Monthly *Financials*

Vizo Financial Corporate Credit Union

April 2017

Corporate *Update*

Jay Murray, CEO
David Brehmer, President

Vizo Financial continues to make strides toward the fast-approaching core conversion on June 30, 2017. In addition to the many conversion tasks, our staff has also made headlines and attended one of the most talked-about events of the year. Read below for details!

Core Conversion Update

Vizo Financial sent our first weekly core conversion communication to Greensboro (former First Carolina Corporate) members on May 16, 2017. The email detailed some of the changes Greensboro members will see post-conversion, and provided a number of resources to help credit unions prepare for the core conversion.

One of the resources was the core conversion guide which details changes and enhancement to our billing, products/services, statements and procedures that will occur with the conversion. Other topics in the guide include: Accounts, Draw Sequence & Sweeps, Fees, Zephyr, Settlements, Wire Transfers and more.

In addition, the email supplied tools to assist credit unions in navigating the many functions of Zephyr, Vizo Financial's online member access system. These tools included webinar recordings, how-to guides and a registration link for live webinars.

These resources are available in the weekly core conversion emails to Greensboro members, which are sent every Tuesday. Click here to signup for these emails.

Leadercast 2017

Leadercast 2017, a highly-anticipated event on leadership, was broadcast nationwide on May 5. Many of Vizo Financial and our CUSOs' staff were in attendance to watch the live stream. The event featured Tyler Perry, Molly Fletcher and other well-known leaders from all industries to talk about this year's theme, "powered by purpose." We highly recommend this event to credit unions for the future!

Staff in the Media

Four of our employees have been featured in industry articles over the past couple months.

In April, Lori Gall, chief administration officer for Vizo Financial and CEO of Sollievo, and John Cuneo, senior consultant for Sollievo, were included in an article called "How To Succeed At Vendor Management" from creditunions.com. In the article, Lori talked about the importance of vendor management and John was quoted on information security as it relates to vendor management. To read the full article, click here!

Earlier this month, chief investment officer, Fred Eisel, and chief credit officer, Tim Sustak, were featured in an article from Asset Securitization Report (asreport.com). Both spoke to the investor side of Federal Family Education Loan (FFELP) bond holdings in "How Technology Mitigated a Crisis in Student Loan ABS." Click here to see more from Fred and Tim in the full article!

Exceptional Service

Vizo Financial strives each and every day to provide excellence in our service.

One of our member credit unions, Vantage Trust FCU, recently received an award for Excellence in Network Security from DDI's recognition program. Colleen from the credit union recognized MY CU Services' contribution to their achievement by saying, "We could not have accomplished this without MY CU Services, especially with the help of Dave Strickland…Thank you for the excellent work that you and Dave do for us."

If you've experienced exceptional service from Vizo Financial, please let us know! Send an email to marketing@midatlanticcorp.org.

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 April 30, 2017. 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. We are showing a comparison to last year's data, although a year ago we were still two independent corporates so the data represents a combination of our two prior financials.

Balance Sheet

Member overnight balances averaged $3.536 billion in April compared to $3.637 billion in March. Volatility of member balances was higher in April with a fluctuation rate of 27% (it was 22% in March) with the difference between the single day high and low balances being $1.082 billion compared to $877.4 million the prior month.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged $116.5 million in April with month-end balances of $117.8 million. Combined with our on-balance sheet member deposits, average short term balances were $3.653 billion.

Liquidity remains readily accessible through our primary borrowing sources. Historically, the December-January and July-August periods represent our lowest balance times of the year while March-April represent our highest balance times of the year.

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

- On-balance sheet (month-end) member shares were down coming in at $4.0 billion compared to $4.4 billion in March. Of this total, $386.0 million were in term deposits while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $4.371 billion. Average assets were lower than month-end assets coming in at $4.204 billion. Excluding non-perpetual capital accounts, our total net equity is at $288.7 million. The unrealized gain/loss/AOCL figure came in at positive (gain) of $1.504 million. More details regarding market values of securities are discussed later in the report under the heading "Unrealized Gains/Losses."
- Retained earnings ended the month at $50.4 million. In addition, we have $22.6 million in "earnings acquired in a merger" which represents First Carolina's retained earnings so our actual total is $73.0 million. Gross income for the month came in at $1,314,940. After distributing $176,052 to members in the form of PCC dividends and $37,686 to minority owners in MY CU Services, Inc., our net increase to retained earnings was $1,101,202.
- Our leverage/tier 1 capital ratio is 5.14% based on our 12-month rolling average assets. This is above the minimum regulatory guideline for leverage/tier 1 capital ratio of 4%. Starting in October 2016 NCUA Regulations require corporates to deduct a portion of their PCC from their tier 1 capital calculations. In April, this amounted to a reduction of $85.6 million of PCC from our tier 1 capital.
- Accumulation of retained earnings is critical under Regulation 704. The amount of retained earnings a corporate has determines the amount of PCC that must now be deducted from leverage/tier 1 capital ratio calculations. So although there is no stated minimum RUDE ratio within Regulation 704, retained earnings must be built to be able to meet the leverage capital ratio requirements. When our two corporates merged, First Carolina's retained earnings became "equity acquired in a merger." As currently written Regulation 704's definition of retained earnings does not include "equity acquired in a merger." Therefore, Vizo Financial is being required to deduct a higher amount of PCC from its leverage capital calculation ($85.6m vs. $63.0m) than it actually should have if we were able to count "equity acquired in a merger" as part of our total retained earnings. In April, this resulted in a leverage/tier 1 capital ratio difference of 56 basis points (our ratio would have been 5.70%).
- The NEV dollar value of assets came in at $290.3 million at the end of April with an NEV ratio of 6.64% compared to the prior month's 6.94%. 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 6.06% with a negative fluctuation of 9.3%. 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 $10,000, we do not include it as liquid in our "Available Liquidity" report.

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Financial Condition and Performance Report

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- Total capital stands at $291.1 million excluding unrealized gains and losses on securities and accumulated other comprehensive losses. This consists of PCC, retained earnings, equity acquired in merger and 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 $5.0 million as of month-end so without this reduction our gross total capital amounts to $296.1 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	$ 893 million
Security Sales*	$ 686 million
EBA Balances	$ 118 million
Total Off-Balance Sheet	**$1.697 billion**

Security sales reflect sales over the past 18 months

Unrealized Gains/Losses

In April, market values remained stable going from unrealized gains of $1,476,224 to unrealized gains of $1,503,896. The SBA portfolio as a single asset class continues to show the highest unrealized losses, however, this asset sector is 100% government guaranteed so it does not present any credit risk and these securities can be used as collateral at the Federal Home Loan Bank so fluctuations in values do not have a major impact on our liquidity. From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 24.3%.

To provide additional insight on this month's unrealized loss figure we are providing a breakdown of what securities make up these changes in fair market value and book values.

- $0.315 million LOSS is related to our government agency CMO securities portfolio ($351.2 million total book value)
- $0.065 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($131.4 million total book value)
- $0.027 million GAIN is related to our government agency notes/floaters/callable securities ($31.6 million total book value)
- $1.635 million GAIN is related to our AAA-rated credit card asset-backed securities ($658.8 million total book value)
- $0.792 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($269.4 million total book value)
- $1.263 million GAIN is related to our government student loan (FFELP) portfolio ($124.7 million total book value)
- $1.834 million LOSS is related to our government guaranteed SBA portfolio ($967.6 million total book value)

Market values and the associated unrealized losses indicate an estimate of what the sale of these assets in today's markets would be, and do not necessarily reflect the actual 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 are excited about our future and look forward to serving you as Vizo Financial Corporate Credit Union!

Jay R. Murray
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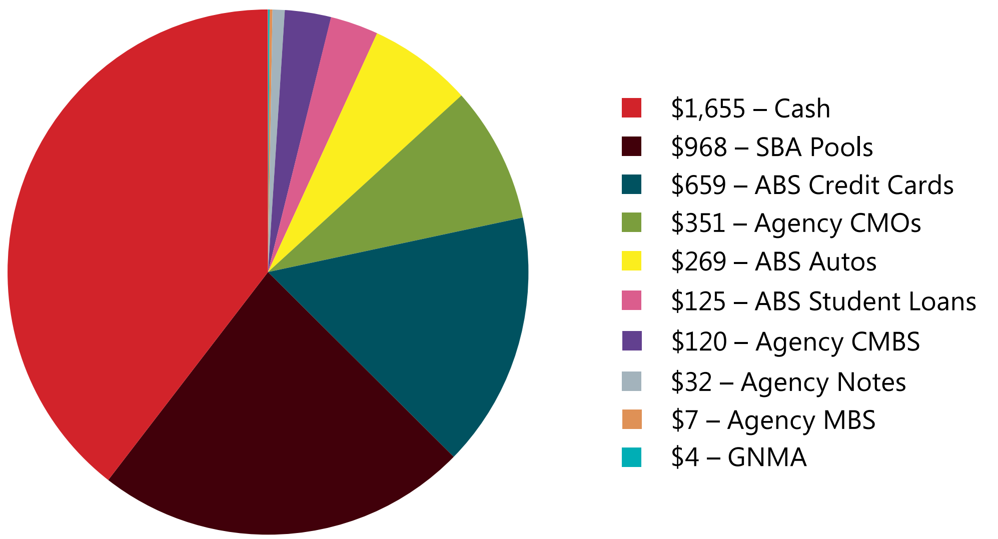
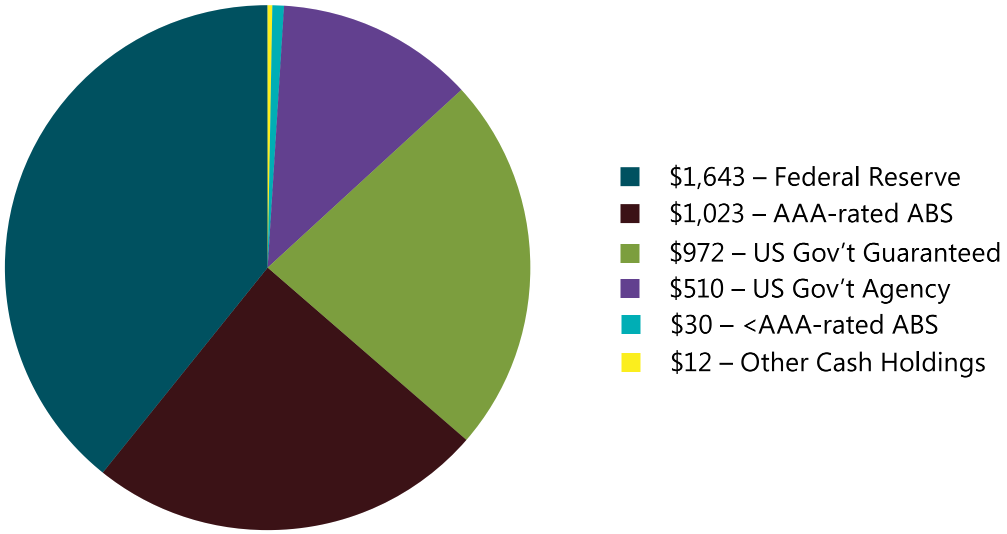
CEO

David Brehmer
President

Total Book Values



Credit Quality



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

Balance Sheet		April 30 2017		April 30, 2016
Assets				
Loans	$	9,309,552	$	1,831,986
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	1,056,561,122	$	1,218,012,923
Asset-Backed Securities (Mortgage)	$	0	$	10,936,436
U.S. Gov't (Notes/Floaters/Callables)	$	31,591,957	$	127,525,322
U.S. Gov't Agency (CMOs)	$	354,995,055	$	127,539,816
U.S. Gov't Agency (MBS)	$	139,149,900	$	296,725,830
U.S. Gov't (SBA)	$	965,810,222	$	790,735,623
Federal Home Loan Bank-Atlanta	$	3,951,400	$	3,673,000
Credit Union & Bank Deposits	$	4,556,295	$	54,890,421
CUSOs	$	4,997,969	$	4,852,805
Federal Reserve Bank	$	1,643,483,436	$	1,845,882,444
Cash & Receivables	$	100,442,074	$	106,857,898
Fixed Assets	$	9,100,904	$	8,826,615
Goodwill/Core Deposit Intangible	$	2,912,581	$	2,508,739
Other Assets	$	43,678,926	$	40,559,713
Total Assets:	**$**	**4,370,541,393**	**$**	**4,641,359,571**

Liabilities				
Other Liabilities:	$	48,949,723	$	45,628,136
Uncollected Deposits:	$	(160,431)	$	26,707
Notes Payable:	$	11,959,270	$	34,505,230
Shares	$	3,623,680,659	$	3,982,929,235
Certificates/Term Deposits	$	386,010,177	$	298,299,074
Total Shares:	$	4,009,690,836	$	4,281,228,309
Non-Perpetual Capital Accounts (NCA)	$	8,913,835	$	9,288,646
Perpetual Contributed Capital (PCC)	$	214,196,834	$	214,234,257
Reserves & Undivided Earnings	$	50,436,179	$	64,344,452
Equity Acquired in Merger	$	22,562,000	$	0
Accumulated Other Comprehensive Loss	$	1,503,896	$	(10,027,527)
Total Equity:	$	297,612,744	$	277,839,828
Other Equity/Non-Controlling Interest:	$	2,489,251	$	2,131,361
Total Liabilities & Equity:	**$**	**4,370,541,393**	**$**	**4,641,359,571**

unaudited financials

Financial Condition & *Performance*

Income Statement YTD	April 2017	April 2016
Interest Income	$ 15,916,965	$ 10,668,537
Interest Expense	$ (8,109,553)	$ (4,276,119)
Net Interest Income	**$ 7,807,412**	**$ 6,392,418**
Net Correspondent Service Income	$ 6,090,709	$ 6,261,443
Gross Operating Income	**$ 13,898,121**	**$ 12,653,861**
Operating Expense	$ (9,013,642)	$ (8,699,387)
Net Income:	**$ 4,884,479**	**$ 3,954,474**
Non-Operating Gains/(Losses)	$ 142,532	$ (5,940)
Amortization of Core Deposit Intangible	$ (315,227)	$ (62,388)
CUSO Income	$ 87,868	$ 53,186
Net Income before PCC Distributions	**$ 4,799,652**	**$ 3,939,332**
Less: Non-controlling Interest in Net Income	$ (119,574)	$ (129,093)
Less: Equity Transfer for PCC Distribution	$ (704,211)	$ (619,399)
Net Increase to Retained Earning	**$ 3,975,867**	**$ 3,190,840**

Earnings Spread/Net Operating Margin	April 2017	April 2016
Return on Average Assets	1.23%	0.79%
Interest/Dividend Expense	-0.63%	-0.31%
Net Interest Margin	**0.60%**	**0.47%**
Correspondent Service Income	0.47%	0.46%
Operating Expenses	-0.70%	-0.64%
Non-Operating Gains/(Losses)	0.01%	0.00%
Amortization of Core Deposit Intangible	-0.02%	0.00%
CUSO Income	0.01%	0.00%
Non-controlling Interest in Net Income	-0.01%	-0.01%
PCC Distributions	-0.05%	-0.05%
Net Margin	**0.31%**	**0.23%**

Asset Quality	April 2017
Non-Earning Assets/Average Assets	3.83%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	23.17%
Asset-Backed Securities (Non-Mortgage)	24.54%
Federal Home Loan Bank	0.09%
Bank & Credit Union Deposits	0.11%
Federal Reserve Bank	38.17%
CUSO Equity	0.12%
Cash & Receivables	2.33%
Credit Ratings	
Asset-Backed Securities (credit card/auto)	AAA
Asset-Backed Securities (student loans)	B to AAA
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial *Ratios*

Capital Adequacy	April 2017	April 2016
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.74%	1.47%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	1.87%	1.66%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.14%	7.08%
Total Capital/12-Month Average Net Assets	7.45%	7.38%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	16.52%	20.72%
Total Capital/12-Month Average Risk-Weighted Assets	24.36%	21.58%
Total Capital	$ 291,090,881	$ 285,145,911
Tier 1 (Leverage) Capital	$ 196,608,920	$ 273,725,904
Tier 2 Capital	$ 94,481,961	$ 11,420,007
PCC deducted from Tier 1 Capital	$ 85,588,124	$ 0
Unrealized Gain/Loss on Securities	$ 1,503,896	$ (10,027,527)
Monthly Average Assets	$ 4,204,136,615	$ 4,364,621,990
Average 12-Month Assets	$ 3,908,626,568	$ 3,866,375,959
Year-to-date Average Assets	$ 3,931,249,837	$ 4,098,559,796

Liquidity & Interest Rate Risk as of April 30, 2017

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,743,925,510
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,644,738,719
Overnight & Investments Maturing within 90 days:	$ 3,190,820
Unsecured Fed Funds Lines Available:	$ 155,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 863,211,250
-less fixed term existing loan advances	$ (11,959,270)
Primary Sources of Liquidity:	$ 4,398,107,029
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 27,635,035
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 110,500,000
Secondary Sources of Liquidity:	$ 138,135,035
Total Available Liquidity:	$ **4,536,242,064**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 290,336,072
NEV Ratio:	6.64%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 263,191,917
NEV Ratio:	6.06%
Percentage Change:	(9.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 299,947,161
NEV Ratio:	6.85%
Percentage Change:	3.3%

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).
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 VFCCU'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 non-mortgage related asset-backed securities are rated B to AAA.
14. Available-for-sale securities in the liquidity section includes only bonds with market values showing: 1) Gains, or 2) Unrealized losses below $10,000.
15. 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.
16. FHLB and FRB borrowing capacities reflect current market value of eligible collateral plus appropriate haircuts.
17. Primary credit access is available at the Federal Reserve Bank (FRB).
18. Current limit at FHLB-Atlanta $1,147,691,700 (4/30) -- this will vary based on assets.
19. Unsecured fed funds lines comprised of $75 million from PNC Bank, $30 million from JPM Chase and $50 million from Wells Fargo.
20. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
21. NEV & capital ratios are in compliance with policy and regulatory limits.
22. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totalled $7,288,450.

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.

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