Vizo financial

Monthly Financials

Vizo Financial Corporate Credit Union

January 2018

Corporate Update

Jay Murray, CEO
David Brehmer, President

So far, 2018 has proven to be a big year for Vizo Financial. Before you look over our financial reports for January 2018, take a moment to read about some upcoming events and highlights from Vizo Financial and our CUSOs!

New Wire System

Vizo Financial through our payments and technology CUSO, MY CU Services, will be implementing a new domestic wire system on the evening of March 21, 2018. Credit unions will begin utilizing the new system on March 22, 2018.

MY CU Services has partnered with Aptys Solutions, an electronic payment services system provider. They selected the Aptys Solutions system to consolidate several back-office payment systems and increase overall efficiencies, while enhancing functionality for credit unions.

Make sure your credit union is receiving pertinent information about the new wire system! Communications regarding the new wire system will be emailed to the Vizo Financial Domestic Wire notification list.

Risk Management Conference

Vizo Financial's Risk Management Conference is an opportunity for credit unions to learn best practices and proactive tactics to prepare for, manage and overcome the risks we face every day.

Join us on April 18-20, 2018, for three days of top-notch education on the entire risk spectrum, from compliance and fraud to information security and business continuity. While you're here, earn 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.

CECL Solution

Vizo Financial launched our CECL Solution, powered by ARCSys, on January 18, 2018 and hosted several webinar sessions to demo the system. Through the online software, this solution will allow your credit union to upload and balance your loan data, as well as perform calculations that will give the credit union accurate loss allowance figures. To view a recording of the demo session and learn more about the Vizo Financial CECL Solution, please click here.

CU4Kids

Each year, Vizo Financial and credit unions across the country give their time and money to help children in their local communities through Credit Unions for Kids (CU4Kids).

There are several CU4Kids fundraisers throughout the year that credit unions can participate in to raise money for the 170 CMN Hospitals in the U.S. Some popular CU4Kids campaigns include:

- Change a Child's Life Coin Drive
- Miracle Jeans Day
- Shop for Miracles
- Skip-A-Payment
- Miracle Icons
- #VoteForMiracles

Exceptional Service

Vizo Financial strives each and every day to provide excellence in our service, not just to our members, but also to our local communities. Here's a look at some of our community involvement work.

- Our Columbia office participated in the Children's Miracle Network Hospital's Radiothon for the Palmetto Health Children's Hospital in February.
- Vizo Financial along with credit unions in the Pittsburgh area will be learning more about the Children's Hospital of Pittsburgh of UPMC and taking a tour of the facility on March 22, 2018.

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 January 31, 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 $2.629 billion in January compared to $2.696 billion in December and $2.634 billion in November. Volatility of member balances in January was lower (26% compared to 33% in December) with the spread between the single day high and low balances being $819 million compared to $1.129 billion the prior month. These trends continue to indicate a tight liquidity environment among our member credit unions.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged just $24.3 million in January with month-end balances of $21.6 million. Combined with our on-balance sheet member deposits, average short term balances were $2.653 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 $399 million coming in at $2.907 billion compared to $3.306 billion in December. Of this total, $250.6 million were in certificates while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $3.775 billion. Average assets were slightly below month-end assets coming in at $3.760 billion. Excluding non-perpetual capital accounts, our total net equity is at $298.9 million. The unrealized gain/loss/AOCL figure came in at positive (gain) of $3.303 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 $81.4 million. Gross income for the month came in at $1,536,818. Our net increase to retained earnings was $1,212,502. Distributions to members via PCC dividends totaled $316,894.
- Our leverage/tier 1 capital ratio is 6.16% 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 January, this amounted to a reduction of $55.1 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 effective December 22, 2017 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 2.10%.
- The NEV dollar value of assets came in at $300.8 million at the end of January with an NEV ratio of 7.97% compared to the prior month's 7.16%. 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 7.36% with a negative fluctuation of 8.3%. 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 $299.8 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 $4.748 million as of month-end so without this reduction our gross total capital amounts to $304.5 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	$ 810 million
Security Sales*	$ 326 million
EBA Balances	$ 22 million
Total Off-Balance Sheet	**$1.158 billion**

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

Unrealized Gains/Losses

Market values improved going from unrealized gains of $2.555 million in December to $3.303 million in January. The government agency CMO portfolio is now the single asset class showing the highest unrealized losses at $0.618 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 25.9%.

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.

- $0.618 million LOSS is related to our government agency CMO securities portfolio ($327.8 million total book value)
- $0.302 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($117.8 million total book value)
- $0.031 million LOSS is related to our government agency notes/floaters/callable securities ($22.5 million total book value)
- $0.126 million GAIN is related to our corporate bond portfolio ($27.3 million total book value)
- $2.001 million GAIN is related to our AAA-rated credit card asset-backed securities ($629.2 million total book value)
- $0.994 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($313.1 million total book value)
- $1.297 million GAIN is related to our government student loan (FFELP) portfolio ($88.9 million total book value)
- $0.163 million LOSS is related to our government guaranteed SBA portfolio ($900.8 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.

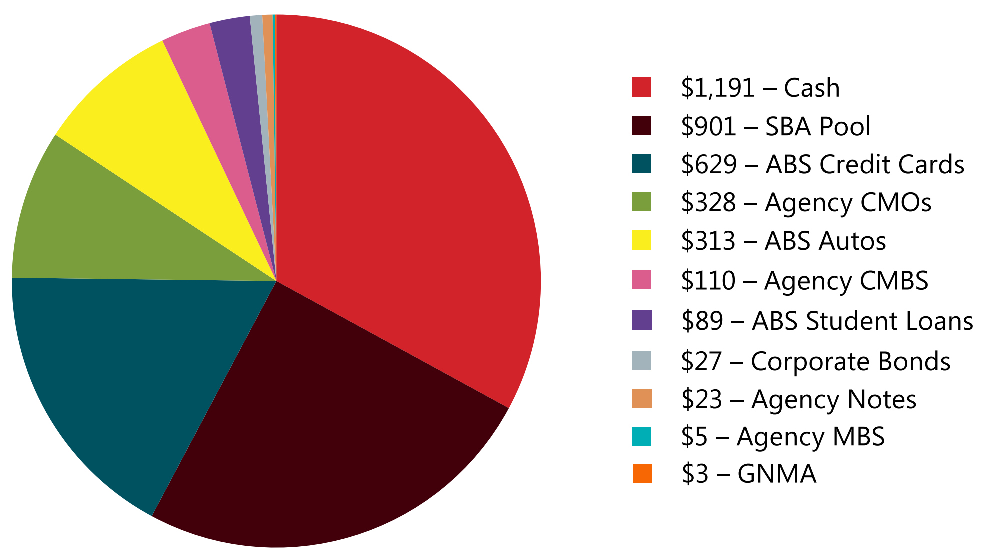
We are very grateful to our members for their continued support and for the trust you place in us each and every day. We look forward to serving you throughout 2018!

Jay R. Murray
Jay R. Murray
CEO

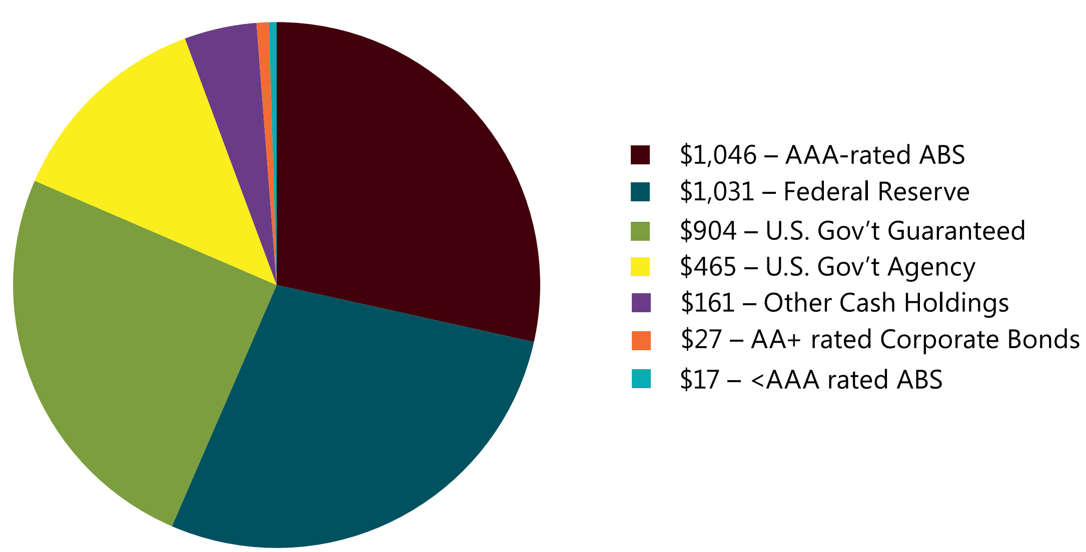
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	January 31, 2018	January 31, 2017
Assets		
Loans	$ 34,463,211	$ 19,923,333
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 1,035,481,317	$ 1,034,866,854
U.S. Gov't (Notes/Floaters/Callables)	$ 22,514,581	$ 31,601,999
U.S. Gov't Agency (CMOs)	$ 330,405,037	$ 251,390,922
U.S. Gov't Agency (MBS)	$ 124,729,728	$ 173,428,889
U.S. Gov't (SBA)	$ 900,614,345	$ 886,774,139
Corporate Bonds	$ 27,443,475	$ 0
Federal Home Loan Bank-Atlanta	$ 25,147,500	$ 10,332,300
Credit Union & Bank Deposits	$ 160,517,173	$ 298,753,916
CUSOs	$ 4,747,775	$ 4,936,842
Federal Reserve Bank	$ 1,030,530,159	$ 734,750,621
Receivables	$ 22,861,596	$ 14,797,855
Fixed Assets	$ 9,809,117	$ 9,537,853
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,670,365
Other Assets	$ 43,561,482	$ 39,977,050
Total Assets:	**$ 3,775,108,623**	**$ 3,513,742,938**

Liabilities		
Other Liabilities:	$ 1,865,745	$ 2,132,059
Accounts Payable:	$ 44,982,595	$ 41,916,521
Uncollected Deposits:	$ 0	$ (545,315)
Notes Payable:	$ 510,363,230	$ 212,222,790
Shares	$ 2,656,810,745	$ 2,720,296,125
Certificates/Term Deposits	$ 250,628,549	$ 242,192,880
Total Shares:	$ 2,907,439,294	$ 2,962,489,005
Non-Perpetual Capital Accounts (NCA)	$ 8,913,835	$ 8,913,835
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,198,192
Reserves & Undivided Earnings	$ 58,871,536	$ 47,722,162
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ 3,303,373	$ (269,303)
Total Equity:	$ 307,847,578	$ 293,126,886
Other Equity/Non-Controlling Interest:	$ 2,610,181	$ 2,400,992
Total Liabilities & Equity:	**$ 3,775,108,623**	**$ 3,513,742,938**

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Financial Condition & Performance

Income Statement YTD	January 2018	January 2017
Interest Income	$ 5,976,636	$ 3,726,000
Interest Expense	$ (3,650,344)	$ (1,658,808)
Net Interest Income	**$ 2,326,292**	**$ 2,067,192**
Net Correspondent Service Income	$ 1,413,327	$ 1,504,988
Gross Operating Income	**$ 3,739,619**	**$ 3,572,180**
Operating Expense	$ (2,217,508)	$ (2,198,300)
Net Income:	**$ 1,522,111**	**$ 1,373,880**
Non-Operating Gains/(Losses)	$ (10,141)	$ 153,272
Amortization of Core Deposit Intangible	$ 0	$ (78,807)
CUSO Income	$ 24,848	$ 26,741
Net Income before PCC Distributions	**$ 1,536,818**	**$ 1,475,086**
Less: Non-Controlling Interest in Net Income	$ (7,422)	$ (31,315)
Less: Equity Transfer for PCC Distribution	$ (316,894)	$ (181,922)
Net Increase to Retained Earnings	**$ 1,212,502**	**$ 1,261,849**

Earnings Spread/Net Operating Margin	January 2018	January 2017
Return on Average Assets	1.872%	1.182%
Interest/Dividend Expense	-1.143%	-0.526%
Net Interest Margin	**0.729%**	**0.656%**
Correspondent Service Income	0.443%	0.478%
Operating Expenses	-0.694%	-0.698%
Non-Operating Gains/(Losses)	-0.003%	0.049%
Amortization of Core Deposit Intangible	0.000%	-0.025%
CUSO Income	0.008%	0.008%
Non-Controlling Interest in Net Income	-0.002%	-0.010%
PCC Distributions	-0.099%	-0.058%
Net Margin	**0.380%**	**0.400%**

Asset Quality	January 2018
Non-Earning Assets/Average Assets	2.21%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	37.40%
Asset-Backed Securities (Non-Mortgage)	28.10%
Federal Home Loan Bank	0.68%
Corporate Bonds	0.74%
Bank & Credit Union Deposits	4.36%
Federal Reserve Bank	27.97%
CUSO Equity	0.13%
Cash & Receivables	0.62%
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	January 2018	January 2017
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.17%	1.89%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.10%	1.77%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	6.16%	4.96%
Total Capital/12-Month Average Net Assets	7.72%	7.04%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	20.36%	15.41%
Total Capital/12-Month Average Risk-Weighted Assets	25.89%	23.29%
Total Capital	$ 299,770,122	$ 279,579,391
Tier 1 (Leverage) Capital	$ 235,737,957	$ 192,454,308
Tier 2 Capital	$ 64,032,165	$ 87,125,083
PCC deducted from Tier 1 Capital	$ 55,144,638	$ 87,091,204
Unrealized Gain/Loss on Securities	$ 3,303,373	$ (269,303)
Monthly Average Assets	$ 3,759,551,092	$ 3,710,178,899
Average 12-Month Assets	$ 3,880,933,012	$ 3,969,241,262
Year-to-date Average Assets	$ 3,759,551,092	$ 3,710,178,899

Liquidity & Interest Rate Risk as of January 31, 2018

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,053,391,755
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,209,728,593
Overnight & Investments Maturing within 90 days:	$ 159,773,173
Unsecured Fed Funds Lines Available:	$ 230,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,001,996,071
-less fixed term existing loan advances	$ (510,363,230)
Primary Sources of Liquidity:	$ 3,294,526,362
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 8,949,938
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 21,100,000
Secondary Sources of Liquidity:	$ 30,049,938
Total Available Liquidity:	**$ 3,324,576,300**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 300,845,857
NEV Ratio:	7.97%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 275,880,220
NEV Ratio:	7.36%
Percentage Change:	(8.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 309,260,577
NEV Ratio:	8.17%
Percentage Change:	2.8%

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) - $8,887,527
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 $1,293,171,000 (1/31) -- 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

Jay R. Murray, CEO
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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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