CERTIFIED AUDIT REPORT

VyStar Credit Union

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended
December 31, 2015 and 2014

INDEPENDENT AUDITOR'S COMMUNICATION

For the year ended December 31, 2015

Nearman Maynard • Vallez
Certified Public Accountants

AUDITED FINANCIAL STATEMENTS

VyStar®
Credit Union

Consolidated Financial Statements

2015

FEDERALLY
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BY NCUA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, Audit Committee and Members of VyStar Credit Union:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of VyStar Credit Union, which comprise the consolidated balance sheet as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

Basis for Qualified Opinion

The industry audit guide, "Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies," issued by the American Institute of Certified Public Accountants indicates that members' deposits should be classified as liabilities in order to conform to generally accepted accounting principles. As further described in Note 1, VyStar Credit Union considers members' deposits to be equity as defined in the Federal Credit Union Act and so presented the information. The presentation followed by VyStar Credit Union has no effect on the total amount or classification of assets or on the determination of income, expenses or net income.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of VyStar Credit Union as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nearman, Maynard, Vallez, CPAs

Nearman, Maynard, Vallez, CPAs
Miami, Florida

March 11, 2016

VYSTAR CREDIT UNION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 442,190,006	$ 294,875,600
Investments		
Available-for-sale	1,049,250,895	1,202,598,119
Other	29,768,901	32,076,889
Loans to members, net	3,934,365,253	3,557,088,569
Accrued interest receivable	11,358,127	11,454,837
Other real estate owned	911,432	3,195,407
Property and equipment, net	118,926,459	111,702,479
National Credit Union Share Insurance Fund deposit	41,544,863	39,384,824
Other assets	24,480,512	13,864,184
Total Assets	$ 5,652,796,448	$ 5,266,240,908

	2015	2014
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accrued expenses and other liabilities	$ 53,541,717	$ 48,149,610
Borrowed funds	487,084,760	525,709,628
Total Liabilities	540,626,477	573,859,238
Commitments and contingent liabilities		
Members' Equity		
Members' deposits	4,577,978,721	4,192,794,319
Retained earnings	529,518,775	488,876,658
Accumulated other comprehensive income	4,672,475	10,710,693
Total Members' Equity	5,112,169,971	4,692,381,670
Total Liabilities and Members' Equity	$ 5,652,796,448	$ 5,266,240,908

VYSTAR CREDIT UNION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
INTEREST INCOME		
Interest on loans to members	$ 150,327,673	$ 141,163,171
Interest on investments and cash equivalents	18,362,891	23,195,503
TOTAL INTEREST INCOME	168,690,564	164,358,674
INTEREST EXPENSE		
Dividends on members' deposits	22,836,808	23,286,188
Interest on borrowed funds	14,925,925	15,070,000
TOTAL INTEREST EXPENSE	37,762,733	38,356,188
NET INTEREST INCOME	130,927,831	126,002,486
PROVISION FOR LOAN LOSSES	7,829,957	6,580,836
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	123,097,874	119,421,650
NON-INTEREST INCOME		
Commissions	61,044,942	56,634,338
Service charges and other fees	19,910,591	19,200,727
Net gains on sales of investments	-	118,716
Loan servicing fees	442,897	432,480
Net gains on sales of loans	1,388,629	1,362,068
TOTAL NON-INTEREST INCOME	82,787,059	77,748,329
NON-INTEREST EXPENSES		
Operations	73,166,911	71,855,567
Salaries and benefits	75,981,146	67,365,936
Occupancy	14,257,905	14,212,883
Other non-interest losses	1,836,854	218,933
TOTAL NON-INTEREST EXPENSES	165,242,816	153,653,319
NET INCOME	$ 40,642,117	$ 43,516,660

VYSTAR CREDIT UNION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
NET INCOME	$ 40,642,117	$ 43,516,660
OTHER COMPREHENSIVE (LOSS) INCOME		
Net unrealized holding (losses) gains on securities arising during the year	(6,038,218)	4,796,665
Less reclassification adjustment for net gains included in net income	-	(118,716)
Total other comprehensive (loss) income	(6,038,218)	4,677,949
TOTAL COMPREHENSIVE INCOME	$ 34,603,899	$ 48,194,609

VYSTAR CREDIT UNION
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

		Retained Earnings			
	Members' Deposits	Regular Reserves	Undivided Earnings	Total	Accumulated Other Comprehensive Income
Balance December 31, 2013	$ 3,991,642,562	$ 96,605,882	$ 348,754,116	$ 445,359,998	$ 6,032,744
Net income	-	-	43,516,660	43,516,660	-
Net change in unrealized gains on available-for-sale investments	-	-	-	-	4,677,949
Net increase in members' deposits	201,151,757	-	-	-	-
Balance December 31, 2014	$ 4,192,794,319	$ 96,605,882	$ 392,270,776	$ 488,876,658	$ 10,710,693
Net income	-	-	40,642,117	40,642,117	-
Net change in unrealized losses on available-for-sale investments	-	-	-	-	(6,038,218)
Net increase in members' deposits	385,184,402	-	-	-	-
Balance December 31, 2015	$ 4,577,978,721	$ 96,605,882	$ 432,912,893	$ 529,518,775	$ 4,672,475

VYSTAR CREDIT UNION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
Net income	$ 40,642,117	$ 43,516,660
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Provision for loan losses	7,829,957	6,580,836
Depreciation and amortization	9,032,588	9,296,319
Premium amortization, net of accretion	7,738,873	10,564,583
Loss on sale of property and equipment	860,273	-
Gain on sale of investments	-	(118,716)
Decrease in accrued interest receivable	96,710	831,305
(Increase) decrease in other assets	(8,332,354)	1,821,205
Increase in accrued expenses and other liabilities	5,392,106	3,575,346
Net cash provided by operating activities	63,260,270	76,067,538
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	627,247	-
Purchases of available-for-sale investments	(120,945,571)	(197,643,545)
Proceeds from maturities, prepayments and calls of available-for-sale investments	260,515,705	181,135,782
Proceeds from sales of available-for-sale investments	-	264,245,710
Net decrease (increase) in other investments	2,307,989	(2,037,266)
Net increase in loans to members	(385,106,641)	(499,589,011)
Increase in the National Credit Union Share Insurance Fund deposit	(2,160,039)	(1,411,668)
Purchases of property and equipment	(17,744,088)	(14,908,963)
Net cash used in investing activities	(262,505,398)	(270,208,961)
FINANCING ACTIVITIES		
(Repayment of) proceeds from borrowed funds	(38,624,868)	65,215,334
Net increase in members' deposits	385,184,402	201,151,757
Net cash provided by financing activities	346,559,534	266,367,091
INCREASE IN CASH AND CASH EQUIVALENTS	147,314,406	72,225,668
Cash and cash equivalents at the beginning of the year	294,875,600	222,649,932
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 442,190,006	$ 294,875,600
SUPPLEMENTAL CASH FLOW INFORMATION		
Dividends paid on members' deposits & interest paid on borrowed funds	$ 37,762,733	$ 38,356,188
Other real estate acquired in settlement of loans	$ 911,432	$ 3,195,407

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

VyStar Credit Union (the Credit Union) is a state-chartered credit union organized under the provisions of Florida Statutes.

Principles of Consolidation

The consolidated financial statements include the accounts of VyStar Credit Union and its wholly-owned subsidiary, VyStar Financial Group, LLC, a credit union service organization that provides insurance brokerage, title insurance and real estate services to Credit Union members as well as non-members. All significant inter-company accounts and transactions have been eliminated.

Nature of Operations

The Credit Union operates thirty-seven full service branches, nine high school branches, two drive-thru branches and one Call Center in Jacksonville, Florida and the surrounding areas. The Credit Union's primary source of revenue is providing loans to members who live or work in a nineteen-county area in northeastern Florida.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Subsequent Events

Credit Union Management has evaluated subsequent events through March 11, 2016, the date on which the financial statements were available to be issued.

Cash, Cash Equivalents and Cash Flows

Cash and cash equivalents consist of cash on hand, demand deposits, and other non-term deposits in other financial institutions. For purposes of reporting cash flows, loans to members, other investments, members' deposits and borrowed funds are reported net.

Investments

Investments the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on investments classified as available-for-sale have been accounted for as accumulated other comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity. Declines in the fair value of individual available-for-sale securities below their costs that are other than temporary, result in write-downs of the individual securities to their fair value. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer or that management would not have the ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value. Other investments are classified separately and are stated at cost.

Federal Home Loan Bank Stock

The Credit Union, as a member of the Federal Home Loan Bank of Atlanta (FHLB) system, is required to maintain an investment in capital stock of the FHLB in an amount equal to nine basis points of total assets plus 4.25% of outstanding advances from the FHLB. No ready market exists for the FHLB stock and it has no quoted market value.

Visa Inc. Stock

In early 2008, as part of the restructuring of Visa Inc., the Credit Union was issued shares of Class B Common Stock in Visa Inc. The shares represented by this issuance are fully paid and non-assessable. At December 31, 2015, the Credit Union held 80,778 shares of Visa's Class B Common Stock. Currently, there is no readily available fair market value of the stock and therefore, the stock is not reflected in the Credit Union's financial statements. Once a readily available fair market value of the stock is known, the value of the stock will be reflected in the Credit Union's financial statements.

Loans

The Credit Union grants mortgage, business and consumer loans to members. Mortgage loans secured by properties located primarily in northeast Florida comprise about 55% of the loan portfolio at December 31, 2015 and 59% of the loan portfolio at December 31, 2014. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding for consumer loans and the amortized-interest method on principal amounts outstanding for most mortgage loans.

The accrual of interest on loans is discontinued at the time the loan is 91 days delinquent. Credit card loans and other personal loans are typically charged-off no later than 180 days past due. Past due status is based on contractual terms of the loan. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Troubled Debt Restructurings

A loan is classified as a troubled debt restructure when a borrower is experiencing financial difficulties that lead to a restructuring of the loan, and the Credit Union grants concessions to the borrower in the restructuring that it would not otherwise consider. The Credit Union strives to identify members in financial difficulty early and works with them to modify to more affordable terms before their loan reaches nonaccrual status. These concessions include but are not limited to interest rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral.

Troubled debt restructurings are considered impaired loans by their nature. The amount of the impairment is derived based on discounting expected cash flows at the loan's effective rate of interest. Therefore, assumptions must be made as to the amount of the future cash flows, which will consider the borrower's willingness and ability to pay contractual principal and interest payments.

Other Real Estate Owned (Foreclosed Property)

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, additional expenses related to improvements to the property are capitalized. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in operating expenses.

As of December 31, 2015, the Credit Union has approximately $0.7 million in foreclosed residential real estate property held for sale. In addition, the Credit Union has approximately $2.5 million in loans collateralized by residential real estate in the process of foreclosure.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Large groups of homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Transfers and Servicing of Financial Assets

The Credit Union accounts for transfers and servicing of financial assets in accordance with generally accepted accounting principles (GAAP) codified in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) section 860. GAAP requires application of a financial-components approach that focuses on control. Under this approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

The Credit Union generally retains the right to service mortgage loans sold to others. The cost allocated to the mortgage servicing rights retained has been recognized as a separate asset and is being amortized in proportion to and over the period of estimated net servicing income. Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest and current expected future prepayment rates.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Property and Equipment

Land is carried at cost. Building, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each federally insured Credit Union in an amount equal to 1% of its insured members' deposits. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it converts its insurance coverage to another source or if management of the fund is transferred from the NCUA Board.

Members' Deposits

Members' deposits consist of the savings and other deposit accounts of the owners of the Credit Union. Ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of deposits owned, no member has more than one vote. Members' deposits are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' deposits are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union.

Members' deposits are classified as members' equity in the consolidated statements of financial condition. It is the Credit Union's position that members' deposits represent an ownership interest and are properly classified as equity. Such classification is not in accordance with generally accepted accounting principles. Generally accepted accounting principles require members' deposits to be classified as liabilities. This change has no effect on the consolidated statements of operations.

Income Taxes

The Credit Union is exempt, by statute, from federal taxes on income related to the exempt purpose of the Credit Union. However, the Credit Union is subject to taxes on certain "unrelated business income" as further discussed in Note 8.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the consolidated statements of financial condition.

Reclassifications

Certain account reclassifications have been made to the 2014 financial statements in order to conform to classifications used in the current year.

2. INVESTMENTS

Investments classified as available-for-sale consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2015				
U.S. government obligations and federal agencies securities	$ 213,148,812	$ 1,428,207	$ (285,654)	$ 214,291,365
Mortgage-backed securities	219,241,108	4,042,488	(205,428)	223,078,168
Corporate bonds	107,045,388	461,204	(192,894)	107,313,698
CMOs	505,143,112	1,068,924	(1,644,372)	504,567,664
	$ 1,044,578,420	$ 7,000,823	$ (2,328,348)	$ 1,049,250,895
December 31, 2014				
U.S. government obligations and federal agencies securities	$ 293,857,375	$ 3,449,457	$ (756,332)	$ 296,550,500
Mortgage-backed securities	253,475,120	6,900,521	(3,054)	260,372,587
Corporate bonds	87,337,206	703,025	(201,869)	87,838,362
CMOs	557,217,725	2,033,702	(1,414,757)	557,836,670
	$ 1,191,887,426	$ 13,086,705	$ (2,376,012)	$ 1,202,598,119

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2015 and 2014 are as follows:

		Continuous Unrealized Losses Existing For:		
Available-for-sale	**Fair Value**	**Less Than 12 Months**	**More Than 12 Months**	**Total Unrealized Losses**
December 31, 2015				
U.S. government obligations and federal agencies securities	$ 41,068,100	$ 285,654	$ -	$ 285,654
Mortgage-backed securities	51,957,047	205,428	-	205,428
Corporate bonds	51,273,162	168,041	24,853	192,894
CMOs	213,005,285	791,022	853,350	1,644,372
	$ 357,303,594	$ 1,450,145	$ 878,203	$ 2,328,348

Available-for-sale December 31, 2014	Fair Value	Continuous Unrealized Losses Existing For: Less Than 12 Months	Continuous Unrealized Losses Existing For: More Than 12 Months	Total Unrealized Losses
U.S. government obligations and federal agencies securities	$ 40,521,151	$ 343,156	$ 413,176	$ 756,332
Mortgage-backed securities	11,704,930	3,054	-	3,054
Corporate bonds	29,912,530	36,333	165,536	201,869
CMOs	208,553,995	465,323	949,434	1,414,757
	$ 290,692,606	$ 847,866	$ 1,528,146	$ 2,376,012

There are a total of seventy-one and forty-four investments with unrealized losses as of December 31, 2015 and 2014, respectively. The unrealized losses associated with these investments are considered temporary as the Credit Union has the ability to hold these investments for a period of time sufficient to allow for any anticipated recovery in fair value.

There were no sales of investments in 2015. Gross realized gains on sales of investments available-for-sale were $812,000 in 2014; gross realized losses were $693,000 in 2014.

Other investments consist of the following:

	December 31 2015	December 31 2014
FHLB stock	$ 25,422,100	$ 28,089,500
Credit Union Service Organizations	4,346,801	3,987,389
	$ 29,768,901	$ 32,076,889

Investments by maturity as of December 31, 2015 are summarized as follows:

	Available-for-sale Amortized Cost	Available-for-sale Fair Value	Other
No contractual maturity	$ -	$ -	$ 29,768,901
Less than 1 year maturity	98,185,239	98,703,111	-
1 to 5 years maturity	222,008,961	222,901,952	-
5 to 10 years maturity	-	-	-
Mortgage-backed securities and CMOs	724,384,220	727,645,832	-
	$ 1,044,578,420	$ 1,049,250,895	$ 29,768,901

Expected maturities of mortgage-backed securities and collateralized mortgage obligations (CMOs) may differ from contractual maturities because borrowers may have the right to call or prepay the obligations. Securities not due at a single maturity date, primarily mortgage-backed securities and CMOs, are shown separately. FHLB stock and various other investments have been classified with no contractual maturity.

3. LOANS TO MEMBERS

Loans to members are shown below. Included in these loan amounts are approximately $41.1 million and $35.0 million of deferred loan origination fees/costs as of December 31, 2015 and 2014, respectively.

	December 31	
	2015	**2014**
Residential first mortgage real estate loans	$ 1,782,940,477	$ 1,723,772,859
Residential second mortgage real estate loans	237,897,108	221,697,393
Consumer secured loans	1,331,609,954	1,072,413,563
Consumer unsecured loans	440,392,282	419,868,923
Business real estate loans	169,911,782	155,255,852
Other business loans	7,907,876	5,904,257
Gross loans to members	3,970,659,479	3,598,912,847
Allowance for loan losses	(36,294,226)	(41,824,278)
Loans to members, net	$ 3,934,365,253	$ 3,557,088,569

The following summarizes the activity by loan categories in the allowance for loan losses account:

	For the Year Ended December 31, 2015			
	Residential Real Estate	Consumer	Business	Total
Allowance for Loan Losses:				
Beginning balance	$ 24,258,713	$ 11,834,745	$ 5,730,820	$ 41,824,278
Provision for loan losses	(3,530,876)	11,527,129	(166,296)	7,829,957
Recoveries	295,173	1,500,814	39,305	1,835,292
Loans charged off	(2,662,892)	(12,384,645)	(147,764)	(15,195,301)
Ending balance	$ 18,360,118	$ 12,478,043	$ 5,456,065	$ 36,294,226
Ending allowance for loans individually evaluated for impairment	$ 655,865	$ -	$ 2,743,920	$ 3,399,785
Ending allowance for loans collectively evaluated for impairment	$ 17,704,253	$ 12,478,043	$ 2,712,145	$ 32,894,441
Loans to Members:				
Loans individually evaluated for impairment	$ 1,804,152	$ -	$ 19,899,773	$ 21,703,925
Loans collectively evaluated for impairment	2,019,033,433	1,772,002,236	157,919,885	3,948,955,553
Ending balance	$ 2,020,837,585	$ 1,772,002,236	$ 177,819,658	$ 3,970,659,479

The following summarizes the activity by loan categories in the allowance for loan losses account:

	For the Year Ended December 31, 2014			
	Residential Real Estate	Consumer	Business	Total
Allowance for Loan Losses:				
Beginning balance	$ 30,038,196	$ 13,113,996	$ 7,919,172	$ 51,071,364
Provision for loan losses	(1,226,572)	8,321,979	(514,571)	6,580,836
Recoveries	521,484	1,667,911	63,086	2,252,481
Loans charged off	(5,074,395)	(11,269,141)	(1,736,867)	(18,080,403)
Ending balance	$ 24,258,713	$ 11,834,745	$ 5,730,820	$ 41,824,278
Ending allowance for loans individually evaluated for impairment	$ 1,279,355	$ -	$ 3,486,651	$ 4,766,006
Ending allowance for loans collectively evaluated for impairment	$ 22,979,358	$ 11,834,745	$ 2,244,169	$ 37,058,272
Loans to Members:				
Loans individually evaluated for impairment	$ 4,078,349	$ -	$ 19,996,709	$ 24,075,058
Loans collectively evaluated for impairment	1,941,391,903	1,492,282,485	141,163,401	3,574,837,789
Ending balance	$ 1,945,470,252	$ 1,492,282,485	$ 161,160,110	$ 3,598,912,847

The following is a summary of information pertaining to impaired loans at:

	December 31, 2015		
	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With a related allowance recorded:			
Residential 1st mortgage real estate loans	$ 80,820,106	$ 12,055,539	$ 80,881,500
Residential 2nd mortgage real estate loans	9,817,743	1,786,075	9,774,133
Consumer secured loans	1,065,594	9,377	1,077,129
Consumer unsecured loans	1,076,991	23,991	1,078,248
Business real estate loans	19,847,445	2,691,592	19,861,594
Other business loans	52,328	52,328	52,913
With no related allowance recorded:			
Residential 1st mortgage real estate loans	-	-	-
Residential 2nd mortgage real estate loans	-	-	-
Consumer secured loans	-	-	-
Consumer unsecured loans	-	-	-
Business real estate loans	-	-	-
Other business loans	-	-	-
Total impaired loans:			
Residential real estate loans	$ 90,637,849	$ 13,841,614	$ 90,655,633
Consumer loans	$ 2,142,585	$ 33,368	$ 2,155,377
Business loans	$ 19,899,773	$ 2,743,920	$ 19,914,507

The following is a summary of information pertaining to impaired loans at:

	December 31, 2014		
	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With a related allowance recorded:			
Residential 1st mortgage real estate loans	$ 103,773,763	$ 14,644,213	$ 103,665,503
Residential 2nd mortgage real estate loans	10,973,715	1,953,985	10,991,207
Consumer secured loans	1,604,267	9,083	1,620,946
Consumer unsecured loans	1,147,860	26,087	1,142,633
Business real estate loans	19,948,619	3,438,561	19,930,054
Other business loans	3,139,316	494,062	3,142,627
With no related allowance recorded:			
Residential 1st mortgage real estate loans	-	-	-
Residential 2nd mortgage real estate loans	-	-	-
Consumer secured loans	-	-	-
Consumer unsecured loans	-	-	-
Business real estate loans	-	-	-
Other business loans	-	-	-
Total impaired loans:			
Residential real estate loans	$ 114,747,478	$ 16,598,198	$ 114,656,710
Consumer loans	$ 2,752,127	$ 35,170	$ 2,763,579
Business loans	$ 23,087,935	$ 3,932,623	$ 23,072,681

The following is a summary age analysis of past due loans:

	As of December 31, 2015				
	2 to < 6 Months Past Due	6 to < 12 Months Past Due	Greater than 12 Months Past Due	Total	Nonaccrual Loans
Residential 1st mortgage real estate loans	$ 4,322,943	$ 1,537,460	$ 696,091	$ 6,556,494	$ 4,283,071
Residential 2nd mortgage real estate loans	1,513,339	135,359	113,377	1,762,075	1,095,785
Consumer secured loans	1,803,595	246,820	10,371	2,060,786	1,079,300
Consumer unsecured loans	857,284	212,878	-	1,070,162	779,077
Business real estate loans	3,254,765	-	152,228	3,406,993	3,012,664
Other business loans	1,924	-	-	1,924	-
Total	$ 11,753,850	$ 2,132,517	$ 972,067	$ 14,858,434	$ 10,249,897

The following is a summary age analysis of past due loans:

	As of December 31, 2014				
	2 to < 6 Months Past Due	6 to < 12 Months Past Due	Greater than 12 Months Past Due	Total	Nonaccrual Loans
Residential 1st mortgage real estate loans	$ 5,321,312	$ 2,161,199	$ 847,378	$ 8,329,889	$ 6,019,823
Residential 2nd mortgage real estate loans	1,687,535	375,998	208,373	2,271,906	1,402,783
Consumer secured loans	1,693,803	463,258	39,087	2,196,148	1,179,468
Consumer unsecured loans	830,925	280,714	-	1,111,639	872,590
Business real estate loans	438,677	-	-	438,677	246,529
Other business loans	2,887	-	-	2,887	-
Total	$ 9,975,139	$ 3,281,169	$ 1,094,838	$ 14,351,146	$ 9,721,193

The following table presents a summary of credit exposure based upon payment activity. Internally assigned loan grades are defined as either performing loans or nonperforming loans. A performing loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary. A loan classified as nonperforming is considered potentially uncollectible with a likelihood of charge-off. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it means that charge-off is likely in the near future.

The following is a summary of loans based on credit quality:

	As of December 31, 2015 (Dollars in thousands)					
	Residential Real Estate		Consumer		Business	
	First	Second	Secured	Unsecured	Real Estate	Other
Performing	$ 1,778,657	$ 236,801	$1,330,531	$ 439,613	$ 166,899	$ 7,908
Nonperforming	4,283	1,096	1,079	779	3,013	-
Total	$ 1,782,940	$ 237,897	$1,331,610	$ 440,392	$ 169,912	$ 7,908

	As of December 31, 2014 (Dollars in thousands)					
	Residential Real Estate		Consumer		Business	
	First	Second	Secured	Unsecured	Real Estate	Other
Performing	$ 1,717,753	$ 220,295	$1,071,234	$ 418,996	$ 155,009	$ 5,904
Nonperforming	6,020	1,403	1,179	873	247	-
Total	$ 1,723,773	$ 221,698	$1,072,413	$ 419,869	$ 155,256	$ 5,904

The following is a summary of information pertaining to troubled debt restructurings that occurred during the audit period:

For the year ending December 31, 2015	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings			
Residential real estate loans	33	$ 2,669,640	$ 2,665,427
Consumer loans	59	$ 380,216	$ 333,926
Business loans	3	$ 1,848,609	$ 1,847,601

Year ending December 31, 2015	Number of Loans	Balance
Troubled debt restructurings that subsequently defaulted		
Residential real estate loans	28	$ 1,079,175
Consumer loans	54	$ 381,994
Business loans	1	$ 81,284

For the year ending December 31, 2014	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings			
Residential real estate loans	59	$ 5,491,932	$ 5,415,056
Consumer loans	92	$ 838,441	$ 774,443
Business loans	7	$ 2,600,300	$ 2,602,051

Year ending December 31, 2014	Number of Loans	Balance
Troubled debt restructurings that subsequently defaulted		
Residential real estate loans	32	$ 1,468,864
Consumer loans	36	$ 256,723
Business loans	3	$ 1,707,678

4. LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at December 31, 2015 and 2014 are summarized as follows:

	December 31	
	2015	2014
Mortgage loan portfolios serviced for Federal National Mortgage Association (FNMA)	$ 315,748,907	$ 304,737,501

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in deposits, were approximately $2.3 million and $2.1 million at December 31, 2015 and 2014 respectively.

A summary of the changes in the balance of mortgage servicing rights in 2015 and 2014 were as follows:

	Years Ended December 31	
	2015	2014
Balance, beginning of year	$ 1,225,907	$ 1,155,356
Servicing assets recognized during the year	296,712	370,391
Amortization of servicing assets	(343,941)	(299,840)
Balance, end of year	$ 1,178,678	$ 1,225,907

5. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	December 31	
	2015	2014
Land	$ 57,163,745	$ 52,929,200
Buildings	77,010,544	72,013,573
Land and leasehold improvements	7,451,787	6,947,252
Furniture and equipment	58,767,760	53,827,746
Total cost	200,393,836	185,717,771
Accumulated depreciation and amortization	(81,467,377)	(74,015,292)
Total property and equipment, net	$ 118,926,459	$ 111,702,479

The Credit Union leases four offices. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. All rental payments are dependent only upon the lapse of time. Minimum rental payments for office facilities under operating leases with remaining terms of one year or more at December 31, 2015 are as follows:

Years Ending December 31	
2016	$ 270,810
2017	13,959
2018	-
Subsequent years	-
	$ 284,769

Rental expense for the years ending December 31, 2015 and 2014 for all office facilities leased under operating leases totaled $279,000 and $267,000, respectively. Rental expense for the years ending December 31, 2015 and 2014 for all ATM facilities leased under operating leases totaled $642,000 and $598,000, respectively.

6. MEMBERS' DEPOSITS

Members' deposits are summarized as follows:

	December 31	
	2015	2014
Savings accounts	$ 1,180,000,631	$ 1,019,172,990
Checking accounts	836,412,797	739,683,049
Money market accounts	1,119,760,541	1,068,419,214
Individual retirement accounts	172,750,831	159,391,658
Certificates of deposit	1,269,053,921	1,206,127,408
	$ 4,577,978,721	$ 4,192,794,319

Certificates of deposit by maturity as of December 31, 2015 are summarized as follows:

0 – 1 year maturity	$ 687,986,540
1 – 2 years maturity	299,704,996
2 – 3 years maturity	73,417,834
3 – 4 years maturity	59,656,838
4 – 5 years maturity	148,157,211
Over 5 years maturity	130,502
	$ 1,269,053,921

Savings, checking, money market and individual retirement accounts have no contractual maturity. Certificate accounts have maturities of 70 months or less.

The National Credit Union Share Insurance Fund insures members' shares up to $250,000. This includes all account types, such as savings, checking, money market and certificates of deposit. Individual Retirement Account coverage is an additional $250,000. At December 31, 2015, the aggregate amount of members' deposit accounts that are federally insured is $4.3 billion. Conversely, the aggregate amount of members' deposit accounts that are not federally insured is approximately $264 million.

7. NOTES PAYABLE

The Credit Union utilizes a demand loan agreement with the Federal Home Loan Bank of Atlanta (FHLB). The terms of the agreement call for pledging a portion of the Credit Union's mortgage portfolio. The agreement provides for a maximum borrowing amount of $1.1 billion. As of December 31, 2015, fixed rate advances total $486 million and have interest rates ranging from 0.408% to 4.935%.

The outstanding balances by maturity dates are as follows:

	December 31	
	2015	2014
0 to 2 years maturity	$ 98,050,000	$ 141,000,000
3 to 5 years maturity	268,357,143	309,130,711
Over 5 years maturity	119,104,939	73,985,714
	485,512,082	524,116,425
Interest payable	1,572,678	1,593,203
	$ 487,084,760	$ 525,709,628

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union has an available line of credit with one bank. The terms of the agreement provide for borrowings up to $454 million with interest payable at a rate determined by the lender on a periodic basis. There are currently no borrowings under this agreement.

The Credit Union is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

The Credit Union has no outstanding commitments to sell loans or investments at December 31, 2015.

Off Balance Sheet Risk:

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include credit cards, lines of credit and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for loans recorded in the financial statements.

Unfunded loan commitments under lines of credit are summarized as follows:

	December 31	
	2015	**2014**
Credit card	$ 519,204,554	$ 478,857,167
Other consumer	88,881,815	84,831,457
Home equity	162,943,576	140,946,048
Business	-	25,000
	$ 771,029,945	$ 704,659,672

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized with the exception of home-equity loans and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Unrelated Business Income Tax:

The Internal Revenue Service (IRS) and certain state taxing authorities continually revisit what products and services provided by state-chartered credit unions may be subject to unrelated business income tax (UBIT). There is currently very little guidance in the Internal Revenue Code on what activities should be subject to UBIT. The IRS has indicated that they are studying this area of taxation and may issue additional guidance.

As a result, at this time, there is uncertainty regarding whether state-chartered credit unions should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which the Credit Union was granted non-taxable status. The Credit Union has determined certain activities to be unrelated to the exempt purpose of its charter and has filed federal tax returns in the past for those potential taxable activities.

The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Credit Union's non-taxable status is not expected to have a material effect on the Credit Union's financial position or results of operations.

9. EMPLOYEE BENEFITS

The Credit Union has a qualified, contributory 401(k) profit sharing plan that allows employees to defer a portion of their salary into the 401(k) plan. The Credit Union matches a portion of employees' wage deferrals. The employer contributions are accrued on a monthly basis and funded on an annual basis. The Credit Union accrued $1.5 million and $1.4 million for 401(k) plan years ending December 31, 2015 and 2014, respectively.

10. MEMBERS' EQUITY

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, credit unions over $10 million in assets are also required to calculate a Risk-Based Net Worth (RBNW) requirement which establishes whether the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of December 31, 2015 and 2014 were 5.17% and 5.30%, respectively. The minimum ratio to be considered "complex" under the regulatory framework is 6%. Management believes, as of December 31, 2015 and 2014, that the Credit Union meets all capital adequacy requirements to which it is subject.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	December 31, 2015		December 31, 2014	
General Capital Requirements:	**Amount**	**Ratio**	**Amount**	**Ratio**
Amount needed to be classified as “adequately capitalized”	$ 339,167,787	6.00%	$ 315,974,454	6.00%
Amount needed to be classified as “well capitalized”	$ 395,695,751	7.00%	$ 368,636,864	7.00%
Actual net worth	$ 529,518,775	9.37%	$ 488,876,658	9.28%

For December 31, 2015 and December 31, 2014, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category of “well capitalized.” Further, in performing its calculation of total assets, the Credit Union used the average of the quarter-end balances of the four most recent quarters, as permitted by regulation.

11. RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, audit committee members and executive officers. The aggregate loans to related parties were $2.3 million and $2.2 million at December 31, 2015 and 2014, respectively.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Credit Union discloses the fair value of assets and liabilities in accordance with the provisions of GAAP which defines fair value and establishes a framework for measuring fair value. The fair value of financial instruments represents the fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price).

To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The availability of inputs relevant to the asset or liability and the relative reliability of the inputs might affect the selection of appropriate valuation techniques.

Level 1 Inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. In general, a quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 Inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. An adjustment to a Level 2 input that is significant to the fair value measurement in its entirety might render the measurement a Level 3 measurement, depending on the level in the fair value hierarchy within which the inputs used to determine the adjustment fall.

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Therefore, unobservable inputs shall reflect the reporting Credit Union’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the Credit Union’s own data. However, the unobservable inputs shall not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets Acquired in Liquidation

Fair value is measured based on the appraised value of the collateral or based on the collateral type, through the National Automobile Dealers Association (NADA) valuation tables. Collateral may be real estate, vehicles and/or business assets including equipment, and value is determined based on appraisals by qualified licensed appraisers hired by the Credit Union for real estate or NADA valuation tables for consumer collateral. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the member and member's business.

Fair Value on a Recurring Basis

The following table presents the balances of financial assets that are measured and presented in the statements of financial condition at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
December 31, 2015				
Investments AFS	$ 1,049,250,895	$ 1,049,250,895	-	-
December 31, 2014				
Investments AFS	$ 1,202,598,119	$ 1,202,598,119	-	-

Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. The following table presents assets and liabilities carried on the statements of financial condition for which a nonrecurring change in fair value has been recorded during the year ended:

	Total	Level 1	Level 2	Level 3
December 31, 2015				
Assets acquired in liquidation	$ 1,071,944	-	$ 1,071,944	-
December 31, 2014				
Assets acquired in liquidation	$ 3,229,207	-	$ 3,229,207	-

GRAPHIC ANALYSIS AND

MANAGEMENT REPORT

Nearman
Maynard • Vallez
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL OVERVIEW AND GRAPHIC ANALYSIS

March 11, 2016

Audit Committee
VyStar Credit Union
Jacksonville, Florida

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial overview (beginning on page B-2) and graphic financial analysis (beginning on page C-1) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Nearman, Maynard, Vallez, CPAs

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VYSTAR CREDIT UNION
CONSOLIDATED FINANCIAL OVERVIEW
DECEMBER 31, 2015

The peer group average referenced within this document represents credit unions in the United States of America with total assets between $2B - $7B. There are 89 credit unions within this peer group as of December 31, 2015.

During the year ended December 31, 2015, VyStar Credit Union (the Credit Union) experienced an increase in total assets of approximately $386,556,000 (7.3%). Asset growth is primarily driven by members' share deposits. During the audit year, members' shares increased by approximately $385,184,000 (9.2%).

Substantially all asset growth was distributed to interest earning assets as noted by the increases in loans receivable of approximately $371,747,000 (10.3%). During the same period, investments decreased by approximately $151,668,000 (12.3%). The changes in loans receivable and total assets resulted in an increase in the Credit Union's loan-to-asset ratio to 70.2% as of the audit date compared to 68.3% at prior year-end. The loan-to-asset ratio is an indicator of profitability, as the return on loans will generally outpace the return on investments. The peer group average loan-to-asset ratio approximated 67.6% as of year-end.

The following components comprise the calculation for the return on average assets ratio. The peer group referred to in the following paragraphs is made up of credit unions with total assets approximating the Credit Union's asset size.

The first component is the yield on average assets ratio. This ratio depicts the total of loan and investment interest income divided by average assets. During the year ended December 31, 2015, the Credit Union's yield on average assets ratio decreased to 3.07% compared to the previous year's ratio of 3.22%. This 15 basis point decrease is primarily due to changes in the interest rate market and the composition of interest earning assets. The Credit Union's yield on average assets ratio is six basis points below the peer group's average of approximately 3.13%.

The next component is the cost of funds divided by average assets ratio. This ratio shows the relationship of interest expense as a percentage of average assets. A credit union's cost of funds ratio is based on management's recommended and board approved dividend rates as well as the interest rate environment and the overall annual business plan. During the year ended December 31, 2015, the Credit Union's cost of funds as a percentage of average assets decreased to 0.69% from 0.75% in the prior year. This ratio is 14 basis points above the peer group average of approximately 0.55%.

The cost of funds ratio is subtracted from the yield on average assets ratio to compute the net interest margin. The Credit Union's net interest margin for the year ended December 31, 2015, equated to 2.38%. This ratio is 20 basis points below the peer group average of approximately 2.58%, and a nine basis point decrease from the prior year.

The operating expense ratio includes costs associated with employee compensation and benefits, office space and equipment, communications, loan servicing, education and promotion, professional and outside services and other items related to operations. Because of differences in the types of services offered, number of branches, and sponsor assistance, or lack thereof, it is often difficult to compare the operating expense ratio of one credit union to its peer group. The Credit Union's operating expenses as a percentage of average assets decreased to 2.94% from 3.00% in the prior year. This ratio is 15 basis points above the peer group average of approximately 2.79%.

The provision for loan losses as a percentage of average assets remained relatively the same increasing one basis point from last year. This year's ratio of 0.14% is below the peer group average of approximately 0.25%. The amount needed for the provision for loan loss expense is directly affected by charge-offs. Increased charge-offs will require more provision expense to replenish the allowance for loan losses account to an adequate level, while a decrease in charge-offs will allow for less provision expense to maintain an adequately funded allowance for loan losses account.

The other income and expense ratio is comprised of income from fees and non-operating income/expense items. Significant items included in this ratio are non-sufficient fund fees and interchange income. The Credit Union's other income and expense to average assets ratio equated to 1.44% for the current year ended. The peer group average is approximately 1.35%.

The above factors contributed to a return on average assets ratio of 0.74% for the year ended December 31, 2015. The current peer group average is approximately 0.89%.

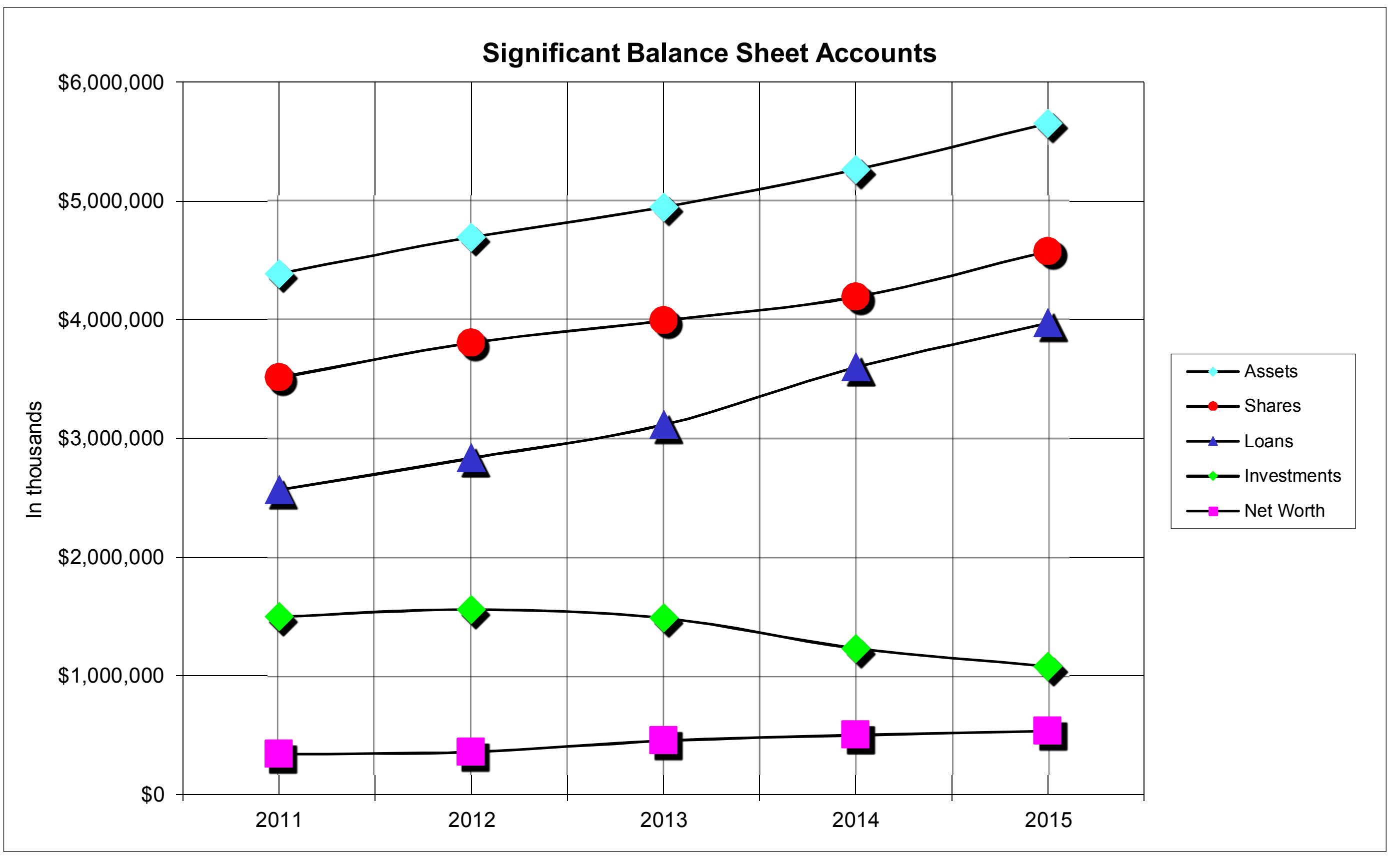
The Credit Union's net worth ratio (undivided earnings and regular reserve divided by total assets) increased nine basis points from the prior year. The Credit Union's net worth ratio of 9.37% is below the peer group average of approximately 10.78%. However, the Credit Union's net worth ratio is below the 7.00% benchmark established in section 702.102 of the National Credit Union Administration's "Rules and Regulations." Section 702.102 states that subject to certain conditions, credit unions with a net worth ratio of 7.00% or more are considered well capitalized.

☆☆☆☆☆

VyStar Credit Union
December 31, 2015
Financial Analysis

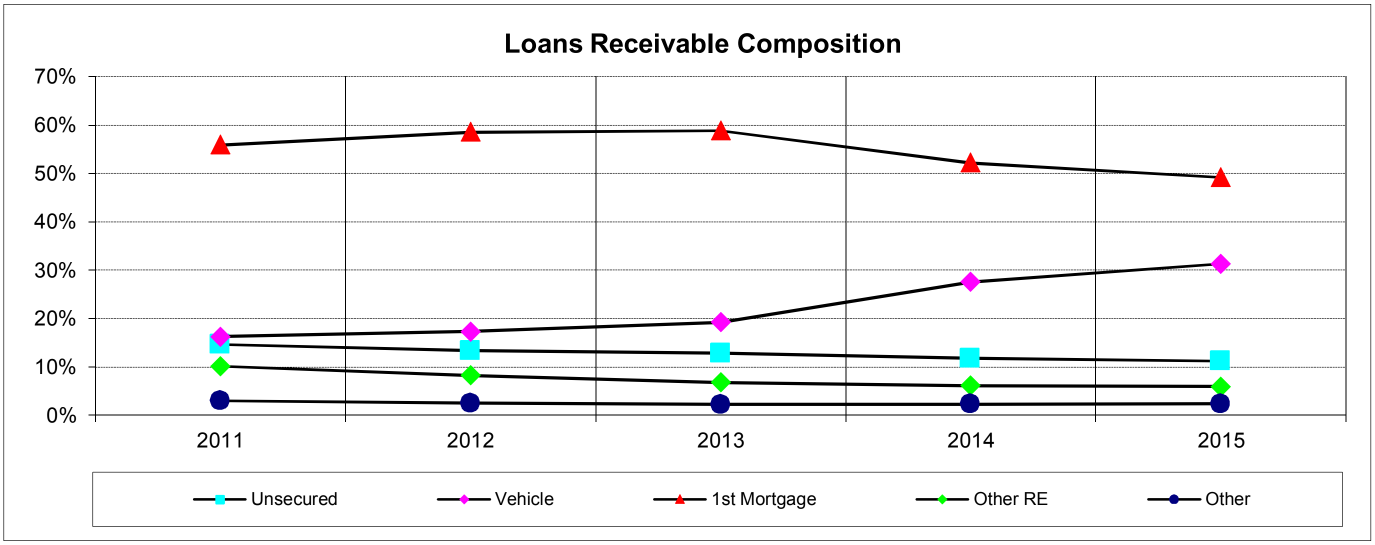
Peer Group = **Asset Range 2B - 7B** and **Region National**

Changes	December 31, 2014 Dollar Change	Percentage Change	December 31, 2015 Dollar Change	Percentage Change	Peer Group Average
Assets	$ 318,137,046	6.4%	$ 386,555,540	7.3%	6.8%
Loans Receivable	$ 483,761,089	15.5%	$ 371,746,632	10.3%	10.5%
Investments	$ (255,455,987)	(17.2%)	$ (151,667,823)	(12.3%)	(0.7%)
Shares	$ 201,151,757	5.0%	$ 385,184,402	9.2%	6.4%
Net Worth	$ 43,516,660	9.8%	$ 40,642,117	8.3%	6.7%

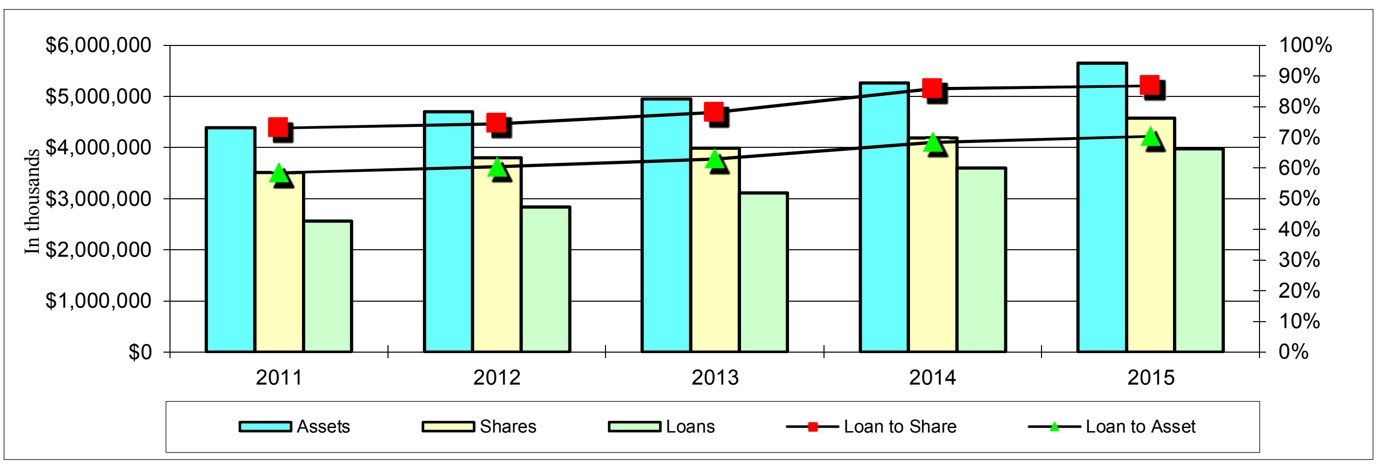


Unaudited, this information is for discussion purposes only.

Loans Receivable Mix	December 31, 2014 Balance	December 31, 2014 Percentage of Total	December 31, 2015 Balance	December 31, 2015 Percentage of Total	Peer Group Average
Unsecured	$ 422,637,487	12%	$ 443,219,743	11%	11%
Vehicle	993,166,696	28%	1,242,378,593	31%	31%
1st Mortgage (Real Estate)	1,878,762,008	52%	1,952,619,263	49%	45%
Other Real Estate	220,922,277	6%	237,242,522	7%	9%
Other Collateral	83,424,379	2%	95,199,358	2%	4%
Total	$ 3,598,912,847	100%	$ 3,970,659,479	100%	100%

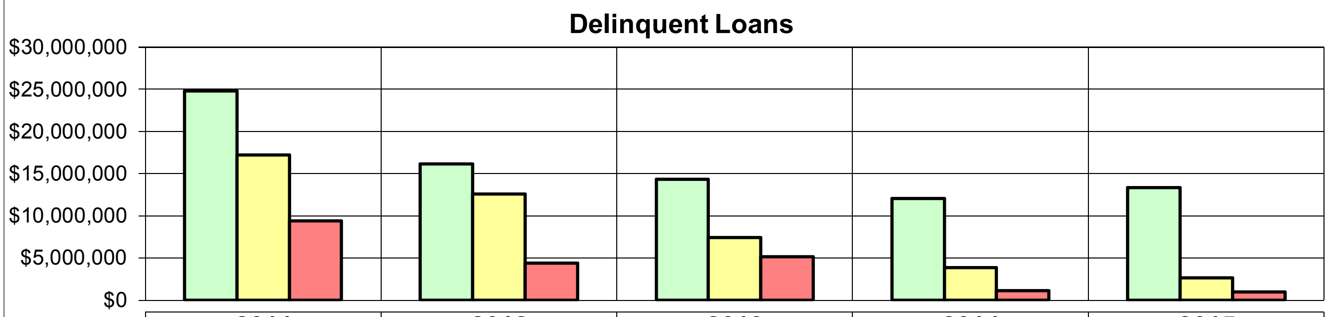


Other Loan Ratios	December 31, 2014	December 31, 2015	Peer Group Average
Loan to Share	85.8%	86.7%	80.0%
Loan to Asset	68.3%	70.2%	67.6%



Unaudited, this information is for discussion purposes only.

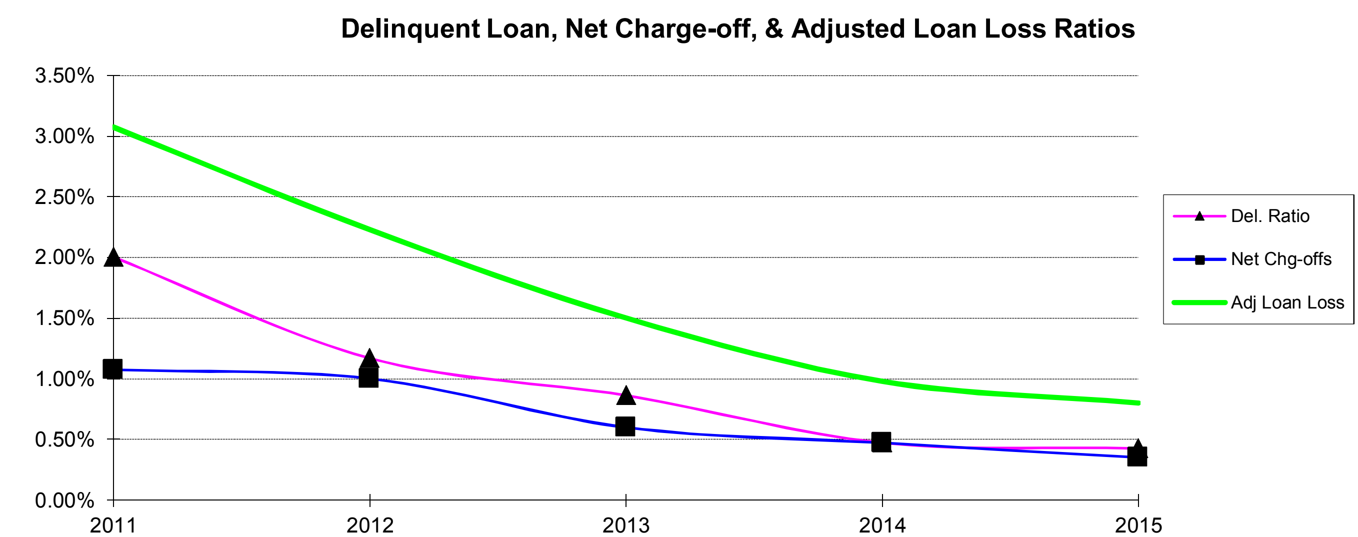
Delinquent Loans	December 31, 2014	December 31, 2015	Dollar Change
Delinquent 60 -179 days	$ 12,066,918	$ 13,347,018	$ 1,280,100
Delinquent 180 - 359 days	3,862,049	2,618,099	(1,243,950)
Delinquent 360 days >	1,094,838	972,067	(122,771)
Total	$ 17,023,805	$ 16,937,184	$ (86,621)



	2011	2012	2013	2014	2015
60 - 179	**24,767,779**	**16,182,352**	**14,301,360**	**12,066,918**	**13,347,018**
180 - 359	**17,233,250**	**12,609,683**	**7,448,078**	**3,862,049**	**2,618,099**
360 +	**9,368,376**	**4,339,732**	**5,104,112**	**1,094,838**	**972,067**

Loan Performance Ratios	December 31, 2014	December 31, 2015	Peer Group 2014	Peer Group 2015
* Delinquent Loans > 60 days / Total Loans	0.47%	0.43%	0.79%	0.70%
* Net Charge-offs / Average Loans	0.47%	0.35%	0.45%	0.40%
**Adjusted Loan Loss Ratio	0.98%	0.80%	1.18%	1.04%

** ((Del. Loans > 60 days + Net Chg-offs) / Avg. Loans)



Unaudited, this information is for discussion purposes only.

*** - Key Financial Performance Ratio**

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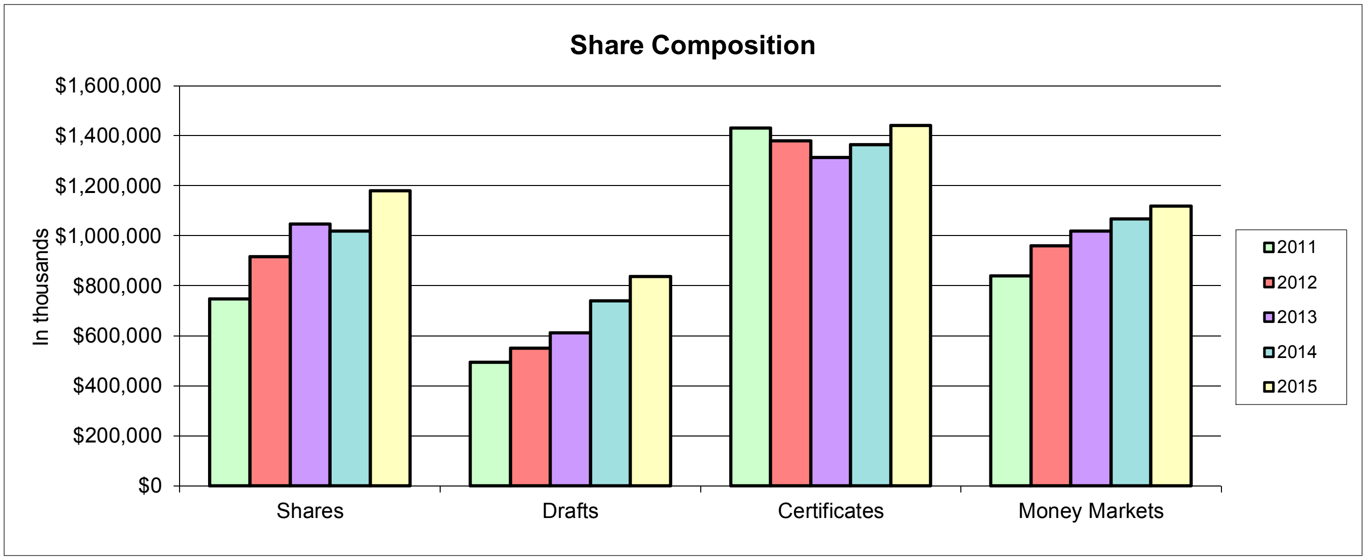
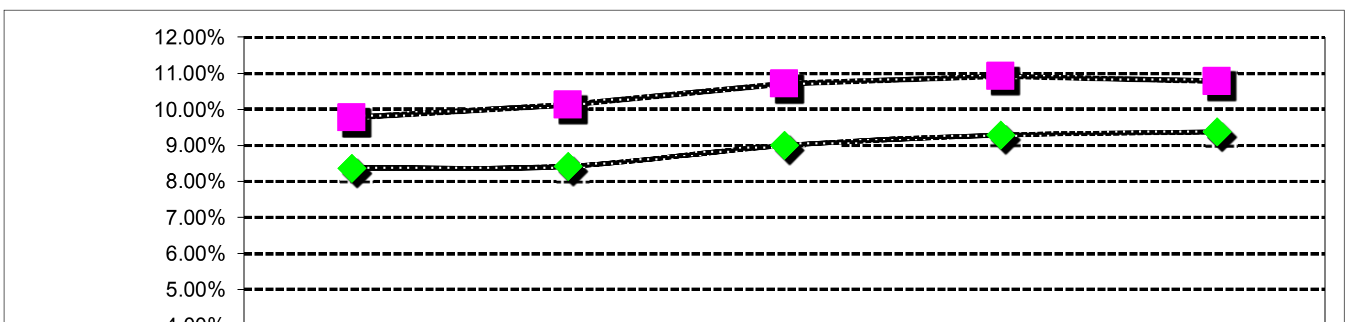
Share Mix	December 31, 2014 Balance	Percentage of Total	December 31, 2015 Balance	Percentage of Total	Peer Group Average
Shares	$ 1,019,172,990	24%	$ 1,180,000,631	26%	33%
Drafts	739,683,049	18%	836,412,798	18%	12%
Certificates	1,365,519,066	33%	1,441,804,751	32%	28%
Money Markets	1,068,419,214	25%	1,119,760,541	24%	27%
Total	$ 4,192,794,319	100%	$ 4,577,978,721	100%	100%



Net Worth Ratio	December 31, 2014	2015	Basis Point Change	Peer Group Average
* Net Worth / Total Assets	9.28%	9.37%	9	10.78%



	2011	2012	2013	2014	2015
Peer Group	9.77%	10.12%	10.71%	10.91%	10.78%
Credit Union	8.37%	8.42%	9.00%	9.28%	9.37%

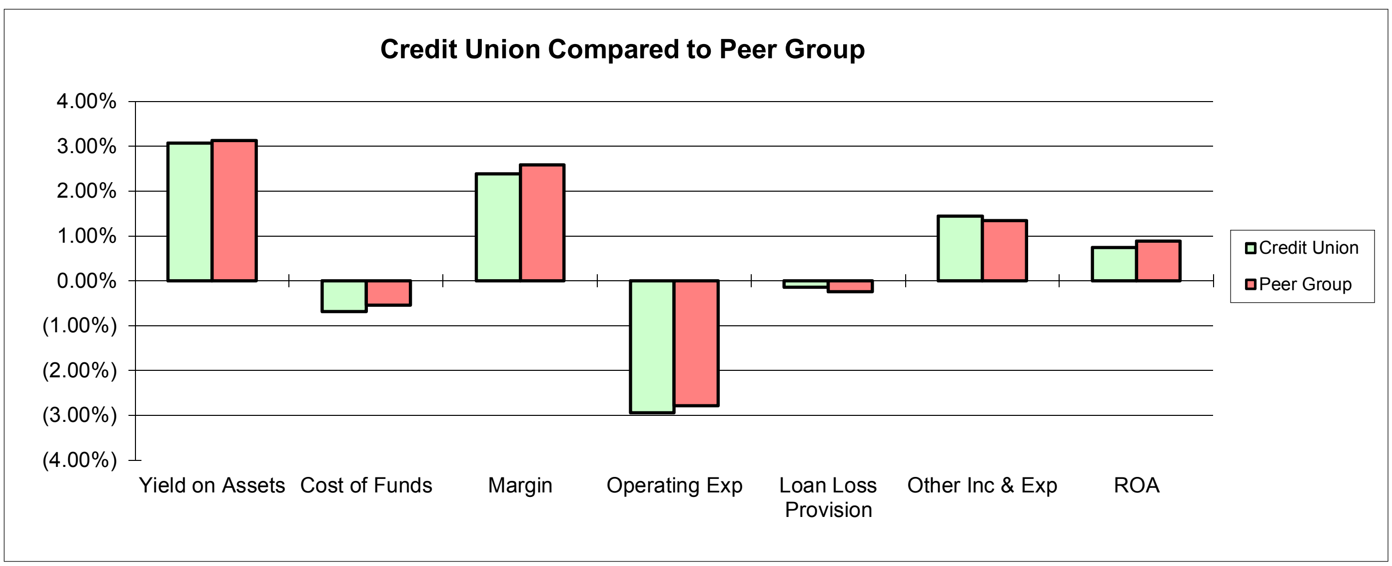
Unaudited, this information is for discussion purposes only.

*** - Key Financial Performance Ratio**

Credit Union	<A>			<B>	<A> - <B>
	For the Period Ended December 31,		Basis Point	Peer Group	Basis Point Comparison
Profitability Ratios	2014	2015	Change	Average	to Peer Group
Yield on Assets / Average Assets	3.22%	3.07%	(15)	3.13%	(6)
Cost of Funds / Average Assets	(0.75%)	(0.69%)	6	(0.55%)	(14)
Net Interest Margin	2.47%	2.38%	(9)	2.58%	(20)
Operating Expenses / Average Assets	(3.00%)	(2.94%)	6	(2.79%)	(15)
Provision for Loan Loss / Average Assets	(0.13%)	(0.14%)	(1)	(0.25%)	11
Other Income & Expense / Average Assets	1.52%	1.44%	(8)	1.35%	9
* Return on Average Assets (ROA)	0.86%	0.74%	(12)	0.89%	(15)
Combined Operating Expense Ratio & Other Income/Expense Ratio	(1.48%)	(1.50%)	(2)	(1.44%)	(6)

Peer Group	For the Period Ended December 31,		Basis Point
Profitability Ratios	2014	2015	Change
Yield on Assets / Average Assets	3.19%	3.13%	(6)
Cost of Funds / Average Assets	(0.59%)	(0.55%)	4
Net Interest Margin	2.60%	2.58%	(2)
Operating Expenses / Average Assets	(2.73%)	(2.79%)	(6)
Provision for Loan Loss / Average Assets	(0.22%)	(0.25%)	(3)
Other Income & Expense / Average Assets	1.30%	1.35%	5
* Return on Average Assets (ROA)	0.95%	0.89%	(6)
Combined Operating Expense Ratio & Other Income/Expense Ratio	(1.43%)	(1.44%)	(1)

Key Ratio Summary	
Del. Loans	0.43%
Net Chg-offs	0.35%
Net Worth	9.37%
ROA	0.74%



Unaudited, this information is for discussion purposes only.

*** - Key Financial Performance Ratio**

Nearman
Maynard • Vallez
Certified Public Accountants

Steven L. Nearman, CPA, CFE
Cecil D. Maynard, CPA, MPA, CFE, FCPA, CFF
Christopher Vallez, CPA, MBA, CICA
Jennifer N. Hoskins, CPA, MPA, CICA
Ellen E. Vargo, CPA, CFE, FCPA

March 11, 2016

Audit Committee
VyStar Credit Union
Jacksonville, Florida

COMMUNICATING MATTERS RELATED TO A CREDIT UNION'S INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements of VyStar Credit Union (the Credit Union) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Credit Union's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VyStar Credit Union's internal control. Accordingly, we do not express an opinion on the effectiveness of VyStar Credit Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Credit Union's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be a material weakness. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of Management, the Board of Directors, Audit Committee and the Regulators, and is not intended to be, and should not be, used by anyone other than these specific parties.

The accounting principles and auditing standards referred to throughout this report and used to conduct our audit are those principles and standards generally accepted in the United States of America and promulgated by the American Institute of Certified Public Accountants.

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ACCOUNTING AND INDUSTRY UPDATES

As part of our responsibility to the Audit Committee, current and future accounting pronouncements are presented below that may be relevant to your Credit Union's operations. The following information may assist the Audit Committee in overseeing Management's financial reporting and disclosure process.

1. In December 2012, the Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update (ASU) "Financial Instruments-Credit Losses," (Subtopic 825-15). The proposed amendments will require credit unions to impair their existing financial assets on the basis of the current estimate of contractual cash flows not expected (i.e., "expected" loss model) to be collected on financial assets held at the reporting date rather than the current "incurred" loss model. The estimate of expected credit losses would be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the loans' remaining contractual cash flows. An estimate of expected credit losses would always reflect both the possibility that a credit loss occurs and the possibility that no credit loss occurs. Accordingly, the proposed amendments will prohibit an entity from estimating expected credit losses solely on the basis of the most likely outcome. This ASU will apply to all financial assets that are not accounted for at fair value and are exposed to potential credit risk. Thus, this would apply to all held to maturity investments that have credit risk exposure.

The FASB decided November 11, 2015, that this proposed ASU will take effect for fiscal years beginning after December 15, 2019, for non-public entities such as credit unions.

The board also voted to allow early application of the standard for fiscal years beginning after December 15, 2018, which is the implementation date for public business entities that file with the Securities and Exchange Commission. FASB is expected to finalize its credit losses project during the second quarter of 2016.

2. On February 25, 2016, the FASB issued ASU No. 2016-02, "Leases," (Topic 842). The ASU is intended to improve financial reporting about leasing transactions and affects all companies and other organizations. The ASU will require organizations that lease assets (referred to as lessees) to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.

While the accounting by the lessor will remain largely unchanged from current GAAP, lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

The effective date for credit unions is for fiscal years beginning after December 15, 2019. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

3. The National Credit Union Administration (NCUA) Board revised §701.36 of NCUA's rules and regulations on July 23, 2015, with changes effective on October 2, 2015. These revisions removed the regulatory limit on the aggregate amount of fixed assets a federal credit union can hold. In the absence of a limit, NCUA's examination and supervision program will address credit unions' safe and sound management of fixed assets.

This Supervisory Letter provides information about the effect fixed assets may have on a credit union's earnings and net worth, and establishes a consistent framework for the examination and supervision processes used to review credit union management of fixed assets. This letter also addresses the occupancy and prohibited transaction provisions that remain in the rule. It states that if a federal credit union acquires premises for future expansion, including unimproved land or unimproved real property, it must partially occupy them within a reasonable period, but no later than six years from the date of acquisition.

4. In January 2016, The FASB issued ASU No. 2016-01, "Financial Instruments – Overall – Recognition and Measurement of Financial Assets and Financial Liabilities." The main objective in developing this Update is enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information.

The Update has two areas of interest to credit unions. One is the removal of the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The other has a more significant potential impact.

The ASU requires entities to record equity securities at fair value with adjustments to fair value recorded through the income statement. Currently many securities meeting the definition of an equity security are recorded as available-for-sale with fair value adjustments recorded as part of other accumulated comprehensive income. Securities meeting the definition of an equity security include any ownership interest in an entity. Credit unions with investments in mutual funds, stocks, limited partnerships, and trusts could see unacceptable levels of earnings volatility on their income statements.

Removing the disclosure of fair value of financial instruments is effective immediately upon issuance of the ASU. The effective date for the accounting for equity securities for credit unions is for fiscal years beginning after December 15, 2017.

MATTERS REQUIRED TO BE COMMUNICATED TO THE AUDIT COMMITTEE

As part of our responsibility under accounting pronouncements, certain matters are required to be communicated by the CPA Firm to those charged with governance. We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. In addition, we are responsible for determining the overall audit strategy and the audit plan including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. The following summarizes those matters required to be communicated to the Audit Committee.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements prepared by Management are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit we considered the internal controls of the Credit Union. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Independence

Generally accepted auditing standards require independence for all audits. Relevant matters to consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level.

It is the policy of our firm that all Associates be familiar with and adhere to the independence, integrity, and objectivity policies of the firm. In this regard, any transaction, financial interest, event, circumstance, or action that would impair the firm's independence is prohibited. We are familiar with the AICPA's Code of Professional Conduct and subsequent auditing standards, and their interpretations and rulings which require that we are independent in fact and in appearance. All of our Associates are required to sign an Independence Representation Form when hired and annually thereafter. In addition, we inform all Associates on an ongoing basis whenever a new client engages our services in order that our Associates can review their independence with the new client at that time. Any conflicts must be reported to the Quality Control Director. For the period covered by the attached audited financial statements, all of our Associates involved in this engagement are independent of your Credit Union.

In accordance with our professional standards for this engagement, it is required that ***all*** Associates of Nearman, Maynard, Vallez, CPAs who were involved in this engagement, are ***independent*** and no conflict of interest exists between our Associates and the Credit Union, its staff, and any of its representatives, and we have not assumed any management responsibilities. All Associates of Nearman, Maynard, Vallez, CPAs were independent in fact and appearance with this engagement and no conflict of interest exists.

It is the responsibility of Management to make all management decisions and perform all management functions with the information provided to them as a result of this engagement and designate a competent individual to oversee the services preferably within senior management, who possesses suitable skill, knowledge, and/or experience. Management should assess and be satisfied that such an individual understands the services to be performed, the scope, risk, and frequencies of activities which is sufficient to oversee them. These management decisions and functions include, but are not limited to, accepting responsibility for the implementation of and/or the decision to implement the results of the services performed and to evaluate the adequacy of procedures performed and the findings resulting from the performance of those procedures. They also conduct ongoing monitoring activities. It is also part of Management's responsibility for designing, implementing, and maintaining the process of internal controls and to monitor those internal controls to assess the quality of their performance over time. Monitoring activities are procedures performed to assess whether components of internal control are present and functioning. Monitoring can be accomplished through ongoing evaluations, or separate evaluations, or some combination of the two. Ongoing evaluations are generally defined, routine operations built into the Credit Union's business processes and performed on a real-time basis. Ongoing evaluations, including managerial activities and everyday supervision of employees, monitor the presence and functioning of the components of internal control in the ordinary course of managing the business.

Significant Accounting Policies
Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised Management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Credit Union are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the audit year. We noted no transactions entered into by the Credit Union during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by Management and are based on Management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We have evaluated and considered Management's judgments and accounting estimates as part of our audit procedures.

Significant Audit Adjustments
For purposes of this letter, the professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Credit Union that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Credit Union's financial reporting process.

Uncorrected Misstatements
We have accumulated all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicated them to the appropriate level of Management. Our communication also revealed the implications of a failure to correct known and likely misstatements and the possible implications in relation to future financial statements, if any.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with Management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants
In some cases, Management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Credit Union's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with Management each year prior to retention as the Credit Union's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

Serious difficulties encountered in dealing with Management that relate to the performance of the audit are required to be brought to the attention of the Audit Committee. We encountered no difficulties in dealing with Management in performing our audit.

This report is intended solely for the information and use of the Audit Committee, Management, Board of Directors, and others within the organization and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service to VyStar Credit Union and wish to express our appreciation for the cooperation and assistance we received from Management and the entire Credit Union staff during our audit. If we can be of any further assistance, please contact us. For information on all services provided by our firm and accounting updates, please visit our website, **www.nearman.com**.

Sincerely,

Nearman, Maynard, Vallez, CPAs

Nearman, Maynard, Vallez, CPAs