Monthly Financials

Vizo Financial Corporate Credit Union

March 2018

Corporate Update

Jay Murray, CEO
David Brehmer, President

What a busy couple of months we've had! At the end of March, we implemented our new domestic wires system, and the transition was incredibly smooth. Most recently, we held our Risk Management Conference in Hershey, Pa. What's in store next? Read some of the highlights below!

Financial Strategies Workshop

We've already been to Richmond…now we're off to Pennsylvania for the next leg of our Financial Strategies Workshop!

If you're someone who deals with financial or balance sheet management, this is definitely an educational event that will suit you! It's a one-day event that will shed light on important financial topics, including the economy, liquidity and interest rate risk, investment strategies and CECL. You can even earn up to five CPE credits!

Here's a look at our upcoming workshops:

- May 15, 2018 - Pittsburgh, Pa.
- May 16, 2018 - Lancaster, Pa.

Click here for more details or to register.

2018 Annual Meeting

It's still a few months away, but Vizo Financial's 2018 Annual Meeting will be here before you know it! The meeting will be held at the University of Virginia Inn at Darden in Charlottesville, Va., on August 9, 2018. All Vizo Financial members are encouraged to attend the meeting, whether in person or remotely through live-stream.

The Annual Meeting will include results from our 2018 board election. Election information will be available in the coming weeks.

We hope to see you at our 2018 Annual Meeting. Look for registration information coming soon!

New ACH System

MY CU Services is preparing to implement the next phase of our payments platform consolidation, our ACH files and returns system. The launch of the new system is expected to take place in early to mid-June.

Please note that the new ACH files and returns system will only impact credit unions that utilize ACH receiving services through our Middletown location.

As work on the new system progresses, we will be communicating important updates and information. We will also be creating webinars and a how-to guide to help credit unions prepare for the new system. If you'd like to receive these communications, please subscribe to the MY CU Services ACH Files & Returns notification list.

Exceptional Service in Our Communities

Vizo Financial strives each and every day to provide excellence in our service, not just to our members, but also to our local communities.

Throughout April, Vizo Financial is hosting our third annual Change a Child's Life coin drive competition amongst our member credit unions. The credit union that raises the most money per member will win a prize from Vizo Financial. The winner will be announced in May!

Plans for our fifth annual Hot Dog Eating Contest to benefit Children's Miracle Network (CMN) Hospitals are underway! This event will be held at our Middletown location in July, and proceeds will go to Penn State Children's Hospital in Hershey, Pa.

If your credit union has an exceptional service story you'd like to share about any of our staff, please send the details to marketing@vfccu.org!

Happy Retirement!

We want to wish our long-time employee, Kathy Avis, a happy and fulfilling retirement! Kathy served as one of our member service representatives at the Greensboro campus. You will be missed, Kathy!

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, 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 $3.650 billion in March compared to $3.013 billion in February and $2.629 billion in January. Volatility of member balances in March was lower (23% compared to 28% in February) with the spread between the single day high and low balances being $947.6 million compared to $1.009 billion the prior month. This increase in balances follows historic seasonal cash flow trends.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged just $26.7 million in March with month-end balances of $27.4 million. Combined with our on-balance sheet member deposits, average short term balances were $3.677 billion.

Liquidity 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 up approximately $711 million, coming in at $4.508 billion compared to $3.797 billion in February. Of this total, $320.8 million were in certificates while the remaining balances were distributed between the PSA and settlement deposit accounts.

- Month-end assets came in at $4.919 billion. Average assets were below month-end assets, coming in at $4.424 billion. Excluding non-perpetual capital accounts, our total net equity is at $298.7 million. The unrealized gain/loss/AOCL figure came in at positive (gain) of $0.944 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 $83.6 million. Gross income for the month came in at $1,712,090. Our net increase to retained earnings was $1,399,038. Distributions to members via PCC dividends totaled $318,361.

- Our leverage/tier 1 capital ratio is 6.20% 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 March, this amounted to a reduction of $51.9 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 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 2.13%.

- The NEV dollar value of assets came in at $301.3 million at the end of March with an NEV ratio of 6.12% compared to the prior month's 6.81%. 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 5.75% with a negative fluctuation of 6.6%. 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 $5,000, we do not include it as liquid in our "Available Liquidity" report.

- Total capital stands at $301.4 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 $5.264 million as of month-end so without this reduction, our gross total capital amounts to $306.7 million.

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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	$ 826 million
Security Sales*	$ 337 million
EBA Balances	$ 27 million
Total Off-Balance Sheet	**$1.190 billion**

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

Unrealized Gains/Losses

Market values dropped going from unrealized gains of $2.657 million in February to unrealized gains of $0.944 million in March. The government agency CMO portfolio is now the single asset class showing the highest unrealized losses at $1.3 million. This is due to price declines in our fixed rate agency bonds due to rising rates as well as some floating rate CMOs whose values have dropped because they have interest rap caps (that are still well above the current or projected rate climbs). All of these securities can be used 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 25.5%.

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.

- $1.300 million LOSS is related to our government agency CMO securities portfolio ($314.8 million total book value)
- $0.435 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($117.2 million total book value)
- $0.035 million LOSS is related to our government agency notes/floaters/callable securities ($35.5 million total book value)
- $0.084 million GAIN is related to our corporate bond portfolio ($27.3 million total book value)
- $1.261 million GAIN is related to our AAA-rated credit card asset-backed securities ($736.8 million total book value)
- $0.708 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($369.4 million total book value)
- $1.301 million GAIN is related to our government student loan (FFELP) portfolio ($86.6 million total book value)
- $0.642 million LOSS is related to our government guaranteed SBA portfolio ($920.6 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.

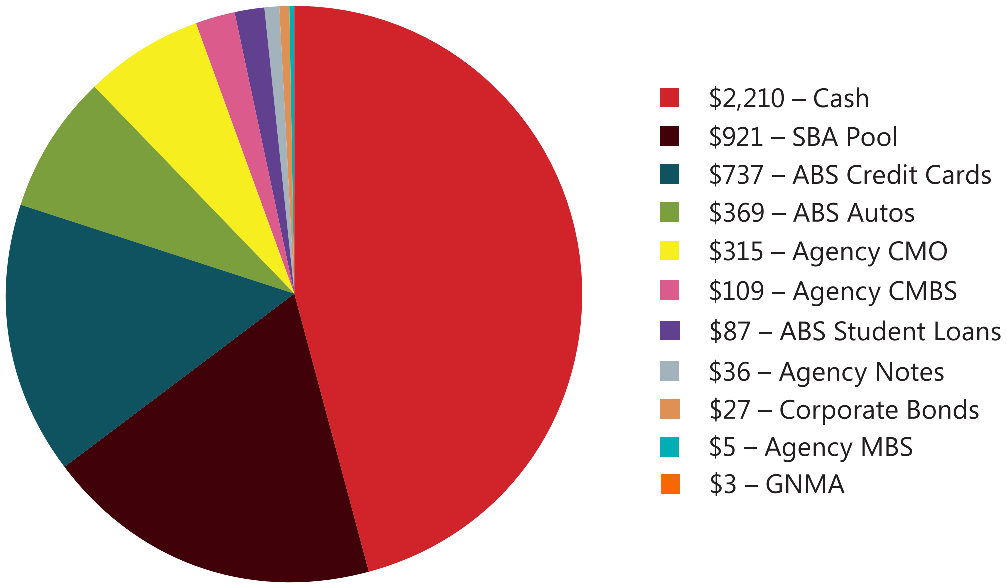
We are very grateful to our members for their continued support and for the trust you place in us each and every day. We look forward to serving you throughout 2018!

Jay R. Murray
Jay R. Murray
CEO

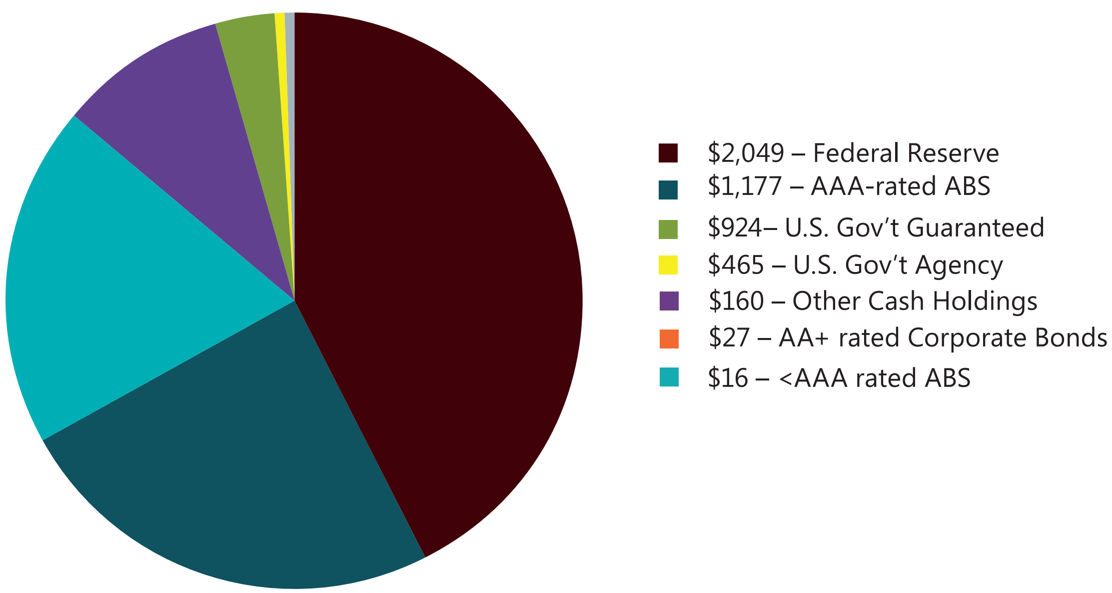
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



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

Financial Condition & Performance

Balance Sheet	March 31, 2018	March 31, 2017
Assets		
Loans	$ 3,476,840	$ 1,078,111
Investments:		
Asset-Backed Securities (Non-Mortgage)	$ 1,196,053,642	$ 1,045,651,296
U.S. Gov't (Notes/Floaters/Callables)	$ 35,508,311	$ 31,587,681
U.S. Gov't Agency (CMOs)	$ 316,524,108	$ 260,064,901
U.S. Gov't Agency (MBS)	$ 123,839,555	$ 158,918,337
U.S. Gov't (SBA)	$ 919,956,826	$ 926,663,785
Corporate Bonds	$ 27,399,875	$ 0
Federal Home Loan Bank-Atlanta	$ 5,956,500	$ 3,954,400
Credit Union & Bank Deposits	$ 160,964,788	$ 18,517,673
CUSOs	$ 5,264,418	$ 4,979,616
Federal Reserve Bank	$ 2,049,119,092	$ 2,272,530,549
Receivables	$ 19,503,944	$ 12,379,666
Fixed Assets	$ 9,621,850	$ 9,227,969
Goodwill/Core Deposit Intangible	$ 2,282,127	$ 2,599,776
Other Assets	$ 43,631,604	$ 40,412,023
Total Assets:	**$ 4,919,103,480**	**$ 4,788,565,783**

Liabilities		
Other Liabilities:	$ 1,716,546	$ 1,888,406
Accounts Payable:	$ 47,060,775	$ 48,057,063
Uncollected Deposits:	$ 0	$ (985)
Notes Payable:	$ 51,651,880	$ 12,030,090
Shares	$ 4,187,600,994	$ 4,109,397,425
Certificates/Term Deposits	$ 320,790,549	$ 318,258,349
Total Shares:	$ 4,508,391,543	$ 4,427,655,774
Non-Perpetual Capital Accounts (NCA)	$ 8,913,835	$ 8,913,835
Perpetual Contributed Capital (PCC)	$ 214,196,834	$ 214,196,834
Reserves & Undivided Earnings	$ 61,046,225	$ 49,334,977
Equity Acquired in Merger	$ 22,562,000	$ 22,562,000
Accumulated Other Comprehensive Loss	$ 943,582	$ 1,476,224
Total Equity:	$ 307,662,476	$ 296,483,870
Other Equity/Non-Controlling Interest:	$ 2,620,260	$ 2,451,565
Total Liabilities & Equity:	**$ 4,919,103,480**	**$ 4,788,565,783**

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Financial Condition & Performance

Income Statement YTD	March 2018	March 2017
Interest Income	$ 18,528,499	$ 11,405,116
Interest Expense	$ (11,688,249)	$ (5,710,932)
Net Interest Income	**$ 6,840,250**	**$ 5,694,184**
Net Correspondent Service Income	$ 4,154,521	$ 4,630,957
Gross Operating Income	**$ 10,994,771**	**$ 10,325,141**
Operating Expense	$ (6,705,272)	$ (6,802,880)
Net Income:	**$ 4,289,499**	**$ 3,522,261**
Non-Operating Gains/(Losses)	$ (3,491)	$ 160,703
Amortization of Core Deposit Intangible	$ 0	$ (236,420)
CUSO Income	$ 41,492	$ 69,515
Net Income before PCC Distributions	**$ 4,327,500**	**$ 3,516,059**
Less: Non-Controlling Interest in Net Income	$ (24,899)	$ (81,888)
Less: Equity Transfer for PCC Distribution	$ (922,807)	$ (528,159)
Net Increase to Retained Earnings	**$ 3,379,794**	**$ 2,906,012**

Earnings Spread/Net Operating Margin	March 2018	March 2017
Return on Average Assets	1.846%	1.204%
Interest/Dividend Expense	-1.165%	-0.603%
Net Interest Margin	**0.682%**	**0.601%**
Correspondent Service Income	0.414%	0.489%
Operating Expenses	-0.668%	-0.718%
Non-Operating Gains/(Losses)	0.000%	0.017%
Amortization of Core Deposit Intangible	0.000%	-0.025%
CUSO Income	0.004%	0.007%
Non-Controlling Interest in Net Income	-0.002%	-0.009%
PCC Distributions	-0.092%	-0.056%
Net Margin	**0.337%**	**0.307%**

Asset Quality	March 2018
Non-Earning Assets/Average Assets	1.82%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	28.72%
Asset-Backed Securities (Non-Mortgage)	24.61%
Federal Home Loan Bank	0.12%
Corporate Bonds	0.56%
Bank & Credit Union Deposits	3.31%
Federal Reserve Bank	42.16%
CUSO Equity	0.11%
Cash & Receivables	0.40%
Credit Ratings	
Asset-Backed Securities (Credit Card/Auto)	AAA
Asset-Backed Securities (Student Loans)	B to AAA
Corporate Bonds	AA+
Gov't Agencies/SBAs	AA+ to AAA

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Key Financial *Ratios*

Capital Adequacy	March 2018	March 2017
RUDE + Acquired Equity Capital/Monthly Average Net Assets	1.89%	1.77%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	2.13%	1.83%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	6.20%	5.08%
Total Capital/12-Month Average Net Assets	7.66%	7.17%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	20.36%	15.94%
Total Capital/12-Month Average Risk-Weighted Assets	25.50%	23.94%
Total Capital	$ 301,426,906	$ 281,149,336
Tier 1 (Leverage) Capital	$ 240,636,569	$ 194,692,345
Tier 2 Capital	$ 60,790,337	$ 86,456,991
PCC deducted from Tier 1 Capital	$ 51,904,072	$ 86,421,850
Unrealized Gain/Loss on Securities	$ 943,582	$ 1,476,224
Monthly Average Assets	$ 4,424,312,135	$ 4,057,195,325
Average 12-Month Assets	$ 3,934,226,893	$ 3,922,000,349
Year-to-date Average Assets	$ 4,069,920,498	$ 3,840,287,578

Liquidity & Interest Rate Risk as of March 31, 2018

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 2,068,623,036
Net Available For Sale (AFS) securities: (securities with adequate market values to sell)	$ 1,196,812,316
Overnight & Investments Maturing within 90 days:	$ 160,220,788
Unsecured Fed Funds Lines Available:	$ 250,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,080,568,614
-less fixed term existing loan advances	$ (51,651,880)
Primary Sources of Liquidity:	$ 4,854,572,874
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 114,817,468
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 27,000,000
Secondary Sources of Liquidity:	$ 141,817,468
Total Available Liquidity:	$ **4,996,390,342**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 301,282,965
NEV Ratio:	6.12%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 281,399,193
NEV Ratio:	5.75%
Percentage Change:	(6.6%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 311,232,910
NEV Ratio:	6.31%
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) - $8,886,265
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 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 $5,000.
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 $1,251,943,500 (3/31) -- this will vary based on assets.
19. 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.
20. Secured fed funds lines comprised of $150 million from U.S. Bank -- line secured by asset-backed securities.
21. Accumulated Other Comprehensive Loss reflects unrealized gains and losses and non-credit related market value losses not reductions in capital.
22. NEV & capital ratios are in compliance with policy and regulatory limits.
23. Under Liquidity Measures, EBA balances exclude funds held by non-PCC credit unions that totalled only $450,450.

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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