Monthly Financials

Vizo Financial Corporate Credit Union

April 2018

Corporate *Update*

Jay Murray, CEO
David Brehmer, President

We're nearly halfway through 2018 already…can you believe it? Although the first part of the year is over, we haven't lost any momentum. Vizo Financial still has many great things to come in the next few months. Read more below!

2018 Annual Meeting Registration Open!

We are very excited to announce that registration for Vizo Financial's 2018 Annual Meeting is now open!

Once again, member-owner credit unions of Vizo Financial will be able to attend in person or via live-stream. The meeting will be held on August 9, 2018, from 10:00 – 11:00 a.m. ET, and will include the results of our 2018 board election.

If you can attend in person, we welcome you to join us at the University of Virginia Inn at Darden Event and Conference Center in Charlottesville, Va. Otherwise, we hope you'll be able to participate remotely.

Click here to register now for the 2018 Annual Meeting!

Save the Date – Financial Conference

It's true that summer is just beginning, but it's not too early to save the date for our Financial Conference!

The 2018 Financial Conference will take place from September 12-14, 2018, at the Ballantyne Hotel & Lodge in Charlotte, N.C. Be prepared for lots of education sessions, networking opportunities and exciting events.

If you need a reminder of what our Financial Conference is like, watch this video recap of last year's event. Be on the lookout for registration information soon!

Member Appreciation Events

On May 21, Vizo Financial hosted a reception for our members during the PCUA's CONNECT 2018 event. Over 160 credit union representatives attended the reception at the Nemacolin Woodlands Resort in Farmington, Pa. What a fantastic turnout!

In June, we'll be heading down to Myrtle Beach, S.C., for our member appreciation luncheon during the Carolinas Credit Union League Annual Meeting. To attend the luncheon, please click here to register!

Corporate Videos

Vizo Financial produces five different video series to inform, educate and entertain our members. Take a look at all of our corporate videos including *Around the Corporate*, *Ask Joe, Economic Update*, *FOMC Update* and *HReady*! Watch the latest episodes today!

Exceptional Service

Vizo Financial strives each and every day to provide excellence in our service and we will continually work to improve your member experience.

We recently received an email from USSCO FCU, commending a member of our staff. The email stated:

"Due to some out-of-the-ordinary circumstances at our credit union…I totally missed the deadline for releasing ACH direct deposit files for three of our member businesses. In a panic, I called Vizo Financial's EFT department…Jessica went way beyond the call of duty and kept working on my behalf until she was able to work out a way for my ACH files to get sent to the Fed on time. You have no idea how much I appreciate all of the extra effort that she put in. In my eyes, she was customer service personified."

If your credit union has an exceptional service story you'd like to share about any of our staff, please send the details to marketing@vfccu.org!

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

Financial Condition and Performance Report

Enclosed, please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of April 30, 2018. 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 $3.472 billion in April compared to $3.650 billion in March and $3.013 billion in February. Volatility of member balances in April was higher (31% compared to 23% in March) with the spread between the single day high and low balances being $1.290 billion compared to $947.6 million the prior month.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged $53.8 million in April with month-end balances of $46.2 million. Combined with our on-balance sheet member deposits, average short term balances were $3.525 billion.

Liquidity remains readily accessible through our primary borrowing sources. Historically, the December-January and July-August periods represent our lowest balance trends of the year, while March-April represent our highest balances of the year.

Some line items to note on this month's balance sheet:

- On-balance sheet (month-end) member shares were down approximately $920 million coming in at $3.588 billion compared to $4.508 billion in March. Of this total, $318.6 million were in certificates, while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $4.008 billion. Average assets were above month-end assets coming in at $4.179 billion. Excluding non-perpetual capital accounts, our total net equity is at $297.3 million. The unrealized gain/loss/AOCL figure came in at negative (loss) of $1.685 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 $84.8 million. Gross income for the month came in at $1,556,274. Our net increase to retained earnings was $1,233,149. Distributions to members via PCC dividends totaled $308,091.
- Our leverage/tier 1 capital ratio is 6.26% based on our 12-month rolling average assets. This is above the minimum regulatory guideline for leverage/tier 1 capital ratio of 4%. Starting in October 2016, NCUA Regulations require corporates to deduct a portion of their PCC from their tier 1 capital calculations. In April, this amounted to a reduction of $50.7 million of PCC from our tier 1 capital.
- Accumulation of retained earnings is critical under Regulation 704. The amount of retained earnings a corporate has determines the amount of PCC that must be deducted from leverage/tier 1 capital ratio calculations. With new regulatory changes, corporates now have a retained earnings ratio target of 2.5%. Once a corporate exceeds this threshold, it will no longer need to deduct PCC from its calculation of tier 1 capital. Our retained earnings ratio is currently at 2.16%.
- The NEV dollar value of assets came in at $299.9 million at the end of April with an NEV ratio of 7.48% compared to the prior month's 6.12%. The NEV ratio will fluctuate up & 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 6.92% with a negative fluctuation of 8.1%. 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 $302.6 million excluding unrealized gains and 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 $5.3 million as of month-end, so without this reduction our gross total capital amounts to $307.9 million.

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Financial Condition and Performance Report continued from page 2

- 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	$ 837 million
Security Sales*	$ 349 million
EBA Balances	$ 46 million
Total Off-Balance Sheet	**$1.232 billion**

Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Market values dropped, going from unrealized gains of $0.944 million in March to unrealized losses of $1.685 million in April. The swing from unrealized gains to unrealized losses was due to a drop in market values of the SBA portfolio which is impacted by expectations of increasing pre-payments as rates rise. All of these securities are 100% government guaranteed and can be used as collateral at the Federal Home Loan Bank, so fluctuations in values do not have a significant impact on our liquidity capacity. From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 25.2%.

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.

- $0.753 million LOSS is related to our government agency CMO securities portfolio ($336.2 million total book value)
- $0.398 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($78.3 million total book value)
- $0.019 million LOSS is related to our government agency notes/floaters/callable securities ($30.5 million total book value)
- $0.090 million GAIN is related to our A-1+/P-1 rated commercial paper portfolio ($68.8 million total book value)
- $0.168 million GAIN is related to our AA+ rated corporate bond portfolio ($27.3 million total book value)
- $1.029 million GAIN is related to our AAA-rated credit card asset-backed securities ($722.6 million total book value)
- $0.676 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($326.8 million total book value)
- $1.289 million GAIN is related to our government student loan (FFELP) portfolio ($82.6 million total book value)
- $3.767 million LOSS is related to our government guaranteed SBA portfolio ($962.4 million total book value)

Market values and the associated unrealized gains/losses indicate an estimate of what the sale 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 and do not hesitate to contact us if you have questions. 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 each and every day. We look forward to serving you throughout 2018!

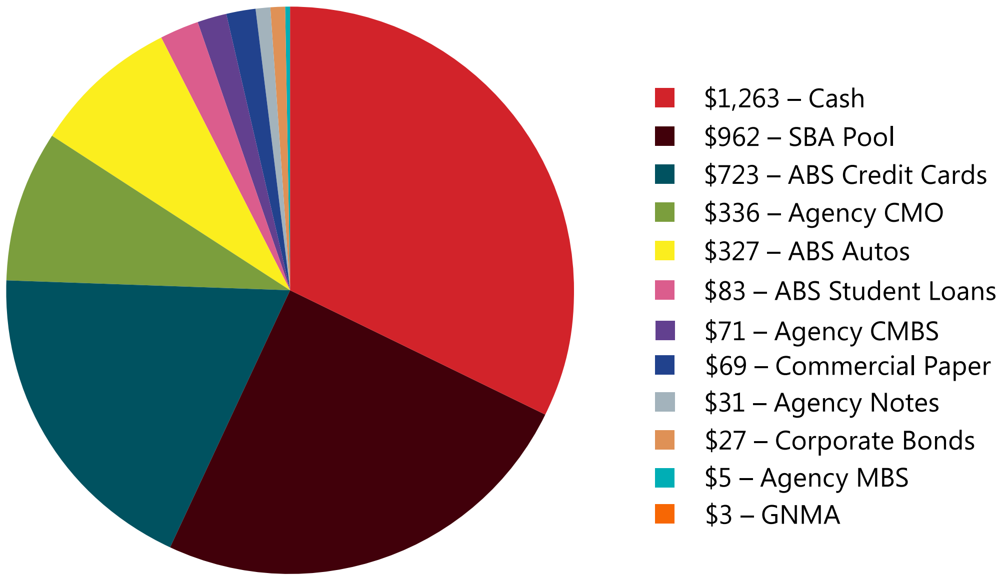
Jay R. Murray

Jay R. Murray
CEO

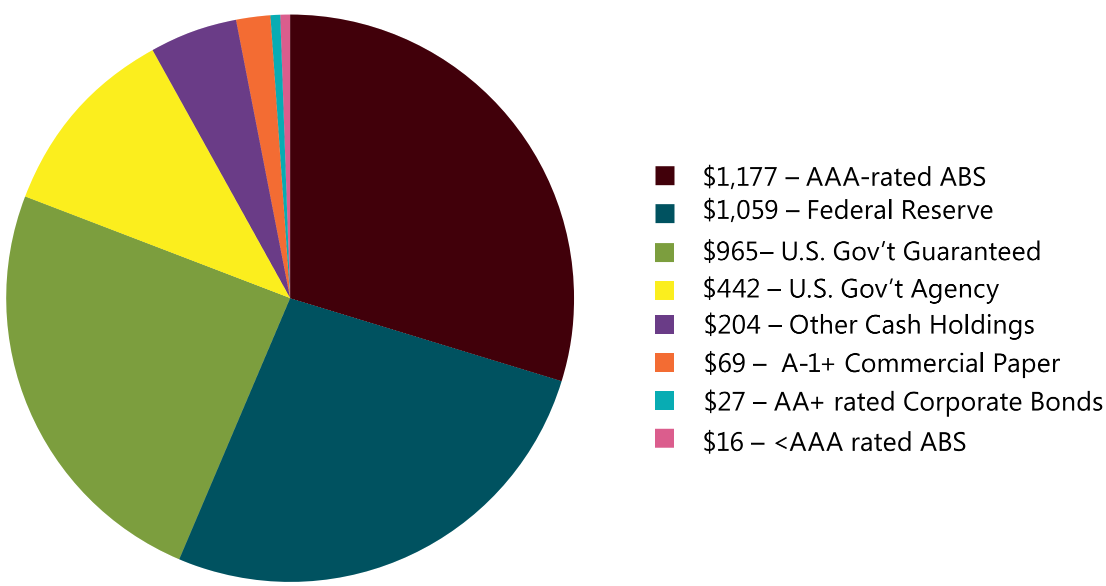
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



** All figures in the charts above are in millions.*

Balance Sheet		April 30, 2018		April 30, 2017
Assets				
Loans	$	6,594,598	$	9,309,552
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	1,134,982,212	$	1,056,561,122
U.S. Gov't (Notes/Floaters/Callables)	$	30,524,085	$	31,591,957
U.S. Gov't Agency (CMOs)	$	338,347,188	$	354,995,055
U.S. Gov't Agency (MBS)	$	84,971,795	$	139,149,900
U.S. Gov't (SBA)	$	962,444,402	$	965,810,222
Corporate Bonds	$	27,481,625	$	0
Commerical Paper	$	68,925,920	$	0
Federal Home Loan Bank-Atlanta	$	6,048,900	$	3,951,400
Credit Union & Bank Deposits	$	204,201,133	$	14,192,825
CUSOs	$	5,266,179	$	4,997,969
Federal Reserve Bank	$	1,058,869,986	$	1,717,787,313
Receivables	$	23,804,850	$	19,439,442
Fixed Assets	$	9,500,424	$	9,100,904
Goodwill/Core Deposit Intangible	$	2,282,127	$	2,564,482
Other Assets	$	43,898,701	$	41,089,250
Total Assets:	**$**	**4,008,144,125**	**$**	**4,370,541,393**

Liabilities				
Other Liabilities:	$	1,642,402	$	1,691,666
Accounts Payable:	$	56,002,780	$	47,258,057
Uncollected Deposits:	$	0	$	(160,431)
Notes Payable:	$	53,856,900	$	11,959,270
Shares	$	3,269,137,579	$	3,689,535,685
Certificates/Term Deposits	$	318,602,549	$	320,155,151
Total Shares:	$	3,587,740,128	$	4,009,690,836
Non-Perpetual Capital Accounts (NCA)	$	8,913,835	$	8,913,835
Perpetual Contributed Capital (PCC)	$	214,196,766	$	214,196,834
Reserves & Undivided Earnings	$	62,279,373	$	50,436,179
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	(1,685,353)	$	1,503,896
Total Equity:	$	306,266,621	$	297,612,744
Other Equity/Non-Controlling Interest:	$	2,635,294	$	2,489,251
Total Liabilities & Equity:	**$**	**4,008,144,125**	**$**	**4,370,541,393**

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Financial Condition & Performance

Income Statement YTD		April 2018		April 2017
Interest Income	$	25,530,451	$	16,040,358
Interest Expense	$	(16,386,703)	$	(8,375,028)
Net Interest Income	**$**	**9,143,748**	**$**	**7,665,330**
Net Correspondent Service Income	$	5,580,232	$	6,176,784
Gross Operating Income	**$**	**14,723,980**	**$**	**13,842,114**
Operating Expense	$	(8,879,967)	$	(8,926,289)
Net Income:	**$**	**5,844,013**	**$**	**4,915,825**
Non-Operating Gains/(Losses)	$	(3,491)	$	142,532
Amortization of Core Deposit Intangible	$	0	$	(315,227)
CUSO Income	$	43,252	$	87,868
Net Income before PCC Distributions	**$**	**5,883,774**	**$**	**4,830,998**
Less: Non-Controlling Interest in Net Income	$	(39,933)	$	(119,574)
Less: Equity Transfer for PCC Distribution	$	(1,230,898)	$	(704,211)
Net Increase to Retained Earnings	**$**	**4,612,943**	**$**	**4,007,213**

Earnings Spread/Net Operating Margin	April 2018	April 2017
Return on Average Assets	1.895%	1.241%
Interest/Dividend Expense	-1.217%	-0.648%
Net Interest Margin	**0.679%**	**0.593%**
Correspondent Service Income	0.414%	0.478%
Operating Expenses	-0.659%	-0.691%
Non-Operating Gains/(Losses)	0.000%	0.011%
Amortization of Core Deposit Intangible	0.000%	-0.024%
CUSO Income	0.003%	0.007%
Non-Controlling Interest in Net Income	-0.003%	-0.009%
PCC Distributions	-0.091%	-0.054%
Net Margin	**0.342%**	**0.310%**

Asset Quality	April 2018
Non-Earning Assets/Average Assets	2.03%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	35.89%
Asset-Backed Securities (Non-Mortgage)	28.76%
Federal Home Loan Bank	0.15%
Corporate Bonds	0.70%
Bank & Credit Union Deposits	5.18%
Federal Reserve Bank	26.83%
CUSO Equity	0.13%
Cash & Receivables	0.60%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	B/Baa3 to AAA/Aaa
Corporate Bonds	AA+/Aa1
Commerical Paper	A-1+/P-1
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial *Ratios*

Capital Adequacy	April 2018	April 2017
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.03%	1.74%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.16%	1.87%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	6.26%	5.14%
Total Capital/12-Month Average Net Assets	7.70%	7.22%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	20.28%	16.52%
Total Capital/12-Month Average Risk-Weighted Assets	25.26%	24.36%
Total Capital	$ 302,657,594	$ 282,232,816
Tier 1 (Leverage) Capital	$ 243,059,185	$ 196,608,920
Tier 2 Capital	$ 59,598,409	$ 85,623,896
PCC deducted from Tier 1 Capital	$ 50,712,775	$ 85,588,124
Unrealized Gain/Loss on Securities	$ (1,685,353)	$ 1,503,896
Monthly Average Assets	$ 4,178,985,261	$ 4,204,136,615
Average 12-Month Assets	$ 3,932,130,946	$ 3,908,626,568
Year-to-date Average Assets	$ 4,097,186,689	$ 3,931,249,837

Liquidity & Interest Rate Risk as of April 30, 2018

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,082,674,836
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,293,453,590
Overnight & Investments Maturing within 90 days:	$ 203,457,133
Unsecured Fed Funds Lines Available:	$ 250,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,091,542,563
-less fixed term existing loan advances	$ (53,856,900)
Primary Sources of Liquidity:	$ 4,017,271,222
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 41,869,690
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 45,967,500
Secondary Sources of Liquidity:	$ 87,837,190
Total Available Liquidity:	**$ 4,105,108,412**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 299,922,078
NEV Ratio:	7.48%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 275,705,367
NEV Ratio:	6.92%
Percentage Change:	(8.1%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 309,319,031
NEV Ratio:	7.70%
Percentage Change:	3.1%

Notes to Financials

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) - $8,885,634.
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 Fitch (AAA).
14. Student loan asset-backed securities are rated by Fitch (B to AAA), Moody's (Baa3 to Aaa), and/or S&P (AA+ to AAA).
15. Commercial paper ratings shown are from S&P (A-1+) and Moody's (P-1).
16. Corporate bonds ratings shown are from S&P (AA+) and Moody's (Aa1).
17. Available-for-sale securities in the liquidity section includes only bonds with market values showing: 1) Gains, or 2) Unrealized losses below $5,000.
18. 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.
19. FHLB and FRB borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
20. Primary credit access is available at the Federal Reserve Bank (FRB).
21. Current limit at FHLB-Atlanta $1,251,943,500 (4/30) -- this will vary based on assets.
22. Unsecured fed funds lines comprised of $100 million from PNC Bank, $50 million from JPM Chase, $50 million from SunTrust and $50 million from Wells Fargo.
23. Secured fed funds lines comprised of $150 million from U.S. Bank -- line secured by asset-backed securities.
24. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
25. NEV & capital ratios are in compliance with policy and regulatory limits.
26. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totalled only $200,450.

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
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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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