Vizo financial

Monthly Financials

Vizo Financial Corporate Credit Union

May 2019

Corporate Update

Jay Murray, CEO
David Brehmer, President

Summer is finally here! It's the season of sunshine and happiness, of trying new things and breaking out of your comfort zone. Whether you take that vacation that's always been on your bucket list, or simply spend some time at a backyard BBQ with your family, this is the time of year to soak up all the fun things life has to offer. And who says your professional life can't be fun too? With our Hot Dog Eating Contest, conferences and more new services on the horizon, Vizo Financial has definitely tapped into the excitement of summer! Come enjoy it with us!

New I-Care Program

Take a quick minute to look around your credit union. Look at the tellers, the mortgage officers, the managers all working in tandem to help your members with their financial needs. Now think about their healthcare needs. Does your credit union have the resources to offer your employees the benefits they deserve, or is the price tag a little too high? Vizo Financial now has a program that can ensure you have good coverage for your employees at lower costs.

It's called I-Care and we've teamed up with a CUSO named InterLutions to make sure our member credit unions have access to this flexible employee benefits option. And, in addition to making health coverage for less possible, I-Care works on the basis of collaboration among credit unions. I-Care pools together the resources of all participating credit unions to establish an innovative approach to health insurance.

Click here or visit our website, www.vfccu.org, to learn more and see what other credit unions are saying about the program. We also invite you to attend our I-Care webinar on July 9! *Please note, the I-Care program is for credit unions with 10 or more employees enrolled in the institution's health coverage.*

Registration Open!

Calling all credit unions…registration is open for our Financial Conference and Annual Meeting! As a reminder, the 2019 Annual Meeting is being held on September 11 during our Financial Conference. The Financial Conference will take place from September 11-13, 2019. Both the conference and the Annual Meeting will be at the Ballantyne Hotel in Charlotte, N.C. Please visit our website, www.vfccu.org, to see the registration options or use the links below:

Click here to register for the Annual Meeting only.
Click here to register for the Financial Conference and Annual Meeting (or just the Financial Conference)

Credit Union Training Videos

The financial industry continually experiences a ton of change. There are changes in regulations, changes in accounting methods, changes in technology…the list goes on and on. That's why training is never a bad idea. And it's also why we've created credit union training videos. From ERM to ALM to the ACH network, these videos bring education to you whenever it fits into your schedule. Click here to check them out or visit our website, www.vfccu.org, and select the Learn tab!

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.

Rose Cindric, manager/CEO of Tri-Valley Service FCU in Pittsburgh, Pa., reached out to us to express her gratitude for assistance she received from one of our member service representatives, Tina. When Rose experienced an issue with the electronic bill payment system, Tina helped her through the problem in an efficient and easy-to-understand manner. Rose said, "Superior customer service from…Tina. Above and beyond the call of duty. They are all great . . ."

Thank you, Rose! Tina and our entire member services department appreciate 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 May 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 $3.691 billion in May compared to $3.826 billion in April and $3.867 billion in March. Volatility of member balances was up (27% compared to 24% in April). The spread between the single day high and low balances was $ $1.181 billion compared to $1.065 billion the month prior.

Average off-balance sheet credit union balances - those held in our Excess Balance Account (EBA) - averaged just $7.0 million.

We are now in our seasonal high balance period, so liquidity has improved significantly. 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. In 2019, year-to-date average assets are about the same as 2018 (up just $35 million), but member short term deposits are averaging $261 million more than the first five months of 2018.

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

- On-balance sheet (month-end) member shares were up approximately $498 million, coming in at $4.390 billion compared to $3.892 billion in April. 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, $274.5 million were in certificates, while the remaining balances were distributed between the PSA and settlement deposit accounts.

- Month-end assets came in at $4.928 billion. Average assets were below month-end assets, coming in at $4.380 billion. Excluding non-perpetual capital accounts, our total net equity is at $306.1 million. The unrealized gain/loss/AOCL figure came in at a loss of $3.479 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 $98.4 million. Gross income for the month came in at $1,385,098. Our net increase to retained earnings was $953,872. Distributions to members via PCC dividends totaled $436,632.

- Our leverage/tier 1 capital ratio came in at 8.03% 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 8.26%.*

- 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 May. 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 $312.1 million at the end of May, with an NEV ratio of 6.33% compared to the prior month's 7.09%. The NEV ratio will fluctuate up & down month-to-month since it is calculated based on month-end assets versus average assets. In May, month-end assets were up roughly $546 million, which is the reason for the decrease in NEV ratio this month. In the up 300 basis points scenario, the NEV ratio drops to 5.97% with a negative fluctuation of 6.2%. 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 $314.7 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 $6.5 million as of month-end, so without this reduction our gross total capital amounts to $321.2 million.

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Financial Condition and Performance Report

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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	$ 764 million
Security Sales*	$ 223 million
EBA Balances	$ 7 million
Total Off-Balance Sheet	**$ 994 million**

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

Unrealized Gains/Losses

Overall market values improved with unrealized losses decreasing from $3.798 million in April to $3.479 million in May. There were minor improvements across most asset classes with the largest improvement being $213 thousand in our corporate bond portfolio. The SBA securities represent the largest unrealized loss portion of our portfolio ($3.319 million). 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 26.7%*.

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.

- $0.926 million LOSS is related to our government agency CMO securities portfolio ($510.5 million total book value)
- $0.162 million LOSS is related to our agency MBS/CMBS securities ($45.3 million total book value)
- $0.003 million LOSS is related to our government agency notes/floaters/callable securities ($0.5 million total book value)
- $0.013 million LOSS is related to our government guaranteed mortgage securities ($19.0 million total book value)
- $0.847 million GAIN is related to our AA+ rated corporate bond portfolio ($50.5 million total book value)
- $0.011 million GAIN is related to our A-1/P-1 rated commercial paper portfolio ($49.9 million total book value)
- $0.412 million LOSS is related to our AAA rated credit card asset-backed securities ($538.3 million total book value)
- $0.392 million GAIN is related to our AAA rated auto floor-plan asset-backed securities ($311.6 million total book value)
- $0.106 million GAIN is related to our government student loan (FFELP) portfolio ($17.2 million total book value)
- $3.319 million LOSS is related to our government guaranteed SBA portfolio ($1.263 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.

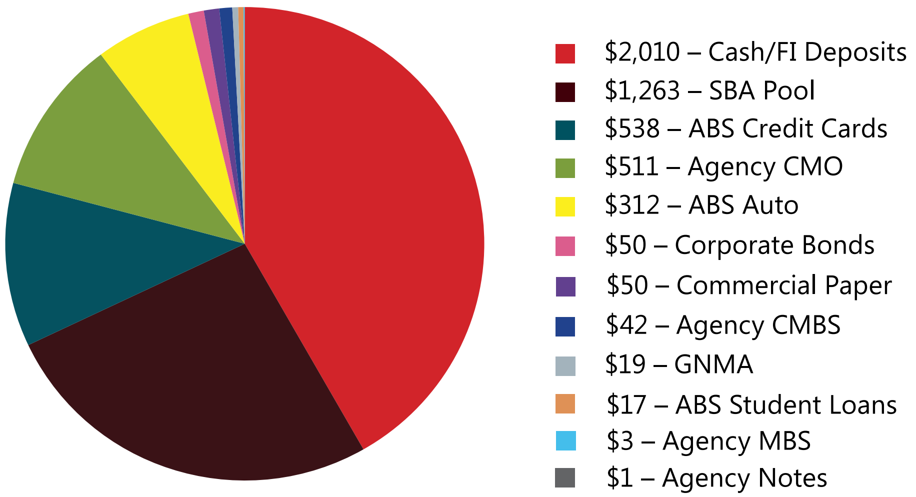
Our highest priority will remain the financial strength and safety of the organization and total transparency in the reporting of our financial condition.

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!

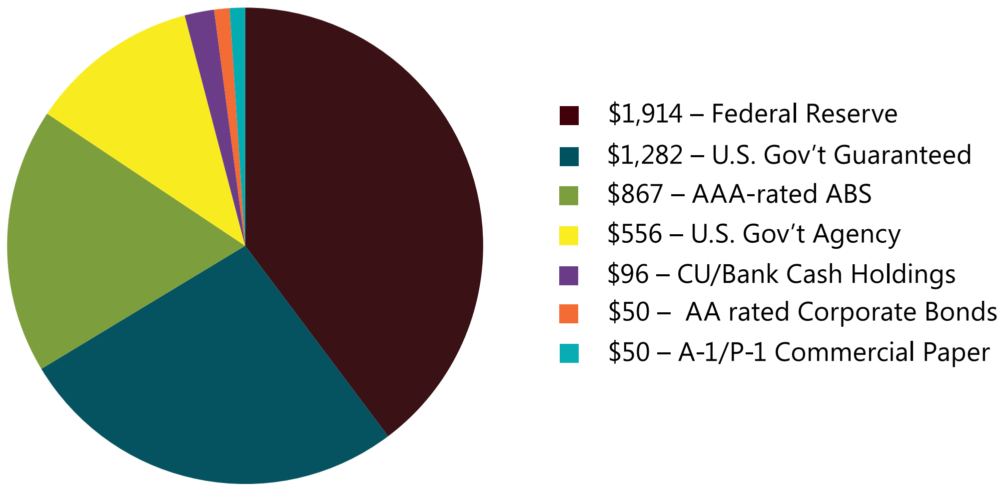
Jay R. Murray
Jay R. Murray
CEO

David W. Brehmer
President

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	May 31, 2019		May 31, 2018	
Assets				
Loans	$	3,741,838	$	30,318,365
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	867,185,128	$	1,180,040,734
U.S. Gov't (Notes/Floaters/Callables)	$	538,827	$	20,532,039
U.S. Gov't Agency (CMOs)	$	528,551,770	$	331,959,553
U.S. Gov't Agency (MBS)	$	53,103,808	$	84,587,816
U.S. Gov't (SBA)	$	1,259,255,630	$	1,001,289,454
Corporate Bonds	$	51,343,345	$	27,506,150
Commercial Paper	$	49,940,000	$	69,052,400
Federal Home Loan Bank-Atlanta	$	8,301,400	$	6,048,900
Credit Union & Bank Deposits	$	96,334,240	$	208,715,667
CUSOs	$	6,451,054	$	5,266,584
Federal Reserve Bank	$	1,914,048,312	$	647,212,192
Receivables	$	30,576,778	$	22,687,072
Fixed Assets	$	7,646,446	$	9,405,008
Goodwill/Core Deposit Intangible	$	2,282,127	$	2,282,127
Other Assets	$	48,661,486	$	44,234,999
Total Assets:	**$**	**4,927,962,189**	**$**	**3,691,139,060**

Liabilities				
Other Liabilities:	$	2,815,683	$	1,594,228
Accounts Payable:	$	95,898,129	$	48,291,986
Notes Payable:	$	118,672,725	$	53,710,700
Shares	$	4,115,498,155	$	2,955,931,887
Certificates/Term Deposits	$	274,538,616	$	319,362,549
Total Shares:	$	4,390,036,771	$	3,275,294,436
Non-Perpetual Capital Accounts (NCA)	$	8,645,580	$	8,913,835
Perpetual Contributed Capital (PCC)	$	214,196,834	$	214,196,834
Reserves & Undivided Earnings	$	75,819,827	$	63,508,199
Equity Acquired in Merger	$	22,562,000	$	22,562,000
Accumulated Other Comprehensive Loss	$	(3,478,828)	$	403,905
Total Equity:	$	317,745,413	$	309,584,773
Other Equity/Non-Controlling Interest:	$	2,793,468	$	2,662,937
Total Liabilities & Equity:	**$**	**4,927,962,189**	**$**	**3,691,139,060**

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Financial Condition & Performance

Income Statement YTD	May 2019	May 2018
Interest Income	$ 45,363,397	$ 32,356,100
Interest Expense	$ (32,853,529)	$ (20,866,263)
Net Interest Income	**$ 12,509,868**	**$ 11,489,837**
Net Correspondent Service Income	$ 6,911,854	$ 7,000,338
Gross Operating Income	**$ 19,421,722**	**$ 18,490,175**
Operating Expense	$ (12,046,505)	$ (11,071,738)
Net Income:	**$ 7,375,217**	**$ 7,418,437**
Non-Operating Gains/(Losses)	$ 287,665	$ (3,491)
Amortization of Core Deposit Intangible	$ 0	$ 0
CUSO Income	$ 44,426	$ 43,658
Net Income before PCC Distributions	**$ 7,707,308**	**$ 7,458,604**
Less: Non-Controlling Interest in Net Income	$ (27,440)	$ (67,576)
Less: Equity Transfer for PCC Distribution	$ (2,126,780)	$ (1,549,259)
Net Increase to Retained Earnings	**$ 5,553,088**	**$ 5,841,769**

Earnings Spread/Net Operating Margin	May 2019	May 2018
Return on Average Assets	2.688%	1.934%
Interest/Dividend Expense	-1.947%	-1.247%
Net Interest Margin	**0.741%**	**0.687%**
Correspondent Service Income	0.410%	0.418%
Operating Expenses	-0.714%	-0.662%
Non-Operating Gains/(Losses)	0.017%	0.000%
Amortization of Core Deposit Intangible	0.000%	0.000%
CUSO Income	0.003%	0.003%
Non-Controlling Interest in Net Income	-0.002%	-0.004%
PCC Distributions	-0.126%	-0.093%
Net Margin	**0.329%**	**0.349%**

Asset Quality	May 2019
Non-Earning Assets/Average Assets	2.18%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	37.85%
Asset-Backed Securities (Non-Mortgage)	17.82%
Federal Home Loan Bank	0.17%
Corporate Bonds	1.06%
Commercial Paper	1.03%
Bank & Credit Union Deposits	1.98%
Federal Reserve Bank	39.34%
CUSO Equity	0.13%
Cash & Receivables	0.63%
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	May 2019	May 2018
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.25%	2.25%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.58%	2.19%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	8.03%	6.33%
Total Capital/12-Month Average Net Assets	8.26%	7.73%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	25.96%	20.21%
Total Capital/12-Month Average Risk-Weighted Assets	26.69%	25.02%
Total Capital	$ 314,706,893	$ 303,885,452
Tier 1 (Leverage) Capital	$ 306,127,607	$ 245,468,516
Tier 2 Capital	$ 8,579,286	$ 58,416,936
PCC deducted from Tier 1 Capital	$ 0	$ 49,531,933
Unrealized Gain/Loss on Securities	$ (3,478,828)	$ 403,905
Monthly Average Assets	$ 4,380,281,731	$ 3,829,607,118
Average 12-Month Assets	$ 3,811,609,806	$ 3,929,735,120
Year-to-Date Average Assets	$ 4,078,605,708	$ 4,043,670,775

Liquidity & Interest Rate Risk as of May 31, 2019

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,944,625,090
Net Available For Sale (AFS) Securities: (securities with adequate market values to sell)	$ 1,168,148,518
Overnight & Investments Maturing within 90 days:	$ 95,590,240
Unsecured Fed Funds Lines Available:	$ 250,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,335,690,898
-less fixed term existing loan advances	$ (118,672,725)
Primary Sources of Liquidity:	$ 4,825,382,021
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 82,144,238
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 7,300,000
Secondary Sources of Liquidity:	$ 89,444,238
Total Available Liquidity:	**$ 4,914,826,259**

Interest Rate Risk

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 312,115,190
NEV Ratio:	6.33%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 292,703,407
NEV Ratio:	5.97%
Percentage Change:	(6.2%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 322,604,350
NEV Ratio:	6.53%
Percentage Change:	3.4%
Down 2% Rate Environment	
Net Economic Value (NEV):	$ 333,876,538
NEV Ratio:	6.74%
Percentage Change:	7.0%

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) - $8,606,084.
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 (AAA), Moody's (Aaa), and/or S&P (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 $1,489,216,200 (5/31) -- 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
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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