843,720	\$ 51,646,040
Accrued Liability for Member Payout:	\$ 0	\$ 200,000
Notes Payable:	\$ 0	\$ 6,067,450
Shares	\$ 4,392,455,310	\$ 5,628,135,684
Certificates/Term Deposits	\$ 299,438,188	\$ 760,126,448
<b>Total Shares:</b>	<b>\$ 4,691,893,498</b>	<b>\$ 6,388,262,132</b>
Non-Perpetual Capital Accounts (NCA)	\$ 8,505,410	\$ 8,505,410
Perpetual Contributed Capital (PCC)	\$ 214,226,762	\$ 214,237,649
Reserves & Undivided Earnings	\$ 206,032,120	\$ 102,875,119
Equity Acquired in Merger	\$ 22,562,000	\$ 22,562,000
Accumulated Other Comprehensive Loss	\$ 13,577,825	\$ 24,433,402
<b>Total Equity:</b>	<b>\$ 464,904,117</b>	<b>\$ 372,613,580</b>
<b>Total Liabilities &amp; Equity:</b>	<b>\$ 5,208,710,175</b>	<b>\$ 6,822,255,849</b>

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# Financial Condition & Performance November 2021

Income Statement YTD	November 2021	November 2020
Interest Income	\$ 33,601,452	\$ 51,135,764
Interest Expense	\$ (4,176,444)	\$ (17,764,792)
<b>Net Interest Income</b>	<b>\$ 29,425,008</b>	<b>\$ 33,370,972</b>
Correspondent Service Income	\$ 26,492,135	\$ 21,860,054
Correspondent Service Expense	\$ (14,821,298)	\$ (7,950,298)
<b>Net Correspondent Income</b>	<b>\$ 11,670,837</b>	<b>\$ 13,909,756</b>
<b>Gross Operating Income</b>	<b>\$ 41,095,845</b>	<b>\$ 47,280,728</b>
Operating Expense	\$ (28,608,643)	\$ (27,256,303)
<b>Net Income</b>	<b>\$ 12,487,202</b>	<b>\$ 20,024,425</b>
Non-Operating Gains/(Losses)	\$ 1,750,455	\$ 449,567
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ (170,090)	\$ 52,306
USC MCA Distribution	\$ 149,126,684	\$ 0
-Less Member Distributions	\$ (59,659,145)	\$ (1,778,604)
<b>Net Income before PCC Distributions</b>	<b>\$ 103,535,106</b>	<b>\$ 18,747,694</b>
Less: Non-Controlling Interest in Net Income	\$ 0	\$ (234)
Less: Equity Transfer for PCC Distribution	\$ (1,470,310)	\$ (1,503,939)
<b>Net Increase to Retained Earnings</b>	<b>\$ 102,064,796</b>	<b>\$ 17,243,521</b>
Earnings Spread/Net Operating Margin	November 2021	November 2020
Return on Average Assets	0.603%	0.868%
Interest/Dividend Expense	-0.075%	-0.302%
<b>Net Interest Margin</b>	<b>0.528%</b>	<b>0.567%</b>
Correspondent Service Income	0.210%	0.236%
Operating Expenses	-0.514%	-0.463%
Non-Operating Gains/(Losses)	0.031%	0.008%
Amortization of Core Deposit Intangible	0.000%	0.000%
USC MCA Distribution	2.678%	0.000%
CUSO Income	-0.003%	0.001%
Non-Controlling Interest in Net Income	0.000%	0.000%
Trf to Accrued Liability/Member Payout	-1.071%	-0.030%
PCC Distributions	-0.026%	-0.026%
<b>Net Margin</b>	<b>1.833%</b>	<b>0.293%</b>
Asset Quality	November 2021	
Non-Earning Assets/Average Assets	2.15%	
Delinquent Loans/Total Loans	0.00%	
<b>Investment Portfolio</b>		
U.S. Gov't/Agency Securities	56.77%	
Asset-Backed Securities (Non-Mortgage)	11.87%	
Federal Home Loan Bank	0.07%	
Corporate Bonds	1.19%	
Commercial Paper	0.00%	
Bank & Credit Union Deposits	1.86%	
Federal Reserve Bank	23.09%	
CUSO Equity	0.18%	
Cash & Receivables	0.95%	
<b>Credit Ratings</b>		
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 November 2021

Capital Adequacy	November 2021	November 2020
RUDE + Acquired Equity Capital/monthly Average Net Assets	4.37%	1.89%
RUDE + Acquired Equity Capital/12-month Average Net Assets	3.72%	2.01%
Tier 1 (Leverage) Capital/12-month Average Net Assets	7.06%	5.29%
Total Capital/12-month Average Net Assets	7.19%	5.43%
Tier 1 Capital/12-month Average Risk-Weighted Assets	41.66%	26.01%
Total Capital/12-month Average Risk-Weighted Assets	42.47%	26.67%
Total Capital	\$ 441,714,526	\$ 339,378,327
Tier 1 (Leverage) Capital	\$ 433,353,144	\$ 330,973,737
Tier 2 Capital	\$ 8,361,382	\$ 8,404,590
PCC deducted from Tier 1 Capital	\$ 0	\$ 0
Unrealized Gain/Loss on Securities	\$ 13,577,825	\$ 24,433,402
Monthly Average Assets	\$ 5,233,457,932	\$ 6,650,460,747
Average 12-month Assets	\$ 6,140,209,791	\$ 6,254,407,709
Year-to-date Average Assets	\$ 6,085,031,832	\$ 6,417,707,725

## Liquidity & Interest Rate Risk as of November 30, 2021

Available Liquidity:	Available Within 90 Days
Net Cash and Receivables:	\$ 1,238,817,523
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	\$ 1,891,805,736
Overnight & Investments Maturing within 90 days:	\$ 85,640,979
Unsecured Fed Funds Lines Available:	\$ 150,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity:	\$ 1,533,210,751
-less fixed term existing loan advances	\$ 0
Primary Sources of Liquidity:	\$ 5,049,474,989
Federal Reserve (FRB) Discount Window - borrowing capacity:	\$ 80,110,463
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 5,065,241,068
Secondary Sources of Liquidity:	\$ 5,145,351,531
<b>Total Available Liquidity:</b>	<b>\$ 10,194,826,520</b>

## Interest Rate Risk as of November 30, 2021

	Regulation 704 Operating Level: Base Plus
<b>Base/Current Rate Environment</b>	
Net Economic Value (NEV):	\$ 457,071,516
NEV Ratio:	8.78%
<b>Up 3% Rate Environment</b>	
Net Economic Value (NEV):	\$ 426,443,857
NEV Ratio:	8.24%
Percentage Change:	-6.7%
<b>Down 1% Rate Environment</b>	
Net Economic Value (NEV):	\$ 475,201,880
NEV Ratio:	9.09%
Percentage Change:	4.0%

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# Notes to Financials November 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) - \$8,361,382.
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 (11/30) - 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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