



**VIZO FINANCIAL CORPORATE CREDIT UNION  
2020 ANNUAL MEETING  
September 16, 2020**

The 2020 annual meeting of Vizo Financial Corporate Credit Union (Vizo Financial) was called to order by Chair James McCaw at 10:30 a.m. on September 16, 2020, via webinar.

Chair McCaw welcomed the board of directors, supervisory committee, credit committee, member credit unions, staff, and guests to the 2020 annual meeting of Vizo Financial.

Chair McCaw reminded participants that only the Corporate's authorized representatives may address the meeting. In order to properly record the minutes of the meeting, member credit union authorized representatives were asked to identify themselves, and the member credit union they represent, prior to addressing the meeting.

Chair McCaw introduced Christopher Pippett, attorney at Fox Rothschild LLP as parliamentarian for the meeting.

Chair McCaw introduced himself as chair of Vizo Financial's board of directors, representing Viriva Community Credit Union.

Chair McCaw introduced the board of directors: Jerry King, vice chair, DEXSTA Federal Credit Union; Jeff Chelius, treasurer, Riverfront Federal Credit Union; Scott Weaver, secretary, Carolina Foothills Federal Credit Union; Dan Berry, director, Duke University Federal Credit Union; Bob Bruns, director, Charlotte Metro Federal Credit Union; Genice DeCorte, director, HealthShare Credit Union; Alison DeTuncq, director, University of Virginia Community Credit Union; and Scott Woods, director, South Carolina Federal Credit Union.

Chair McCaw introduced the supervisory committee: Richard C. Burtnett, chair, Belco Community Credit Union; Michal Parker, Secured Advantage Federal Credit Union; and Mark Volponi, U\$X Federal Credit Union.

Chair McCaw introduced the credit committee: Jerry King, chair, DEXSTA Federal Credit Union; Lisa Lambrecht, ValleyStar Credit Union; and Kimberly Witt, MTC Federal Credit Union.

Chair McCaw introduced the Corporate executive staff: Jay R. Murray, chief executive officer; David Brehmer, president; Janice Appleby, chief human resources officer; Joseph Bertotto, chief culture officer; Mark Brown, chief financial officer; Fred Eisel, chief investment officer; Lori Gall, chief risk

officer; Rodney May, chief engagement officer; Jeffrey Stoner, chief strategy officer; and Timothy Sustak, chief credit officer. Chair McCaw noted that other Corporate staff were also in attendance.

Chair McCaw appointed Jaime Agostino, marketing and business development director, as the meeting moderator, and Scott Weaver as the recording secretary.

Chair McCaw asked Secretary Weaver if a quorum was present. Mr. Weaver reported there was a quorum present.

Chair McCaw asked if there were any corrections or changes to the minutes of the 2019 Vizo Financial annual meeting held on September 11, 2019. There were no corrections or changes, and no objections to approving the September 11, 2019 annual meeting minutes as presented.

#### Report of the Chair:

This year's Annual Report was once again produced in electronic form and a link to the report was provided to all registered attendees. It is also available on the Vizo Financial website.

The official written Chairman-Executives Report appears in the 2019 Annual Report. However, I do wish to make a few additional comments today:

It's been nearly four years now since Mid-Atlantic Corporate and First Carolina merged to form Vizo Financial. Much of the first two years was spent merging processes and consolidating systems for a unified member experience. Although there are still things to be done to achieve full integration, 2019 started us on a path toward making a difference – putting a lot of emphasis on helping our members and our communities.

Last year, the Corporate's first Day of Service was held, and it was a wonderful event to behold. Staff, families, and friends from all locations volunteered their time to do hands-on work with our charities of choice including BackPack Beginnings, Children's Miracle Network Hospitals, Harvest Hope Food Bank, Hospice of Central Pennsylvania, Pet Match Rescue PA, American Cancer Society, ROAR Outdoors, Cure Sanfilippo Foundation and the Milagro House.

There was also a lot of time and energy put into making a difference for our member credit unions as well. And those efforts continue, perhaps even more so now. Suffice it to say that this year has been challenging, and credit unions around the world have taken hits because of the COVID-19 pandemic. For many credit unions, shutting their doors to their members was the reality this past spring. Influxes of funds, thanks to stimulus checks and everchanging social distancing regulations, called for constant changes in operations and balance sheet management.

With all of these things happening, we quickly realized that we had a duty to provide relief in the wake of the pandemic. That's why we distributed rebates to our capital members in May, in the form of reduced billing and increased rates paid on Perpetual Contributed Capital accounts. Our goal with the rebates was to lighten the burdens many of our member credit unions have experienced over the last several months, even if only a little.

Additionally, from a governance perspective, and in direct response to a board volunteer survey that was completed earlier this year, I'm pleased to announce that the board recently approved new term limits on board seats. This will allow more credit union professionals to be part of the Corporate's board, share in the decisions that ultimately impact our member credit unions and, hopefully, enhance volunteer diversity.

If there is anything we want our member credit unions to take away from this past year, it's that Vizo Financial is always here – to be a trusted partner, to give support and to make sure that our movement remains successful. Our staff, leadership and board have a mission to be difference makers in our commitment to credit unions and our communities.

Let me end by saying it has been my pleasure to serve as your corporate's chairman over the past year. It is an honor to represent all of you and to work alongside this board and management team to lead this organization into the future, whatever that may look like. It has been said many times already, but we really are in this together and I want to say thank you to our members for your continued support.

Chair McCaw advised that the reports of the treasurer, credit committee and supervisory committee are printed in the annual report. There were no questions on the reports, and they were accepted as printed.

#### Executive Reports:

Report of the President, David Brehmer – Thank you all for joining us today and supporting Vizo Financial. I will be providing an overview of our current financial condition along with some future projections and then will turn the presentation over to my colleague, CEO Jay Murray, who will provide an update on our 2020 initiatives and what lies ahead.

I think it safe to say that 2020 has not turned out to be the year we all anticipated. And while the cause of our current economic uncertainty is completely different than the Great Recession of 10 years ago, we face many of the same challenges resulting from high unemployment, an extremely low-rate environment, and an uncertain future. We also recognize that our member credit unions have been much more impacted by this pandemic than we have given the fact that you had to figure out how to safeguard both your employees and your members while maintaining access to needed services. At Vizo Financial, our business model has essentially stayed the same other than the fact we are mostly working remote. Since mid-March, we have operated with about 90% of our employees working full time from home.

And as much as these challenging times disrupt our sense of normalcy, these are also the times when we tend to learn the most about ourselves. We learn about the effectiveness of our business continuity planning, the commitment level of our employees, the importance of open communication, and the value of being a part of this cooperative and collaborative industry. We will face these challenging times together and we will manage through them together.

We exist for one sole purpose – to serve our member credit unions by providing excellent products and industry expertise while creating strong partnerships. You own us and like any CUSO we are stronger and of greater value the more our members utilize us.

Our core values define who we are as an organization and we will always strive to live up to these principles whether dealing with our members or with fellow employees.

Financials – the best way to sum up the impact the pandemic has had on us is that deposits and therefore assets have soared. When stimulus checks hit in mid-April, we grew \$1.7 billion overnight. Average assets are running about \$3 billion above last year, and we are projecting average assets to end the year at about \$6.2 billion. Capital has steadily grown although with the surge in assets, capital ratios continue to drop. The increase in assets has pushed us to reactivate use of our Excess Balance Account, or EBA, which is an account at the Federal Reserve Bank where we can hold member deposits. This program was first introduced by the Fed during the Great Recession to help correspondent banks and corporate credit unions control the size of their balance sheets due to deposit surges that were seen to be temporary. Since July, we have moved over \$1.1 billion into our EBA account.

The tremendous increase to assets has caused a significant drop in our capital ratios although they remain well above the regulatory minimum limits. We are projecting our retained earnings ratio to drop just below 2% before turning around and our leverage/tier 1 capital ratio to get down to the low 5% range before it too levels off and starts to rebound. We expect these ratios to bottom out in the first quarter of 2021. Our risk-based capital ratios have not been impacted by the rise in assets. This reflects the overall credit quality of our investment portfolio. However, we will need to keep close tabs on any future government stimulus plan and how they might impact the size of our balance sheet.

Earnings, meanwhile, have remained very stable with additions to retained earnings of over \$13 million year-to-date. In May, we rebated \$1.1 million back to the members in the form of a 50% credit towards fees and a 3% rate bump on PCC. We had hoped to be able to provide additional rebates but the longevity of the increased deposits and impact on capital ratios has forced us to postpone additional rebates at this time.

Asset trends over the past five years illustrate just how different 2020 has been for us. We had started to see assets move up during the latter part of 2019, but we could never have imagined the type of growth we've experienced in 2020. We are running about \$3.3 billion above 2019 levels.

This year's asset growth has impacted our capital ratios. The drop in 2016 was caused by a regulatory change in how tier 1 capital was calculated. In 2020, the drop is simply due to asset growth. Total capital calculations did not change in 2016, with the same drop in 2020. Our risk-based capital ratio trends reflect that our increased assets have not caused any degradation in asset quality. Our asset mix and credit quality remain extremely strong and stable.

Looking at our net margin you can see that the merger in 2016 certainly created some efficiencies that have allowed us to grow retained earnings despite an overall reduction in our correspondent services pricing. We do anticipate our net margin will continue to drop over the remainder of the year.

Our largest holdings are with the Federal Reserve Bank, government guaranteed assets – which are primarily SBA securities, and government agency mortgage paper.

2009 was clearly a credit event spurred on by the drop in real estate values, whereas 2020 tells a very different story. And while we like seeing the gain on assets which is currently in excess of \$23 million, it is also indicative of the much lower rate and spread environment that we currently find ourselves in. We cannot replace existing cash flows with new investments having similar rates and spreads which is why we are projecting a lower net margin going forward.

And last, I wanted to provide a brief update on the status of potential recoveries of capital we wrote off at U.S. Central approximately 11 years ago. The most current projections from NCUA's Asset Management Group are from March 31, 2020. Potential recoveries from the U.S. Central estate have continued to improve. Vizo Financial stands to receive 16.1% of any recoveries paid out of the U.S. Central estate. At current estimates, this could be as high as \$273 million. The Vizo Financial board has discussed a general plan for distributing capital reimbursements to credit unions who wrote off capital with either First Carolina, VACORP, or Mid-Atlantic Corporate. We are still working through some regulatory and legal issues before the plan can be finalized. We look forward to sharing it with all of you in the first half of 2021 as we move closer to the recoveries becoming a reality. We continue to believe the earliest we could see any recoveries would be late 2021. More to come on this, but what was only a far-fetched dream 10 years ago, may actually come to fruition in 2021.

Report of the CEO, Jay Murray – Vizo Financial remains a very strong institution and we are proud to have the team who has worked so diligently, especially in 2020, as we, like you, found ourselves executing on our pandemic plans and business continuity actions.

Despite the pandemic, which brought unprecedented asset growth and saw 90% of our staff begin to work remotely. As they continued to execute upon all of our day-to-day tasks to make sure that ongoing service was delivered to our members, they also continue to work on projects slated for 2020.

As part of our core processing strategy, and our partnership with CU Answers, we move forward as we signed 37 credit unions to new contracts and set conversion dates for 2020 and 2021. We also developed, and will soon launch, a credit union community resource website that will support all of those credit unions utilizing the new Core System. This community will be named CUaxis, and the site will continue to grow and add an ongoing series of resources that will support this user base and allow all participants to engage with Vizo Financial and the community of fellow credit unions.

As we continued to convert all major payment services onto our Aptys platform, we also launched our newest payment service, Paymoli, a person-to-person payment application that now allows our credit unions to provide a service where their members can pay other individuals directly.

Additionally, the opportunity is brought to us to acquire Aptys company. Along with Catalyst Corporate and Alloya Corporate, Vizo Financial took a 24% ownership in the company. This

fintech acquisition is historical to some degree as many within the user base within the Aptys system are bankers' banks who are serving the community bank market. The combined market share of financial institutions is approximately 45%. It is our hope to see a collaborative effort between these institutions and the corporate credit unions to not only develop additional products and services but also to broaden the usage of such products, like Paymoli, on a greater scale across the United States.

I would like to now share some of the things we see coming in the short and long-term future, some of the trends they are creating and where we might see key points of impact and areas of where we should most be concerned: the impact of long-term low rates, the impact of competition for loans, the impact of technology in a remote world, and the impact of remote workers and member relationship.

The federal reserve has indicated that we could see long-term low rates for several years. As we experienced in the financial crisis of 2008, this creates a great stress on balance sheets especially as the income struggles continue for most credit unions as well as the ability to generate more loans. Additionally, the impact on acquiring and generating more loan growth, especially as loan rates remain very attractive to credit union members, remains very difficult for those credit unions who may not have the staffing resources and marketing dollars to compete more effectively against other institutions of greater scale. Combine this with much-needed technology integration, more members working remotely, more credit union staff working remotely, virtualizing the credit union experience at a greater level, and the need to build deeper relationships with existing members but also attract new members, we are left with some very challenging situations across our credit union community. The challenge to create more time to work on these efforts as well as find more balance sheet returns is where Vizo Financial will be focusing its efforts in the coming years, to assist credit unions in their quest to remain sustainable and competitive.

So, what is Vizo Financial going to do to address these points of impact as we step closer to 2021 and in the coming years? First, we are going to work to build greater community and engagement within our membership base. It's key that we participate in cooperative efforts, as our cooperative principles lead us to do, and work to build greater connections within our membership base to create a supportive structure of credit union helping credit union. Our new platform, CUaxis, will be one tool to help this type of interaction occur. Additionally, we also need to create more opportunities for small groups to network and create action steps to address the retail realities as member behavior changes and the marketplace continues to become more competitive. We would also like to see more joint product development occur between credit unions. We are going to use our product development staff and project management staff to assist these types of efforts as we go forward.

Second, Vizo Financial is going to continue to make investments in technology. We hope to do that with our member credit unions as well as our fellow corporate credit unions. We want to continue to make technology affordable, especially for those midsize and smaller credit unions.

Third, payments integration is absolutely critical. Today's end-user technology wants to see various applications work well together. Your members want your credit union application to

integrate into their “tech life” and work seamlessly with other payment applications and other applications that require financial services support.

Fourth, we expect to see a return of funds from the US Central estate. As we look forward to 2021, we recognize that the low-rate environment and the need to have a competitive balance sheet will be critical in the coming years. Vizo Financial is looking at all of its services, areas where we can be more efficient, and ways to provide greater patronage dividend in the forms of return on investments and other products and services, as credit unions look to the corporate for ongoing back-office support and the “aggregated” group by services.

Last, we will continue to educate and train a support staff (which now boasts an average tenure of 13.5 years) to provide you a level of competence, caring, and consultation that will be an extension of your own staff. We believe we must continue to work to be a smarter institution each and every year.

We will continue to uphold our commitment and our core values of integrity above all, our passion for service, to be one unified team, to continue to learn, and most of all, to provide you a safe and sound business for you to place your faith and trust in as we work to the end goal of more people in the United States realizing the power of our credit union movement. Thank you for your continued support.

Chair McCaw asked if there were any items under old business to be presented. There were no old business items to address.

Chair McCaw asked if there were any items under new business to be presented. There were no new business items to address.

Chair McCaw introduced Jerry King, chair of the nominating committee.

Mr. King introduced the other members of the nominating committee: Sue DeStephano of First Capital Federal Credit union, and Patty Idol, of Mountain Credit Union.

Nominating Committee Report:

The nominating committee met in accordance with the Corporate’s bylaws and the following candidates for the 2020 election were selected: Genice DeCorte, HealthShare Credit Union, Greensboro, North Carolina; Mark Volponi, U\$X Federal Credit Union, Cranberry Township, Pennsylvania; and Scott Weaver, Carolina Foothills Federal Credit Union, Greenville, South Carolina. No recommendations for nomination were rejected and no nominations by petition were received.

Chair McCaw reported that according to the Corporate’s bylaws, the election of directors is by plurality vote, except when there is only one nominee for a vacant position. As this is the case this year with three candidates for three open positions, there was no board election held. There were no objections to approving the slate of candidates as presented.

Chair McCaw extended his congratulations to the candidates who were elected and discharged the nominating committee, expressing his appreciation for their work during the 2020 nomination process.

Chair McCaw acknowledged Joan Moran who retired from the board at the end of 2019. Joan has devoted over 20 years as a dedicated leader in the corporate credit union system. She has been a strong proponent of credit union cooperation and collaboration, having also served on the rkGoBig board of directors for many years. A video honoring Joan's services was presented. Joan expressed her appreciation and thanks.

Chair McCaw acknowledged Robert Bruns, who is retiring from the board effective following this annual meeting. Bob has been a dedicated credit union leader for the past 40 years, and also provided leadership during the financial crisis and throughout the merger of First Carolina Corporate and Mid-Atlantic Corporate. Bob is highly respected for his leadership, dedication, and integrity over his many years of service to the credit union community. A video honoring Bob's service was presented. Bob expressed his appreciation and thanks.

Chair McCaw asked if there were any objections to adjourning the 2020 Vizo Financial annual meeting. There were no objections. The 2020 Vizo Financial annual business meeting adjourned at 11:09 a.m.

Respectfully submitted,

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R. Scott Weaver, Secretary

Attest: \_\_\_\_\_  
James F. McCaw, Chair