Where Credit Unions Belong

Unaudited Financial Statements

and detailed Management's Discussion and Analysis, unaudited consolidated financial statements and footnotes

Second Quarter 2017

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For further information, please contact:

Tammy Cantrell, Executive Vice President, Asset/Liability Management, 866/692-6771 ext. 9312 or Melissa Ashley, Executive Vice President and Chief Financial Officer, 866/692-6771 ext. 9351.

Dear Members,

We ended the second quarter of 2017 with net income of $8.1 million, resulting in a retained earnings balance at June 30, 2017, of $77.4 million, which is an increase of $12.7 million since June 30, 2016. Earnings are extremely important to all corporate credit unions as they are a major component of regulatory capital. As of June 30, 2017, we had total capital of $291.3 million, which includes $219.2 million of permanent perpetual capital from our member credit unions. This capital resulted in a leverage ratio of 6.19 percent, which exceeds the well-capitalized level of 5 percent for this ratio in NCUA's Regulation 704.

A strong regulatory capital level is important for several reasons. First, this capital protects member shares and certificates. Second, our capital position results in Corporate One exceeding the capital requirements of NCUA. Third, we believe that one of the fundamental reasons corporates exist is to provide liquidity to their members when they need it. This important function can only be achieved if the corporate's balance sheet can support it. With the balance sheet being limited by the amount of capital a corporate maintains, one can see why capital is so essential when a corporate is a liquidity provider.

Once again, thanks to the ongoing support of our members, Corporate One continues to perform well financially while providing essential liquidity options and settlement solutions and services to our members/owners. If you have any questions about our financial condition, please feel free to contact me at mashley@corporateone.coop or 866/692-6771, ext. 9351.

Sincerely,
Melissa A. Ashley
Executive Vice President and Chief Financial Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

This section of Corporate One Federal Credit Union's (Corporate One) financial report should be read in conjunction with the Management's Discussion and Analysis and Financial Condition and Results of Operations in the 2016 Annual Report. The 2016 Annual Report can be found on Corporate One's public website www.corporateone.coop/About-Us/Due-Diligence.aspx.

Results of Operations

Income created by Corporate One's focus on diversified investing, fee income from a strong suite of brokerage and correspondent services and conscientious spending has resulted in retained earnings of $77.4 million at June 30, 2017, an increase of $12.7 million from June 30, 2016. We continually strive to balance the need to build retained earnings to meet future regulatory capital requirements with our desire to invest in new products and services that will help our members. We believe it is critical to remaining a financially strong and innovative partner to our members.

The following is a summary of Corporate One's results of operations, and return on average assets (ROA) for the six months ended June 30, 2017 and 2016 (dollar amounts in thousands).

	Six months ended			
	June 30, 2017		June 30, 2016	
Net interest income	$	15,136	$	13,466
Net service fee income		6,553		6,863
Operating expenses		(17,931)		(16,749)
Other gain (loss)		2,221		369
Gain on sale of product line		2,072		
Net income	$	8,051	$	3,949
DANA for the six months ended	$	3,548,709	$	3,747,435
ROA		0.45%		0.21%

Our earnings for the six months ended June 30, 2017 were $8.1 million. This is approximately $4.1 million more than the previous year, which is primarily related to $2.2 million in gains from sales of securities in 2017 and $2.1 million from the gain on sale of a product line in April 2017. As we move through our season of low liquidity, we were able to raise liquidity through the sales of securities.

In April 2017, we entered into an asset purchase agreement to transition our servicing responsibility and ownership of certain debit and credit card contracts to PSCU Incorporated (PSCU). PSCU, as the nation's largest CUSO, is well suited to handle the ever growing complexities of credit and debit card programs. We made a business decision out of a recognition that, in order to appropriately support the credit unions on the program, these member credit unions needed to have direct access to the entire PSCU service and support team. It was a big decision to take a step back from being the front line servicer of our PSCU cards solution, but we believe this move will truly benefit the members involved in a positive way and position them well for growth and success in their credit

and debit card program. The asset purchase agreement resulted in a gain of approximately $2.1 million which was recognized in April 2017.

Net interest income was approximately $1.67 million more in 2017 versus 2016. A significant portion of our interest-earning assets are indexed to 1-month and 3-month LIBOR. These rates tend to be anticipatory in nature and have increased over prior year in anticipation of an increasing federal funds rate. We price our dividend –bearing liabilities based on the market for overnight rates. As a result, our margins have widened resulting in an increase in net interest income year over year. Additionally, in 2016 we had been paying our members 4 percent on the $82.7 million of Non-perpetual Capital Accounts (NCA) they had invested in us. The NCA was issued for a specific purpose in 2011 and had a five year term. The majority matured on April 29, 2016, with the last $2.25 million maturing June 29, 2016. Since we no longer needed the NCA due to our healthy capital position, we did not re-issue any NCA when it matured. This has also contributed to a wider net interest margin and hence increased levels of net interest income year over year. Net service fee income was approximately $310,000 less in 2017 versus 2016. This decrease year over year is due to the sale of our cards program. Increases in operating expenses year over year relate to investments we are making in people, technology and infrastructure to ensure we can support our member credit unions in the rapidly changing world of technology and payments in the financial services arena.

Capital Position

As of June 30, 2017 our total regulatory capital (as defined by the NCUA) is $291.3 million, which is an increase of approximately $15.7 million since June 30, 2016. This increase in total regulatory capital is due to our strong earnings.

Certain definitions of regulatory capital components change over time. One such change became effective in October 2016 and limited the amount of PCC included in Tier 1 Capital. This limitation is a function of both Moving Daily Average Net Asset (MDANA) and retained earnings. In 2020, this limitation becomes more severe, limiting the inclusion of PCC in Tier 1 Capital to an amount equal to the amount of retained earnings a corporate holds.

The table (in thousands) below outlines the components of capital and the order of priority, listed in order from lowest to highest priority.

	June 30, 2017	June 30, 2016
Retained earnings	$ 77,414	$ 64,669
PIC	20	20
PCC	219,174	219,174
Total regulatory capital account balances	296,608	283,863
Less CUSO's (equity)*	(6,131)	(5,919)
Plus retained earnings of acquired entity	869	869
Total regulatory capital	$ 291,346	$ 278,813
Unamortized PIC	(20)	(20)
Excluded PCC**	(68,325)	
Tier 1 Capital	$223,001	$ 278,793

*Per a letter from the NCUA in September 2016, we no longer deduct our equity in our wholly-owned CUSOs from Total Capital. For comparability purposes, we have restated June 2016.

**Per the regulation beginning in October 2016 all corporate credit unions must exclude the portion of PCC equal to the amount of PCC less retained earnings exceeding 2 percent of MDANA.

The following summarizes Corporate One's capital ratios as of June 30, 2017 and 2016 (dollar amounts in millions):

	June 30, 2017	June 30, 2016
Retained earnings/MDANA	2.15%	1.75%
Leverage ratio	6.19%	7.54%
Tier 1 risk-based capital ratio	19.94%	21.83%
Total risk-based capital ratio*	26.05%	21.58%
MDANA^	$ 3,603	$ 3,695
MDANRA^^	$ 1,118	$ 1,277

^Moving Daily Average Net Assets
^^Moving Daily Average Net Risk-Weighted Assets
* In a letter provided by the NCUA in 2016 the definition of Total Capital was clarified. This clarification removed the requirement to deduct a corporate's equity ownership in their wholly-owned CUSOs from Total Capital. Prior to September 2016, Corporate One deducted these amounts. Total Capital is the numerator in the Total risk-based capital ratio.

Corporate One is focused on maintaining strong capital levels and as shown in the table above, we exceed all of NCUA's required capital ratios (see table below). During the past twelve months, we increased our retained earnings by $12.7 million, which boosted our retained earnings as a percentage of MDANA year over year.

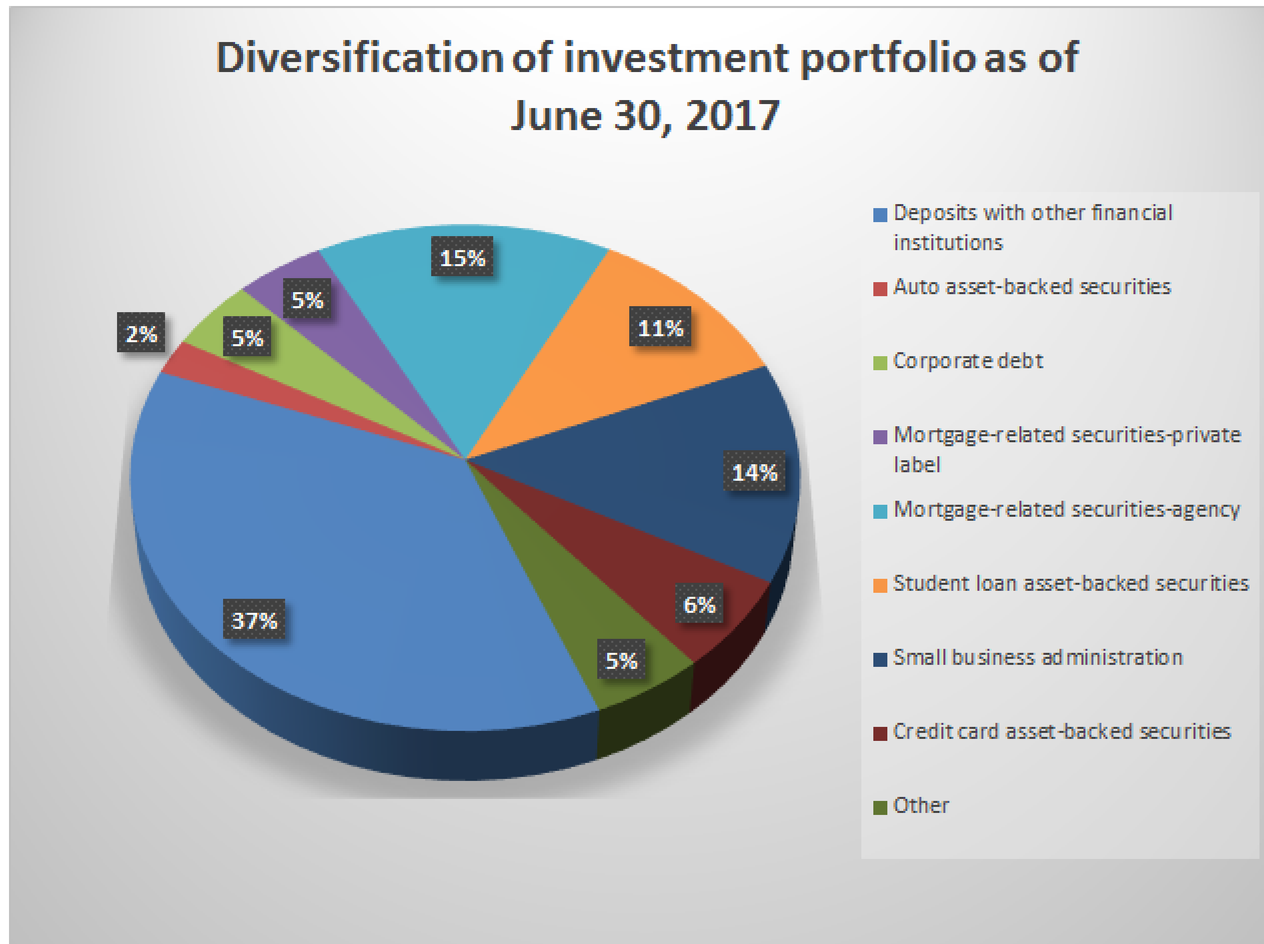
The following summarizes the NCUA requirements for the various capital ratios:

	Well Capitalized	Adequately Capitalized
Retained earnings/MDANA	0.45%	0.45%
Leverage ratio	5.00%	4.00%
Tier 1 risk-based capital ratio	6.00%	4.00%
Total risk-based capital ratio	10.00%	8.00%

See Footnote 8 for more information regarding the capital requirements of the revised regulation.

Credit Risk Management

We actively manage our balance sheet to ensure it is well diversified. We purchase investments based on high credit ratings, as determined by our risk management department and our internal standards, or issued by agencies of the U.S. government, or by other regulated depository institutions. Corporate One's portfolio diversification as of June 30, 2017, is shown in the figure below.



Our portfolio remains well diversified. Eighty-seven percent of the book value of our portfolio is in cash and cash equivalents, agencies and securities rated "A" or higher, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs).

For securities where we believe not all principal and interest will be received, OTTI charges were recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted estimated cash flows of the securities and their current amortized cost. Since 2008, we have recorded total OTTI, or expected credit losses, of $68.5 million. To date, we have had total cumulative principal shortfalls of approximately $34.5 million. We have also had cumulative recoveries to date of approximately $12.2 million due to sales, class action suits and/or improved cash flows.

Market/Spread Risk

Because we invest in securities, we are also exposed to market risk due to liquidity and credit spreads. Overall net unrealized losses on securities improved $31 million since June 30, 2016. As of June 30, 2017 our total net unrealized losses on securities were $1.8 million. The most significant change is in our student loan asset-backed securities portfolio. While the student loan sector still remains our greatest area of net unrealized losses, collateral performance in these securities has continued to improve and spreads have tightened in that portfolio resulting in improved market values for many of our student loan holdings. Our student loan asset-backed securities sector is primarily composed of Federal Family Education Loan Program (FFELP) student loan asset-backed securities. FFELP student loan asset-backed securities continue to benefit from the ultimate guarantee from the US Department of Education as to payment of principal and accrued interest of 97 percent or more, based on the date of loan origination, for properly serviced FFELP student loans even if the stated maturity date is not met. We believe we will not sustain credit related losses in this sector and we expect the fair values of our student loan asset-backed securities to improve and to fully recover as the securities approach their maturity.

The following table (in thousands) summarizes our net unrealized gains (losses) by asset class:

Type	Net unrealized gains (losses) June 30, 2017	June 30, 2016
Student loans	$ (15,193)	$ (35,189)
Mortgage-related	3,958	(4,402)
Corporate debt	968	47
Automobiles	396	(202)
Credit cards	787	1,012
Small business administration	7,260	5,917
Net unrealized losses on securities	$ (1,824)	$ (32,817)

Interest Rate Risk Management

Our primary interest-rate-risk measurement tool is a NEV test. NEV is defined as the fair value of assets less the fair value of liabilities. The purpose of the NEV test is to determine whether Corporate One has sufficient capital to absorb potential changes to the market value of our assets and liabilities given sudden changes in interest rates.

NEV scenarios are performed monthly, testing for sudden and sustained increases or decreases in interest rates of 100, 200 and 300 basis points (bps).

Our NEV continues to improve as our earnings grow. In addition the fair value of our securities have improved over prior year also contributing to our increased NEV over June 30, 2016. Our NEV ratio remains well above the minimum NCUA requirement of 2 percent. Overall, our NEV ratio at June 30, 2017, was 9.01 percent in the base case and 8.80 percent in the 300 bps stress scenario.

The structure of our balance sheet results in minimal interest-rate risk. When members deposit funds with us, we have the ability to invest those funds in a variety of financial instruments that closely match the re-pricing characteristics of the underlying deposit, resulting in minimal mismatch. This minimal interest rate risk is demonstrated by the low percentage in NEV change between the base scenario and a 300 bps rise in rates scenario. Also this percentage in NEV change is well within the maximum decline of 20 percent required by the NCUA.

A summary of Corporate One's NEV calculation as of June 30, 2017 and 2016, is shown below (dollar amounts in thousands).

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base	Percentage Change from Base
As of June 30, 2017*				
300 bps rise in rates	$ 286,264	8.80%	$ (7,866)	-2.67%
Base scenario	$ 294,130	9.01%		
As of June 30, 2016*				
300 bps rise in rates	$ 243,443	7.58%	$ (6,756)	-2.70%
Base scenario	$ 250,199	7.77%		

*300, 200 and 100 bps decline did not apply in the interest rate environment present on June 30, 2017 and 2016.

Liquidity Risk Management

Liquidity risk is one of the most important risks we manage. With every deposit we accept, we understand that we need to appropriately manage our liquidity to ensure our members have access to those funds when needed. Accordingly, we have certain daily management strategies that we employ, as well as more long term, overarching liquidity strategies.

We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. To meet day-to-day member liquidity requirements, we keep a portion of our assets

very liquid. In fact, as of June 30, 2017, we had approximately $1.17 billion in cash and cash equivalents. This is significant given our total balance sheet of $3.26 billion and settlement and regular shares of $2.67 billion. In addition, we strive to buy securities with readily determined market values that can be sold or borrowed against to generate liquidity.

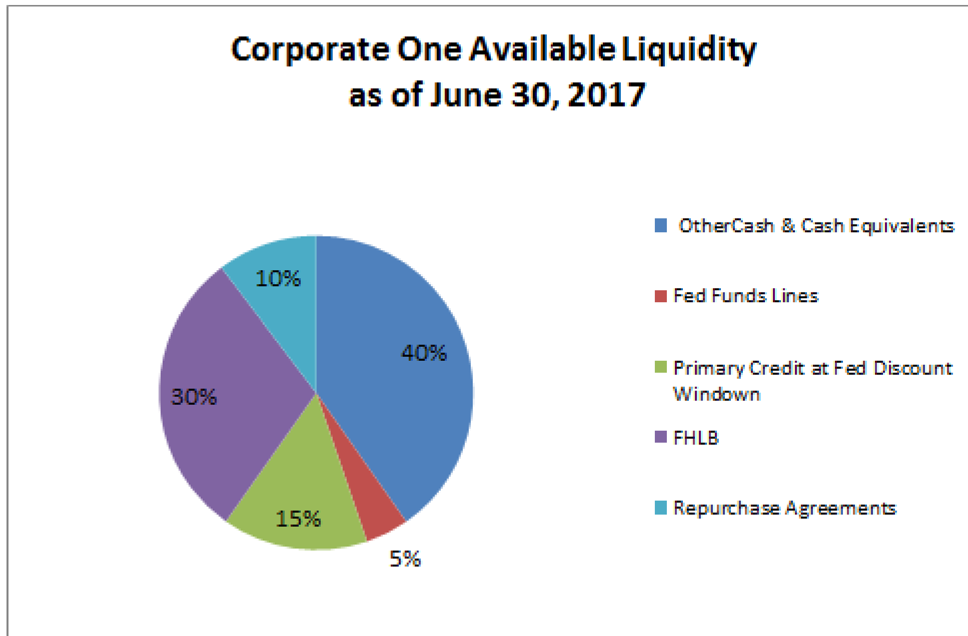
We also mitigate our liquidity risk by monitoring our top depositors. We have limits on the maximum any one credit union may deposit with us. By striving to diversify our shares and member base, we shield ourselves from the risk of sudden withdrawals by large depositors. In fact, as of June 30, 2017, our single largest depositor represented only 7 percent of our total member shares.

Should we need to borrow to generate liquidity, we have diversified sources of funds and we test these sources often to ensure availability. Corporate One's remaining borrowing capacity (total existing lines less borrowings outstanding) at June 30, 2017, was approximately $1.74 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $905.5 million. This line of credit is secured by certain investments held in safekeeping at the FHLB. Corporate One's remaining borrowing capacity at the FHLB was approximately $869.5 million at June 30, 2017. In addition, we maintain a reverse repurchase agreement with another party totaling $300.0 million. This agreement is secured using certain of our asset-backed securities as collateral and we have recently tested this source to ensure that it represents a viable liquidity source. Also, we maintain $130.0 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing.

To further strengthen our liquidity position, we elected to voluntarily hold Reg. D reserves in order to gain access to the Federal Reserve Discount Window. Previously, as a bankers' bank, we were unable to access the Federal Reserve Discount Window. By changing our status with the Federal Reserve Bank, we have the potential to access the ultimate backstop for liquidity.

We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Reserve Bank by collateral that is acceptable for that purpose. Corporate One's borrowing capacity at the Fed Discount Window was approximately $435.8 million at June 30, 2017.

The chart below details our available sources of liquidity.



Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines and letter of credit commitments to members of approximately $3.48 billion as of June 30, 2017. All outstanding line of credit commitments are collateralized by specific or general pledges of assets by members. Commitments to extend credit to members remain effective as long as there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Since a portion of the commitments is expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Consolidated Balance Sheets (unaudited)

	June 30, 2017	June 30, 2016
Assets		
Cash and cash equivalents	$ 1,171,116,711	$ 487,695,062
Investments in financial institutions	42,886,000	46,594,700
Available-for-sale securities, at fair value	1,841,756,169	2,457,087,984
Loans	122,954,371	147,724,221
Accrued interest receivable	2,997,702	2,590,936
Goodwill	3,401,412	3,401,412
Intangible assets	10,478,639	12,933,139
Other assets	66,448,317	62,505,498
TOTAL ASSETS	3,263,039,321	3,220,532,952
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	2,669,442,184	2,669,557,381
Share certificates	256,527,002	202,235,722
Borrowed funds	36,000,000	93,000,000
Dividends and interest payable	126,115	65,383
Accounts payable and other liabilities	6,180,400	4,648,841
TOTAL LIABILITIES	2,968,275,701	2,969,507,327
Members' equity:		
Perpetual contributed capital	219,173,905	219,173,905
Retained earnings	77,413,714	64,669,186
Accumulated other comprehensive loss	(1,823,999)	(32,817,466)
TOTAL MEMBERS' EQUITY	294,763,620	251,025,625
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 3,263,039,321	$ 3,220,532,952

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (unaudited)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Interest Income:		
Investments and securities	$ 24,395,989	$ 19,074,837
Loans	1,011,594	1,085,218
Total Interest Income	25,407,583	20,160,055
Dividend And Interest Expense:		
Share accounts	9,022,987	6,275,895
Other borrowings	1,248,437	417,898
Total Dividend And Interest Expense	10,271,424	6,693,793
Net Interest Income	15,136,159	13,466,262
Total Settlement Income	10,228,701	11,188,282
Total Settlement Expense	3,676,166	4,325,442
Net Service Fee Income	6,552,535	6,862,840
Salaries and employee benefits	10,822,134	10,099,208
Amortization of intangibles expense	1,217,163	1,512,998
Office operations and occupancy expense	4,389,655	3,901,869
Other operating expenses	1,502,465	1,234,584
Total Operating Expenses	17,931,417	16,748,659
Net gain on financial instruments:		
Gain on sales of securities	2,221,466	368,839
Net Gain on Financial Instruments	2,221,466	368,839
Gain on sale of product line	2,072,329	
Net Income	$8,051,072	$ 3,949,282

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Net Income	$ 8,051,072	$ 3,949,282
Other comprehensive income:		
Change in net unrealized loss on available-for-sale securities	18,935,036	6,971,983
Reclassification adjustment recognized in earnings for gain from sales of securities	(2,221,466)	(368,839)
Total other comprehensive income	16,713,570	6,603,144
Comprehensive income	$ 24,764,642	$ 10,552,426

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Members' Equity For the Six Months Ended June 30, 2017

(unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at January 1, 2017	$219,173,905	$69,988,474	$ (18,537,569)	$ 270,624,810
Net income		8,051,072		8,051,072
Other comprehensive income			16,713,570	16,713,570
Dividends on PCC		(625,832)		(625,832)
Balance at June 30, 2017	$219,173,905	$77,413,714	$ (1,823,999)	$ 294,763,620

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Organization

The purpose of Corporate One is to foster and promote the economic well-being, growth and development of our membership base through fiscally responsible and effective funds management, along with loan, investment, and correspondent services for the ultimate benefit of our credit union members. Corporate One's national field of membership includes state- and federally chartered credit unions and other credit union organizations throughout the United States. Corporate One's Board of Directors is composed of executive management from Corporate One's member credit unions. Corporate One also wholly owns three credit union service organizations (CUSOs): Member Business Solutions, LLC (MBS), Corporate Synergies, LLC (CorpSyn) and Accolade Investment Advisory, LLC (Accolade). The consolidated financial statements include the accounts of Corporate One and the three CUSOs. All significant intercompany accounts and transactions have been eliminated.

2. Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from depository institutions. Corporate One is required to maintain cash or deposits with the Federal Reserve Bank. At June 30, 2017 and 2016, cash held prior to month-end was sufficient; therefore, no reserve was required.

3. Regulatory Pronouncements

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704 in the Federal Register. The major revisions include changes to corporate credit unions' capital requirements, investments, asset/liability management, governance and credit union service organization activities. Most of the new investment prohibitions and other credit and asset/liability management requirements were effective January 18, 2011. NCUA recognized that as of the effective date, some corporates may have held investments that were in violation of one or more of these new prohibitions and those investments were grandfathered under the previous rules until or if they would violate any credit-related prohibitions. Any investments acquired after the effective date of the changes must comply with the investment prohibitions. Should a corporate violate any of these prohibitions, they are required to follow the investment action plan provisions of NCUA Rules and Regulations Section 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. Corporate One is adhering to Section 704.10 and has filed the required Investment Action Plans (IAP) for these securities with the NCUA. In a letter dated March 7, 2017 NCUA confirmed that they have permitted Corporate One to hold non-compliant securities under a number of IAP and do not intend to require Corporate One to sell any securities. The IAP approval time period is not to exceed March 31, 2018, at which time new IAP are required to be submitted to NCUA.

4. Sale of Product Line

On April 14, 2017, Corporate One entered into an asset purchase agreement to transition our servicing responsibility and ownership of certain debit and credit card contracts to PSCU Incorporated (PSCU). PSCU, as the nation's largest CUSO, is well suited to handle the ever growing complexities of credit and debit card programs. In order to appropriately support our credit

unions on this program, Corporate One made the decision to transition this business to PSCU allowing our credit unions direct access to the entire PSCU service and support team. The asset purchase price was $1.8 million in cash and a $300,000 retention bonus to be paid over the next five years. The asset purchase agreement resulted in a gain of approximately $2.1 million which was recognized in April 2017. No net service fee income related to this product line was recognized for the four months ended April 30, 2017. For the six months ended June 30, 2016, Corporate One recognized approximately $356,000 in net service income for this business line.

5. Investments in Financial Institutions

Investments in financial institutions at June 30, 2017 and 2016, are summarized as follows (in thousands):

	June 30, 2017	June 30, 2016
Federal Home Loan Bank stock	$ 28,589	$ 21,771
Certificates of deposit	5,043	24,824
Total investments in financial institutions	$ 33,632	$ 46,595

6. Securities

Corporate One holds debt securities classified as available-for-sale. This classification is made when debt securities might be sold before maturity. Available-for-sale securities are carried on the balance sheet at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings, and are reported as a separate component of members' equity. Such securities may be sold in response to changes in interest rates, changes in prepayment risk or other factors.

The amortized cost and fair value of available-for-sale securities at June 30, 2017 and 2016, are as follows (in thousands):

	June 30, 2017		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities	$ 635,386	$ 639,344	$ 3,958
Asset-backed securities	617,334	603,324	(14,010)
Small business administration	446,495	453,755	7,260
Corporate debt securities	144,365	145,333	968
Total available-for-sale securities	$ 1,843,580	$ 1,841,756	$ (1,824)

	June 30, 2016		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities	$ 779,149	$ 774,747	$ (4,402)
Asset-backed securities	1,152,064	1,117,685	(34,379)
Small business administration	375,702	381,619	5,917
Corporate debt securities	182,990	183,037	47
Total available-for-sale securities	$ 2,489,905	$ 2,457,088	$ (32,817)

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy exists in this guidance, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We are required to use the highest level of valuation available. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that Corporate One has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect Corporate One's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2017 (in thousands).

		Fair Value Using		
Available-for-sale securities	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-related securities-agency	$ 487,301	$ 10,061	$ 477,240	
Mortgage-related securities-private	152,043		17,585	$ 134,458
Asset-backed securities:				
Student loans-FFELP	299,154		299,154	
Student loans-private	40,202		39,534	668
Credit cards	191,685		191,685	
Automobiles	72,283		72,283	
SBA securities	453,755		453,755	
Corporate debt securities	145,333	145,333		
Total available-for-sale securities	$ 1,841,756	$ 155,394	$ 1,551,236	$ 135,126

We evaluate all our securities for other-than-temporary impairment (OTTI) on a semi-annual basis. We first evaluate all of our securities in an unrealized loss position to assess whether we have the

intent to sell any of the securities or if it is more likely than not that we will be required to sell any of our securities before their anticipated recovery. Next, to determine if the declines in fair value below amortized cost represents OTTI, management considers various impairment indicators such as: IAP securities, securities that have had ratings downgrades, securities that have been underwater for greater than 12 months and securities that have severe unrealized losses. We also utilize outside services to assist management in performing detailed cash flow analyses to determine if all principal and interest cash flows will be received. The analyses performed require assumptions about the collateral underlying the securities, including default rates, loss severities on defaulted loans and prepayments. It is possible that the underlying loan collateral of these securities may perform at a level worse than our expectations, which may result in adverse changes in cash flows for these securities and potential OTTI write-downs in the future.

For the securities where we believe not all principal and interest will be received, OTTI charges were recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted cash flows of the securities and their current amortized cost. We determined no OTTI was required during the first and second quarters of 2017.

The following table (in thousands) details cumulative credit losses on other-than-temporarily impaired debt securities since 2008 through June 30, 2017.

	Cumulative credit losses on debt securities
Cumulative credit losses on debt securities previously recognized in earnings at January 1, 2017	$ (55,838)
Reduction due to sales of securities recognized in 2017	532
Reduction due to increases in expected cash flows recognized in 2017	508
Cumulative credit losses on debt securities previously recognized in earnings at June 30, 2017	$ (54,798)

7. Borrowed Funds

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At June 30, 2017 and 2016, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $913.7 million and $944.2 million, respectively, which provided a borrowing capacity of approximately $905.5 million and $855.6 million, respectively. At June 30, 2017, Corporate One had overnight borrowings outstanding with the FHLB of $36.0 million at a rate of 1.17 percent. These borrowings matured in July 2017. At June 30, 2016, Corporate One had overnight borrowings outstanding with the FHLB for $93.0 million at a rate of 0.42 percent. These borrowings matured in July 2016.

We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Federal Reserve Bank by collateral that is acceptable for that purpose. At June 30, 2017 and 2016, Corporate One had securities and commercial loans held in safekeeping at the Federal Reserve Bank with fair values of approximately

$470.9 million and $515.8 million, respectively, which provided a borrowing capacity of approximately $435.8 million and $473.7 million, respectively. There were no amounts outstanding on the line of credit with the Federal Reserve Bank as of June 30, 2017 and 2016.

8. Capital Ratios

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The revisions establish a new capital framework including risk-based capital requirements. The old capital instruments, PIC and MCS, will be phased out and two new capital instruments are established. The new capital instruments are Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA). PCC is defined in Part 704.2 as accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings, PIC and MCS; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. NCA is defined in Part 704.2 as funds contributed by members or nonmembers that: are term certificates with an original minimum term of five years or that have an indefinite term with a minimum withdrawal notice of five years; are available to cover losses that exceed retained earnings, PIC, MCS and PCC; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

These requirements contain a multi-step, multi-year phase-in with certain definitions changing over time as various requirements are phased in. The following table presents the ratios, definitions of the numerators and denominators for each of the ratios and the required minimum levels for well capitalized and adequately capitalized designations under the regulation. Beginning in October 2016, the amount of Perpetual Contributed Capital (PCC) included in Tier 1 Capital was limited. This limitation is both a function of retained earnings and Moving Daily Average Net Assets (MDANA). These limitations resulted in leverage and Tier 1 risk-based capital ratios lower than previous levels but still above well capitalized levels. In 2020, the amount of PCC included in Tier 1 Capital is further limited to the amount of retained earnings a corporate holds. This limitation in 2020 will result in lower leverage and Tier 1 risk-based capital ratios.

The following table presents the ratios, definitions of the numerators and denominators for each of the ratios and the required minimum levels for well capitalized and adequately capitalized designations under the regulation. The definitions of the numerators are simplifications, as the regulation contains certain adjustments to each capital calculation.

In June 2015, the NCUA issued a rule to further amend the regulations by clarifying the mechanics of a number of regulatory provisions and make several non-substantive technical corrections. None of which had a material effect on our ratios.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Retained earnings/MDANA	Retained earnings	MDANA*	0.45%	0.45%
Leverage ratio	Tier 1 Capital***	MDANA*	5.00%	4.00%
Tier 1 risk-based capital ratio	Tier 1 Capital***	MDANRA**	6.00%	4.00%
Total risk-based capital ratio	Total Capital***	MDANRA**	10.00%	8.00%

*Moving Daily Average Net Assets
**Moving Daily Average Net Risk Weighted Assets
***As defined by the NCUA Rules and Regulations §704.2

During 2011, Corporate One offered its Partner members the opportunity to convert their MCS and/or PIC to the new qualifying capital instrument, PCC, in order to continue to be considered Partner members of Corporate One. During 2012, we acquired $68.6 million of PCC through the merger with another corporate credit union. Corporate One continues to offer PCC to Associate members or new members who want to become Partner members of Corporate One.

The following table (in thousands) outlines the components of regulatory capital at June 30:

	2017	2016
Retained earnings	$ 77,414	$ 64,669
PCC	219,174	219,174
Add: retained earnings of acquired credit union	869	869
Less: CUSO equity investments	(6,131)	(5,919)
Less: Excluded PCC*	(68,325)	
Tier 1 Capital	223,001	278,793
Unamortized PIC	20	20
Add: Excluded PCC*	68,325	
Tier 2 Capital	68,345	20
TOTAL CAPITAL**	$ 291,346	$ 278,813

*As per the regulation beginning in October 2016 all corporate credit unions must exclude the portion of PCC equal to the amount of PCC less retained earnings exceeding 2 percent of MDANA.
** Per a letter from the NCUA in September 2016, we no longer deduct our equity in our wholly-owned CUSOs from Total Capital. For comparability purposes, we have restated March 2016.

As of June 30, 2017, MDANA and MDANRA were $3.67 billion and $1.12 billion, respectively. As of June 30, 2016, MDANA and MDANRA were $3.69 billion and $1.28 billion, respectively.

The following summarizes Corporate One's capital ratios as of June 30, 2017 and 2016.

	June 30, 2017	June 30, 2016
Retained earnings/MDANA	2.15%	1.75%
Leverage ratio	6.19%	7.54%
Tier 1 risk-based capital ratio	19.94%	21.83%
Total risk-based capital ratio*	26.05%	21.58%

* Per a letter from the NCUA in September 2016, we no longer deduct our equity in our wholly-owned CUSOs from Total Capital. For comparability purposes, we have restated March 2016.

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