Monthly *Financials*

Vizo Financial Corporate Credit Union

February 2017

Corporate *Update*

Jay Murray, CEO
David Brehmer, President

Spring is here! We're ready to usher in the new season, as well as many other changes that will be occurring for Vizo Financial in the coming months. Take a few minutes to read about some of these upcoming changes and events below!

Board of Directors Election

In mid-February, Vizo Financial mailed a board election packet to all members. Included in the packet was a letter of recommendation for nomination, which was due by March 27, 2017.

Vizo Financial's board elections will be held by mail ballot. The ballots will be sent to our membership by June 26, 2017. The winners will then be announced at our 2017 Annual Meeting in Charlottesville, Va., on August 10, 2017. As a reminder, the meeting will be live-streamed for those who cannot attend in person.

Save the Date - Financial Conference

It's still a couple of months away, but mark it down in your calendar now – Vizo Financial's Financial Conference will take place on September 13-15, 2017, in Charlotte, N.C.

Join us at the luxurious Ballantyne Hotel & Lodge for three days of education from finance experts at some of the top firms in the industry. As part of the conference, you'll also receive CPE credits, time to network and your choice of a spa package or golf outing with other attendees.

This is one of our biggest events of the year, so save the date now!

Upcoming Core Conversion

As you may have heard, Vizo Financial will be going through a core conversion this summer. This will allow all of our offices to operate on one core system and provide your credit union with even better service.

While the core conversion will bring changes, we are working hard to create webinars, instructional guides and informational documents to help you understand every aspect of the conversion.

One of the biggest changes will be the transition of all members to our online access system, Zephyr. Following the conversion, Vizo Financial will no longer utilize Corporate Explorer. In preparation for the conversion, we ask that credit unions that currently utilize Corporate Explorer update email addresses for all users. Please note that these email addresses must be valid and unique to the individual user.

More information about the core conversion will be available soon!

Exceptional Service

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

Every quarter, Vizo Financial holds several educational webinars. These are meant to help enrich and enhance our members' knowledge on everything from daily processes to regulatory requirements.

If you haven't attended one of our webinars, take a look at our upcoming schedule. Here are a few comments from your credit union peers regarding the education they received from Vizo Financial these past few months.

"I am excited about the culture of our credit union, and I am looking forward to learning everything that I can to create a positive and supportive atmosphere. So thanks for always providing me with the tools to do so."

"That was an exceptional webinar. Thanks!"

"The ACH Updates webinar was informative and provided details of what is coming in 2017 and 2018."

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 February 28, 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 $3.084 billion in February compared to $2.726 billion in January. Volatility of member balances was slightly higher in February with a fluctuation rate of 28% (26% in January) with the difference between the single day high and low balances being $1.024 billion compared to $820 million the prior month.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged $94.5 million in February. At month-end, we were at $92.3 million in EBA balances. Combining our on-balance sheet member deposits with those held in our EBA, average balances were $3.178 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 up, coming in at $3.8 billion compared to $3.0 billion in January. $321.5 million were in term deposits while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $4.155 billion. Average assets were lower than month-end assets, coming in at $3.753 billion. Excluding non-perpetual capital accounts, our total net equity is at $285.7 million. The unrealized gain/loss/AOCL figure came in at a positive (gain) of $0.581 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 $48.4 million. In addition, we have $22.5 million in *"earnings acquired in a merger"* which represents First Carolina's retained earnings so our actual total is $70.9 million. Gross income for the month came in at $891,910. After distributing $164,316 to members in the form of PCC dividends and $40,159 to minority owners in MY CU Services, LLC, our net increase to retained earnings was $687,434.
- Our leverage/tier 1 capital ratio is 5.01% 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 its PCC from its tier 1 capital calculations. In February, this amounted to a reduction of $86.9 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 our leverage/tier 1 capital ratio calculation. 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."* While NCUA staff has verbally agreed that this should still count in our retained earnings calculations, 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 ($86.9m vs. $64.3m) than it actually should have if we had been able to count *"equity acquired in a merger"* as part of our total retained earnings. In February, this resulted in a leverage/tier 1 capital ratio difference of 55 basis points (our ratio would have been 5.56%).
- The NEV dollar value of assets came in at $288.3 million at the end of February with an NEV ratio of 6.94% compared to the prior month's 8.16%. 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 6.41% with a negative fluctuation of 8.1%. 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

continued on page 3

Financial Condition and Performance Report continued from page 2

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.

- Total capital stands at $291.5 million excluding unrealized losses on securities and accumulated other comprehensive losses. This consists of PCC, retained earnings, equity acquired in merger, other miscellaneous equity and non-perpetual capital accounts (NCAs). Our gross total capital amounts to $296.5 million. NCUA regulations require us to reduce capital by the total equity held in unconsolidated CUSOs in calculating our leverage and total capital ratios. Therefore, our gross capital figure was reduced by $4.957 million to arrive at our reportable total capital.
- 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	$ 866 million
Security Sales*	$ 684 million
EBA Balances	$ 92 million
Total Off-Balance Sheet	**$1.642 billion**

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

Unrealized Gains/Losses

In February, we saw improvement in the overall market value of our investment portfolio with unrealized losses going from $269,303 to unrealized gains of $581,293. Most of the improvement was due to increases in the market values of the ABS credit card portfolio as well as smaller improvements across the board to the SBA, Student Loan ABS and Auto ABS portfolios. The SBA portfolio as a single asset class continues to show the most in unrealized losses; however, this asset sector is 100% government guaranteed. Since SBA securities can be used as collateral at the Federal Home Loan Bank, fluctuations in their values do not have a major impact on our liquidity management capabilities. From a credit perspective, our portfolio remains solid with a total risk-based capital ratio right at 23.5%.

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.

- $0.566 million LOSS is related to our government agency CMO securities portfolio ($250.6 million total book value)
- $0.019 million GAIN is related to our GNMA government guaranteed and agency MBS securities ($165.7 million total book value)
- $0.035 million GAIN is related to our government agency notes/floaters/callable securities ($31.6 million total book value)
- $1.084 million GAIN is related to our AAA-rated credit card asset-backed securities ($607.7 million total book value)
- $0.600 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($300.9 million total book value)
- $1.282 million GAIN is related to our government student loan (FFELP) portfolio ($134.4 million total book value)
- $1.872 million LOSS is related to our government guaranteed SBA portfolio ($918.0 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 gains or 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.

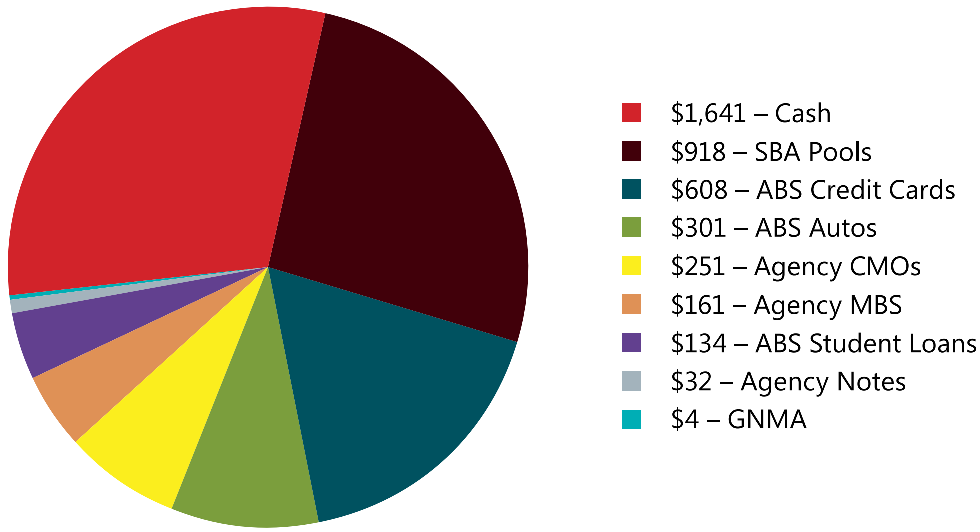
We are very grateful to our members for their continued support and for the trust you place in us each and every day. We are excited about our future and look forward to serving you as Vizo Financial Corporate Credit Union!

Jay R. Murray

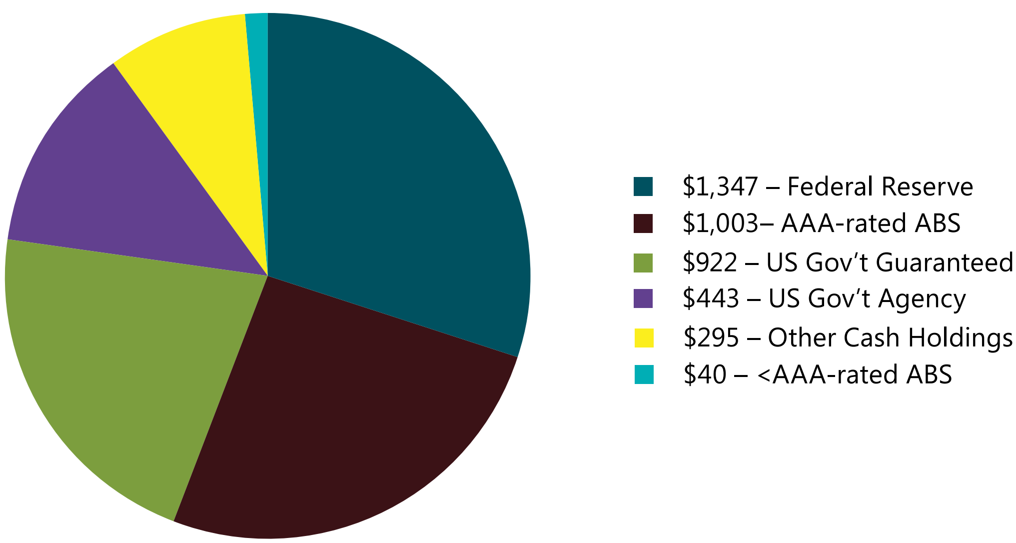
Jay R. Murray
CEO

David Brehmer
President

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	February 28, 2017	Feburary 29, 2016
Assets		
Loans	$ 14,024,111	$ 6,923,975
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 1,046,106,355	$ 1,150,546,683
Asset-Backed Securities (Mortgage)	$ 0	$ 11,608,058
U.S. Gov't (Mortgage)	$ 459,032,646	$ 533,047,308
U.S. Gov't (SBA)	$ 916,126,680	$ 807,296,904
Federal Home Loan Bank-Atlanta	$ 1,832,300	$ 3,506,300
Credit Union & Bank Deposits	$ 287,714,725	$ 165,492,706
CUSOs	$ 4,956,779	$ 4,816,929
Federal Reserve Bank	$ 1,346,765,750	$ 1,523,375,024
Cash & Receivables	$ 23,797,038	$ 13,768,253
Fixed Assets	$ 9,384,917	$ 9,069,470
Goodwill/Core Deposit Intangible	$ 3,070,195	$ 2,538,686
Other Assets	$ 42,902,230	$ 40,716,189
Total Assets:	**$ 4,155,713,726**	**$ 4,272,706,485**

Liabilities		
Other Liabilities:	$ 5,687,242	$ 3,553,593
Uncollected Deposits:	$ 40,136,782	$ 47,423,645
Notes Payable:	$ 12,163,970	$ 34,616,290
Shares	$ 3,479,109,465	$ 3,688,551,621
Certificates	$ 321,530,924	$ 220,774,637
Total Shares:	$ 3,800,640,389	$ 3,909,326,258
Non-Perpetual Capital Accounts (NCA)	$ 8,894,468	$ 9,289,908
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,234,257
Reserves & Undivided Earnings	$ 48,409,597	$ 62,362,009
Equity Acquired in Merger	$ 22,562,000	$ 0
Accumulated Other Comprehensive Loss	$ 581,293	$ (10,167,509)
Total Equity:	$ 294,644,192	$ 275,718,665
Other Equity/Non-Controlling Interest:	$ 2,441,151	$ 2,068,034
Total Liabilities & Equity:	**$ 4,155,713,726**	**$ 4,272,706,485**

unaudited financials

Financial Condition & Performance

Income Statement	February 2017	February 2016
Interest Income	$ 6,766,366	$ 4,786,545
Interest Expense	$ (3,184,490)	$ (1,966,311)
Net Interest Income	**$ 3,581,876**	**$ 2,820,234**
Net Correspondent Service Income	$ 3,231,439	$ 3,071,456
Gross Operating Income	**$ 6,813,315**	**$ 5,891,690**
Operating Expense	$ (4,496,085)	$ (4,292,060)
Net Income:	**$ 2,317,230**	**$ 1,599,630**
Non-Operating Gains/(Losses)	$ 160,703	$ (3,195)
Amortization of Core Deposit Intangible	$ (157,614)	$ (32,442)
CUSO Income	$ 46,678	$ 17,309
Net Income before PCC Distributions	**$ 2,366,997**	**$ 1,581,302**
Less: Non-controlling Interest in Net Income	$ (71,474)	$ (65,765)
Less: Equity Transfer for PCC Distribution	$ (346,238)	$ (307,140)
Net Increase to Retained Earning	**$ 1,949,285**	**$ 1,208,397**

Earnings Spread/Net Operating Margin	February 2017	February 2016
Return on Average Assets	1.12%	0.76%
Interest/Dividend Expense	-0.53%	-0.31%
Net Interest Margin	**0.59%**	**0.45%**
Correspondent Service Income	0.54%	0.49%
Operating Expenses	-0.75%	-0.68%
Non-Operating Gains/(Losses)	0.03%	0.00%
Amortization of Core Deposit Intangible	-0.03%	-0.01%
CUSO Income	0.01%	0.00%
Non-controlling Interest in Net Income	-0.01%	-0.01%
PCC Distributions	-0.06%	-0.05%
Net Margin	**0.32%**	**0.19%**

Asset Quality	February 2017
Non-Earning Assets/Average Assets	2.24%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	33.65%
Asset-Backed Securities (Non-Mortgage)	25.60%
Asset-Backed Securities (Mortgage)	0.00%
Federal Home Loan Bank	0.04%
Bank & Credit Union Deposits	7.04%
Federal Reserve Bank	32.96%
CUSO Equity	0.12%
Cash & Receivables	0.58%
Credit Ratings	
Asset-Backed Securities (mortgage)	n/a
Asset-Backed Securities (credit card/auto)	AAA
Asset-Backed Securities (student loans)	B to AAA
Gov't Agencies/SBAs	AA+ to AAA

unaudited financials

Key Financial *Ratios*

Capital Adequacy	February 2017	February 2016
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.89%	1.55%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	1.80%	1.61%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.01%	7.00%
Total Capital/12-Month Average Net Assets	7.39%	7.29%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	15.58%	20.56%
Total Capital/12-Month Average Risk-Weighted Assets	23.49%	21.42%
Total Capital	$ 291,547,271	$ 283,137,279
Tier 1 (Leverage) Capital	$ 193,346,215	$ 271,779,337
Tier 2 Capital	$ 98,201,056	$ 11,357,942
PCC deducted from Tier 1 Capital	$ 86,865,437	$ 0
Unrealized Gain/Loss on Securities	$ 581,293	$ (10,167,509)
Monthly Average Assets	$ 3,753,488,510	$ 4,031,303,444
Average 12-Month Assets	$ 3,946,090,018	$ 3,883,824,271
Year-to-date Average Assets	$ 3,731,833,704	$ 3,841,672,925

Liquidity & Interest Rate Risk as of February 28, 2017

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,370,562,788
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,587,531,436
Overnight & Investments Maturing within 90 days:	$ 283,735,678
Unsecured Fed Funds Lines Available:	$ 215,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 792,094,357
-less fixed term existing loan advances	$ (12,163,970)
Primary Sources of Liquidity:	$ 4,236,760,289
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 28,886,398
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 86,700,000
Secondary Sources of Liquidity:	$ 115,586,398
Total Available Liquidity:	**$ 4,352,346,687**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 288,282,327
NEV Ratio:	6.94%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 264,823,004
NEV Ratio:	6.41%
Percentage Change:	(8.1%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 297,441,889
NEV Ratio:	7.14%
Percentage Change:	3.2%

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 $1,159,962,690 (2/28) -- this will vary based on assets.
19. Unsecured fed funds lines comprised of $100 million from PNC Bank, $30 million from JPM Chase, $35 million from SunTrust Bank 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 $5,596,450.

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.

Vizo financial

7900 Triad Center Drive
Suite 410
Greensboro, NC 27409
(800) 585-4317

1201 Fulling Mill Road
Middletown, PA 17057
(800) 622-7494
www.vfccu.org