Monthly Financials

Vizo Financial Corporate Credit Union

January 2019

Corporate Update

Jay Murray, CEO
David Brehmer, President

The winter blues sure haven't gotten us down. With the recent implementation of the ACH Originations system, the anticipation of our upcoming events and the exciting announcement of a brand new video series, Vizo Financial and our credit unions have a lot of exciting things happening!

Investment Options

From term certificates to brokerage services, Vizo Financial offers an extensive inventory of investment options and services to meet your credit union's needs. Our entire line of investment services includes:

- Brokered Investments
- Excess Balance Accounts (EBAs)
- Fixed Callable & Step-up Certificates
- Flex Accounts
- Holiday Share Accounts
- Investment Accounting
- Premium Share Accounts (PSAs)
- Securities Safekeeping
- SimpliCD
- Term Certificates
- Term Loans

In addition, we have several registered in-house reps to help you buy, sell and review investment options, because at Vizo Financial, your success matters!

Credit Union Grants

Did you know that many leagues and foundations offer grants to credit unions? That's right! If your credit union is seeking funding assistance for continuing education, financial literacy, disaster relief and other community projects, we can show you where to look. Vizo Financial has created a Grants page on our website to show what kinds of grants are available through the various national and state foundations. Click here to view the Grants page!

Difference Maker Video Coming Soon!

Does your credit union spend a lot of time helping out in the community? Then you are difference makers! Vizo Financial has created a new video series dedicated to showcasing the many ways our credit unions make a difference in their communities and it's set to premiere next month!

In the debut episode, we'll be covering stories about CUs in Georgia, Pennsylvania, Virginia and more, plus giving a bit of insight as to what your Corporate is doing in our communities. Feel free to email marketing@vfccu.org with updates about how your credit union is giving back, and we might just include them in a future episode!

We hope you'll check it out on Friday, March 15, to support your fellow credit unions and spread the word that we are difference makers!

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.

Beth McDonald, CEO of Romney FCU, recently wrote to us about her positive experiences with our staff.

"…I called in and spoke with Peg. She was wonderful! She was everything you expect when you are needing help and are frustrated. She was knowledgeable, friendly and personable with a sense of humor, understanding and walked me through everything step-by-step without giving me the feeling that I was wasting her time. I have always received this type of great service from the member services group and the account management group as well, specifically, Jill, Paula and Diane. Thanks again for all the help and the service provided."

Thank you for taking the time to share your exceptional service story, Beth. Your gratitude is most appreciated!

If a member of our team has gone above and beyond for your credit union, we want to know! Please send your exceptional service story to marketing@vfccu.org, and thank you for your support!

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 January 31, 2019. 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 $2.684 billion in January compared to $2.701 billion in December and $2.600 billion in November. Volatility of member balances remained high in January, although came down (25% compared to 29% in December) with the spread between the single day high and low balances being $781.0 million compared to $951.8 million the month prior.

While liquidity continues to tighten, it 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 $223 million coming in at $2.918 billion compared to $3.141 billion in December. These figures do jump around as the actual day of the week that a month ends on does impact overall member deposit levels. Of this total, $195.7 million were in certificates, while the remaining balances were distributed between the PSA and settlement deposit accounts.

- Month-end assets came in at $3.352 billion. Average assets were below month-end assets, coming in at $3.291 billion, but were slightly above December's average assets. Comparing average assets to a year ago, the big difference is that "Notes Payable" are down $441 million, which attributed greatly to the overall drop in average assets of $469 million. Excluding non-perpetual capital accounts, our total net equity is at $303.1 million. The unrealized gai.n/ loss/AOCL figure came in at a loss of $5.3 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 $94.2 million. Gross income for the month came in at $1,873,681. Our net increase to retained earnings was $1,425,560. Distributions to members via PCC dividends totaled $436,609.

- Our leverage/tier 1 capital ratio came in at 8.04% based on our 12-month rolling average assets. This is above the minimum regulatory guideline for leverage/tier 1 capital ratio of 4%. This is also a large jump from December's ratio of 6.83%. The reason for the significant increase is due to our retained earnings ratio exceeding 2.50%, which eliminated the regulatory requirement to deduct a portion of PCC from the tier one capital calculations. In December, we had to deduct $45.4 million of PCC from our tier 1 capital calculation. In January, there was no deduction. *Our total capital ratio is 8.27%*.

- 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 2.51%, so no deduction was necessary in January. If this ratio drops below 2.50%, we would need to resume deducting a portion of PCC from tier one capital*.

- The net economic value (NEV) dollar value of assets came in at $306.2 million at the end of January, with an NEV ratio of 9.14% compared to the prior month's 8.46%. 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 8.78% with a negative fluctuation of 4.3%. 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 $310.9 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. Equity in CUSOs increased $1 million to reflect our investment in Harbinger Technologies, LLC, the CUSO that drives our CECL software

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solution, ArcSys, that we provide to credit unions. 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 $6.4 million as of month-end, so without this reduction, our gross total capital amounts to $317.3 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

Current Balances

Current balances/usage of these off-balance sheet products are reflected below:

SimpliCDs	$ 801 million
Security Sales*	$ 201 million
EBA Balances	$ 2 million
Total Off-Balance Sheet	**$1.004 billion**

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

Unrealized Gains/Losses

Overall, market values remained about the same with unrealized losses of $5.451 million in December, dropping to unrealized losses of $5.322 million in January. The primary market values shift in January somewhat offset themselves as the credit card portfolio improved by about $1 million dollars, while the SBA securities declined by about $0.8 million. Spreads on ABS paper continue to be wider than normal, however, that should continue to ease. Liquidity remains tight in the markets, but we should see some relief from that starting in mid-February when deposits tend to start rolling in due to tax refunds and lower spending. Due to the 35-day government shutdown, there may be a slight delay in the processing of tax refunds, which might impact deposit inflows. No spread widening to date has been a result of any deterioration in credit quality. The SBA securities still represent the largest unrealized loss portion of our portfolio ($4.2 million). We continue to expect SBA values to jump around as higher prepayments and tighter liquidity continue. We have increased the speed at which we are writing down SBA premiums and are monitoring trends closely. SBA securities are 100% government guaranteed and are accepted 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.

- $0.471 million LOSS is related to our government agency CMO securities portfolio ($339.7 million total book value)
- $0.233 million LOSS is related to our agency MBS/CMBS securities ($46.2 million total book value)
- $0.008 million LOSS is related to our government agency notes/floaters/callable securities ($20.5 million total book value)
- $0.050 million LOSS is related to our government guaranteed mortgage securities ($20.0 million total book value)
- $0.483 million GAIN is related to our AA+ rated corporate bond portfolio ($50.5 million total book value)
- $1.301 million LOSS is related to our AAA rated credit card asset-backed securities ($554.1 million total book value)
- $0.042 million LOSS is related to our AAA rated auto floor-plan asset-backed securities ($303.5 million total book value)
- $0.545 million GAIN is related to our government student loan (FFELP) portfolio ($65.2 million total book value)
- $4.245 million LOSS is related to our government guaranteed SBA portfolio ($952.2 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 2019!

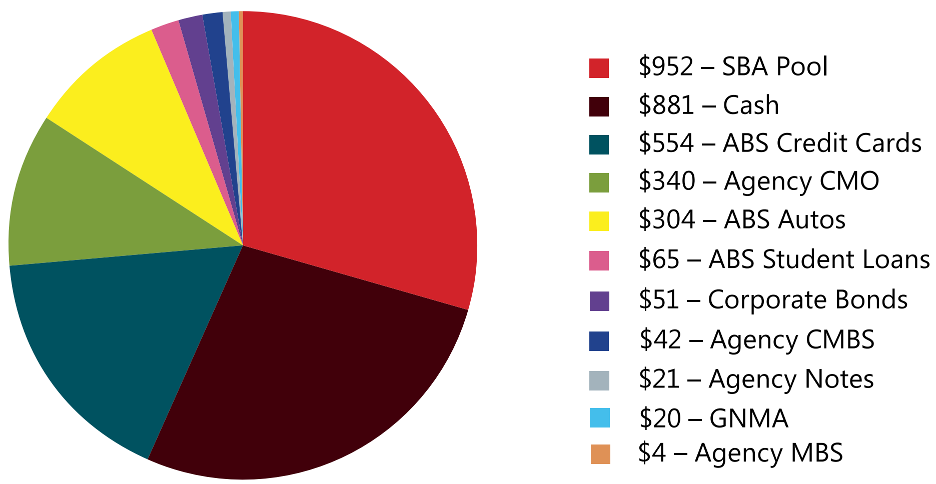
Jay R. Murray

Jay R. Murray
CEO

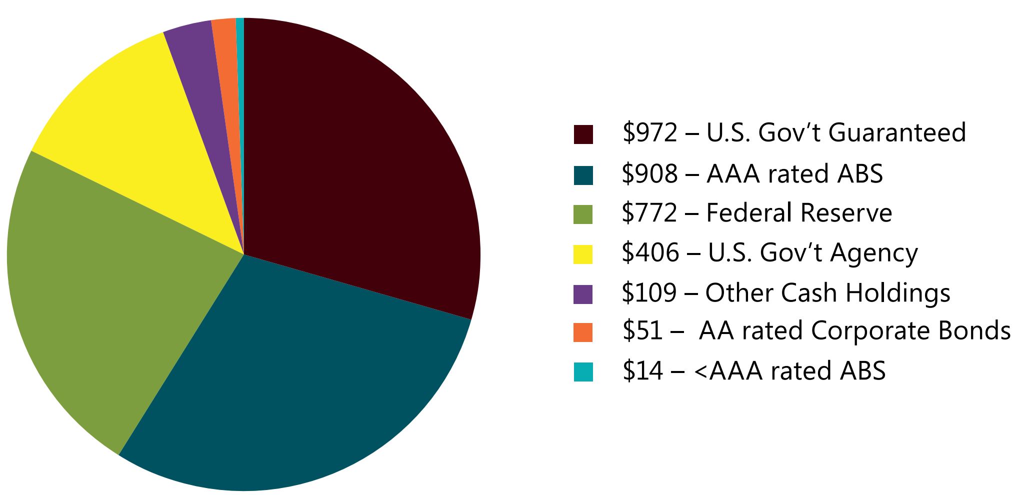
David W. Brehmer
President

Investment *Portfolio*

Total Book Values



Credit Quality



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

Balance Sheet		January 31, 2019		January 31, 2018
Assets				
Loans	$	18,817,911	$	34,463,211
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	922,068,050	$	1,035,481,317
U.S. Gov't (Notes/Floaters/Callables)	$	20,534,057	$	22,514,581
U.S. Gov't Agency (CMOs)	$	359,219,885	$	330,405,037
U.S. Gov't Agency (MBS)	$	54,488,026	$	124,729,728
U.S. Gov't (SBA)	$	947,936,656	$	900,614,345
Corporate Bonds	$	50,984,316	$	27,443,475
Commercial Paper	$	0	$	0
Federal Home Loan Bank-Atlanta	$	6,703,500	$	25,147,500
Credit Union & Bank Deposits	$	109,611,808	$	160,517,173
CUSOs	$	6,406,628	$	4,747,775
Federal Reserve Bank	$	771,939,300	$	1,030,530,159
Receivables	$	26,705,468	$	22,861,596
Fixed Assets	$	8,162,095	$	9,809,117
Goodwill/Core Deposit Intangible	$	2,282,127	$	2,282,127
Other Assets	$	46,138,106	$	43,561,482
Total Assets:	**$**	**3,351,997,933**	**$**	**3,775,108,623**

Liabilities				
Other Liabilities:	$	1,461,809	$	1,865,746
Accounts Payable:	$	48,389,562	$	44,982,595
Uncollected Deposits:	$	0	$	0
Notes Payable:	$	69,177,100	$	510,363,230
Shares	$	2,722,444,825	$	2,656,810,744
Certificates/Term Deposits	$	195,704,004	$	250,628,549
Total Shares:	$	2,918,148,829	$	2,907,439,293
Non-Perpetual Capital Accounts (NCA)	$	8,913,835	$	8,913,835
Perpetual Contributed Capital (PCC)	$	214,196,834	$	214,196,834
Reserves & Undivided Earnings	$	71,692,299	$	58,871,536
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	(5,321,876)	$	3,303,373
Total Equity:	$	312,043,092	$	307,847,578
Other Equity/Non-Controlling Interest:	$	2,777,541	$	2,610,181
Total Liabilities & Equity:	**$**	**3,351,997,933**	**$**	**3,775,108,623**

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Financial Condition & Performance

Income Statement YTD	January 2019		January 2018	
Interest Income	$	8,076,758	$	5,945,207
Interest Expense	$	(5,278,019)	$	(3,619,493)
Net Interest Income	**$**	**2,798,739**	**$**	**2,325,714**
Net Correspondent Service Income	$	1,419,481	$	1,413,906
Gross Operating Income	**$**	**4,218,220**	**$**	**3,739,620**
Operating Expense	$	(2,343,723)	$	(2,217,508)
Net Income:	**$**	**1,874,497**	**$**	**1,522,112**
Non-Operating Gains/(Losses)	$	(816)	$	(10,141)
Amortization of Core Deposit Intangible	$	0	$	0
CUSO Income	$	0	$	24,848
Net Income before PCC Distributions	**$**	**1,873,681**	**$**	**1,536,819**
Less: Non-Controlling Interest in Net Income	$	(11,512)	$	(7,422)
Less: Equity Transfer for PCC Distribution	$	(436,609)	$	(316,894)
Net Increase to Retained Earnings	**$**	**1,425,560**	**$**	**1,212,503**

Earnings Spread/Net Operating Margin	January 2019	January 2018
Return on Average Assets	2.889%	1.862%
Interest/Dividend Expense	-1.888%	-1.134%
Net Interest Margin	**1.001%**	**0.728%**
Correspondent Service Income	0.508%	0.443%
Operating Expenses	-0.838%	-0.694%
Non-Operating Gains/(Losses)	0.000%	-0.003%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.000%	0.008%
Non-Controlling Interest in Net Income	-0.004%	-0.002%
PCC Distributions	-0.156%	-0.099%
Net Margin	**0.510%**	**0.380%**

Asset Quality	January 2019
Non-Earning Assets/Average Assets	2.73%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	42.18%
Asset-Backed Securities (Non-Mortgage)	28.14%
Federal Home Loan Bank	0.20%
Corporate Bonds	1.56%
Commercial Paper	0.00%
Bank & Credit Union Deposits	3.35%
Federal Reserve Bank	23.56%
CUSO Equity	0.20%
Cash & Receivables	0.82%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	B/Baa3 to AAA/Aaa
Corporate Bonds	AA+/Aa1
Commercial Paper	A-1+/P-1
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial Ratios

Capital Adequacy	January 2019	January 2018
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.86%	2.17%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.51%	2.10%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	8.04%	6.16%
Total Capital/12-Month Average Net Assets	8.27%	7.72%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	24.49%	20.36%
Total Capital/12-Month Average Risk-Weighted Assets	25.21%	25.89%
Total Capital	$ 310,906,449	$ 299,770,122
Tier 1 (Leverage) Capital	$ 302,044,505	$ 235,737,957
Tier 2 Capital	$ 8,861,944	$ 64,032,165
PCC deducted from Tier 1 Capital	$ 0	$ 55,144,638
Unrealized Gain/Loss on Securities	$ (5,321,876)	$ 3,303,373
Monthly Average Assets	$ 3,291,489,099	$ 3,759,551,092
Average 12-Month Assets	$ 3,758,048,418	$ 3,880,933,012
Year-to-Date Average Assets	$ 3,291,489,099	$ 3,759,551,092

Liquidity & Interest Rate Risk as of January 31, 2019

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 798,644,768
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	$ 765,850,939
Overnight & Investments Maturing within 90 days:	$ 108,867,808
Unsecured Fed Funds Lines Available:	$ 250,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,021,669,865
-less fixed term existing loan advances	$ (69,177,100)
Primary Sources of Liquidity:	$ 3,025,856,280
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 321,815,026
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 2,200,000
Secondary Sources of Liquidity:	$ 324,015,026
Total Available Liquidity:	**$ 3,349,871,306**

Interest Rate Risk

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 306,223,306
NEV Ratio:	9.14%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 292,982,120
NEV Ratio:	8.78%
Percentage Change:	(4.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 315,051,344
NEV Ratio:	9.37%
Percentage Change:	2.9%
Down 2% Rate Environment	
Net Economic Value (NEV):	$ 324,754,879
NEV Ratio:	9.63%
Percentage Change:	6.1%

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) - $8,861,944.
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. All 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 $1,295,412,000 (1/31) -- 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 $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
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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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