Monthly Financials
Vizo Financial Corporate Credit Union

October 2018

Corporate Update

Jay Murray, CEO
David Brehmer, President

Turkey and tinsel and twinkling lights…oh my! It's crazy to think that the holidays are already here! During this festive time of year, Vizo Financial and MY CU Services will continue to provide education and services to benefit your credit union and your members well into the new year. Take a look below to see what Vizo Financial can do for you this holiday season!

Credit & Liquidity Options

When it comes to credit and liquidity, Vizo Financial has lots of great options for credit unions. It's why we got our start, after all – to offer credit unions liquidity resources from a trusted source. Here's what we have for you to meet your credit and liquidity needs:

- Business lending through CUBG
- Letters of credit
- Lines of credit
- Loan participations through LoanStreet
- SimpliCD Issuance Program

With Vizo Financial, you can choose the option(s) that will help you achieve the level of liquidity that you need, whether it's just a little boost or a more significant contribution. Check out all of our credit and liquidity products here!

ACH Originations

We're excited to announce that phase three of MY CU Services' payments platform consolidation project has begun! This phase will focus on ACH originations. The MY CU Services and Vizo Financial teams are currently in the process of setting up the new ACH originations system (along with payment services provider, Aptys Solutions) and creating training materials. More information, including the training materials, will be available in the coming months!

2019 Event Schedule

It's never too early to start planning ahead for next year. Vizo Financial's 2019 event schedule is now available, so you can see which education and social events you'd like to attend!

GAC Reception
March 11, 2019 - Washington, D.C.

Financial Strategies Workshops
March 27, 2019 - Richmond, Va.
April 24, 2019 - King of Prussia, Pa.
May 8, 2019 - Pittsburgh, Pa.

Risk Management Conference
April 10-12, 2019 - Hershey, Pa.

CCUL Member Appreciation Luncheon
June 3, 2019 - Asheville, N.C.

2019 Annual Meeting
September 11, 2019 - Charlotte, N.C.

Financial Conference
September 11-13, 2019 - Charlotte, N.C.

Payments Conference
October 9-10, 2019 - Hershey, Pa.
October 23-24, 2019 - Charlotte, N.C.

Security & Compliance Workshop
November 6, 2019 - Charlotte, N.C.

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.

If a member of our team has gone above and beyond for your credit union, we want to know! These stories will be shared with our membership to show our dedication and commitment to all we serve. 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 October 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 $2.597 billion in October compared to $2.630 billion in September and $2.697 billion in August. Volatility of member balances remained high in October, although down slightly (28% compared to 30% in September) with the spread between the single day high and low balances being $860 million compared to $941 million the prior month.

Average off-balance sheet credit union balances - those held in our Excess Balance Account (EBA) - averaged just $2.6 million in September. Since we do not anticipate these balances to increase in the foreseeable future, we will no longer be reporting them on a monthly basis as month-end balances were just $2.1 million.

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 $530 million coming in at $2.612 billion compared to $3.142 billion in September. Of this total, $175.8 million were in certificates while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $3.030 billion. Average assets were well above month-end assets coming in at $3.675 billion. Excluding non-perpetual capital accounts, our total net equity is at $302.9 million. The unrealized gain/loss/AOCL figure came in at a loss of $2.9 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 $91.7 million. Gross income for the month came in at $1,537,999. Our net increase to retained earnings was $1,134,240. Distributions to members via PCC dividends totaled $400,225.
- Our leverage/tier 1 capital ratio is 6.63% based on our 12-month rolling average assets. This is above the minimum regulatory guideline for leverage/tier 1 capital ratio of 4%. Since October 2016, NCUA Regulations require corporates to deduct a portion of their PCC from their tier 1 capital calculations. In October, this amounted to a reduction of $44.3 million of PCC from our tier 1 capital. *Our total capital ratio is 7.91%*.
- 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 2.35%*.
- The net economic value (NEV) dollar value of assets came in at $305.7 million at the end of October, with an NEV ratio of 10.09% compared to the prior month's 7.09%. The NEV ratio will fluctuate up and 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 9.66%, with a negative fluctuation of 4.7%. 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 under $5,000, we do not include it as liquid in our "Available Liquidity" report.
- Total capital stands at $309.4 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 $5.3 million as of month-end, so without this reduction our gross total capital amounts to $314.7 million.

continued on page 3

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	$ 807 million
Security Sales*	$ 208 million
EBA Balances	$ 2 million
Total Off-Balance Sheet	**$1.017 billion**

Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

Overall, market values decreased with unrealized losses of $0.742 million in September, moving to unrealized losses of $2.910 million in October. The SBA securities represent the largest unrealized loss portion of our portfolio ($3.9 million). We expect these values to continue to fall with rising rates leading to higher prepayments and tighter liquidity. 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 24.6%*.

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.

- $0.629 million LOSS is related to our government agency CMO securities portfolio ($281.1 million total book value)
- $0.334 million LOSS is related to our agency MBS/CMBS securities ($51.7 million total book value)
- $0.029 million LOSS is related to our government agency notes/floaters/callable securities ($20.5 million total book value)
- $0.026 million GAIN is related to our AA+ rated corporate bond portfolio ($47.3 million total book value)
- $0.540 million GAIN is related to our AAA rated credit card asset-backed securities ($551.3 million total book value)
- $0.529 million GAIN is related to our AAA rated auto floor-plan asset-backed securities ($293.9 million total book value)
- $0.882 million GAIN is related to our government student loan (FFELP) portfolio ($70.7 million total book value)
- $3.895 million LOSS is related to our government guaranteed SBA portfolio ($915.3 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.

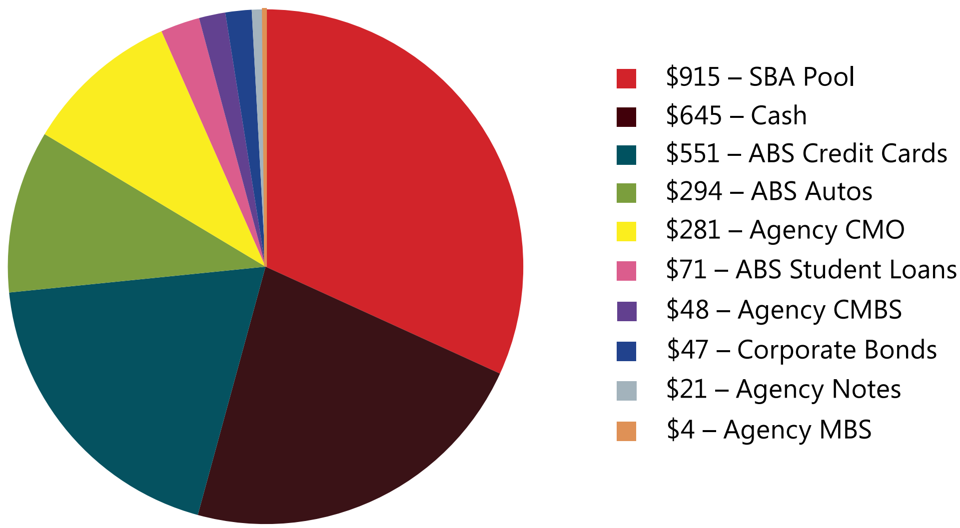
We are very grateful to our members for their continued support and for the trust you place in us each and every day. We look forward to serving you throughout 2018!

Jay R. Murray

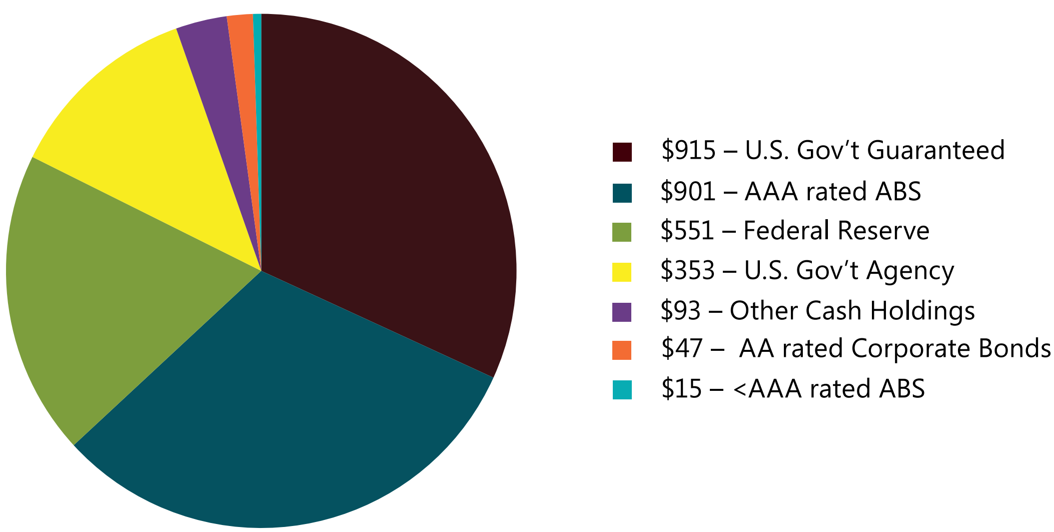
Jay R. Murray
CEO

David W. Brehmer
President

Total Book Values



Credit Quality



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

Balance Sheet	October 31, 2018	October 31, 2017
Assets		
Loans	$ 39,741,180	$ 37,493,408
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 917,895,094	$ 1,058,215,737
U.S. Gov't (Notes/Floaters/Callables)	$ 20,514,159	$ 22,517,449
U.S. Gov't Agency (CMOs)	$ 280,487,282	$ 350,785,044
U.S. Gov't Agency (MBS)	$ 60,120,961	$ 136,518,883
U.S. Gov't (SBA)	$ 911,444,688	$ 941,399,333
Corporate Bonds	$ 47,332,550	$ 27,446,200
Commercial Paper	$ 0	$ 0
Federal Home Loan Bank-Atlanta	$ 6,294,100	$ 25,178,400
Credit Union & Bank Deposits	$ 105,787,992	$ 160,363,072
CUSOs	$ 5,342,547	$ 4,919,354
Federal Reserve Bank	$ 551,479,365	$ 793,234,489
Receivables	$ 27,952,754	$ 20,890,915
Fixed Assets	$ 8,529,567	$ 10,079,811
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,352,716
Other Assets	$ 44,969,955	$ 42,790,083
Total Assets:	**$ 3,030,174,321**	**$ 3,634,184,894**

Liabilities		
Other Liabilities:	$ 2,266,095	$ 2,455,182
Accounts Payable:	$ 42,030,057	$ 49,271,172
Uncollected Deposits:	$ 0	$ 4,928
Notes Payable:	$ 59,598,180	$ 510,875,440
Shares	$ 2,435,846,977	$ 2,573,264,586
Certificates/Term Deposits	$ 175,829,553	$ 191,330,533
Total Shares:	$ 2,611,676,530	$ 2,764,595,119
Non-Perpetual Capital Accounts (NCA)	$ 8,913,835	$ 8,913,835
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,196,834
Reserves & Undivided Earnings	$ 69,109,597	$ 55,992,563
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ (2,910,319)	$ 2,688,422
Total Equity:	$ 311,871,947	$ 304,353,654
Other Equity/Non-Controlling Interest:	$ 2,731,512	$ 2,629,399
Total Liabilities & Equity:	**$ 3,030,174,321**	**$ 3,634,184,894**

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Financial Condition & Performance

Income Statement YTD	October 2018	October 2017
Interest Income	$ 68,361,309	$ 45,339,692
Interest Expense	$ (45,750,044)	$ (25,620,364)
Net Interest Income	**$ 22,611,265**	**$ 19,719,328**
Net Correspondent Service Income	$ 14,003,391	$ 14,953,543
Gross Operating Income	**$ 36,614,656**	**$ 34,672,871**
Operating Expense	$ (22,014,199)	$ (22,424,105)
Net Income:	**$ 14,600,457**	**$ 12,248,766**
Non-Operating Gains/(Losses)	$ 183,832	$ 124,430
Amortization of Core Deposit Intangible	$ 0	$ (788,068)
CUSO Income	$ 119,620	$ 216,017
Net Income before PCC Distributions	**$ 14,903,909**	**$ 11,801,145**
Less: Non-Controlling Interest in Net Income	$ (126,964)	$ (259,722)
Less: Equity Transfer for PCC Distribution	$ (3,337,364)	$ (2,003,992)
Net Increase to Retained Earnings	**$ 11,439,581**	**$ 9,537,431**

Earnings Spread/Net Operating Margin	October 2018	October 2017
Return on Average Assets	2.099%	1.406%
Interest/Dividend Expense	-1.405%	-0.795%
Net Interest Margin	**0.694%**	**0.612%**
Correspondent Service Income	0.430%	0.464%
Operating Expenses	-0.676%	-0.695%
Non-Operating Gains/(Losses)	0.006%	0.004%
Amortization of Core Deposit Intangible	0.000%	-0.024%
CUSO Income	0.004%	0.007%
Non-Controlling Interest in Net Income	-0.004%	-0.008%
PCC Distributions	-0.102%	-0.062%
Net Margin	**0.351%**	**0.296%**

Asset Quality	October 2018
Non-Earning Assets/Average Assets	2.42%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	43.36%
Asset-Backed Securities (Non-Mortgage)	31.28%
Federal Home Loan Bank	0.21%
Corporate Bonds	1.61%
Commercial Paper	0.00%
Bank & Credit Union Deposits	3.60%
Federal Reserve Bank	18.79%
CUSO Equity	0.18%
Cash & Receivables	0.95%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA/Aaa
Asset-Backed Securities (Student Loans)	B/Baa3 to AAA/Aaa
Corporate Bonds	AA- to AA+
Commercial Paper	A-1+/P-1
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial Ratios

Capital Adequacy	October 2018	October 2017
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.49%	2.09%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.35%	2.01%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	6.63%	5.44%
Total Capital/12-Month Average Net Assets	7.91%	7.61%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	20.38%	18.06%
Total Capital/12-Month Average Risk-Weighted Assets	24.62%	25.81%
Total Capital	$ 309,398,630	$ 296,721,463
Tier 1 (Leverage) Capital	$ 256,183,701	$ 207,635,184
Tier 2 Capital	$ 53,214,929	$ 89,086,279
PCC deducted from Tier 1 Capital	$ 44,342,183	$ 80,196,859
Unrealized Gain/Loss on Securities	$ (2,910,319)	$ 2,688,422
Monthly Average Assets	$ 3,675,032,688	$ 3,758,343,170
Average 12-Month Assets	$ 3,909,152,720	$ 3,900,370,594
Year-to-Date Average Assets	$ 3,910,360,549	$ 3,871,559,681

Liquidity & Interest Rate Risk as of October 31, 2018

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 579,432,119
Net Available For Sale (AFS) Securities:	$ 1,058,138,098
(securities with adequate market values to sell)	
Overnight & Investments Maturing within 90 days:	$ 105,043,992
Unsecured Fed Funds Lines Available:	$ 250,000,000
Secured Fed Funds Lines Available:	$ 104,841,916
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,001,214,289
-less fixed term existing loan advances	$ (59,598,180)
Primary Sources of Liquidity:	$ 3,039,072,234
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 19,472,600
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 2,155,000
Secondary Sources of Liquidity:	$ 21,627,600
Total Available Liquidity:	**$ 3,060,699,834**

Interest Rate Risk

	Regulation 704 Operating Level Base Plus
Base/Current Rate Environment	
Net Economic Value (NEV):	$ 305,746,846
NEV Ratio:	10.09%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 291,320,796
NEV Ratio:	9.66%
Percentage Change:	(4.7%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 310,755,900
NEV Ratio:	10.24%
Percentage Change:	1.6%
Down 2% Rate Environment	
Net Economic Value (NEV):	$ 321,122,108
NEV Ratio:	10.54%
Percentage Change:	5.0%

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) - $8,872,746.
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 $1,346,166,000 (10/31) -- 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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For more information concerning the content in this unaudited financial report, please contact Vizo Financial at (800) 622-7494.

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