Monthly Financials

Vizo Financial Corporate Credit Union

September 2017

Corporate Update

Jay Murray, CEO

David Brehmer, President

There's a lot going on at Vizo Financial. Read below to see what the Corporate and our CUSOs are up to!

New Email System

We recently communicated to our members that Vizo Financial, along with our CUSOs, will be converting to a new email system in the coming weeks. Our Greensboro office will be the first to implement the new system on October 24, while the Middletown, Pittsburgh and Columbia offices will be converting in the following six weeks.

The new email system will mean two things for our credit unions. First, you will start to see emails from our staff and our communications system coming from the new vfccu.org domain. To ensure that you continue to receive our communications, we recommend whitelisting the vfccu.org domain. This will make it less likely that you miss an email or have it sent to spam.

The second change is that we will be converting to a single secure email portal through Zix to send communications that contain sensitive information. Click here for information on how to register users and retrieve secure emails via the Zix portal.

Save the Date - Risk Management Conference

It's time to save the date for our Risk Management Conference (formerly the IT & Security Conference). Join us at the Hershey Hotel in Hershey, Pa., from April 18-20, 2018, for three days of risk management education, networking with fellow credit unions and entertainment.

Information security, compliance, operations or risk management and executive professionals are encouraged to attend this educational event! More information coming soon!

New Payments Platform

Vizo Financial's CUSO, MY CU Services, has partnered with Aptys Solutions, an electronic payment services system provider. MY CU Services selected Aptys Solution's system to consolidate several back office payments systems and increase overall efficiencies while enhancing functionality for credit unions. The wire system is the first portion of the new payments platform Vizo Financial and MY CU Services will be implementing. Future applications will include check processing and ACH. Implementation of the entire payments platform will be a multi-year project.

Our goal is to implement the new domestic wire platform before year end. Vizo Financial will create a new domestic wires how-to-guide, host multiple live webinars and provide recorded demos to assist credit unions with the new system. Look for more information in the coming weeks.

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. Here's a look at some of our community involvement work in September:

- Vizo Financial recently donated $30,000 through the National Credit Union Foundation (NCUF) to help provide support to credit union people affected by the recent hurricanes.
- On September 13, 2017, staff participated in Miracle Jeans Day at all four campuses and raised $325 for Children's Miracle Network Hospitals.
- On September 16, two staff members from our Greensboro office represented Vizo Financial in the Run to Victory 5k/10k race to benefit Victory Junction, and raised $510 for the cause.
- Staff from our Greensboro and Middletown campuses prepared meals for families at Ronald McDonald Houses in Winston-Salem, N.C., and Hershey, Pa.

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 September 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 $2.695 billion in September compared to $2.766 billion in August. Volatility of member balances in September was slightly down from August (31% compared to 32%) with the spread between the single day high and low balances being $1.034 billion compared to $1.021 billion the prior month. These trends continue to point to increased liquidity tightening among our member credit unions.

Average off-balance sheet credit union balances -- those held in our Excess Balance Account (EBA) -- averaged just $40.7 million in September with month-end balances of just $31.7 million. Combined with our on-balance sheet member deposits, average short term balances were $2.736 billion.

Although clearly tightening, 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 coming in at $3.4 billion compared to $2.8 billion in August. Of this total, $267.8 million were in term deposits while the remaining balances were distributed between the PSA and settlement deposit accounts.

- Month-end assets came in at $4.311 billion. Average assets were well below month-end assets coming in at $3.828 billion. Excluding non-perpetual capital accounts, our total net equity is at $294.4 million. The unrealized gain/loss/AOCL figure came in at a positive (gain) of $2.450 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 $55.2 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 $77.8 million. Gross income for the month came in at $1,230,534. After distributing $220,065 to members in the form of PCC dividends and $22,138 to minority owners in MY CU Services LLC, our net increase to retained earnings was $988,330.

- Our leverage/tier 1 capital ratio is 5.39% 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 required corporates to deduct a portion of their PCC from their tier 1 capital calculations. In September, this amounted to a reduction of $80.9 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 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 ($80.9m vs. $58.3m) than it actually should have if we were able to count "*equity acquired in a merger*" as part of our total retained earnings. In September, this resulted in a leverage/tier 1 capital ratio difference of 55 basis points (our ratio would have been 5.95%).

- The NEV dollar value of assets came in at $296.6 million at the end of September with an NEV ratio of 6.88% compared to the prior month's 8.03%. 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 6.42% with a negative fluctuation of 7.3%. We are well above required regulatory NEV levels (2%).

- The 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 (*for the second half of 2017 we lowered this from $10,000 to better reflect what we would*

continued on page 3

Financial Condition and Performance Report

continued from page 2

consider immediately liquid), we do not include it as liquid in our "Available Liquidity" report.

- Total capital stands at $295.9 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 $4.894 million as of month-end, so without this reduction our gross total capital amounts to $300.9 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	$ 830 million
Security Sales*	$ 531 million
EBA Balances	$ 32 million
Total Off-Balance Sheet	**$1.393 billion**

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

Unrealized Gains/Losses

In September, market values were, for the most part, stable, as at month-end unrealized gains were $2,450,448, a slight drop from unrealized gains of $2,590,035 at the end of August. The SBA portfolio as a single asset class shows the highest unrealized losses, although the sector continues to show improvement. This asset sector is 100% government guaranteed so it does not present any credit risk and the 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 capabilities. From a credit perspective, our portfolio remains solid with a total risk-based capital ratio of 25.7%.

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.

- $0.291 million LOSS is related to our government agency CMO securities portfolio ($354.1 million total book value)
- $0.266 million LOSS is related to our GNMA government guaranteed and agency MBS securities ($129.5 million total book value)
- $0.029 million LOSS is related to our government agency notes/floaters/callable securities ($22.6 million total book value)
- $0.096 million GAIN is related to our corporate bond portfolio ($27.3 million total book value)
- $1.763 million GAIN is related to our AAA-rated credit card asset-backed securities ($630.7 million total book value)
- $0.996 million GAIN is related to our AAA-rated auto floor-plan asset-backed securities ($311.4 million total book value)
- $1.473 million GAIN is related to our government student loan (FFELP) portfolio ($110.7 million total book value)
- $1.290 million LOSS is related to our government guaranteed SBA portfolio ($959.9 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 are excited about our future and look forward to serving you as Vizo Financial Corporate Credit Union!

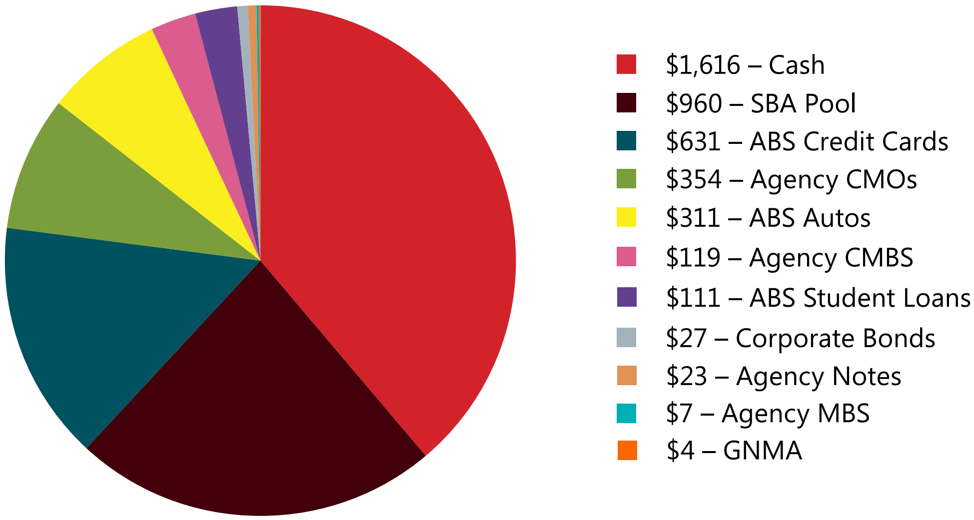
Jay R. Murray

Jay R. Murray
CEO

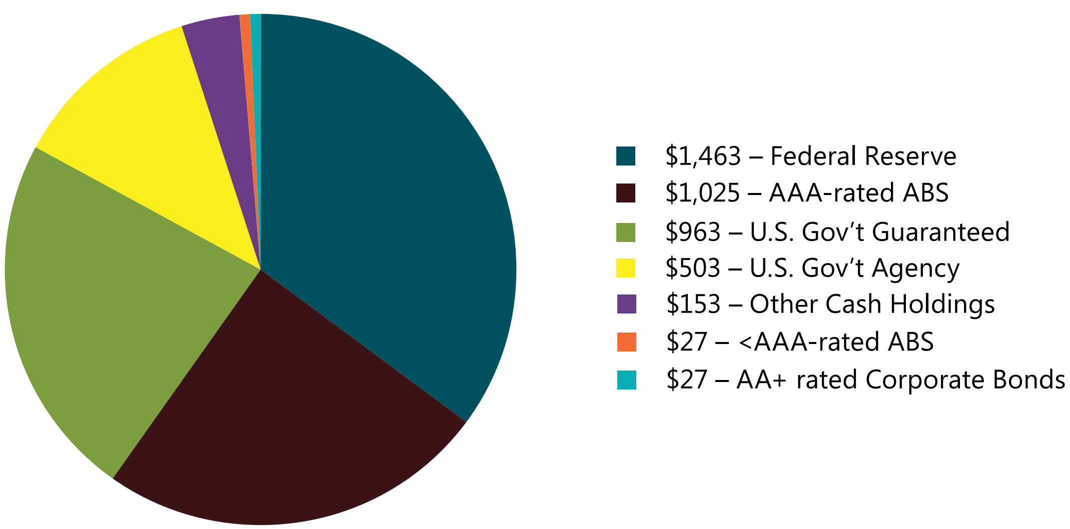
David W. Brehmer
President

Investment Portfolio

Total Book Values



Credit Quality



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

Balance Sheet		September 30, 2017		September 30, 2016
Assets				
Loans	$	11,967,865	$	5,813,166
Investments:				
Asset-Backed Securities (Non-Mortgage)	$	1,056,932,207	$	1,126,097,961
Asset-Backed Securities (Mortgage)	$	0	$	8,717,298
U.S. Gov't (Notes/Floaters/Callables)	$	22,524,797	$	136,623,320
U.S. Gov't Agency (CMOs)	$	357,319,917	$	225,753,706
U.S. Gov't Agency (MBS)	$	136,640,365	$	270,926,197
U.S. Gov't (SBA)	$	958,644,189	$	800,050,173
Corporate Bonds	$	27,418,950	$	0
Federal Home Loan Bank-Atlanta	$	25,178,400	$	18,454,900
Credit Union & Bank Deposits	$	149,810,702	$	115,315,095
CUSOs	$	4,893,857	$	4,862,302
Federal Reserve Bank	$	1,463,246,568	$	1,249,260,657
Cash & Receivables	$	38,070,444	$	114,850,275
Fixed Assets	$	10,139,229	$	8,000,746
Goodwill/Core Deposit Intangible	$	2,518,547	$	2,433,873
Other Assets	$	45,264,060	$	41,623,889
Total Assets:	**$**	**4,310,570,097**	**$**	**4,128,792,558**

Liabilities				
Other Liabilities:	$	2,774,741	$	(8,339,626)
Accounts Payable:	$	60,722,803	$	41,836,839
Uncollected Deposits:	$	(1,544)	$	(139,135)
Notes Payable:	$	510,967,760	$	137,963,660
Shares	$	3,162,343,698	$	3,309,978,553
Certificates/Term Deposits	$	267,813,559	$	359,871,672
Total Shares:	$	3,430,157,257	$	3,669,850,225
Non-Perpetual Capital Accounts (NCA)	$	8,913,835	$	8,897,623
Perpetual Contributed Capital (PCC)	$	214,196,834	$	214,198,192
Reserves & Undivided Earnings	$	55,206,729	$	68,830,015
Equity Acquired in Merger	$	22,562,000	$	0
Accumulated Other Comprehensive Loss	$	2,450,448	$	(6,613,226)
Total Equity:	$	303,329,846	$	285,312,604
Other Equity/Non-Controlling Interest:	$	2,619,234	$	2,307,991
Total Liabilities & Equity:	**$**	**4,310,570,097**	**$**	**4,128,792,558**

unaudited financials

Financial Condition & Performance

Income Statement YTD	September 2017	September 2016
Interest Income	$ 40,477,141	$ 24,228,466
Interest Expense	$ (22,218,681)	$ (9,517,934)
Net Interest Income	**$ 18,258,460**	**$ 14,710,532**
Net Correspondent Service Income	$ 13,094,682	$ 14,148,282
Gross Operating Income	**$ 31,353,142**	**$ 28,858,814**
Operating Expense	$ (20,207,249)	$ (19,269,840)
Net Income:	**$ 11,145,893**	**$ 9,588,974**
Non-Operating Gains/(Losses)	$ 102,867	$ (129,704)
Amortization of Core Deposit Intangible	$ (709,261)	$ (137,254)
CUSO Income	$ 190,520	$ 62,683
Net Income before PCC Distributions	**$ 10,730,019**	**$ 9,384,699**
Less: Non-controlling Interest in Net Income	$ (249,557)	$ (305,724)
Less: Equity Transfer for PCC Distribution	$ (1,734,045)	$ (1,402,573)
Net Increase to Retained Earnings	**$ 8,746,417**	**$ 7,676,402**

Earnings Spread/Net Operating Margin	September 2017	September 2016
Return on Average Assets	1.39%	0.81%
Interest/Dividend Expense	-0.76%	-0.32%
Net Interest Margin	**0.63%**	**0.49%**
Correspondent Service Income	0.45%	0.48%
Operating Expenses	-0.70%	-0.65%
Non-Operating Gains/(Losses)	0.00%	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%**	**0.26%**

Asset Quality	September 2017
Non-Earning Assets/Average Assets	2.64%
Delinquent Loans/Total Loans	0.00%
Investment Portfolio	
U.S. Gov't/Agency Securities	23.14%
Asset-Backed Securities (Non-Mortgage)	24.92%
Asset-Backed Securities (Mortgage)	0.00%
Federal Home Loan Bank	0.59%
Bank & Credit Union Deposits	3.53%
Federal Reserve Bank	34.50%
CUSO Equity	0.12%
Cash & Receivables	0.90%
Credit Ratings	
Asset-Backed Securities (mortgage)	n/a
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

unaudited financials

Key Financial *Ratios*

Capital Adequacy	September 2017	September 2016
RUDE + Acquired Equity Capital/Monthly Average Net Assets	2.03%	1.84%
RUDE + Acquired Equity Capital/12-Month Average Net Assets	1.99%	1.76%
Tier 1 (Leverage) Capital/12-Month Average Net Assets	5.39%	7.12%
Total Capital/12-Month Average Net Assets	7.58%	7.35%
Tier 1 Capital/12-Month Average Risk-Weighted Assets	17.91%	21.35%
Total Capital/12-Month Average Risk-Weighted Assets	25.71%	22.04%
Total Capital	$ 295,961,757	$ 287,063,528
Tier 1 (Leverage) Capital	$ 206,180,873	$ 278,165,905
Tier 2 Capital	$ 89,780,884	$ 8,897,623
PCC deducted from Tier 1 Capital	$ 80,890,833	$ 0
Unrealized Gain/Loss on Securities	$ 2,450,448	$ (6,613,226)
Monthly Average Assets	$ 3,827,916,984	$ 3,740,474,233
Average 12-Month Assets	$ 3,904,963,592	$ 3,908,090,661
Year-to-date Average Assets	$ 3,884,139,293	$ 3,963,383,242

Liquidity & Interest Rate Risk as of September 30, 2017

Available Liquidity	**Available Within 90 Days**
Net Cash and Receivables:	$ 1,501,317,012
Net Available For Sale (AFS) securities:	$ 1,464,032,088
(securities with adequate market values to sell)	
Overnight & Investments Maturing within 90 days:	$ 148,445,227
Unsecured Fed Funds Lines Available:	$ 230,000,000
Secured Fed Funds Lines Available:	$ 150,000,000
Federal Home Loan Bank (FHLB) - borrowing capacity	$ 1,032,212,360
-less fixed term existing loan advances	$ (510,967,760)
Primary Sources of Liquidity:	$ 4,015,038,927
Federal Reserve Bank (FRB) Discount Window - borrowing capacity:	$ 50,688,426
Excess Balance Account (EBA) - funds held for members @ FRB:	$ 30,000,000
Secondary Sources of Liquidity:	$ 80,688,426
Total Available Liquidity:	$ **4,095,727,353**

Interest Rate Risk

Base/Current Rate Environment	**Regulation 704 Operating Level Base Plus**
Net Economic Value (NEV):	$ 296,607,924
NEV Ratio:	6.88%
Up 3% Rate Environment	
Net Economic Value (NEV):	$ 275,059,382
NEV Ratio:	6.42%
Percentage Change:	(7.3%)
Down 1% Rate Environment	
Net Economic Value (NEV):	$ 306,395,139
NEV Ratio:	7.09%
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) - $8,890,051.
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 $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 $1,343,711,100 (9/30) -- this will vary based on assets.
19. Unsecured fed funds lines comprised of $100 million from PNC Bank, $30 million from JPM Chase, $50 million from SunTrust and $50 million from Wells Fargo.
20. Secured fed funds lines comprised of $150 million from US 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 $1,750,450.

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