



Monthly Financials

Vizo Financial Corporate Credit Union

March 2019



Corporate Update

Jay Murray, CEO

David Brehmer, President

In the wise words of Lady Bird Johnson, "Where flowers bloom, so does hope."

Vizo Financial is full of hope this spring...hope that our credit unions have more opportunities to succeed and flourish. With lots of events, education and system changes happening in the next few months, these opportunities abound and we hope you'll take full advantage! Read below to see what's happening with the Corporate!



Zephyr Enhancements

In early April, Vizo Financial introduced new enhancements in Zephyr. Thanks to these enhancements, we've added greater securities safekeeping and investment functionality.

Credit unions that utilize securities safekeeping through Zephyr now have access to a separate Market Valuation Report, which displays the market values of their securities. In addition, we have simplified the process of entering free trade deliveries and receipts by reducing manual work. Instead, credit unions can now upload trade receipts via a CSV file template and choose deliveries from a list of the credit union's available holdings.

Credit unions can also enjoy the added convenience of making transfers to their Holiday Share Accounts directly through Zephyr.

Credit Union Training Videos

Vizo Financial is committed to the educational development of credit union employees, volunteers and the movement. The Corporate has created several videos designed specifically for credit unions on topics from ERM to ALM to the ACH Network. These videos provide the flexibility to view the programs at anytime from anywhere. To view the training videos, please [click here](#).

Member Appreciation Events

Vizo Financial has two member appreciation events coming up in May and June! Read more below.

PCUA Member Appreciation Reception

May 17, 2019 - 5:15 - 6:30 p.m.

Hershey Lodge, Hershey, Pa.

On May 17, 2019, we'll be recognizing credit unions for their support during our PCUA Member Appreciation Reception. This event will take place during the 2019 PCUA Connect and will be held at the Hershey Lodge. Come for drinks, hors d'oeuvres and lots of fun...it's all for you! [Register here!](#)

CCUL Member Appreciation Luncheon

June 3, 2019 - 12:00 - 1:30 p.m.

Omni Grove Park Inn, Asheville, N.C.

Vizo Financial will be holding a Member Appreciation Luncheon during the Carolinas Credit Union League's Annual Meeting in June. Credit unions are invited to join us for a delicious lunch in honor of your dedication to the Corporate. We hope to see you on June 3 at the Omni Grove Park Inn! [Register here!](#)

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.

Family Trust Federal Credit Union recently recognized Andre Walker, an IP support specialist with our payment and technology CUSO, MY CU Services. They said, "Your representative named Andre has always been great...He always makes us feel like he genuinely wants to solve our problem and that he is truly a partner with us throughout the issue. I know these types of situations are frustrating for everyone, but I definitely wanted to make sure you knew that he shines like a star for you guys, even in the rough times."

Thank you everyone at Family Trust FCU for your kind words!

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 March 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 \$3.867 billion in March compared to \$3.127 billion in February and \$2.684 billion in January. Volatility of member balances dropped with the inflow of deposits and higher overall balances (24% compared to 29% in February). The spread between the single day high and low balances was \$1.080 billion compared to \$1.067 billion the month prior.

Average off-balance sheet credit union balances - those held in our Excess Balance Account (EBA) - averaged just \$8.5 million.

We are now in our seasonal high balance period, so liquidity has improved significantly the last two months. Liquidity remains readily accessible through our primary borrowing sources. Historically, March-April represent our highest balance months of the year, while December-January and July-August represent our lowest balance trends of the year.

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

- On-balance sheet (month-end) member shares were up approximately \$532 million, coming in at \$4.477 billion compared to \$3.945 billion in February. These figures do jump around as the actual day of the week that a month ends does impact overall member deposit levels. Of this total, \$218.1 million were in certificates while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at \$4.964 billion. Average assets were below month-end assets, coming in at \$4.508 billion, but were above February's average assets of \$3.713 billion. Excluding non-perpetual capital accounts, our total net equity is at \$305.0 million. The unrealized gain/loss/AOCL figure came in at a loss of \$5.638 million. More details regarding market values of securities are discussed later in this report under the heading "Unrealized Gains/Losses."
- Total retained earnings ended the month at \$96.4 million. Gross income for the month came in at \$1,347,645. Our net increase to retained earnings was \$905,703. Distributions to members via PCC dividends totaled \$436,609.
- Our leverage/tier 1 capital ratio came in at 8.14% based on our 12-month rolling average assets. This is above the minimum regulatory guideline for leverage/tier 1 capital ratio of 4%. *Our total capital ratio came in at 8.37%.*
- Accumulation of retained earnings is critical under Regulation 704. The amount of retained earnings a corporate has determines whether or not a corporate has to deduct any PCC from its leverage/tier 1 capital ratio calculations. If a corporate's retained earnings ratio exceeds 2.5%, no deduction is required. *Our retained earnings ratio is currently at 2.58%, so no deduction was necessary in March. If this ratio drops below 2.50%, we would need to resume deducting a portion of PCC from tier 1 capital.*
- The net economic value (NEV) dollar value of assets came in at \$307.9 million at the end of March, with an NEV ratio of 6.20% compared to the prior month's 6.97%. The NEV ratio will fluctuate up and down month-to-month, since it is calculated based on month-end assets versus average assets. In March, month-end assets were up roughly \$546 million, which is the reason for the decline in NEV ratio this month. In the up 300 basis points scenario, the NEV ratio drops to 5.97% with a negative fluctuation of 4.1%. 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 to be under \$5,000, we do not include it as liquid in our "Available Liquidity" report.
- Total capital stands at \$312.8 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 \$6.4 million as of month-end, so without this reduction our gross total capital amounts to \$319.2 million.

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	\$ 777 million
Security Sales*	\$ 207 million
EBA Balances	\$ 9 million
Total Off-Balance Sheet	\$ 993 million

*Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Overall market values declined with unrealized losses increasing from \$4.952 million in February to \$5.638 million in March. The primary market values shift in March saw agency CMOs decline by approximately \$1.4 million, while SBA securities improved by approximately \$0.628 million. The SBA securities still represent the largest unrealized loss portion of our portfolio (\$3.230 million). We have increased the speed at which we are writing down SBA premiums and are monitoring trends closely. Premium exposure has dropped by \$3.3 million since the start of the year. 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 25.8%.*

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.

- \$2.541 million LOSS is related to our government agency CMO securities portfolio (\$421.8 million total book value)
- \$0.219 million LOSS is related to our agency MBS/CMBS securities (\$45.8 million total book value)
- \$0.006 million LOSS is related to our government agency notes/floating/callable securities (\$20.5 million total book value)

- \$0.032 million LOSS is related to our government guaranteed mortgage securities (\$19.6 million total book value)
- \$0.720 million GAIN is related to our AA+ rated corporate bond portfolio (\$50.5 million total book value)
- \$0.012 million GAIN is related to our A-1/P-1 rated commercial paper portfolio (\$49.7 million total book value)
- \$0.699 million LOSS is related to our AAA rated credit card asset-backed securities (\$570.1 million total book value)
- \$0.221 million GAIN is related to our AAA rated auto floor-plan asset-backed securities (\$334.8 million total book value)
- \$0.136 million GAIN is related to our government student loan (FFELP) portfolio (\$20.0 million total book value)
- \$3.230 million LOSS is related to our government guaranteed SBA portfolio (\$1.102 billion total book value)

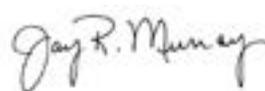
Market values and the associated unrealized gains/losses indicate an estimate of what the sale of these assets in today's markets would be, and do not necessarily reflect the actual gains/losses that would be realized if the assets were to be sold or held to maturity.

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!



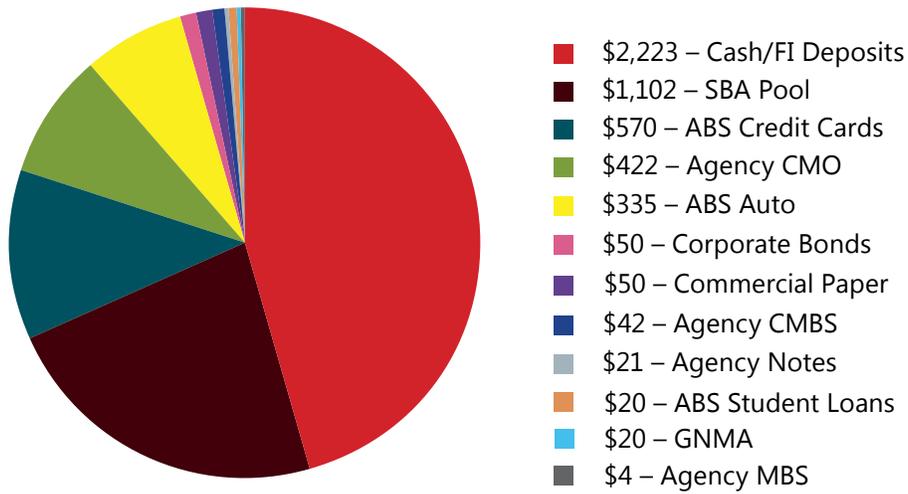
Jay R. Murray
CEO



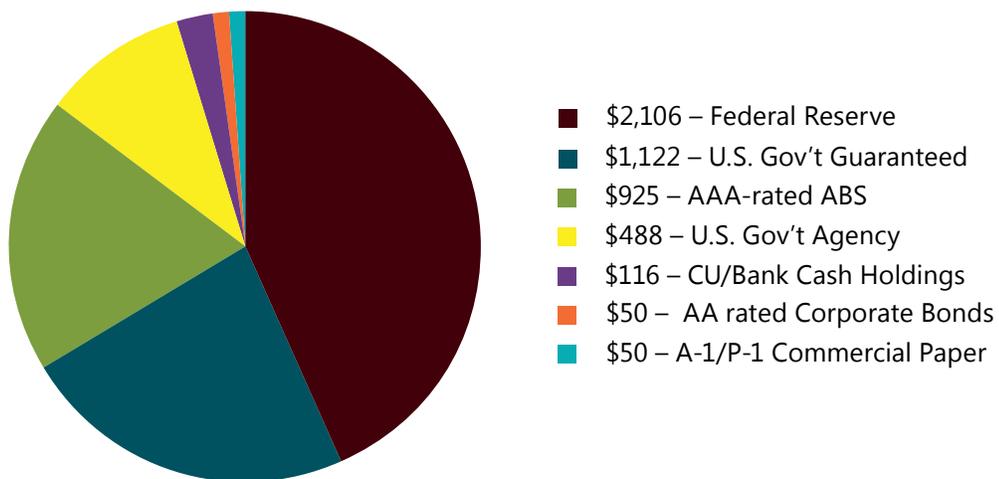
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



* All figures in the charts above are in millions.

Financial Condition & Performance

Balance Sheet	March 31, 2019	March 31, 2018
Assets		
Loans	\$ 2,040,148	\$ 3,476,840
Investments:		
Asset-Backed Securities (Non-Mortgage)	\$ 924,522,181	\$ 1,196,053,642
U.S. Gov't (Notes/Floaters/Callables)	\$ 20,536,011	\$ 35,508,311
U.S. Gov't Agency (CMOs)	\$ 438,830,005	\$ 316,524,108
U.S. Gov't Agency (MBS)	\$ 53,663,732	\$ 123,839,555
U.S. Gov't (SBA)	\$ 1,098,832,261	\$ 919,956,826
Corporate Bonds	\$ 51,218,841	\$ 27,399,875
Commercial Paper	\$ 49,725,000	\$ 0
Federal Home Loan Bank-Atlanta	\$ 8,301,400	\$ 5,956,500
Credit Union & Bank Deposits	\$ 116,130,790	\$ 160,964,788
CUSOs	\$ 6,423,140	\$ 5,264,418
Federal Reserve Bank	\$ 2,106,367,140	\$ 2,049,119,092
Receivables	\$ 29,530,366	\$ 19,503,944
Fixed Assets	\$ 7,893,394	\$ 9,621,850
Goodwill/Core Deposit Intangible	\$ 2,282,127	\$ 2,282,127
Other Assets	\$ 47,757,256	\$ 43,631,604
Total Assets:	\$ 4,964,053,792	\$ 4,919,103,480
Liabilities		
Other Liabilities:	\$ 1,456,745	\$ 1,716,546
Accounts Payable:	\$ 50,516,872	\$ 47,060,775
Notes Payable:	\$ 118,807,430	\$ 51,651,880
Shares	\$ 4,258,732,279	\$ 4,187,600,994
Certificates/Term Deposits	\$ 218,061,004	\$ 320,790,549
Total Shares:	\$ 4,476,793,283	\$ 4,508,391,543
Non-Perpetual Capital Accounts (NCA)	\$ 8,672,378	\$ 8,913,835
Perpetual Contributed Capital (PCC)	\$ 214,196,834	\$ 214,196,834
Reserves & Undivided Earnings	\$ 73,893,153	\$ 61,046,225
Equity Acquired in Merger	\$ 22,562,000	\$ 22,562,000
Accumulated Other Comprehensive Loss	\$ (5,638,023)	\$ 943,582
Total Equity:	\$ 313,686,342	\$ 307,662,476
Other Equity/Non-Controlling Interest:	\$ 2,793,120	\$ 2,620,260
Total Liabilities & Equity:	\$ 4,964,053,792	\$ 4,919,103,480

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Financial Condition & Performance

Income Statement YTD	March 2019	March 2018
Interest Income	\$ 25,886,141	\$ 18,528,499
Interest Expense	\$ (18,267,425)	\$ (11,688,249)
Net Interest Income	\$ 7,618,716	\$ 6,840,250
Net Correspondent Service Income	\$ 4,119,572	\$ 4,149,082
Gross Operating Income	\$ 11,738,288	\$ 10,989,332
Operating Expense	\$ (7,087,410)	\$ (6,699,833)
Net Income:	\$ 4,650,878	\$ 4,289,499
Non-Operating Gains/(Losses)	\$ 253,693	\$ (3,491)
Amortization of Core Deposit Intangible	\$ 0	\$ 0
CUSO Income	\$ 16,512	\$ 41,492
Net Income before PCC Distributions	\$ 4,921,083	\$ 4,327,500
Less: Non-Controlling Interest in Net Income	\$ (27,092)	\$ (24,899)
Less: Equity Transfer for PCC Distribution	\$ (1,267,576)	\$ (922,807)
Net Increase to Retained Earnings	\$ 3,626,415	\$ 3,379,794

Earnings Spread/Net Operating Margin	March 2019	March 2018
Return on Average Assets	2.736%	1.846%
Interest/Dividend Expense	-1.931%	-1.165%
Net Interest Margin	0.805%	0.682%
Correspondent Service Income	0.435%	0.413%
Operating Expenses	-0.749%	-0.668%
Non-Operating Gains/(Losses)	0.027%	0.000%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.002%	0.004%
Non-Controlling Interest in Net Income	-0.003%	-0.002%
PCC Distributions	-0.134%	-0.092%
Net Margin	0.383%	0.337%

Asset Quality	March 2019
Non-Earning Assets/Average Assets	2.08%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	32.87%
Asset-Backed Securities (Non-Mortgage)	18.85%
Federal Home Loan Bank	0.17%
Corporate Bonds	1.04%
Commercial Paper	1.01%
Bank & Credit Union Deposits	2.37%
Federal Reserve Bank	42.95%
CUSO Equity	0.13%
Cash & Receivables	0.60%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	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	March 2019	March 2018
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.14%	1.89%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.58%	2.13%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	8.14%	6.20%
Total Capital/12-Month Average Net Assets	8.37%	7.66%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	25.12%	20.36%
Total Capital/12-Month Average Risk-Weighted Assets	25.83%	25.50%
Total Capital	\$ 312,842,133	\$ 301,426,906
Tier 1 (Leverage) Capital	\$ 304,228,847	\$ 240,636,569
Tier 2 Capital	\$ 8,613,286	\$ 60,790,337
PCC deducted from Tier 1 Capital	\$ 0	\$ 51,904,072
Unrealized Gain/Loss on Securities	\$ (5,638,023)	\$ 943,582
Monthly Average Assets	\$ 4,507,581,192	\$ 4,424,312,135
Average 12-Month Assets	\$ 3,738,935,270	\$ 3,934,226,893
Year-to-Date Average Assets	\$ 3,837,447,243	\$ 4,069,920,498

Liquidity & Interest Rate Risk as of March 31, 2019

Available Liquidity

Net Cash and Receivables:	\$ 2,135,897,506
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	\$ 1,160,015,052
Overnight & Investments Maturing within 90 days:	\$ 115,386,790
Unsecured Fed Funds Lines Available:	\$ 250,000,000
Secured Fed Funds Lines Available:	\$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	\$ 1,042,851,835
-less fixed term existing loan advances	\$ (118,807,430)
Primary Sources of Liquidity:	\$ 4,735,343,753
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	\$ 212,026,638
Excess Balance Account (EBA) - funds held for members @ FRB:	\$ 8,600,000
Secondary Sources of Liquidity:	\$ 220,626,638
Total Available Liquidity:	\$ 4,955,970,391

Available Within 90 Days

Interest Rate Risk

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	\$ 307,881,096
NEV Ratio:	6.20%
Up 3% Rate Environment	
Net Economic Value (NEV):	\$ 295,386,451
NEV Ratio:	5.97%
Percentage Change:	(4.1%)
Down 1% Rate Environment	
Net Economic Value (NEV):	\$ 317,016,860
NEV Ratio:	6.37%
Percentage Change:	3.0%
Down 2% Rate Environment	
Net Economic Value (NEV):	\$ 326,282,942
NEV Ratio:	6.55%
Percentage Change:	6.0%

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) - \$8,613,285.
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 \$1,080,418,500 (3/31) -- 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 \$450,450.

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
 David W. Brehmer, President
 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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