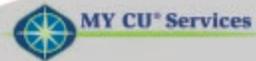




IMPORTANT NOTICE



Your Member Update: April 22, 2020

Dear Recipient's First Name,

We hope you are well, healthy and your staffs are safe. Here at the Corporate, we are operating as close to business as usual as possible. As we reach a full month of our work-from-home status, we wanted to provide our members a brief update on your Corporate's status. Two weeks ago, we held several webinars to provide an update on our financial condition heading into this pandemic and work being done to make the Central Liquidity Facility (CLF) a viable emergency liquidity backstop for credit unions. Today's update will provide a quick snapshot of things going on at your Corporate.

Office Operations

As mentioned during our webinars, approximately 95 percent of our work force is working remotely. Over the past few years, we had been working on creating a much more flexible workforce, primarily to deal with events like ice storms and more regional incidents where we wanted staff to be able to work remote without impacting our service to members. As an organization, this planning allowed us to go almost completely remote in less than two weeks. Late last week we sent out a very brief member survey asking whether you have seen any change in the accessibility or responsiveness in our service levels since going remote. Please let us know immediately if you are experiencing any delays or gaps in service. All projects continue to remain on schedule and our new P2P solution is still on target for a May release date.

Balance Sheet

As reported in our monthly financials, we began 2020 with a balance sheet about \$1.2 billion above where we were a year ago. Last week, when stimulus checks hit member accounts, we saw an overnight increase in deposits of \$1.7 billion and saw our assets reach \$7.5 billion. While this means we currently have plenty of liquidity, we now will wait and see what the surge in unemployment means for cash flows and balances over the next several months. So, while we would love to be investing more of our liquid cash, we will be maintaining most of this increase in deposits in cash so that we are prepared to help every credit union if we see a tightening in liquidity.

Capital Ratios

The result of our significant increase in balances will be falling capital ratios. Ratios all remain well above minimum regulatory requirements and our risk-based capital ratios have remained

stable at extremely high levels (27-28 percent). The regulators are well aware of the cause of these changes and want all corporates to maintain high balances during the pandemic to ensure there is liquidity within the system to help our members if needed.

Financials & Asset Quality

Our March financials were posted this afternoon. As you will see, in the first quarter of 2020, we recorded strong contributions to retained earnings of \$6.5 million, so we entered this pandemic in a very strong financial position. We anticipate earnings well below this amount for the second quarter, although we continue to project positive retained earnings growth for the quarter. One thing you will notice in the financials is that the market value of assets dropped quite significantly as of March 31. This was caused by a widening of spreads primarily due to concerns over liquidity in the markets. We have since seen spreads narrow, so market values should show some improvement in April. However, we expect to see values jump around during the term of this pandemic.

Interest Rates

We were all caught a little off guard when the Fed dropped overnight rates from 1.60 percent to 0.10 percent in March. Obviously, this was and is a significant hit to all of our earnings as our rates follow the market. We still plan on running our quarterly CD special, which will be coming up at the end of this month. We also hope to offer other CD specials as we can find short-term opportunities in the market. Given that liquidity is a cooperative effort – our balances are your balances – we want to work as best we can to improve rates of return on deposits while working together to keep the need for liquid funds a priority over the next few months. If you are looking to invest some money, contact your corporate account manager or our portfolio strategist and we will do our best to assist.

Central Liquidity Facility (CLF)

As mentioned above, we currently have plenty of liquidity on the balance sheet. That said, a critical role of corporates is to serve the credit union industry as a key liquidity resource. The CLF is the industry emergency liquidity backstop, allowing us to obtain funds through the U.S. Treasury if needed. The 11 corporate credit unions in the country have collectively agreed to purchase CLF stock to enable all member credit unions under \$250 million in assets to have access to CLF funding. For Vizo Financial, this means approximately 600 member credit unions will immediately gain access to emergency funding were liquidity to become an issue. Credit unions over \$250 million in assets have been required by regulation to be set up at the Fed Discount Window or the CLF already. The CARES Act included changes to the CLF rules and regulations that has allowed corporates to serve as a CLF agent to make this possible. Although we are working with the NCUA to try to make these legislative changes permanent, they currently sunset at year-end, so this is a temporary fix to help cover the industry during this crisis.

Staffing Update

All staff are working as if we were all in the offices. Our culture team is actively providing virtual interactions amongst employees, management teams and departments. The senior management team has been meeting daily and we held a planned two-day retreat virtually last week. We have been communicating with all staff weekly and have an all-staff meeting planned for next week. Last Friday, we delivered a video message to update staff on outstanding projects and initiatives! Here's a sneak peek of our professional news anchor persons!



So, while we all become a little more accustomed to operating in this strange new world, we want you to know that we are here to help in any way we can. We hope you, your families, your staffs and your members remain safe and healthy during this chaotic time.

If you have any questions, please feel free to contact us at (800) 622-7494.

*Sincerely,
David Brehmer & Jay Murray*