Monthly Financials

Vizo Financial Corporate Credit Union

February 2018

Corporate Update

Jay Murray, CEO

David Brehmer, President

Spring is here, or so we are told. Based on the weather, we might not agree! As we usher in the new season, take a few minutes to read about Vizo Financial's upcoming changes and events below!

Board of Directors Election

In mid-February, Vizo Financial mailed a board election packet to all members. Included in the packet was a letter of recommendation for nomination, which was due by March 26, 2018.

Vizo Financial's board elections will be held by mail ballot. The ballots will be sent to our membership by June 25, 2018. The results will then be announced at our Annual Membership Meeting in Charlottesville, Va., on August 9, 2018. As a reminder, similar to last year, the meeting will be live-streamed for those who cannot attend in person.

Risk Management Conference

No doubt about it – credit unions face more than their fair share of risks. With so many new threats and regulations to worry about, Vizo Financial created the Risk Management Conference. This three-day conference is an accredited CPE event that features in-depth education from security, compliance, business continuity and other risk perspectives.

The Risk Management Conference is only a few weeks away and is an excellent opportunity to learn best practices and proactive tactics to prepare, manage and overcome the risks credit unions face every day.

We hope to see you at the conference on April 18-20, 2018. While you're there, earn up to 10 CPE credits, network with credit union professionals and explore the luxuries of The Hotel Hershey and the local attractions!

Click here for more details and to register.

Financial Strategies Workshop

Vizo Financial understands the importance of financial management for credit unions. These workshops are an excellent opportunity for credit unions to receive additional financial education provided by our expert staff and other industry speakers on the economy, ALM, investment and liquidity strategies and CECL.

We will be holding our next workshops on the following dates:

- May 15, 2018 - Pittsburgh, Pa.
- May 16, 2018 - Lancaster, Pa.

Click here for more details or to register.

New Wire System

Vizo Financial's new wire system was successfully implemented on March 22, 2018, and we are pleased with the expanded capabilities and functionality the new platform provides. We have already started working on the next phase, which will be the ACH system. Look for more communications in the coming weeks regarding the new ACH Files and Returns platform.

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.

Art from First Eagle FCU recently sent us an email sharing how happy he was with the service Billy Ford from our help desk recently provided.

Art wrote, "...just wanted to mention that Billy is doing a great job. He helped me very quickly this morning. He definitely knows what he's doing and is very personable and professional, as are all the MY CU Service guys I've worked with."

Thank you, Art, for sharing and great job Billy for demonstrating Vizo Financial and our CUSOs' core value of passion for service.

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!

Financial Condition and Performance Report

Enclosed, please find Vizo Financial Corporate Credit Union's financial statements and supplementary financial information as of February 28, 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 $3.013 billion in February compared to $2.629 billion in January and $2.696 billion in December. Volatility of member balances in February was slightly higher (28% compared to 26% in January), with the spread between the single day high and low balances being $1.009 billion compared to $819 million the prior month. This increase in balances follows historic seasonal cash flow trends.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged just $22.8 million in February, with month-end balances of $26.8 million. Combined with our on-balance sheet member deposits, average short term balances were $3.035 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 up approximately $890 million coming in at $3.797 billion compared to $2.907 billion in January. Of this total, $303.3 million were in certificates while the remaining balances were distributed between the PSA and settlement deposit accounts.

- Month-end assets came in at $4.418 billion. Average assets were below month-end assets coming in at $4.026 billion. Excluding non-perpetual capital accounts, our total net equity is at $299.1 million. The unrealized gain/loss/AOCL figure came in at positive (gain) of $2.657 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 $82.2 million. Gross income for the month came in at $1,078,591. Our net increase to retained earnings was $768,252. Distributions to members via PCC dividends totaled $287,552.

- Our leverage/tier 1 capital ratio is 6.18% 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 February, this amounted to a reduction of $53.9 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 2.11%.

- The NEV dollar value of assets came in at $301.0 million at the end of February with an NEV ratio of 6.81% compared to the prior month's 7.97%. 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 6.36% with a negative fluctuation of 7.3%. 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 $300.5 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 $4.760 million as of month-end, so without this reduction, our gross total capital amounts to $305.3 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	$ 817 million
Security Sales*	$ 308 million
EBA Balances	$ 27 million
Total Off-Balance Sheet	**$1.152 billion**

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

Unrealized Gains/Losses

Market values dropped, going from unrealized gains of $3.303 million in January to unrealized gains of $2.657 million in February. The government agency CMO portfolio is now the single asset class showing the highest unrealized losses at $0.673 million. This is due to some fixed rate bonds within the portfolio that have experienced some value loss with market rates edging up. These securities 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 25.8%.

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.

- $0.673 million LOSS is related to our government agency CMO securities portfolio ($322.1 million total book value)
- $0.454 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($117.5 million total book value)
- $0.029 million LOSS is related to our government agency notes/floaters/callable securities ($22.5 million total book value)
- $0.061 million GAIN is related to our corporate bond portfolio ($27.3 million total book value)
- $1.545 million GAIN is related to our AAA-rated credit card asset-backed securities ($657.2 million total book value)
- $0.845 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($355.3 million total book value)
- $1.406 million GAIN is related to our government student loan (FFELP) portfolio ($87.5 million total book value)
- $0.045 million LOSS is related to our government guaranteed SBA portfolio ($886.5 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!

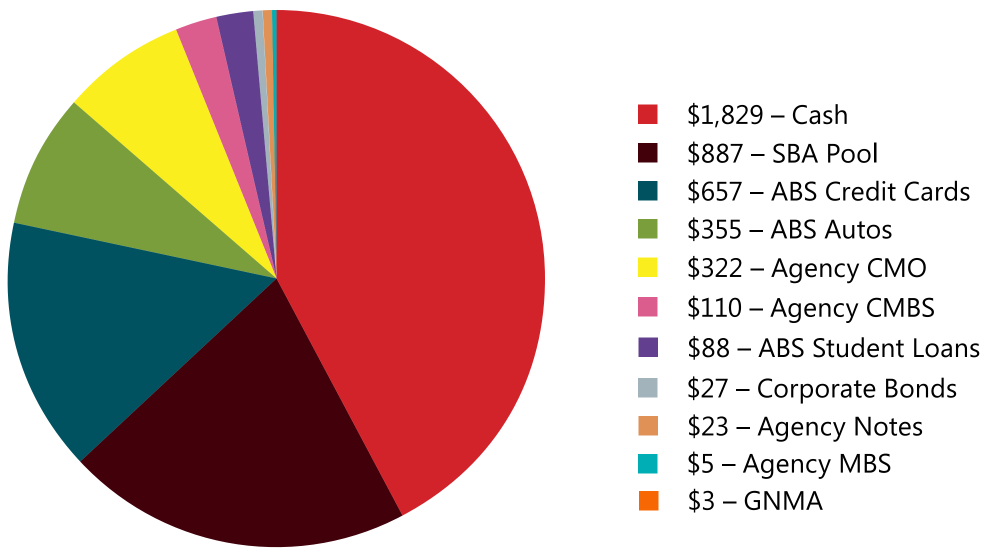
Jay R. Murray

Jay R. Murray
CEO

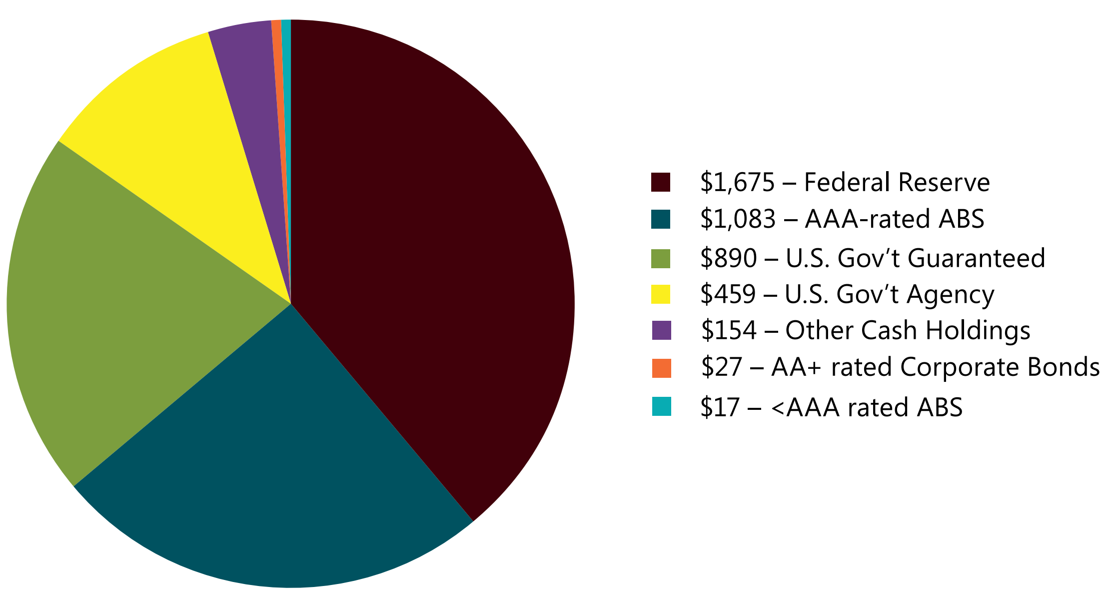
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	February 28, 2018	February 28, 2017
Assets		
Loans	$ 4,751,095	$ 14,024,111
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 1,103,804,436	$ 1,046,106,355
U.S. Gov't (Notes/Floaters/Callables)	$ 22,514,337	$ 31,603,885
U.S. Gov't Agency (CMOs)	$ 324,523,081	$ 254,393,621
U.S. Gov't Agency (MBS)	$ 124,150,256	$ 173,035,140
U.S. Gov't (SBA)	$ 886,503,999	$ 916,126,680
Corporate Bonds	$ 27,378,075	$ 0
Federal Home Loan Bank-Atlanta	$ 14,508,600	$ 1,832,300
Credit Union & Bank Deposits	$ 154,358,814	$ 299,096,760
CUSOs	$ 4,760,237	$ 4,956,779
Federal Reserve Bank	$ 1,675,124,283	$ 1,346,229,375
Receivables	$ 20,585,253	$ 15,892,431
Fixed Assets	$ 9,657,560	$ 9,384,917
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,635,071
Other Assets	$ 43,196,730	$ 40,394,526
Total Assets:	**$ 4,418,098,883**	**$ 4,155,711,951**

Liabilities		
Other Liabilities:	$ 1,564,671	$ 2,164,108
Accounts Payable:	$ 49,146,487	$ 44,258,963
Uncollected Deposits:	$ 0	$ (420,596)
Notes Payable:	$ 260,178,110	$ 12,163,970
Shares	$ 3,493,276,498	$ 3,492,499,872
Certificates/Term Deposits	$ 303,330,549	$ 307,940,924
Total Shares:	$ 3,796,607,047	$ 3,800,440,796
Non-Perpetual Capital Accounts (NCA)	$ 8,913,835	$ 8,913,835
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,196,834
Reserves & Undivided Earnings	$ 59,647,187	$ 48,409,597
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ 2,657,143	$ 581,293
Total Equity:	$ 307,976,999	$ 294,663,559
Other Equity/Non-Controlling Interest:	$ 2,625,569	$ 2,441,151
Total Liabilities & Equity:	**$ 4,418,098,883**	**$ 4,155,711,951**

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Financial Condition & Performance

Income Statement YTD	February 2018	February 2017
Interest Income	$ 11,175,269	$ 6,889,759
Interest Expense	$ (7,121,048)	$ (3,283,867)
Net Interest Income	**$ 4,054,221**	**$ 3,605,892**
Net Correspondent Service Income	$ 2,864,826	$ 3,148,454
Gross Operating Income	**$ 6,919,047**	**$ 6,754,346**
Operating Expense	$ (4,330,807)	$ (4,405,771)
Net Income:	**$ 2,588,240**	**$ 2,348,575**
Non-Operating Gains/(Losses)	$ (10,141)	$ 160,703
Amortization of Core Deposit Intangible	$ 0	$ (157,614)
CUSO Income	$ 37,311	$ 46,678
Net Income before PCC Distributions	**$ 2,615,410**	**$ 2,398,342**
Less: Non-Controlling Interest in Net Income	$ (30,208)	$ (71,474)
Less: Equity Transfer for PCC Distribution	$ (604,446)	$ (346,238)
Net Increase to Retained Earnings	**$ 1,980,756**	**$ 1,980,630**

Earnings Spread/Net Operating Margin	February 2018	February 2017
Return on Average Assets	1.776%	1.142%
Interest/Dividend Expense	-1.132%	-0.544%
Net Interest Margin	**0.644%**	**0.598%**
Correspondent Service Income	0.455%	0.522%
Operating Expenses	-0.688%	-0.730%
Non-Operating Gains/(Losses)	-0.002%	0.027%
Amortization of Core Deposit Intangible	0.000%	-0.026%
CUSO Income	0.006%	0.008%
Non-Controlling Interest in Net Income	-0.005%	-0.012%
PCC Distributions	-0.096%	-0.057%
Net Margin	**0.315%**	**0.328%**

Asset Quality	February 2018
Non-Earning Assets/Average Assets	2.00%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	31.15%
Asset-Backed Securities (Non-Mortgage)	25.33%
Federal Home Loan Bank	0.33%
Corporate Bonds	0.63%
Bank & Credit Union Deposits	3.54%
Federal Reserve Bank	38.44%
CUSO Equity	0.11%
Cash & Receivables	0.47%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA
Asset-Backed Securities (Student Loans)	B to AAA
Corporate Bonds	AA+
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial Ratios

Capital Adequacy	February 2018	February 2017
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.04%	1.89%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.11%	1.80%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	6.18%	5.01%
Total Capital/12-Month Average Net Assets	7.70%	7.10%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	20.43%	15.58%
Total Capital/12-Month Average Risk-Weighted Assets	25.83%	23.49%
Total Capital	$ 300,532,680	$ 280,246,162
Tier 1 (Leverage) Capital	$ 237,730,813	$ 193,346,215
Tier 2 Capital	$ 62,801,867	$ 86,899,947
PCC deducted from Tier 1 Capital	$ 53,914,971	$ 86,865,437
Unrealized Gain/Loss on Securities	$ 2,657,143	$ 581,293
Monthly Average Assets	$ 4,025,898,266	$ 3,753,488,510
Average 12-Month Assets	$ 3,903,633,825	$ 3,946,090,018
Year-to-date Average Assets	$ 3,892,724,679	$ 3,731,833,704

Liquidity & Interest Rate Risk as of February 28, 2018

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,695,709,536
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,224,092,064
Overnight & Investments Maturing within 90 days:	$ 153,614,814
Unsecured Fed Funds Lines Available:	$ 230,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 985,435,697
-less fixed term existing loan advances	$ (260,178,110)
Primary Sources of Liquidity:	$ 4,178,674,001
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 57,984,946
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 26,300,000
Secondary Sources of Liquidity:	$ 84,284,946
Total Available Liquidity:	**$ 4,262,958,947**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 301,052,102
NEV Ratio:	6.81%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 279,208,477
NEV Ratio:	6.36%
Percentage Change:	(7.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 308,935,657
NEV Ratio:	6.98%
Percentage Change:	2.6%

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) - $8,886,896
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 non-mortgage related asset-backed securities are rated B to AAA.
14. Available-for-sale securities in the liquidity section includes only bonds with market values showing: 1) Gains, or 2) Unrealized losses below $5,000.
15. 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.
16. FHLB and FRB borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
17. Primary credit access is available at the Federal Reserve Bank (FRB).
18. Current limit at FHLB-Atlanta $1,251,943,500 (2/28) -- this will vary based on assets.
19. Unsecured fed funds lines comprised of $100 million from PNC Bank, $30 million from JPM Chase, $50 million from SunTrust and $50 million from Wells Fargo.
20. Secured fed funds lines comprised of $150 million from U.S. Bank -- line secured by asset-backed securities.
21. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
22. NEV & capital ratios are in compliance with policy and regulatory limits.
23. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totalled only $500,450.

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

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For more information concerning the content in this unaudited financial report, please contact Vizo Financial at (800) 622-7494.

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