Monthly *Financials*

Vizo Financial Corporate Credit Union

March 2017

Corporate *Update*

Jay Murray, CEO
David Brehmer, President

It's a busy time for Vizo Financial and our CUSOs. In addition to lots of events and the upcoming core conversion, we're also getting involved with several efforts to benefit our communities. Want to see what we've got going on? Check out the corporate updates below!

Member Appreciation Events

We're hosting two events to show our appreciation and dedication to our members. The first will be during the Pennsylvania Credit Union Association's Connect 2017 event. The cocktail reception will be held on May 19, from 5:15 – 6:30 p.m. at the Hershey Lodge in Hershey, Pa.

Then we'll be making our way to the Pinehurst Resort in Pinehurst, N.C., on June 5 from 12:00 – 1:30 p.m. for a luncheon during the Carolina Credit Union League's 2017 Annual Meeting!

We'll have a delicious selection of food, cash prizes and opportunities to talk with Vizo Financial and CUSO staff and connect with fellow credit unions. Click here to register for one of these Vizo Financial events:!

Core Conversion Update

On April 18, former First Carolina members received the first of several bi-weekly communications regarding the upcoming core conversion. Beginning in mid-May, the communications will be sent weekly.

If you haven't already, please complete and sign any core conversion or Zephyr-related forms/agreements from Vizo Financial. Documents are due back by May 31.

Credit unions that process wires through Corporate Explorer will need to perform a cleanup of their pre-authorized wire templates by May 31. The cleanup should include deletion of templates that are no longer being used and update of information that is not correct or valid. Prior to conversion, all credit unions will also need to set a daily wire limit for their institutions.

Current Corporate Explorer users need to update their contact information with a unique, valid email addresses for conversion to Zephyr by May 31.

Community Involvement

During the month of April, Vizo Financial invited credit unions to participate in the Change a Child's Life Coin Drive Competition to benefit Children's Miracle Network (CMN) Hospitals. Participating credit unions encouraged their members to donate loose change for their local CMN Hospitals. The CU that raises the most money (per member) will win the competition and a prize from Vizo Financial.

Children's Hospital of Pittsburgh Foundation is holding their second annual Walk for Children's 5k in June. Vizo Financial will be providing a donation under the CU4Kids brand and we're inviting Pittsburgh area credit unions to join in the event by walking, donating or fundraising. Children's Hospital of Pittsburgh of UPMC is a beacon of hope to children and families throughout the region.

Exceptional Service

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

Recently, Beth McDonald from Romney FCU experienced exceptional service from Angela Myers, EFT specialist for MY CU Services, at our Middletown campus. In trying to gather some answers about ACH, Beth reached Angela, whom she called "an absolute wealth of information. She not only answered my ACH question, but also gave me other information as well." Beth also wanted to thank Angela for "her understanding, kindness and wonderful help."

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 March 31, 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 $3.637 billion in March compared to $3.084 billion in February. Volatility of member balances was much lower in March with a fluctuation rate of 22% (it was 28% in February) with the difference between the single day high and low balances being $877.4 million compared to $1.024 billion the prior month.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged $115.4 million in March. At month-end, we were at $115.6 million in EBA balances. Combining our on-balance sheet member deposits with those held in our EBA, average balances were $3.752 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 $4.4 billion compared to $3.8 billion in February. Of this total, $375.2 million were in term deposits while the remaining balances were distributed between the PSA and settlement deposit accounts.
- Month-end assets came in at $4.788 billion. Average assets were lower than month-end assets coming in at $4.057 billion. Excluding non-perpetual capital accounts, our total net equity is at $287.5 million. The unrealized gain/loss/AOCL figure came in at a positive gain of $1.476 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 $49.3 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 $71.8 million. Gross income for the month came in at $1,117,685. After distributing $181,921 to members in the form of PCC dividends and $10,414 to minority owners in MY CU Services, Inc. our net increase to retained earnings was $925,380
- Our leverage/tier 1 capital ratio is 5.08% 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 March, this amounted to a reduction of $86.4 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 is being required to deduct a higher amount of PCC from its leverage capital calculation ($86.4m vs. $63.8m) 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 March, this resulted in a leverage/tier 1 capital ratio difference of 55 basis points (our ratio would have been 5.63%).
- The NEV dollar value of assets came in at $286.2 million at the end of March with an NEV ratio of 5.98% 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 5.55% with a negative fluctuation of 7.7%. 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

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Financial Condition and Performance Report

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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 $292.4 million excluding unrealized gains and 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) less total equity held in unconsolidated CUSOs. Without the reduction for equity in unconsolidated CUSOs, our gross total capital amounts to $297.4 million. 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 $4.98 million as of month-end.
- 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	$ 895 million
Security Sales*	$ 715 million
EBA Balances	$ 115 million
Total Off-Balance Sheet	**$1.725 billion**

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

Unrealized Gains/Losses

In March, market values continued to improve going from unrealized gains of $581,293 to unrealized gains of $1,476,224. Most improvements were in the market values of the ABS credit card and auto dealer floorplan portfolios, as well as the SBA portfolio. 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. SBA 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 right at 23.9%.

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.

- $0.543 million LOSS is related to our government agency CMO securities portfolio ($256.4 million total book value)
- $0.062 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($165.7 million total book value)
- $0.021 million GAIN is related to our government agency notes/floaters/callable securities ($31.6 million total book value)
- $1.518 million GAIN is related to our AAA-rated credit card asset-backed securities ($609.3 million total book value)
- $0.802 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($300.9 million total book value)
- $1.300 million GAIN is related to our government student loan (FFELP) portfolio ($131.8 million total book value)
- $1.561 million LOSS is related to our government guaranteed SBA portfolio ($928.2 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!

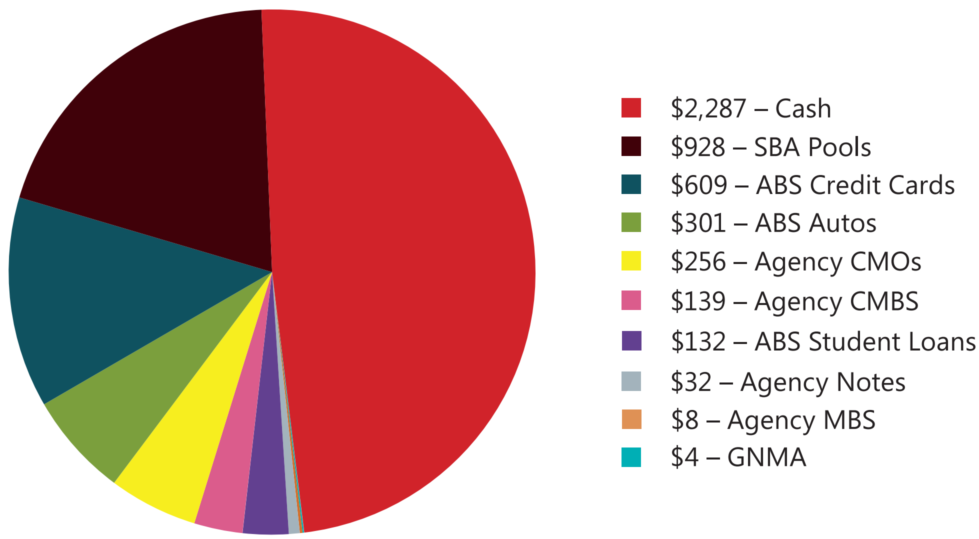
Jay R. Murray

Jay R. Murray
CEO

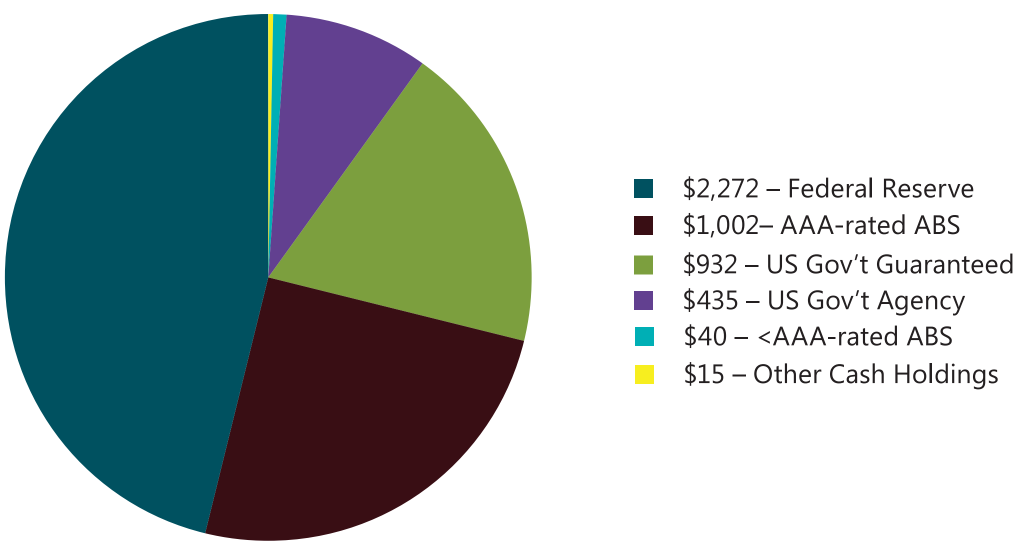
David Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	March 31 2017	March 31, 2016
Assets		
Loans	$ 1,078,111	$ 4,626,582
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 1,045,651,296	$ 1,226,779,044
Asset-Backed Securities (Mortgage)	$ 0	$ 11,273,119
U.S. Gov't (Notes/Floater/Callables)	$ 31,587,681	$ 127,479,991
U.S. Gov't Agency (CMOs)	$ 260,064,901	$ 130,279,682
U.S. Gov't Agency (MBS)	$ 158,918,337	$ 297,262,745
U.S. Gov't (SBA)	$ 926,663,785	$ 798,789,141
Federal Home Loan Bank-Atlanta	$ 3,954,400	$ 3,839,900
Credit Union & Bank Deposits	$ 5,827,049	$ 54,774,720
CUSOs	$ 4,979,616	$ 4,827,871
Federal Reserve Bank	$ 2,272,306,271	$ 1,430,186,120
Cash & Receivables	$ 22,386,007	$ 108,806,674
Fixed Assets	$ 9,227,969	$ 8,956,505
Goodwill/Core Deposit Intangible	$ 2,991,388	$ 2,523,713
Other Assets	$ 42,928,972	$ 40,761,824
Total Assets:	**$ 4,788,565,783**	**$ 4,251,167,631**

Liabilities		
Other Liabilities:	$ 49,945,469	$ 46,954,550
Uncollected Deposits:	$ (985)	$ 25,275
Notes Payable:	$ 12,030,090	$ 34,560,630
Shares	$ 4,052,417,397	$ 3,603,951,126
Certificates/Term Deposits	$ 375,258,375	$ 287,567,637
Total Shares:	$ 4,427,675,772	$ 3,891,518,763
Non-Perpetual Capital Accounts (NCA)	$ 8,893,837	$ 9,289,277
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,234,257
Reserves & Undivided Earnings	$ 49,334,977	$ 63,183,210
Equity Acquired in Merger	$ 22,562,000	$ 0
Accumulated Other Comprehensive Loss	$ 1,476,224	$ (10,684,514)
Total Equity:	$ 296,463,872	$ 276,022,230
Other Equity/Non-Controlling Interest:	$ 2,451,565	$ 2,086,183
Total Liabilities & Equity:	**$ 4,788,565,783**	**$ 4,251,167,631**

unaudited financials

Financial Condition & Performance

Income Statement	March 2017	March 2016
Interest Income	$ 11,281,722	$ 7,740,696
Interest Expense	$ (5,535,195)	$ (3,132,470)
Net Interest Income	**$ 5,746,527**	**$ 4,608,226**
Net Correspondent Service Income	$ 4,635,747	$ 4,555,827
Gross Operating Income	**$ 10,382,274**	**$ 9,164,053**
Operating Expense	$ (6,891,360)	$ (6,556,608)
Net Income:	**$ 3,490,914**	**$ 2,607,445**
Non-Operating Gains/(Losses)	$ 160,703	$ (8,940)
Amortization of Core Deposit Intangible	$ (236,420)	$ (47,415)
CUSO Income	$ 69,515	$ 28,252
Net Income before PCC Distributions	**$ 3,484,712**	**$ 2,579,342**
Less: Non-controlling Interest in Net Income	$ (81,888)	$ (83,914)
Less: Equity Transfer for PCC Distribution	$ (528,159)	$ (465,829)
Net Increase to Retained Earning	**$ 2,874,665**	**$ 2,029,599**

Earnings Spread/Net Operating Margin	March 2017	March 2016
Return on Average Assets	1.19%	0.77%
Interest/Dividend Expense	-0.58%	-0.31%
Net Interest Margin	**0.61%**	**0.46%**
Correspondent Service Income	0.49%	0.46%
Operating Expenses	-0.73%	-0.66%
Non-Operating Gains/(Losses)	0.02%	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	-0.06%	-0.05%
Net Margin	**0.30%**	**0.20%**

Asset Quality	March 2017
Non-Earning Assets/Average Assets	2.03%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	20.25%
Asset-Backed Securities (Non-Mortgage)	22.10%
Asset-Backed Securities (Mortgage)	0.00%
Federal Home Loan Bank	0.08%
Bank & Credit Union Deposits	0.12%
Federal Reserve Bank	48.02%
CUSO Equity	0.11%
Cash & Receivables	0.47%
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

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Key Financial Ratios

Capital Adequacy	March 2017	March 2016
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.77%	1.45%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	1.83%	1.63%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.08%	7.05%
Total Capital/12-Month Average Net Assets	7.46%	7.35%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	15.94%	20.60%
Total Capital/12-Month Average Risk-Weighted Assets	23.94%	21.46%
Total Capital	$ 292,459,597	$ 283,965,056
Tier 1 (Leverage) Capital	$ 194,692,345	$ 272,589,596
Tier 2 Capital	$ 97,767,252	$ 11,375,460
PCC deducted from Tier 1 Capital	$ 86,421,850	$ 0
Unrealized Gain/Loss on Securities	$ 1,476,224	$ (10,684,514)
Monthly Average Assets	$ 4,057,195,325	$ 4,346,271,346
Average 12-Month Assets	$ 3,922,000,349	$ 3,866,088,996
Year-to-date Average Assets	$ 3,840,287,578	$ 4,009,872,398

Liquidity & Interest Rate Risk as of March 31, 2017

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 2,294,692,278
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,497,067,251
Overnight & Investments Maturing within 90 days:	$ 4,461,574
Unsecured Fed Funds Lines Available:	$ 155,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 893,757,138
-less fixed term existing loan advances	$ (12,030,090)
Primary Sources of Liquidity:	$ 4,832,948,151
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 19,029,622
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 110,400,000
Secondary Sources of Liquidity:	$ 129,429,622
Total Available Liquidity:	**$ 4,962,377,773**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 286,176,549
NEV Ratio:	5.98%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 264,205,707
NEV Ratio:	5.55%
Percentage Change:	(7.7%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 294,033,940
NEV Ratio:	6.13%
Percentage Change:	2.7%

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 (3/31) -- 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 $5,500,450.

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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