Corporate One
Federal Credit Union

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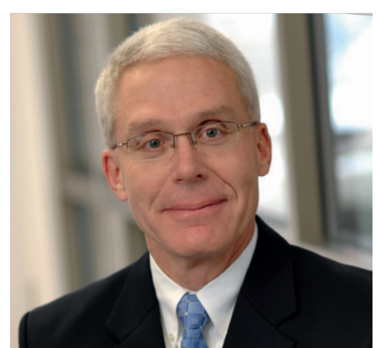
> CORPORATE ONE
2013 Financial Report

A Letter to our Members

For Corporate One, 2013 was a year of transformation and accomplishment. Thanks to the steadfast support of our members, we continue to be one of the largest and most successful corporate credit unions in the nation. After merging with the former Southeast Corporate Federal Credit Union in July 2012, we continue to make significant headway in our plans to complete the internal integration of our two organizations. We also invested heavily in updating many of our operations and systems. Additionally, our size of $5.5 billion in assets under management, combined with the strong usage of our product and services contributed to another year of solid earnings for Corporate One, allowing us to add $4.7 million of net income to our bottom line. Our brokerage business and our two wholly owned credit union service organizations, Member Business Solutions and Accolade, also contributed to profitability, helping us to continue growing our Reserves and Undivided Earnings (RUDE) to nearly $44.5 million, as of December 31, 2013.

Lee C. Butke, President, Chief Executive Officer

Our reserves (RUDE) serve a vital role as it is the cushion that protects our members' capital investments in Corporate One. RUDE also is an important component of the new capital regulations governing corporate credit unions, which phases in certain new requirements through 2020. A corporate's retained earnings ratio, also known as the RUDE ratio, is required to be at least 0.45 percent of Moving Daily Average Net Assets (MDANA) beginning October 2013, and 1.00 percent of MDANA beginning October 2016. We're proud to report Corporate One's retained earnings ratio was 1.12 percent as of December 31, 2013. Further, strong RUDE contributes to a corporate's permanent leverage ratio, which regulations required to be 5.00 percent as of October 2013. Again, Corporate One exceeds this requirement, with a permanent leverage ratio of 6.44 percent as of December 13, 2013.



Gerald D. Guy, Chairman, CEO, KEMBA Financial Credit Union

A letter from the President and the Chairman

We are proud of all we accomplished in 2013. Our achievements over the last year are truly reflective of our member-owners and their use of Corporate One. Growing our organization through the use of our products, along with the merger, strengthen us for the betterment of all our members. Certainly, Corporate One is a stronger, much more robust corporate today, now serving more than 900 members in 42 states with total regulatory capital of $289.2 million as of December 31, 2013.

Best of all, a solid capital position ensures we, as a corporate partner, have the opportunity to provide value to the credit unions we serve; namely, by having the balance sheet to support our members' liquidity needs when they arise, and to make investments in infrastructure and offerings so we can continue to deliver the innovative solutions our members have come to expect from us. Our financial foundation is the wellspring from which the value we provide credit unions flows, and we remain focused on ensuring we are financially sound for this very reason.

As we reflect on all that we have achieved in 2013, we extend our deepest appreciation to our members who worked with us through a lot of change. We are grateful for your continued patience and ongoing patronage. We also thank Corporate One's Board of Directors, the Supervisory Committee, the Enterprise Wide Risk Management Committee, the Executive Leadership Team, and our outstanding staff for their vision, planning, dedication and commitment.

We look forward to serving our member-owners well in 2014, knowing we have many more successes to achieve together.

Lee C. Butke
President/CEO

Gerald D. Guy
Chairman, CEO,
KEMBA Financial Credit Union

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

Executive Summary

This year represented our first full year of operations after merging Southeast Corporate Federal Credit Union (Southeast) into Corporate One in July 2012. With the merger, we welcomed 320 new credit unions to the Corporate One membership. The merger expands Corporate One's member base and gives us the opportunity to deepen member relationships by delivering additional innovative services to credit unions. The Southeast members were able to maintain their capital investments, which may have been depleted if the National Credit Union Administration (NCUA) would have conserved Southeast. By bringing our two institutions together we have a solid financial foundation with which to serve our membership. We are proud to report that due to our members' support and conversion of capital in 2011, along with the Perpetual Contributed Capital (PCC) from the Southeast members who supported the merger, we have $289.2 million of total regulatory capital at December 31, 2013. This is the greatest amount of regulatory capital of any corporate in the nation. A strong regulatory capital level is important for several reasons. First, this capital protects member shares and certificates. Second, this capital resulted in Corporate One exceeding all of the new capital requirements of the NCUA. Strong capital ratios are important for our members when they perform their due diligence of Corporate One. Additionally, we continue to grow and expand our membership; and new members cite our strong capital ratios as one of their requirements when looking for a corporate. Third, we believe that one of the fundamental reasons that 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. Our members understood this and supported us with the necessary capital so that we can provide them with liquidity when they need it.

The NCUA's new regulation, Part 704, focuses on the building of reserves and undivided earnings (RUDE) through earnings. In 2013, we reported net income of $4.7 million. This is a $369,000 increase over net income for 2012. Net interest income was approximately $2.4 million greater for 2013 versus 2012. During 2013, due to significantly improved cash flows on our other-than-temporarily impaired securities, we recognized approximately $1.2 million in net interest income through increased yields on these securities. Also, our merger with Southeast, effective July 1, 2012, resulted in the acquisition of additional balances which contributed to the increase in net interest income. In conjunction with the merger, we also acquired Southeast's portfolio of mortgage-related securities at fair value. Due to credit concerns and illiquidity in the mortgage markets, the fair values of these securities were acquired at a steep discount compared to their par values. Although we do not expect to receive all of the contractual cash flows from some of these securities, the accretable discount is boosting the yield on these securities. During 2013, we recognized these higher yields for a full twelve months versus only six months in 2012.

Net service fee income was $14.4 million in 2013, a $1.93 million increase as compared to 2012. This increase is primarily due to the merger with Southeast. Both Southeast and Corporate One were considered "full-service corporates," whereby both offered a full array of correspondent services to member credit unions. Accordingly, the merger resulted in increased volume. In addition, income from two wholly-owned credit union service organizations (CUSOs) acquired during the merger also contributed to the increase in fee income year over year.

Our operating expenses were $32.5 million in 2013, which was a $6.3 million increase from 2012. This increase was primarily due to a full year related to maintaining offices and staff in Florida versus only six months in 2012. Additionally, annual merit raises for staff have contributed to the increase. We also updated our data center during the last part of 2012, which has increased expenses year over year. Lastly, purchase accounting related to the merger resulted in intangible assets that are being amortized over their useful lives. Intangible assets were amortized for the full year in 2013 versus only six months in 2012.

In 2013, we incurred $2.4 million in other-than-temporary impairment (OTTI) losses on securities, all of which were private-label mortgage securities. This was flat from 2012. Overall, we have seen improving trends in our private-label mortgage portfolio, with steadily decreasing OTTI each year and a leveling off between 2012 and 2013. Gains on sales of securities in 2013 have more than offset OTTI losses in 2013, whereas in 2012 gains on sales of securities were only $35,200 and were not able to offset the OTTI charges.

Table One provides selected financial information for the last five years.

Table One: Selected Financial Information (Dollar amounts are in thousands)

	As of and for the year ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Net interest income	$ 22,683	$ 20,297	$ 12,046	$ 18,714	$ 17,671
Net service fee income	14,354	12,426	10,498	11,394	12,817
Total operating expenses	32,464	26,175	17,047	16,167	15,143
CORE EARNINGS BEFORE NET GAIN (LOSS) ON INVESTMENTS AND OTHER ITEMS	4,573	6,548	5,497	13,941	15,345
Other-than-temporary impairment losses on securities	(2,415)	(2,253)	(3,844)	(7,534)	(42,555)
Net gain (loss) on other investments	2,558	53	118	5,696	(15,137)
NET INCOME (LOSS)	**$ 4,716**	**$ 4,348**	**$ 1,771**	**$ 12,103**	**$ (42,347)**

Regulatory Capital Position

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, in the Federal Register. The revisions established a new capital framework including risk-based capital requirements. The old capital instruments, Paid-in Capital (PIC) and Membership Capital Shares (MCS), are being phased out and two new capital instruments were established. The new capital instruments are PCC and Non-perpetual Capital Accounts (NCA). During 2011, we worked with our long-time members to recommit their existing PIC and MCS by converting them to the new qualifying capital instrument, PCC. We also raised PCC from new members. Additionally, we offered our members the ability to invest in NCA. That offering resulted in $82.7 million of NCA and that offering is now closed. In addition to counting toward certain capital ratios, this new capital increased our Net Economic Value (NEV) to a level that allows us to achieve the minimum regulatory NEV ratio of 2.0 percent.

During 2012, the Southeast members supported the merger with Corporate One by raising $68.6 million of PCC. Also in 2012, $5.5 million of PCC was purchased by new members of Corporate One and certain Southeast members who did not originally participate in the PCC offering through the merger but subsequently purchased PCC. Additionally, we acquired MCS from Southeast members who did not participate in the offering to convert their MCS to PCC.

These capital raising efforts resulted in total regulatory capital of $289.2 million at December 31, 2013, which is a decrease of approximately $22.4 million or 7 percent since December 31, 2012. This change in overall capital is primarily due to the amortization of our PIC, MCS and NCA accounts. Unlike PCC, which is perpetual, PIC, MCS and NCA all have stated maturity dates. NCUA Rules and Regulations require that we amortize PIC, MCS and NCA such that the value of these instruments is reduced from our regulatory capital prior to their maturity. Although amortized for purposes of NCUA's calculation of regulatory capital, the full balance of these accounts continues to protect member shares. Our members' shares and certificates are protected by our $370.2 million of capital.

Table Two provides the components of regulatory capital for the last five years.

Table Two: REGULATORY CAPITAL (Dollar amounts are in thousands)

	For the year ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
RUDE	$ 44,454	$ 40,498	$ 36,781	$ 35,431	$ 23,648
PIC	20	20	20	25,332	25,682
PCC	216,970	216,024	141,917		
NCA	82,700	82,700	82,700		
MCS	26,095	34,945	24,023	126,924	119,990
TOTAL REGULATORY CAPITAL ACCOUNT BALANCES	370,239	374,187	285,441	187,687	169,320
Less amortized PIC, MCS and NCA	(81,005)	(62,584)	(24,119)	(4,781)	(1,625)
TOTAL REGULATORY CAPITAL	**$ 289,234**	**$ 311,603**	**$ 261,322**	**$ 182,906**	**$ 167,695**

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

Table Three summarizes Corporate One's capital ratios as of December 31, 2013 and 2012.

Table Three: Capital Ratios (Dollar amounts are in millions)

	December 31,	
	2013	2012
Retained earnings ratio	1.12%	0.87%
Permanent leverage ratio*	6.44%	5.39%
Tier 1 risk-based capital ratio	16.33%	16.52%
Total risk-based capital ratio	17.97%	20.03%
MDANA	$ 3,950	$ 4,650
MDANRA	$ 1,560	$ 1,520

* Permanent leverage ratio was not in effect per NCUA Rules and Regulations until October 2013.

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. Additionally, the new Regulation 704 phases in certain changes to the capital requirements through 2020. Corporate One is well prepared for the changes that are coming in the regulation. For example, retained earnings are required to be at least 45 basis points (bps) of Moving Daily Net Average Assets (MDANA) beginning in October 2013 or the corporate must submit an earnings retention plan. Corporate One has already met this requirement with a retained earnings ratio of 1.12 percent at December 31, 2013. The NCUA also phased in the capital requirements by establishing an interim leverage ratio in 2011, which was phased out in October 2013 and replaced with a permanent leverage ratio. During our capital raising efforts, we were focused on ensuring that we would meet the permanent leverage ratio that went into effect October 2013. The permanent leverage ratio only allows retained earnings plus PCC to be counted in the numerator as compared to the interim leverage ratio, which allowed NCA to be included. As of December 31, 2013, our permanent leverage ratio was 6.44 percent, which exceeds the requirement under the regulation.

Table Four summarizes the NCUA requirements for the various ratios:

Table Four: Capital Ratios

	Well capitalized	Adequately capitalized
Retained earnings ratio	0.45%	0.45%
Permanent leverage ratio	5.00%^/6.00%^^	4.00%
Tier 1 risk-based capital ratio	6.00%	4.00%
Total risk-based capital ratio	10.00%	8.00%

^Base Plus Expanded Authority Requirement. Under Base Plus, a 20% maximum decline in the Net Economic Value in the stress test required per Reg. 704 is permissible.
^^ Part I Expanded Authority. Under Base Plus, a 20% maximum decline in the Net Economic Value in the stress test required per Reg. 704 is permissible.

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

Enterprise Wide Risk Management

Corporate One is committed to managing the risks associated with our business activities and has maintained a formal risk management department for many years. We feel so strongly about managing risk that over seven years ago we embarked on an initiative to deploy enterprise wide risk management (EWRM) throughout our entire organization. We believe that EWRM is critical not only to managing our risks, but to maximizing our value to our members. To that end, Corporate One has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for EWRM as the structure for the governance of risk. Corporate One utilizes a core process risk assessment methodology to identify, categorize and mitigate its risk.

We have established an EWRM Committee comprised of members of our Board of Directors, our Supervisory Committee and our senior management. The EWRM Committee is responsible for reviewing completed risk assessments and coordinating, in conjunction with the Supervisory Committee, the testing of controls over critical processes. They are also responsible for reporting the residual risks of Corporate One's activities to the Board of Directors. The risks an organization takes should be balanced by the rewards. The Board of Directors ultimately uses the information from Corporate One's EWRM Committee to determine if those residual risks are balanced by rewards or if the risks are too great and should be mitigated.

Interestingly, during the revisions to NCUA Regulation Part 704, the NCUA made it a requirement, starting in 2013, for all corporate credit unions to establish an EWRM committee responsible for reviewing the enterprise-wide risk management practices of the corporate credit union. We had already incorporated EWRM into our culture, processes and expense structure here at Corporate One many years prior to this becoming a regulatory requirement.

Liquidity Risk Management

Liquidity risk is one of the most important risks that 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 liquidity management strategies that we employ, as well as more long term, overarching liquidity strategies.

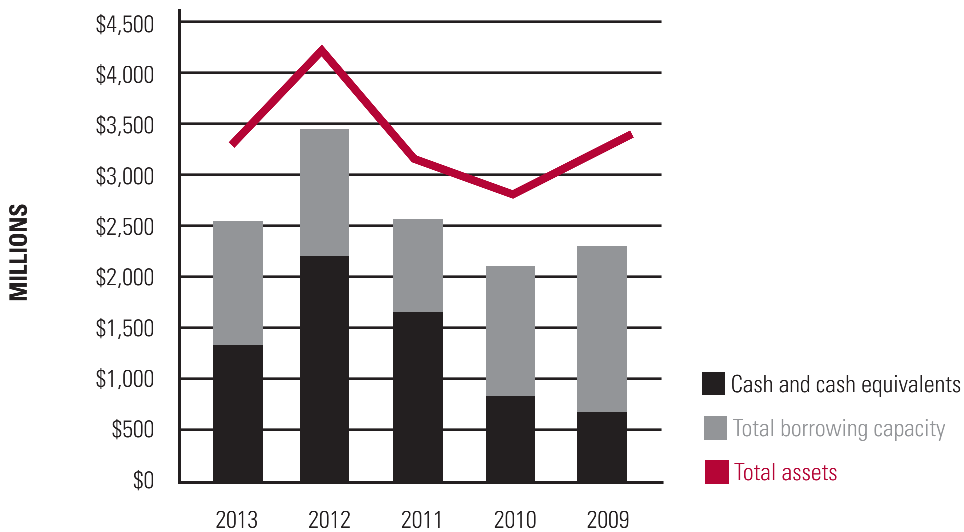
We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. To meet day-to-day member liquidity requirements, we keep a portion of our assets very liquid. In fact, as of December 31, 2013, we had $1.3 billion in cash and cash equivalents and approximately $1.2 billion in remaining borrowing capacity (total existing lines less borrowings outstanding). This is significant given our total balance sheet of $3.3 billion and settlement and regular shares of $2.5 billion.

After seeing peak levels of overnight shares in 2012, our members had lower levels of excess liquidity deposited at Corporate One in 2013. As a result, our overall assets and cash were down at year end 2013 versus 2012; however, our cash as a percentage of overnight shares remained above 50 percent.

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

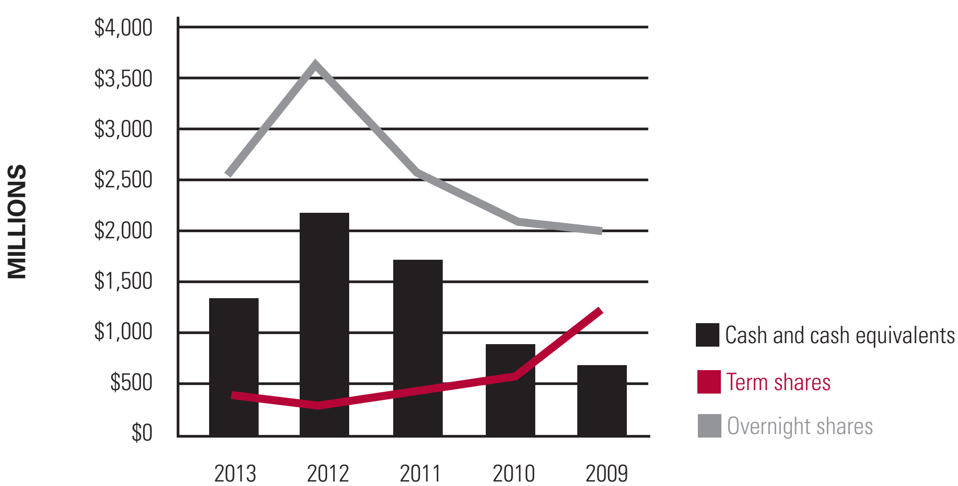
Figure One shows our available liquidity as compared to our total assets over the last five years.

Figure One: Trended data on liquidity sources



Additionally, we generally match our members' term certificates against assets with similar cash flows and maturities. As a result, when a term certificate matures, there is also an asset maturing at about the same time, producing the necessary liquidity to meet our members' needs. We are able to do this because members have historically held term certificates to maturity. A summary of our cash and cash equivalents in relation to our overnight and term share balances is shown on an annual basis in Figure Two.

Figure Two: Trended data for cash and cash equivalents compared to share balances



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 December 31, 2013, our single largest depositor represented only 8 percent of our total member shares.

We also strive to buy securities with readily determined market values that may be sold or borrowed against to generate liquidity. Should we need to generate liquidity, we have diversified sources of funds and we test these sources often to ensure availability. As noted earlier, Corporate One's remaining borrowing capacity at December 31, 2013, was approximately $1.2 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $178.5 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 $158.5 million at December 31, 2013. In addition, we maintain a reverse repurchase agreement with another party totaling $500.0 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 $65.0 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.

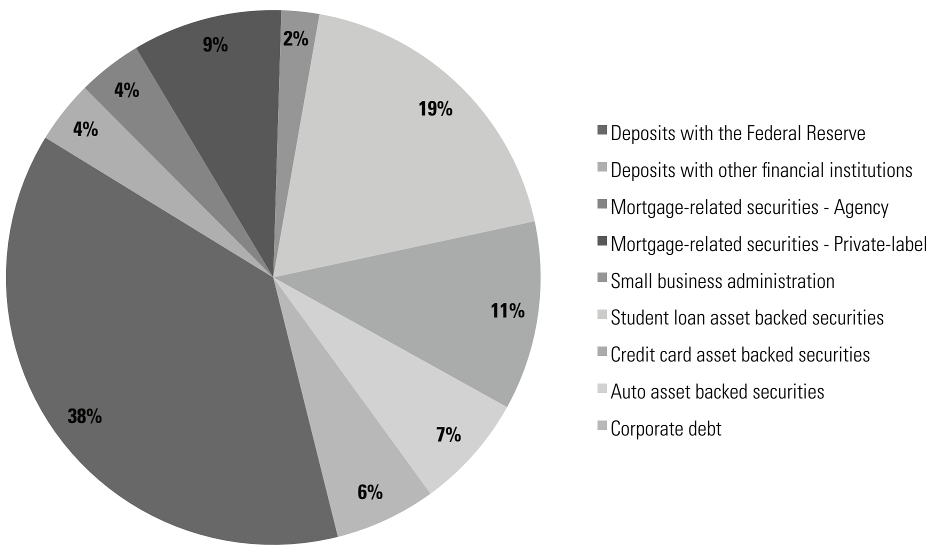
We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound deposit institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Federal Reserve Bank by collateral that is acceptable for that purpose. Corporate One's borrowing capacity at the Federal Reserve Bank was approximately $470.8 million at December 31, 2013.

Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines, committed lines and letter of credit commitments to members of approximately $2.8 billion at December 31, 2013. 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.

Credit Risk Management

Another material risk that we manage is credit risk. One way we mitigate credit risk is by actively managing our balance sheet to ensure that it is well diversified. We purchase investments based on high credit ratings, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs), or issued by agencies of the U.S. government or by other regulated depository institutions. Corporate One's portfolio diversification as of December 31, 2013, is shown in Figure Three.

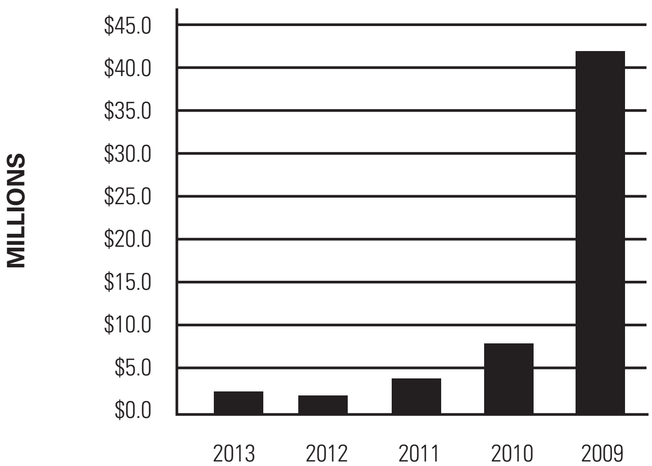
Figure Three: Portfolio diversification as of December 31, 2013



As shown in Figure Three, our portfolio remains well diversified. Thirty-seven percent of the book value of our portfolio is in cash held at the Federal Reserve Bank. Another forty-seven percent of our portfolio is cash held at other financial institutions, agencies and securities rated "A" or higher by NRSROs. Corporate One does not have any investments in structured investment vehicles (SIVs), collateralized debt obligations (CDOs) or commercial mortgage-backed securities. For securities where we believe not all principal and interest will be received, we must record other-than-temporary impairment (OTTI) charges. 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. In our review of our investment portfolio, the only sector for which we believe we will have credit losses is our private label mortgage-related sector.

As seen in Figure Four, the majority of these OTTI charges were recorded in 2009.

Figure Four: OTTI charges by year



As of December 31, 2013, we have recorded OTTI charges on 55 private-label mortgage-related securities. These 55 securities had a total par value of approximately $161.0 million at December 31, 2013. We have recorded a total of $63.1 million of cumulative estimated credit losses on these securities through the end of 2013. However, we have actually only had total cumulative principal shortfalls of approximately $27.1 million on 39 of these securities through December 31, 2013. The difference between the $63.1 million of cumulative estimated credit losses and the $27.1 million of actual cumulative principal shortfalls is the amount remaining to absorb future principal shortfalls or will be recognized as earnings if we determine there is a significant improvement in cash flows over our original estimates. In 2013, we identified 10 securities for which we believe there has been a significant improvement in cash flows over our estimates made at the time that we recorded OTTI. Accounting guidance requires that this improvement be accounted for as an adjustment to the yield on the security and recognized as interest income over the life of the security. Accordingly, we adjusted the yield on these ten securities and recorded additional interest income of $1.2 million in 2013.

In addition to these securities, as a result of the merger with Southeast in 2012, we acquired 20 private-label mortgage-related securities for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. These 20 securities were all acquired at a discount and based on our estimates of future credit losses, we allocated a portion of the discount as a nonaccretable discount, which is available to absorb principal shortfalls as they occur. At acquisition, the total nonaccretable discount was $26.7 million. Since that time, we have had actual principal shortfalls of $1.3 million. Additionally, current estimates of future cash flows show significant improvement. As a result, we have reclassified $2.1 million of the nonaccretable discount to the accretable discount. This will increase the yield on these securities and be recognized as increased interest income over the lives of the securities. As of the end of December 31, 2013, there is a balance of $23.4 million in the nonaccretable discount on these securities. This is the amount remaining to absorb future principal shortfalls on these securities or will be recognized as earnings if we determine there is additional improvement in cash flows over our original estimates.

A portion of Corporate One's securities have insurance coverage to further support the senior classes in the event of deteriorating collateral performance. The insurance coverage provided by the monoline insurers increases the existing credit enhancement provided to the senior class owned by Corporate One. The monoline insurance companies that insure Corporate One bonds are: Syncora Guarantee Inc. (SGI), Financial Guaranty Insurance Company (FGIC), Assured Guaranteed Corporation (AGC), MBIA, Inc. (MBIA) and Ambac Assurance Corporation (AAC). SGI and FGIC stopped paying claims in April 2009 and November 2009, respectively. As a result, Corporate One has recorded OTTI charges on all securities that were dependent upon SGI and FGIC for the payment of future principal and interest claims. Beginning in July 2010, SGI resumed the payment of claims; however, accounting rules do not allow for immediate reversals of prior OTTI taken. FGIC has also made some recent progress towards its rehabilitation plans, which may result in some recoveries of losses on our FGIC insured securities. An announcement was made in June 2013 that FGIC will be making cash payments of 17 percent for securities that were insured by FGIC with incurred losses. The Superintendent of Financial Services of the State of New York, the court-appointed rehabilitator of FGIC, determined that the conditions to set the effective date of the First Amended Plan of Rehabilitation for FGIC dated June 4, 2013, had been satisfied and that the effective date of the plan occurred on August 19, 2013. We have not yet received any payments from FGIC related to this rehabilitation plan.

In addition, we own a few FGIC insured securities which were issued by Residential Capital, LLC (ResCap). These securities are not included in the Rehabilitation plan, but are part of a settlement agreement between FGIC, ResCap and various trustees. This settlement will include a payment of partial prior losses, but will then commute the insurance policy. In January 2014, we received settlement payments totaling $870,000 on four of our FGIC insured securities which were part of the ResCap commutation.

Corporate One has placed reliance on AGC and MBIA. These insurers are currently paying principal and interest claims timely and management believes they will continue to pay future claims. However, deterioration of these monoline insurers could result in additional OTTI charges.

Corporate One has 15 bonds that are insured by AAC, a subsidiary company of Ambac Financial Group, Inc. One of the bonds is a student loan asset-backed security and the remaining 14 bonds are mortgage-backed securities. The underlying borrowers are making principal and interest payments, so we only require support from AAC to cover shortfalls. We receive an analysis from an independent third-party consultant on a monthly basis to help us quantify our expected losses on the mortgage-backed securities.

Due to the economic downturn that began in 2007, claims made against AAC for principal shortfalls on insured bonds escalated to a point where its ability to pay on such claims was in question. On March 24, 2010, the Ambac Financial Group, Inc.'s Board of Directors voted to create a segregated account and consented to rehabilitation of that account by the Wisconsin Office of the Commissioner of Insurance (OCI), AAC's primary regulator. Under Wisconsin law, the segregated account is treated as a separate insurer from AAC. All of Corporate One's AAC-insured bonds have been allocated to the segregated account by OCI. The OCI has implemented a temporary moratorium on claims payments to segregated account policyholders to provide a measured transition into rehabilitation and to conserve claims-paying resources while the plan of rehabilitation is finalized. Through this plan, the segregated account policies should receive a combination of cash and interest-bearing surplus notes in consideration for claims made.

On October 8, 2010, OCI, as the rehabilitator of the segregated account, filed the final plan of rehabilitation of the segregated account. While the overall aspects of this final plan were largely consistent with the one filed in March 2010, the final plan included detailed financial projections that provide a range of potential outcomes for policyholders. The plan calls for 25 percent of claims to be paid in cash and 75 percent in surplus notes. The detailed financial projections show recoveries on the surplus notes ranging from 100 percent in the best scenario to 45 percent in the most stressful scenario. Therefore, according to OCI's estimates, even in the most stressful scenario the ultimate recovery on policy claims would be 58.75 percent (the result of 100 percent recovery on the 25 percent paid in cash and 45 percent recovery on the 75 percent paid in surplus notes). OCI has made available a copy of the plan and other valuable information regarding the segregated account at http://www.Ambacpolicyholders.com. On January 24, 2011, the OCI's motion for confirmation of the final rehabilitation plan was granted and the plan was confirmed by State of Wisconsin's Circuit Court for Dane County (the Court).

While the rehabilitation plan for the segregated account was approved, no payments or surplus notes were issued to the segregated account policyholders, pending resolution of certain tax considerations relating to the issuance of surplus notes. During 2011, the rehabilitator for the segregated account disclosed that amendments to or modifications of the rehabilitation plan are possible, however, no specific timeline or deadline were given.

On June 5, 2012, AAC announced that the motion brought by the rehabilitator of the segregated account was approved by the Court. The Court agreed to the commencement of cash payments of 25 percent of each permitted policy that has arisen since the commencement of the rehabilitation proceedings for the segregated account and of each policy claim submitted and permitted in the future. AAC began making payments in September 2012 equal to 25 percent of the claims submitted. As of yet, AAC has not issued the surplus notes discussed in the rehabilitation plan for the remaining 75 percent of the claims.

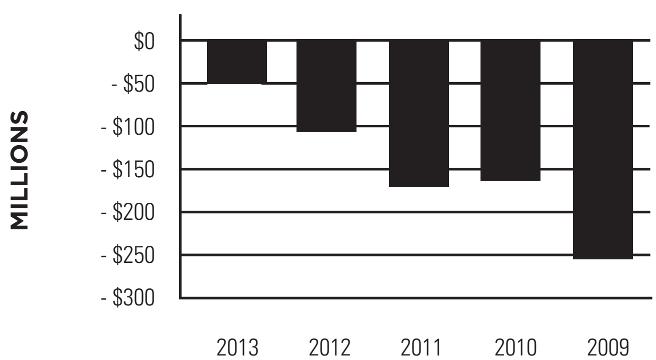
Corporate One believes ultimate recovery on policy claims to be between 100 percent and 58.75 percent as originally presented in the final rehabilitation plan. Based on our review of the financial statements of AAC and the segregated account, we estimated our recovery will be 67 percent. Through December 31, 2013, we have recorded $1.19 million in OTTI charges on AAC-insured bonds. We are currently placing reliance on AAC to cover $3.1 million of expected principal shortfalls on our AAC-insured bonds. Should the rehabilitator make amendments to the plan of rehabilitation that have an adverse effect on the segregated account or if there is further deterioration of AAC or the underlying insured securities, it could result in additional OTTI charges.

Market/Spread Risk

Because we invest in securities, we are also exposed to market risk due to liquidity and credit spreads. When the credit crisis that began in 2007 became a liquidity crisis, it resulted in a severe dislocation in the global credit markets which caused all credit-related securities to experience deterioration in spreads and, hence, in fair values. Massive government programs were instituted over the last several years, to try to help bring liquidity back into the markets. Accordingly, we have seen significant improvement in the fair values of our securities. Net unrealized losses or accumulated other comprehensive loss on our securities have decreased steadily since the trough in 2008. The reduction in the net unrealized losses in our mortgage-related portfolio is also due to the recognition of losses through OTTI charges.

Figure Five illustrates the improving trend of the net unrealized losses on our securities.

Figure Five: Net unrealized losses trend



Of our $51.6 million in unrealized losses or accumulated other comprehensive loss at December 31, 2013, only $6.3 million or 12.1 percent is related to residential mortgage-backed and home equity asset-backed securities. The bulk of our unrealized losses is related to asset classes outside of the mortgage sector, primarily student loan asset-backed securities.

Table Five details our accumulated other comprehensive loss by sector at December 31, 2013 and 2012.

Table Five: Accumulated Other Comprehensive Loss by sector
(Dollar amounts are in thousands)

	December 31,	
	2013	2012
Type		
Student loans	$ (46,566)	$ (77,595)
Mortgage-related	(6,267)	(33,804)
Mutual fund		(25)
Corporate debt	548	(343)
Government-sponsored enterprises		143
Automobiles	91	305
Credit cards	(759)	1,856
Small business administration	1,329	1,514
	$ (51,624)	$ (107,949)

The total amortized cost of our student loan asset-backed securities portfolio was $599.2 million as of December 31, 2013. Of that total portfolio, 80 percent was Federal Family Education Loan Program (FFELP) – backed student loan securities. The remaining 20 percent of the portfolio is private-issue student loan securities. Every student loan asset-backed security we hold, except for one, is graded an A or better by at least one NRSRO. We have never determined any of our student loan securities to be other-than-temporarily impaired. Semi-annually we have our entire student loan portfolio reviewed by an independent third party consultant. The consultant has always confirmed our view that these securities do not have projected credit losses. We believe the unrealized losses in this sector are related to illiquidity and are not due to a lack of creditworthiness. We believe the unrealized losses on our mortgage-related securities are the result of historically high defaults, delinquencies and loss severities on mortgages underlying the mortgage-related securities, as well as the deterioration of liquidity due to an imbalance between the supply and demand for these securities. For both our student loan asset-backed and our mortgage-related securities, we expect the fair value to recover as the securities approach their maturity date or as the credit markets stabilize.

Interest Rate Risk Management

When members deposit funds with us, we can invest those funds in a variety of securities that closely match the duration and re-pricing characteristics of the underlying deposit, resulting in minimal mismatch. For our overnight liabilities that re-price daily, we generally invest such deposits in investments that re-price every one to three months or sooner. We generally match fixed-rate liabilities that mature in excess of one month with fixed-rate securities that have the same or approximately the same maturity. As a result of the way we manage our balance sheet, when interest rates move, the value of our floating-rate assets and liabilities does not fluctuate significantly. Movements in interest rates do affect our fixed-rate securities; however, there is typically a corresponding change in the value of the deposits matched against those fixed-rate securities.

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 (excluding unamortized MCS and NCA). 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.

As the credit crisis that began in 2007 became a liquidity crisis, the fair values of many of our securities have experienced declines, which put significant downward pressure on our NEV and NEV ratio. Because the NEV incorporates the unrealized losses on our available-for-sale securities that are due to uncertainty regarding liquidity and credit, it is losing some of its value as a tool to measure interest rate risk. Currently, the NEV and NEV ratio are more reflective of market/spread risk. Throughout this time, the fundamentals of how we manage interest rate risk have not changed.

During 2011, due to the changes in Regulation Part 704, we raised a significant amount of regulatory capital. During 2012, we completed the merger with Southeast which resulted in additional regulatory capital. Moreover, liquidity has started to return to certain sectors in which we are invested and has resulted in significant improvements in the fair values of our securities. These factors have increased our base scenario NEV from $200.6 million at December 31, 2012, to $235.7 million at December 31, 2013. As a result, we exceed the minimum required NEV ratio of 2 percent in both the base case scenario as well as the 300 bps stress scenario.

NEV scenarios are performed monthly, testing for sudden and sustained increases or decreases in interest rates of 100, 200 and 300 basis bps. A summary of Corporate One's NEV calculation as of December 31, 2013 and 2012, is shown in Table Six.

Table Six: Net Economic Value Calculation (Dollar amounts are in thousands)

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base
As of December 31, 2013*	$ 218,903	6.73%	$ (16,767)
300 bps rise in rates	235,670	7.18%	
Base Scenario			
As of December 31, 2012*			
300 bps rise in rates	$ 172,580	4.05%	$ (27,980)
Base Scenario	200,560	4.71%	

* 300, 200 and 100 bps declines did not apply in the interest rate environment present on December 31, 2013 and 2012.

Operational Risk Management

Corporate One provides a variety of products and services to our members and is reliant upon the ability of our employees and systems to process a large number of transactions. Accordingly, Corporate One is exposed to a variety of operational risks, including errors and omissions, business interruptions, improper procedures, and vendors that do not perform in accordance with outsourcing arrangements. These risks are less direct than credit and interest rate risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In the event of a breakdown or improper operation of systems or improper procedures, we could suffer financial loss and other damage, including harm to our reputation.

To mitigate and control operational risk, Corporate One developed comprehensive policies and procedures designed to provide a sound and well-controlled operational environment. All critical vendor relationships are reviewed on an annual basis and a financial analysis of our major business partners is completed. Corporate One also has internal auditors on staff who perform periodic internal audit procedures on the internal controls of Corporate One. They report on such procedures to Corporate One's Supervisory and EWRM Committees and Board of Directors. Additionally, business continuity plans exist and are tested for critical systems, and redundancies are built into the systems as deemed appropriate.

Supervisory Committee Report

Corporate One's 2013 financial statements, prepared by management, were audited in accordance with auditing standards generally accepted in the United States of America by Crowe Horwath LLP, independent auditors. In addition, as required by Section 704.15(a) of the National Credit Union Administration Rules and Regulations, the corporate's independent auditors must examine, attest to, and report separately on the effectiveness of the corporate's internal control structure and procedures over financial reporting. Crowe Horwath's reports on both Corporate One's financial statements and internal controls over financial reporting are included within this annual report.

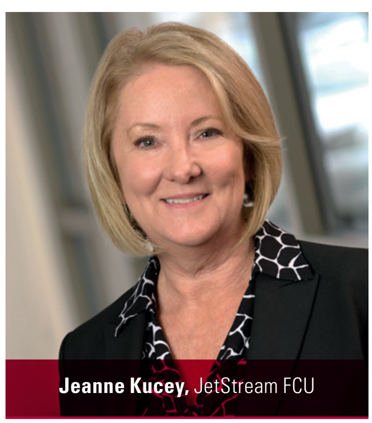
In addition to the annual audit, Corporate One maintains an internal audit department which reports directly to the Supervisory Committee. This department, directed by the Supervisory Committee, performs internal audits of select processes, controls and systems of Corporate One, and reports quarterly on such procedures to the Supervisory Committee. Based on the annual audit and internal audit procedures, the Supervisory Committee is confident that Corporate One is subjected to a thorough and professional examination process.


William Allender, BMI FCU


Arthur Boehm, The Ohio Educational CU


Fritz Comes, Chair, Directions CU


Robert A. Fertitta, Board Liaison
Navigator CU


Jeanne Kucey, JetStream FCU

Management Report

Statement of Management's Responsibilities
The management of Corporate One Federal Credit Union (Corporate One) is responsible for preparing Corporate One's annual financial statements in accordance with generally accepted accounting principles, for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, and for complying with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Management's Assessment of Compliance with Safety and Soundness Laws and Regulations
The management of Corporate One has assessed Corporate One's compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2013. Based upon its assessment, management has concluded that Corporate One complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2013.

Management's Assessment of Internal Control over Financial Reporting
Corporate One's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes (i.e., NCUA-5310 Corporate Credit Union Call Report). Corporate One's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate One; (2) provide reasonable assurance that transactions are recorded as necessary to permit

preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and for regulatory reporting purposes, and that receipts and expenditures of Corporate One are being made only in accordance with authorizations of management and directors of Corporate One; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Corporate One's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of Corporate One's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 1992 Internal Control — Integrated Framework.

Based upon its assessment, management has concluded that, as of December 31, 2013, Corporate One's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, is effective based on the criteria established in the 1992 Internal Control—Integrated Framework.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2013, has been audited by Crowe Horwath LLP, an independent public accounting firm, as stated in their report dated March 24, 2014.

Lee C. Butke
President, Chief Executive Officer

Melissa A. Ashley
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 24, 2014

Independent Auditor's Report

Supervisory Committee and Board of Directors
Corporate One Federal Credit Union
Columbus, Ohio

We have examined Corporate One Federal Credit Union's (the "Corporate One") internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Corporate One's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying *Management Report*. Our responsibility is to express an opinion on the Corporate One's internal control over financial reporting based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of

America. Because management's assessment and our examination were conducted to meet the reporting requirements of Regulation 704.15 of the National Credit Union Administration (NCUA), our examination of Corporate One's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and and with the instructions to the NCUA-5310. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corporate One Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards generally accepted in the United States of America, the consolidated financial statements of Corporate One Federal Credit Union and our report dated March 24, 2014 expressed an unqualified opinion on those financial statements.

Crowe Horwath LLP

Crowe Horwath LLP
Columbus, Ohio
March 24, 2014

Independent Auditor's Report

Supervisory Committee and Board of Directors
Corporate One Federal Credit Union
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Corporate One Federal Credit Union ("Corporate One"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporate One Federal Credit Union as of December 31, 2013 and 2012, 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.

Report on Other Legal and Regulatory Requirements

We also have examined in accordance with the attestation standards established by the American Institute of Certified Public Accountants, Corporate One Federal Credit Union's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our reported dated March 24, 2014 expressed an unqualified opinion.

Crowe Horwath LLP

Crowe Horwath LLP
Columbus, Ohio
March 24, 2014

Consolidated Balance Sheets

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 1,316,117,061	$ 2,214,678,584
Investments in financial institutions	74,516,188	52,645,170
Available-for-sale securities, at fair value	1,806,592,425	1,892,679,563
Held-to-maturity securities (fair value 2013 – $3,010,097; 2012 - $1,855,946)	2,355,592	2,355,592
Loans	20,801,431	24,380,862
Accrued interest receivable	1,999,574	2,075,562
Goodwill	3,401,412	3,401,412
Intangible assets	22,113,141	26,799,502
Other assets	34,605,210	31,896,594
TOTAL ASSETS	**$ 3,282,502,034**	**$ 4,250,912,841**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	$ 2,548,749,873	$ 3,592,620,787
Share certificates	389,741,561	366,833,824
Member capital shares	26,094,914	34,944,574
Non-perpetual capital accounts	82,700,000	82,700,000
Borrowed funds	20,000,000	20,000,000
Dividends and interest payable	779,232	1,116,069
Accounts payable and other liabilities	4,615,958	4,104,079
TOTAL LIABILITIES	**3,072,681,538**	**4,102,319,333**
Members' equity:		
Paid-in capital	20,000	20,000
Perpetual contributed capital	216,969,940	216,024,489
Reserves and undivided earnings	44,454,264	40,497,733
Accumulated other comprehensive loss	(51,623,708)	(107,948,714)
TOTAL MEMBERS' EQUITY	**209,820,496**	**148,593,508**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 3,282,502,034**	**$ 4,250,912,841**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended December 31,	
	2013	**2012**
Interest income:		
Investments and securities	$ 33,039,734	$ 32,479,672
Loans	731,483	322,902
TOTAL INTEREST INCOME	33,771,217	32,802,574
Dividend and interest expense:		
Share accounts	10,281,645	11,690,664
Other borrowings	806,151	814,469
TOTAL DIVIDEND AND INTEREST EXPENSE	11,087,796	12,505,133
NET INTEREST INCOME	22,683,421	20,297,441
SERVICE FEE INCOME, NET	14,354,002	12,426,189
Net loss on investments:		
Total other-than-temporary impairment losses	(11,810,075)	(10,482,096)
Portion of loss recognized in other comprehensive income	9,395,260	8,229,396
Net impairment losses recognized in earnings	(2,414,815)	(2,252,700)
Net gain on sales of securities	2,558,089	53,143
TOTAL NET GAIN (LOSS) ON INVESTMENTS	143,274	(2,199,557)
Operating expenses:		
Salaries and employee benefits	17,542,109	14,223,258
Office operations and occupancy expense	8,200,292	7,520,804
Amortization of intangibles expense	4,686,362	2,362,440
Other operating expenses	2,035,433	2,069,209
TOTAL OPERATING EXPENSES	32,464,196	26,175,711
NET INCOME	**$ 4,716,501**	**$ 4,348,362**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31,	
	2013	**2012**
Net Income	$ 4,716,501	$ 4,348,362
Other comprehensive income:		
Change in net unrealized loss on available-for-sale securities	56,468,280	59,526,532
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities	2,414,815	2,252,700
Reclassification adjustment recognized in earnings for gain from sales of securities	(2,558,089)	(53,143)
Total other comprehensive income	56,325,006	61,726,089
COMPREHENSIVE INCOME	**$ 61,041,507**	**$ 66,074,451**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Members' Equity

	Paid-In Capital	Perpetual Contributed Capital	Reserves and Undivided Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
BALANCE AT JANUARY 1, 2012	**$ 20,000**	**$ 141,917,275**	**$ 36,780,976**	**$ (169,674,803)**	**$ 9,043,448**
Net Income			4,348,362		4,348,362
Other comprehensive income				61,726,089	61,726,089
Conversion of membership capital shares to perpetual contributed capital		1,894,592			1,894,592
Issuance of perpetual contributed capital, net of issuance costs ($80,800)		3,604,808			3,604,808
Perpetual contributed capital acquired through merger		68,607,814			68,607,814
Dividends on perpetual contributed capital			(631,605)		(631,605)
BALANCE AT DECEMBER 31, 2012	**$ 20,000**	**$ 216,024,489**	**$ 40,497,733**	**$ (107,948,714)**	**$ 148,593,508**
Net income			4,716,501		4,716,501
Other comprehensive income				56,325,006	56,325,006
Conversion of membership capital shares to perpetual contributed capital		463,531			463,531
Issuance of perpetual contributed capital		837,930			837,930
Release of perpetual contributed capital due to liquidation of member credit union		(356,010)			(356,010)
Dividends on perpetual contributed capital			(759,970)		(759,970)
BALANCE AT DECEMBER 31, 2013	**$ 20,000**	**$ 216,969,940**	**$ 44,454,264**	**$ (51,623,708)**	**$ 209,820,496**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2013	**2012**
Cash flows from operating activities:		
Net income	$ 4,716,501	$ 4,348,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,669,714	1,252,415
Amortization of intangibles	4,686,361	2,362,440
Net accretion	(5,903,536)	(4,370,720)
Net impairment losses on investments	2,414,815	2,252,700
Net gain on sales of securities	(2,558,089)	(53,143)
Net (gain) loss on disposals of assets	(16,528)	22,083
Net change in accrued interest receivable	75,988	828,705
Net change in dividends and interest payable	(336,837)	(609,194)
Other, net	(2,197,557)	30,962
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,550,832	6,064,610
Cash flows from investing activities:		
Net change in investments in financial institutions	(21,871,018)	18,172,600
Available-for-sale securities:		
Sales	240,310,195	42,186,842
Maturities and principal pay downs	710,093,555	821,269,846
Purchases	(802,146,813)	(832,120,237)
Held-to-maturity securities:		
Maturities and principal paydowns	132,833	122,439
Net change in loans	3,579,431	(9,371,401)
Net change in NCUA share insurance deposit	(115,517)	683,875
Net purchase of property and equipment	(1,467,665)	(835,859)
Net cash acquired from merger		1,028,811,087
NET CASH PROVIDED BY INVESTING ACTIVITIES	128,515,001	1,068,919,192
Cash flows from financing activities:		
Change in shares and deposits	(1,029,349,306)	(585,792,519)
Issuance of perpetual contributed capital, net of issuance costs	837,930	3,604,808
Release of perpetual contributed capital due to liquidation of member credit union	(356,010)	
Dividends on paid-in capital and perpetual contributed capital	(759,970)	(631,605)
NET CASH USED IN FINANCING ACTIVITIES	(1,029,627,356)	(582,819,316)
Net (decrease) increase in cash and cash equivalents	(898,561,523)	492,164,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,214,678,584	1,722,514,098
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,316,117,061**	**$ 2,214,678,584**
Supplemental disclosure:		
Dividends and interest paid	$ 12,814,604	$ 13,456,751
Conversion of MCA and PIC to PCC	$ 463,531	$ 1,894,592

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) ORGANIZATION

The purpose of Corporate One Federal Credit Union (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), which are described below. The consolidated financial statements include the accounts of Corporate One and the three CUSOs. All significant intercompany accounts and transactions have been eliminated.

Member Business Solutions, LLC (MBS) – Corporate One acquired 100% of MBS during the 2012 merger with Southeast Corporate Federal Credit Union (Southeast), see Note 3. MBS's purpose is to provide business lending solutions to its credit union customers. The primary source of income for MBS is provided through fees earned for the underwriting and documenting of business loans. For the years ended December 31, 2013 and 2012, MBS contributed approximately $498,000 and $13,000, respectively to net income for the corporate. MBS services loans for other credit unions which are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of loans serviced by MBS approximated $118.2 million and $85.6 million at December 31, 2013 and 2012, respectively.

Accolade Investment Advisory, LLC (Accolade) – Corporate One acquired 100% of Accolade during the 2012 merger with Southeast, see Note 3. Accolade provides investment advisory services to credit unions. For the years ended December 31, 2013 and 2012, Accolade represented a nominal percentage of Corporate One's net income.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the more significant accounting policies Corporate One follows in preparing and presenting our consolidated financial statements.

(a) Use of Estimates

The accounting and reporting policies of Corporate One conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry. The preparation of financial statements in conformity with GAAP 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. Specifically, management has made assumptions in estimating the fair value of financial instruments, the assessment of other-than-temporary impairment, the amortization/accretion of premiums/discounts on investments subject to prepayment and the value of intangible assets and indemnification assets. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions and federal funds sold. Net cash flows are reported on the accompanying consolidated statements of cash flows for loans, shares and certain other items.

To further diversify our liquidity options, we have elected to voluntarily hold Reg D reserves in order to gain access to the Federal Reserve Discount Window. Accordingly, Corporate One is required to maintain cash or deposits with the Federal Reserve Bank. At December 31, 2013 and 2012, cash held prior to month-end was sufficient; therefore, no reserve was required.

(c) Investments in Financial Institutions

Investments in financial institutions are carried at cost and reviewed for impairment. These investments consist of interest-bearing term deposits at federally insured depository institutions and Federal Home Loan Bank (FHLB) of Cincinnati stock. Corporate One is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(d) Securities

Debt securities are classified as held-to-maturity and carried on the balance sheet at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they 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.

Amortization of premiums and accretion of discounts are recorded as adjustments to interest income from securities using the interest method. Realized gains and losses on the sale of available-for-sale securities are credited or charged to earnings when realized based on the specific-identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the statement of income and 2) OTTI related to other factors, which is recognized in other comprehensive income (loss). The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(e) Purchased Credit-Impaired Securities

Corporate One acquired private label mortgage-related securities as a result of the merger with Southeast, for which, at acquisition, there was evidence of deterioration of credit quality since origination. Such purchased credit-impaired securities are accounted for individually. Corporate One estimates the amount and timing of expected cash flows for each security, and the expected cash flows in excess of the amount paid is recorded as interest income over the remaining life of the security (accretable yield). The excess of the securities' contractual principal payments over expected cash flows is not recorded (nonaccretable difference).

Over the life of the securities, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, an other-than-temporary impairment charge is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income using the interest method over the remaining life of the security.

(f) Loans

Loans are divided into the following segments: member and non-member. Corporate One further divides these segments into classes based on the associated risk characteristics. Member loans are divided into three classes: settlement, demand and term loans. Non-member loans are classified as real estate. Loans are stated at the current principal amount outstanding. Interest income is accrued on the daily balance outstanding at the borrowing rate. Corporate One evaluates each member and non member's creditworthiness on a case-by-case basis. The following is a summary of how management determines the balance of an allowance for loan losses (ALL), if necessary, for each segment of loans.

Member Portfolio Segment ALL Methodology

An ALL is based on management's continuing review and evaluation of the loan portfolio and its judgment as to the effect of economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, the current financial condition of the borrower, quality of the collateral and the amount of loans outstanding.

Non-Member Portfolio Segment ALL Methodology

An ALL is based on a credit risk assessment by management's analysis of leading predictors of losses existing as of the measurement date. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data, or other risks identified from current economic conditions and credit quality trends.

(g) Property and Equipment

Property and equipment, included in other assets on the consolidated balance sheets, are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method and is based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

(h) Internal Use Software

Corporate One capitalizes certain costs for software that is internally developed for use in the business. Development costs generally include salaries and benefits of employees or consultants involved in the development, coding, testing and related project management of software intended for internal use. Costs are capitalized when the development stage begins until the software is substantially complete and ready for its intended use. During 2013 and 2012, capitalized costs related to internally developed software were $64,000 and $74,000, respectively. Amortization begins when the software is ready for service and continues on the straight-line method over the estimated useful life of the software.

(i) Goodwill and Other Intangible Assets

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that an impairment test should be performed. Corporate One has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

Other intangible assets consist of core deposits and member relationships. The member relationship intangible is being amortized straight line over its estimated useful life of 12 years. The core deposit intangibles are being amortized on an accelerated amortization method over their estimated useful lives which range from 4 to 10 years.

(j) Indemnification Asset

In order to accomplish the merger with Southeast, the National Credit Union Administration (NCUA) provided certain assistance in the form of a conditional indemnification agreement to cover losses on certain assets acquired by Corporate One. The indemnification asset was recognized at the time those assets were acquired and was measured on the same basis; recording both at fair value on the acquisition date. Any amortization of changes in value of the indemnification asset will be limited to the lesser of the contractual term of the indemnification agreement or the remaining life of the indemnified assets. The indemnification asset is included in other assets in the accompanying consolidated balance sheets.

(k) Income Taxes

Corporate One is exempt from federal and state income tax pursuant to Section 501(c)(1) of the Internal Revenue Code and Section 122 of the Federal Credit Union Act, respectively.

(l) Financial Instruments and Concentrations of Credit Risk

Financial instruments that potentially subject Corporate One to concentrations of credit risk consist of federal funds sold, securities purchased under agreements to resell (repurchase) and investment securities. Corporate One invests in and borrows from highly rated domestic banks, and uses nationally recognized broker/dealers in the execution of trades for financial instruments. Exposure to individual counterparties or asset classes may be significant. Corporate One's exposure to investment securities is discussed in Note 6. Additionally, in providing financial services solely to the credit union industry, Corporate One is dependent upon the viability of that industry and the industry's support of corporate credit unions.

Corporate One mitigates risks related to these concentrations through thorough evaluation of credit quality of the assets it purchases and the creditworthiness of its business partners. Counterparty risk is managed by ensuring that market counterparties are institutions of high credit quality and appropriate levels of collateral are maintained, if necessary.

(m) Members' Capital Share Accounts

Credit unions transacting business with Corporate One are required to be a Partner member or an Associate member. Partner members enjoy Corporate One's most favorable rates on their investments and enjoy the lowest fees on settlement services. Associate members may earn lower rates than Partner members on their investments with Corporate One and pay fees on settlement services with Corporate One according to the Associate member fee schedules. Additionally, certain products and services, such as committed lines of credit and fee-free advised lines of credit, are available to Partner members only.

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, Paid-In Capital (PIC) and Membership Capital Shares (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 required for Partner membership in Corporate One. During 2011, Corporate One offered its Partner members the opportunity to convert their MCS and/or PIC to PCC in order to continue to be considered Partner members of Corporate One. In addition, Corporate One offers PCC to new members and/or Associate members who want to invest in PCC to become Partner members of Corporate One. 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 National Credit Union Share Insurance Fund (NCUSIF) or other share or deposit insurers; and cannot be pledged against borrowings. PCC is classified as equity in the financial statements.

During 2011, Corporate One offered its members the opportunity to purchase a five year term NCA. The offering was open to all members who converted their MCS and/or PIC to PCC and Associate members who converted to Partner status by purchasing PCC. This offering resulted in $82.7 million of NCA and is no longer being offered. 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. NCA is classified as a liability in the financial statements.

Previously, MCS was required for Partner membership in Corporate One. MCS do not have a stated maturity. Notice of intent to de-capitalize by the Partner member is required and once notification is given, the shares will be redeemed in three years. These shares are not subject to share insurance coverage by the NCUSIF and are available to cover losses that exceed retained earnings and PIC. MCS are classified as a liability in the financial statements and are no longer offered. As of October 21, 2011, all remaining MCS not already on notice were automatically put on notice by Corporate One as required by the final revisions to Regulation Part 704. At December 31, 2013 and 2012, there were $26.1 million and $34.9 million of shares on notice, respectively.

PIC are investments by member credit unions and denote their ownership interest in Corporate One. PIC has no stated maturity date. Notice of intent to de-capitalize by the Partner member is required and once notification is given, the shares are redeemed in 20 years. PIC is not subject to share insurance coverage by the NCUSIF and is available to cover losses that exceed retained earnings. PIC is classified as equity in the financial statements and is no longer offered. As of October 21, 2011, all PIC not already on notice was automatically put on notice by Corporate One as required by the final revisions to Regulation Part 704. At December 31, 2013 and 2012, there were $20,000 of shares on notice.

(n) Reserves and Undivided Earnings

Reserves and undivided earnings (RUDE) represent earnings not distributed as dividends to members. Portions of earnings are set aside as reserves in accordance with Corporate One's policy and the NCUA's rules and regulations.

(o) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities. Comprehensive income (loss) also includes non-credit losses on available-for-sale and held-to-maturity securities related to other-than-temporary impairment.

(p) Service Fees

Service fees are earned on various services provided to credit unions and their affiliates. These services include ACH and Credit/Debit programs, depository services, share draft processing, and certificate of deposit and securities brokering. In addition to these provided by the corporate, our wholly-owned CUSOs provide business lending solutions and investment advisory services. Revenue is recognized in the period in which services are rendered. Gross service fee income for the years ending December 31, 2013 and 2012, was $22.6 million and $20.1 million, respectively. Revenues on the accompanying consolidated statements of income are reduced by third-party costs incurred to provide these services. These third-party costs were $8.3 million and $7.7 million for the years ended December 31, 2013 and 2012, respectively.

(q) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there currently are such matters that will have a material effect on the financial statements.

(r) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2013, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2013. Management has performed such analysis through March 24, 2014, the date the financial statements are available to be issued.

(s) Regulatory Pronouncements

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 major revisions involve corporate credit union capital, investments, asset/ liability management, governance and credit union service organization (CUSO) activities. The new regulation establishes a new capital framework, including risk-based capital requirements; imposes new prompt corrective action requirements; places various new limits on corporate investments; imposes new asset/liability management controls; amends some corporate governance provisions; and limits a corporate CUSO to categories of services pre-approved by the NCUA.

Most of the new investment prohibitions and other credit and asset/ liability management requirements were effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Part 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. The amortized cost and fair value of such securities is $180.9 million and $158.1 million, respectively. During this time of transition to the new investment prohibitions, Corporate One is adhering to Part 704.10 and has filed the required Investment Action Plans (IAP) with the NCUA. In a letter dated February 26, 2014, 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, 2015, at which time new IAP are required to be submitted to NCUA.

The new capital requirements went into effect October 20, 2011. The new Regulation Part 704 defined new capital instruments and set forth a process for phasing out MCS and PIC. It also established new capital ratio requirements. These requirements are discussed more specifically in Note 15.

(t) Recent Accounting Pronouncements

In October 2012, Financial Accounting Standards Board (FASB) issued guidance on the subsequent accounting for an indemnification asset recognized at the acquisition date as a result of a government assisted acquisition of a financial institution. When an entity recognizes an indemnification asset and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs as a result of a change in the cash flows expected to be collected on the indemnified assets, the guidance requires the entity to recognize the change in the measurement of the indemnification asset on the same basis as the indemnified assets. Any amortization of changes in value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement or the remaining life of the indemnified assets. Corporate One adopted this new guidance effective December 31, 2012. The effect of adopting this standard did not have a material effect on Corporate One's operating results or financial condition.

(3) MERGER WITH SOUTHEAST CORPORATE FEDERAL CREDIT UNION

Pursuant to several events including the February 16, 2012, approval of the merger between Southeast and Corporate One by the NCUA, the Southeast member approval of the merger, completed on May 22, 2012, and the raising of $68.6 million of PCC from Southeast members, the merger became effective on July 1, 2012. This merger expands Corporate One's member base and gives us the opportunity to deepen member relationships by delivering additional innovative services to our current members.

The Southeast merger has been accounted for using the acquisition method of accounting in accordance with ASC 805 Business Combinations. The merger was a combination of mutual organizations. Corporate One utilized an outside, independent consulting firm to perform the valuation of Southeast and the related intangible assets. Management utilized independent, outside pricing services to determine the fair value of the securities acquired. Acquisition costs were expensed as incurred. These acquisition costs, which approximated $845,000, include legal, consulting and severance expenses for employees performing duplicate job functions and are included in office operations and occupancy expense and other operating expenses in the accompanying consolidated statements of income. In addition, during 2013 and the beginning of 2014, Corporate One eliminated duplicate job functions. As a result Corporate One recorded severance costs of approximately $415,000 in 2013. These costs are included in other operating expenses in the accompanying statements of income. Also, total severance costs of approximately $356,000 were recorded in 2014 and are reflected in our 2014 results based on the timing of when employees were notified.

(Table dollar amounts in thousands)

The table, right, summarizes the July 1, 2012, acquisition date fair values of the assets acquired, the liabilities assumed and the PCC acquired:

	July 1, 2012
Cash and cash equivalents	$ 1,028,811
Investments in financial institutions	26,398
Available-for-sale securities	479,403
Loans	7,185
Other assets	14,040
Intangibles	29,162
Goodwill	3,403
Total assets acquired	**$ 1,588,402**
Settlement and regular shares	$ 1,501,762
Member capital shares	16,785
Dividends and interest payable	282
Accounts payable and other liabilities	965
Total liabilities assumed	**$ 1,519,794**
Perpetual contributed capital	68,608
Total capital acquired	**$ 68,608**

In order to accomplish the merger of a $1.5 billion institution into Corporate One, the NCUA provided certain assistance up to $15.0 million. The assistance provided was in the form of cash and a conditional indemnification agreement to cover losses on certain assets acquired by Corporate One. In NCUA Rules and Regulations Part 704.2, intangible assets in excess of one half percent of MDANA must be deducted from a corporate's adjusted core capital for purposes of calculating its regulatory capital ratios. For eight years, the NCUA is allowing Corporate One to add back such adjustment to adjusted core capital for purposes of calculating its regulatory capital ratios for any excess intangibles related to core deposits. The impact of such adjustment was not material to Corporate One's regulatory capital ratios at December 31, 2013 or 2012.

The fair value of the acquired available-for-sale securities as of the merger date was $479.4 million. The total par value for these securities at that date was $543.8 million. Included in these securities are private-label mortgage-related securities with a fair value as of the merger date of $175.6 million. As of the merger date, the total par value of these private-label mortgage-backed securities was $247.4 million, of which $26.7 million is expected to be uncollectible. The resulting accretable discount of $45.1 million is expected to be recorded as an increase to interest income using the interest method over the remaining lives of the securities. Based on current cash flows at the merger date, we expect to recognize 75 percent of the accretable discount on these private-label mortgage-related securities within the next six years. Of the private-label mortgage-related securities acquired in the merger, 20 of the securities were considered purchased credit impaired. See Note 6 for further discussion on the purchased credit impaired securities.

The fair value of acquired loans of $7.2 million is comprised of member and non-member loans. The non-member loans are participated commercial real estate loans, primarily church loans, originated from our wholly-owned CUSO, MBS. The balance of non-members loans at acquisition date was $6.9 million and member loans were $0.3 million.

Intangible assets of $29.2 million resulted from the value of core deposits and member relationships. The intangible assets will be amortized over their useful lives which range from four to twelve years. See Note 8 for further discussion of these intangible assets.

The transaction resulted in goodwill of $3.4 million. Goodwill is not amortized but will be evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The goodwill is attributable to the expanded membership base, the acquisition of staff with specialized corporate credit union knowledge, the increased deposit base and the anticipated economic value of the securities acquired. See Note 8 for further discussion of goodwill.

(Table dollar amounts in thousands)

(4) LOANS

Loans to members and non-members at December 31 are summarized at right.

	2013	2012
Member loans:		
Settlement	$ 4,190	$ 6,034
Demand	6,762	6,738
Term	2,000	6,035
Warehouse	5,000	
Total member loans	17,952	18,807
Non-member loans:		
Real estate	2,849	5,574
Total non-member loans	2,849	5,574
TOTAL LOANS	**$ 20,801**	**$ 24,381**

An allowance for loan losses (ALL) was not considered necessary at December 31, 2013 or 2012, for member loans based on management's continuing review and evaluation of the loan portfolio. Corporate One incurred no loan losses in either 2013 or 2012 on member loans, and considers no member loans impaired as of, or during the years ended December 31, 2013 and 2012.

Non-member loans are categorized into risk categories based on an assessment of the borrower's ability to service the debt. Factors considered in this assessment include current financial information, historical payment experience, credit documentation, and current economic trends. Generally, loans receive a full review on an annual basis at which time a credit quality risk rating is assigned. An ALL was not considered necessary at December 31, 2013 or 2012, for non-member loans. No loan losses were incurred during 2013 or 2012 on non-member loans. Also, no non-member loans were considered impaired, as of, or during the year ended December 31, 2013 or 2012. See Note 3 for further discussion on the acquired real estate loans.

(5) INVESTMENTS IN FINANCIAL INSTITUTIONS

Investments in financial institutions at December 31 are summarized as follows:

	2013	2012
Federal Home Loan Bank stock	$ 15,702	$ 15,702
Certificates of deposit	58,814	36,943
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	**$ 74,516**	**$ 52,645**

As a member of the FHLB of Cincinnati, Corporate One is required to own a certain amount of stock based on its level of borrowings and other factors. Corporate One views its investment in the FHLB as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. Based on our review of the financial condition of the FHLB of Cincinnati, Corporate One does not believe that its investment in the FHLB was impaired as of or for the year ended December 31, 2013 and 2012.

As of December 31, 2013 and 2012, certificates of deposit are all with domestic banks and credit unions. The certificates through the domestic banks and credit unions are all within the insurance limits as set forth by the Federal Deposit Insurance Corporation (FDIC) and NCUA.

Certificates of deposit by maturity at December 31, 2013, are summarized as follows:

Year of Maturity	Balance
2014	$ 26,676
2015	23,674
2016	8,216
2017	248
TOTAL CERTIFICATES OF DEPOSIT	**$ 58,814**

(Table dollar amounts in thousands)

(6) SECURITIES

The amortized costs and fair values of securities at December 31 are summarized as follows:

2013								
		Amortized Cost		**Gross Unrealized Gains**		**Gross Unrealized Losses**		**Fair Value**
Available-for-sale securities:								
Corporate debt securities	$	194,385	$	550	$	(2)	$	194,933
Small business administration (SBA) securities		72,593		1,329				73,922
Mortgage-related securities		406,624		20,563		(24,708)		402,479
Asset-backed securities		1,182,492		1,462		(48,696)		1,135,258
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$**	**1,856,094**	**$**	**23,904**	**$**	**(73,406)**	**$**	**1,806,592**
		Amortized Cost		**Gross Unrecognized Gains**		**Gross Unrecognized Losses**		**Fair Value**
Held-to-maturity securities:								
Mortgage-related securities	$	2,356	$	1,219	$	(565)	$	3,010
TOTAL HELD-TO-MATURITY SECURITIES	**$**	**2,356**	**$**	**1,219**	**$**	**(565)**	**$**	**3,010**

2012								
		Amortized Cost		**Gross Unrealized Gains**		**Gross Unrealized Losses**		**Fair Value**
Available-for-sale securities:								
Corporate debt securities	$	39,953			$	(343)	$	39,610
Mutual funds		50,000				(25)		49,975
Small business administration (SBA) securities		87,157	$	1,514				88,671
Government-sponsored enterprises		209,514		143				209,657
Mortgage-related securities		432,116		12,945		(44,560)		400,501
Asset-backed securities		1,179,699		4,762		(80,196)		1,104,265
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$**	**1,998,439**	**$**	**19,364**	**$**	**(125,124)**	**$**	**1,892,679**
		Amortized Cost		**Gross Unrecognized Gains**		**Gross Unrecognized Losses**		**Fair Value**
Held-to-maturity securities:								
Mortgage-related securities	$	2,356	$	56	$	(556)	$	1,856
TOTAL HELD-TO-MATURITY SECURITIES	**$**	**2,356**	**$**	**56**	**$**	**(556)**	**$**	**1,856**

Proceeds from the sale of available-for-sale securities were $240.3 million in 2013. Gross gains of $2.65 million and gross losses of $93,000 were recorded on securities during 2013. Proceeds from the sale of available-for-sale securities were $42.2 million in 2012. Gross gains of $54,000 and gross losses of $1,000 were recorded on securities during 2012.

Mortgage-related securities consist of: private-label mortgage-backed securities, mortgage-backed securities issued by Fannie Mae or Freddie Mac and asset-backed home equity securities. Asset-backed securities consist primarily of securitized credit card, student loan and automobile receivables.

(Table dollar amounts in thousands)

	Available-for-Sale			Held-to-Maturity		
	Amortized Cost	**Fair Value**	**WAL (in years)**	**Amortized Cost**	**Fair Value**	**WAL (in years)**
Securities with contractual maturities:						
Due in one year or less	$ 241,356	$ 241,283				
Due after one year through five years	536,319	536,271				
Securities with prepayment features:						
Residential mortgage-backed securities:						
Agency	123,334	123,239	4.01			
Non-agency	283,290	279,240	4.81	$ 2,356	$ 3,010	9.41
Asset-backed securities	599,202	552,637	5.55			
SBA securities	72,593	73,922	5.44			
TOTAL	**$ 1,856,094**	**$ 1,806,592**		**$ 2,356**	**$ 3,010**	

Certain securities are pledged as collateral to secure certain lines of credit with financial institutions. See Note 10 for further details.

At December 31, 2013, approximately 91 percent of the par value amount, or $1.8 billion, of Corporate One's securities, with a fair market value of $1.6 billion, were variable-rate securities, the majority of which had interest rates that reset monthly or quarterly, predominantly based upon LIBOR. Of these $1.8 billion of variable-rate securities, 11.1 percent of the par value amount, or $197.6 million of such securities, with a fair market value of $171.8 million, had interest rate caps that were fixed at the time of issuance and the caps range from 6 percent to 18 percent.

(Table dollar amounts in thousands)

The gross unrealized and unrecognized losses on investment securities that have been in loss positions less than 12 months and longer than 12 months at December 31 are summarized as follows:

2013						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Available-for-sale:						
Corporate debt securities	$ 45,881	$ (2)			$ 45,881	$ (2)
Mortgage-related securities	153,054	(390)	$ 152,734	$ (24,318)	305,788	(24,708)
Asset-backed securities	604,529	(1,841)	525,394	(46,855)	1,129,923	(48,696)
TOTAL AVAILABLE-FOR-SALE	803,464	(2,233)	678,128	(71,173)	1,481,592	(73,406)
	Fair Value	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
Held-to-maturity:						
Mortgage-related securities			1,281	(565)	1,281	(565)
TOTAL HELD-TO-MATURITY			1,281	(565)	1,281	(565)
TOTAL TEMPORARILY IMPAIRED SECURITIES	**$ 1,054,542**	**$ (2,233)**	**$ 679,409**	**$ (71,738)**	**$ 1,733,951**	**$ (73,971)**

2012						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Available-for-sale:						
Corporate debt securities	$ 4,990	$ (3)	$ 34,620	$ (340)	$ 39,610	$ (343)
Mutal funds	24,975	(25)			24,975	(25)
Mortgage-related securities	11,035	(143)	182,810	(44,417)	193,845	(44,560)
Asset-backed securities	162,677	(862)	436,765	(79,334)	599,442	(80,196)
TOTAL AVAILABLE-FOR-SALE	203,677	(1,033)	654,195	(124,091)	857,872	(125,124)
	Fair Value	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**	**Fair Value**	**Unrecognized Losses**
Held-to-maturity:						
Mortgage-related securities			1,290	(556)	1,290	(556)
TOTAL HELD-TO-MATURITY			1,290	(556)	1,290	(556)
TOTAL TEMPORARILY IMPAIRED SECURITIES	**$ 203,677**	**$ (1,033)**	**$ 655,485**	**$ (124,647)**	**$ 859,162**	**$ (125,680)**

Corporate One believes the declines in fair values of our corporate debt and asset-backed securities are primarily attributable to the deterioration of liquidity and larger risk premiums in the market consistent with the broader credit markets and are not a result of the performance of the underlying collateral or credit quality supporting the securities. Management believes the unrealized losses on the mortgage-related securities are the result of historically high defaults, delinquencies and loss severities on mortgages underlying the mortgage-related securities, as well as the deterioration of liquidity due to an imbalance between the supply and demand for these securities. We expect the fair value to recover as the securities approach their maturity date or as the credit markets stabilize. Corporate One does not intend to sell nor is it more likely than not that we will be required to sell these securities prior to a price recovery or maturity. Accordingly, Corporate One determined that there was no additional other-than-temporary impairment of its securities during 2013, above the $2.41 million recorded in the accompanying consolidated statements of income.

(Table dollar amounts in thousands)

The new NCUA Rules and Regulations Part 704 contain new investment prohibitions and other credit and asset liability management requirements. These new requirements became effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Part 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. The amortized cost and fair value of such securities is $180.9 million and $158.1 million, respectively. During this time of transition to the new investment prohibitions, Corporate One is adhering to Part 704.10 and has filed the required IAP with the NCUA. In a letter dated February 26, 2014, 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, 2015, at which time new IAP are required to be submitted to NCUA.

At December 31, 2013, only one of our corporate debt securities was in an unrealized loss position. This bond is rated AAA by Nationally Recognized Statistical Rating Organizations (NRSRO).

Unrealized losses on asset-backed securities represent 66.3 percent of our gross unrealized losses at December 31, 2013. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2013, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	$ 481,022	$ 439,964	$ 534	$ (41,591)	AAA	BB	6.69
Private	118,180	112,672	558	(6,067)	AAA	C	2.89
Credit cards	363,198	362,438	247	(1,006)	AAA	A	2.36
Automobiles	220,092	220,184	123	(32)	AAA	AAA	0.87
ASSET-BACKED SECURITIES	**$ 1,182,492**	**$ 1,135,258**	**$ 1,462**	**$ (48,696)**			

*Federal Family Education Loan Program

Of the approximately 102 asset-backed securities we own, that are not mortgage related, 85 of those bonds are dual rated A or better. Sixteen are dual rated BB or better and the remaining one was split rated A/C. We continue to receive principal and interest payments on these securities. Due to the large unrealized losses in our student loan portfolio, Corporate One hired an independent third party consultant to evaluate the portfolio for estimated credit losses. The consultant reported no credit losses in their base case scenarios as of December 31, 2013.

The remaining 33.7 percent of the gross unrealized losses on available-for-sale securities at December 31, 2013, is related to residential mortgage-backed securities and home equity asset-backed securities. The amortized costs, fair values and credit grades of mortgage-related securities at December 31, 2013, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade
Government agency insured	$ 123,335	$ 123,239	$ 352	$ (448)		
Private:						
Prime collateral	3,689	3,619		(70)	BB	B
Near-prime collateral*	126,090	126,993	10,606	(9,703)	AAA	D
Sub-prime collateral**	101,011	96,103	4,857	(9,765)	AAA	D
Insured	52,499	52,525	4,748	(4,722)	AA	D
MORTGAGE-RELATED SECURITIES	**$ 406,624**	**$ 402,479**	**$ 20,563**	**$ (24,708)**		

*Based on the definition used on offering circulars
** Based on 660 or lower FICO score

At December 31, 2013, of the approximately 189 mortgage-related available-for-sale securities we own, 29 were rated D by at least one NRSRO. Twenty-three of these D rated securities were determined to be other-than-temporarily impaired. Of the remaining six D rated securities, five of them were acquired from the merger with Southeast and recorded at fair value and considered credit impaired at purchase. The remaining D rated security has not incurred, nor is it projected to incur any actual principal or interest short falls and we are receiving monthly principal and interest payments as scheduled. In addition to these 23 D rated other-than-temporarily impaired securities, we determined another 30 available-for-sale mortgage-related securities to be other-than-temporarily impaired. All of those bonds are dual rated between CCC and C.

A portion of Corporate One's securities have insurance coverage to further support the senior classes in the event of deteriorating collateral performance. The insurance coverage provided by the monoline insurers increases the existing credit enhancement provided to the senior class owned by Corporate One. The monoline insurance companies that insure Corporate One bonds are: Syncora Guarantee Inc. (SGI), Financial Guaranty Insurance Company (FGIC), Assured Guaranteed Corporation (AGC), MBIA, Inc. (MBIA) and Ambac Assurance Corporation (AAC). SGI and FGIC stopped paying claims in April 2009 and November 2009, respectively. As a result, Corporate One has recorded OTTI charges on all securities which were dependent upon SGI and FGIC for the payment of future principal and interest claims. Beginning in July 2010, SGI resumed the payment of claims. However, accounting rules do not allow for immediate reversals of prior OTTI taken. FGIC has also made some recent progress towards its rehabilitation plans, which may result in some recoveries of losses on our FGIC insured securities. An announcement was made in June 2013 that FGIC will be making cash payments of 17 percent for securities that were insured by FGIC with incurred losses. The Superintendent of Financial Services of the State of New York, the court-appointed rehabilitator of FGIC, determined that the conditions to set the effective date of the First Amended Plan of Rehabilitation for FGIC dated June 4, 2013 had been satisfied and that the effective date of the plan occurred on August 19, 2013. We have not yet received any payments from FGIC related to this rehabilitation plan.

In addition, we own a few FGIC insured securities which were issued by Residential Capital, LLC (ResCap). These securities are not included in the Rehabilitation plan, but are part of a settlement agreement between FGIC, ResCap and various trustees. This settlement will include a payment of partial prior losses, but will then commute the insurance policy. In January 2014, we received settlement payments on four of our FGIC insured bonds which were part of the ResCap commutation.

Corporate One has placed reliance on AGC and MBIA. These insurers are currently paying principal and interest claims timely and management believes they will continue to pay future claims. However, deterioration of these monoline insurers could result in additional OTTI charges.

Corporate One has 15 bonds that are insured by AAC, a subsidiary company of Ambac Financial Group, Inc. One of the bonds is a student loan asset-backed security and the remaining 14 bonds are mortgage-backed securities. The underlying borrowers are making principal and interest payments, so we only require support from AAC to cover shortfalls. We receive an analysis from a third party consultant on a monthly basis to help us quantify our expected losses on the mortgage-backed securities.

Due to the economic downturn that began in 2007, claims made against AAC for principal shortfalls on insured bonds escalated to a point where its ability to pay on such claims was in question. On March 24, 2010, the Ambac Financial Group, Inc.'s Board of Directors voted to create a segregated account and consented to rehabilitation of that account by the Wisconsin Office of the Commissioner of Insurance (OCI), AAC's primary regulator. Under Wisconsin law, the segregated account is treated as a separate insurer from AAC. All of Corporate One's AAC-insured bonds have been allocated to the segregated account by OCI. The OCI has implemented a temporary moratorium on claims payments to segregated account policyholders to provide a measured transition into rehabilitation and to conserve claims-paying resources while the plan of rehabilitation is finalized. Through this plan, the segregated account policies should receive a combination of cash and interest-bearing surplus notes in consideration for claims made.

On October 8, 2010, OCI, as the rehabilitator of the segregated account, filed the final plan of rehabilitation of the segregated account. While the overall aspects of this final plan were largely consistent with the one filed in March 2010, the final plan included detailed financial projections that provide a range of potential outcomes for policyholders. The plan calls for 25 percent of claims to be paid in cash and 75 percent in surplus notes. The detailed financial projections show recoveries on the surplus notes ranging from 100 percent in the best scenario to 45 percent in the most stressful scenario. Therefore, according to OCI's estimates, even in the most stressful scenario the ultimate recovery on policy claims would be 58.75 percent (the result of 100 percent recovery on the 25 percent paid in cash and 45 percent recovery on the 75 percent paid in surplus notes). The OCI has made available a copy of the plan and other valuable information regarding the segregated account at http://www.Ambacpolicyholders.com. On January 24, 2011, the OCI's motion for confirmation of the final rehabilitation plan was granted and the plan was confirmed by State of Wisconsin's Circuit Court for Dane County (the Court).

(Table dollar amounts in thousands)

While the rehabilitation plan for the segregated account was approved, no payments or surplus notes were issued to the segregated account policyholders, pending resolution of certain tax considerations relating to the issuance of surplus notes. During 2011, the rehabilitator for the segregated account disclosed that amendments to or modifications of the rehabilitation plan are possible; however, no specific timeline or deadline were given.

On June 5, 2012, AAC announced that the motion brought by the rehabilitator of the segregated account was approved by the Court. The Court agreed to the commencement of cash payments of 25 percent of each permitted policy that has arisen since the commencement of the rehabilitation proceedings for the segregated account and of each policy claim submitted and permitted in the future. AAC began making payments in September 2012 equal to 25 percent of the claims submitted. As of yet, AAC has not issued the surplus notes discussed in the rehabilitation plan for the remaining 75 percent of the claims.

Corporate One believes ultimate recovery on policy claims to be between 100 percent and 58.75 percent as originally presented in the final rehabilitation plan. Based on our review of the financial statements of AAC and the segregated account, we estimated our recovery will be 67 percent. Through December 31, 2013, we have recorded $1.19 million in OTTI charges on AAC-insured bonds. We are currently placing reliance on AAC to cover $3.1 million of expected principal shortfalls on our AAC-insured bonds. Should the rehabilitator make amendments to the plan of rehabilitation that have an adverse effect on the segregated account or if there is further deterioration of AAC or the underlying insured securities, it could result in additional OTTI charges.

The following table details our exposure to each monoline insurer for mortgage and non-mortgage securities at December 31, 2013:

				Insurer Rating	
Monoline Insurer	Par Value	Amortized Cost	Fair Value	S&P	Moody's
FGIC	$ 28,693	$ 20,609	$ 25,379	NR	WR
MBIA	19,019	18,272	17,347	B	B3
AAC	19,370	16,528	14,786	NR	WR
SGI	6,224	5,560	4,630	NR	WR
AGC	1,541	1,406	1,443	AA-	A3
TOTAL	**$ 74,847**	**$ 62,375**	**$ 63,585**		

In order to determine if the declines in fair value below amortized cost represented OTTI, management considered 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 required 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 writedowns in the future.

For the securities where we believe not all principal and interest will be received, OTTI charges were recorded. As of December 31, 2013, we owned 55 mortgage-related securities (53 available-for-sale and two held-to-maturity securities) that were considered other-than-temporarily impaired. These securities had a total par value of approximately $161.0 million at December 31, 2013. During the year ended December 31, 2013, we recorded OTTI charges on 15 mortgage-related securities. The estimated credit losses on these 15 securities of $2.41 million, recognized in the accompanying consolidated statements of income, are a calculation of the difference between the discounted cash flows of the securities and their current amortized cost. Total other-than-temporary impairment recognized in accumulated other comprehensive income related to these 15 securities was approximately $9.4 million for available-for-sale securities for the year ended December 31, 2013.

(Table dollar amounts in thousands)

As of December 31, 2012, we had 58 mortgage-related securities (56 available-for-sale and two held-to-maturity securities) that were considered other-than-temporarily impaired. These securities had a par value at December 31, 2012, of approximately $178.3 million. During the year ended December 31, 2012, we recorded OTTI charges on 14 mortgage-related securities. The estimated credit losses on these 14 securities of $2.3 million, recognized in the accompanying consolidated statements of income, are a calculation of the difference between the discounted cash flows of the securities and their current amortized cost. Total other-than-temporary impairment recognized in accumulated other comprehensive income related to these 14 securities was approximately $8.2 million for the year ended December 31, 2012.

The following table details losses, both net impairment losses recognized in earnings and accumulated other comprehensive income (loss), as of and for the years ended December 31, 2013 and 2012.

	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2013	Accumulated Other Comprehensive Income (Loss) as of December 31, 2013	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2012	Accumulated Other Comprehensive Income (Loss) as of December 31, 2012
Available-for-sale securities:				
Corporate debt securities		$ 548		$ (343)
Mortgage-related securities – other-than-temporarily impaired	$ 2,415	(14,990)	$ 1,992	(28,836)
Mortgage-related securities – temporarily impaired		10,845		(2,779)
Government-sponsored enterprises				143
Asset-backed securities		(47,234)		(75,434)
SBA securities		1,329		1,514
Mutual funds				(25)
TOTAL AVAILABLE-FOR-SALE SECURITIES	2,415	(49,502)	1,992	(105,760)
Held-to-maturity securities:				
Mortgage-related securities – other-than-temporarily impaired		(2,122)	261	(2,189)
TOTAL HELD-TO-MATURITY SECURITIES		(2,122)	261	(2,189)
TOTAL	**$ 2,415**	**$ (51,624)**	**$ 2,253**	**$ (107,949)**

Through December 31, 2012, we had total cumulative principal shortfalls of approximately $22.8 million on 36 securities. In 2013, we had an additional $4.3 million in principal shortfalls, resulting in total cumulative principal shortfalls of $27.1 million on 39 securities through December 31, 2013. Of these 39 securities, 12 are insured by FGIC and six are insured by AAC. We had anticipated these principal shortfalls and had taken OTTI charges on these securities previously or these securities were deemed purchased credit impaired when acquired through the merger with Southeast.

(Table dollar amounts in thousands)

The following table details cumulative credit losses on other-than-temporarily impaired debt securities for the periods ended December 31, 2013 and 2012.

	Cumulative Credit Losses on Debt Securities	
	2013	**2012**
Cumulative credit losses on debt securities previously recognized in earnings at January 1,	$ (63,082)	$ (61,224)
Credit losses recognized in earnings on debt securities not previously determined to be other-than-temporarily impaired	(214)	(777)
Additional credit losses recognized in earnings on debt securities previously determined to be other-than-temporarily impaired	(2,201)	(1,476)
Reduction due to sales of securities	1,246	
Reduction due to increases in expected cash flows	1,174	395
CUMULATIVE CREDIT LOSSES ON DEBT SECURITIES PREVIOUSLY RECOGNIZED IN EARNINGS AT DECEMBER 31,	**$ (63,077)**	**$ (63,082)**

Purchased Credit Impaired Securities

As a result of the merger with Southeast in 2012, we acquired 20 private label mortgage-related securities for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Based on our review during 2013, there was a significant increase in cash flows expected to be collected on these securities. As such, we recalculated the amount of accretable yield for these securities using the updated cash flows and a reclassification from nonaccretable to accretable discount was made during 2013, with the amount of periodic accretion adjusted over the remaining life of the securities.

(Table dollar amounts in thousands)

A rollforward of the amortized cost, par value, discount amounts and fair value of these 20 private label mortgage-related securities as of December 31, 2013 and 2012 is as follows:

2013					
	Amortized Cost	**Par Value**	**Nonaccretable Discount**	**Accretable Discount**	**Fair Value**
At January 1	$ 44,964	$ 96,411	$ 26,449	$ 24,998	$ 50,186
Accretion	4,891			(4,891)	
Paydowns	(6,873)	(6,873)			
Principal shortfalls		(982)	(982)		
Change due to improved projected cash flows			(2,095)	2,095	
Net change in fair value					2,176
Balance at December 31	**$ 42,982**	**$ 88,556**	**$ 23,372**	**$ 22,202**	**$ 52,362**

2012					
	Amortized Cost	**Par Value**	**Nonaccretable Discount**	**Accretable Discount**	**Fair Value**
At acquisition	$ 45,264	$ 99,537	$ 26,729	$ 27,544	$ 45,264
Accretion	2,546			(2,546)	
Paydowns	(2,846)	(2,846)			
Principal shortfalls		(280)	(280)		
Net change in fair value					4,922
Balance at December 31	**$ 44,964**	**$ 96,411**	**$ 26,449**	**$ 24,998**	**$ 50,186**

The remaining accretable discount on these 20 purchased credit impaired securities is recognized as an increase to interest income using the interest method over the remaining lives of these securities. Based on current cash flows, we expect to recognize 79 percent of the remaining accretable discount on these 20 securities within the next six years.

(7) EQUITY INVESTMENTS

Investments in non-marketable equity securities, which are included in other assets in the accompanying balance sheets, at December 31, are summarized as follows:

	2013	2012
Primary Financial Company LLC	$ 5,103	$ 4,674
eDoc Innovations, Inc.	1,905	1,950
TOTAL EQUITY INVESTMENTS	**$ 7,008**	**$ 6,624**

Corporate One has a 21.33 percent investment in Primary Financial Company LLC (Primary Financial). Primary Financial is a corporate CUSO and brokers non-negotiable and negotiable certificates of deposit. This investment meets the criteria outlined in FASB ASC 272-10-05-05-3, Limited Liability Entities, and is accounted for using the equity method. Our investment in Primary Financial was 21.33 percent during all of 2013. During 2012, our total units owned doubled due to our merger with Southeast. In addition, during 2012 Primary Financial redeemed units from certain corporates. As a result, there were fewer outstanding units of Primary Financial. Accordingly, our ownership percentage had increased from 9.76 percent to 21.33 percent at December 31, 2012. Corporate One's portion of Primary Financial's current period net income or loss, recognized as a component of net service fee income in the accompanying consolidated statements of income, was $429,000 and $401,000 in 2013 and 2012, respectively.

(Table dollar amounts in thousands)

Corporate One is a co-broker of Primary Financial and, as such, earns a spread on certificates placed. Corporate One recognized income of $985,000 in 2013 and $557,000 in 2012 on the certificates placed. Corporate One also earns additional spreads on certificates it places. These additional spreads represent additional consideration related to Corporate One's sale of Primary Financial in 2003. The additional spread earned on certificates Corporate One placed were $493,000 in 2013 and $278,000 in 2012. These additional spreads continue through 2015. All such spreads are included as a component of net service fee income in the accompanying consolidated statements of income.

Corporate One performs accounting and marketing services for Primary Financial under a support services contract. The contract is a one-year contract with provisions for automatic annual renewals. Corporate One recognized, as a component of net service fee income in the accompanying consolidated statements of income, $209,000 in 2013 and $201,000 in 2012 related to this agreement.

Corporate One has an approximately 27 percent investment in eDoc Innovations, Inc. (eDoc). eDoc is a corporate CUSO that provides to credit unions e-document management technology as well as technology and services related to check clearing and forward check collection. Corporate One does not have a majority voting interest and does not maintain a controlling interest in eDoc. This investment, therefore, is accounted for using the equity method. During 2012, we sold 160,000 shares of our eDoc investment at a gain of $57,600, which is recognized as a component of net service fee income in the accompanying consolidated statements of income. Corporate One's portion of eDoc's current period net loss or income, recognized as a component of net service fee income in the accompanying consolidated statements of income, was a loss of $44,700 in 2013 and loss of $10,800 in 2012.

(8) GOODWILL AND INTANGIBLE ASSETS

As discussed in Note 3, the July 1, 2012, merger with Southeast resulted in goodwill of $3.4 million and intangible assets of $29.2 million.

The goodwill is attributable to the expanded membership base, the acquisition of staff with specialized corporate credit union knowledge, the increased deposit base and the anticipated economic value of the securities acquired. Goodwill is not amortized but is evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At December 31, 2013, Corporate One performed a qualitative assessment to determine if it was more likely than not that goodwill is impaired, meaning the carrying amount of goodwill exceeds its implied fair value. Based on our review of as of December 31, 2013, we do not believe goodwill is impaired.

The intangible assets of $29.2 million resulted from the value of core deposits and member relationships. The intangible assets are amortized over their useful lives which range from four to twelve years.

The following table details the balances of the intangible assets and the related accumulated amortization at December 31:

	2013	
	Gross Carrying Amount	**Accumulated Amortization**
Core deposit intangibles	$ 24,962	$ 6,522
Member relationship intangibles	4,200	526
Total intangible assets	**$ 29,162**	**$ 7,048**

	2012	
	Gross Carrying Amount	**Accumulated Amortization**
Core deposit intangibles	$ 24,962	$ 2,186
Member relationship intangibles	4,200	176
Total intangible assets	**$ 29,162**	**$ 2,362**

(Table dollar amounts in thousands)

The following table represents the estimated amortization expense of our intangible assets for the next five years:

Year	Annual amortization expense
2014	$ 4,248
2015	3,424
2016	2,752
2017	2,454
2018	2,358

In addition to amortizing these intangibles, we evaluate them for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As of December 31, 2013, we do not believe that the intangible assets are impaired.

(9) OTHER ASSETS

Included in other assets is a deposit with the NCUA for share insurance, accounts receivable, prepaid accounts, net property and equipment and an indemnification asset. Equity investments are also included in other assets and are discussed in Note 7.

Property and equipment, valued at cost less accumulated depreciation, at December 31 are summarized as follows:

	2013	2012
Buildings and improvements	$ 9,322	$ 9,017
Equipment	9,149	10,879
	18,471	19,896
Less: Accumulated depreciation	8,006	9,229
NET PROPERTY AND EQUIPMENT	**$ 10,465**	**$ 10,667**

(10) 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 December 31, 2013 and 2012, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $184.4 million and $324.2 million, respectively, which provided a borrowing capacity of approximately $178.5 million and $320.0 million, respectively. At December 31, 2013 and 2012, Corporate One had one borrowing outstanding with the FHLB. This $20.0 million borrowing has a fixed-rate of 3.99% and a maturity date of October 19, 2014.

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 December 31, 2013 and 2012, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately $490.4 million and $404.3 million, respectively, which provided a borrowing capacity of approximately $470.8 million and $359.3 million, respectively. At December 31, 2013 and 2012, there were no amounts outstanding on the line of credit with the Federal Reserve Bank.

Corporate One also maintains reverse repurchase agreements with certain parties allowing for additional liquidity of approximately $500.0 million. These agreements use some of our asset-backed securities as collateral. Corporate One had no amounts outstanding under reverse repurchase agreements at December 31, 2013 or 2012. Average borrowings under reverse repurchase agreements were approximately $252,000 during 2013 and $461,000 during 2012. There was no amount outstanding at any month-end during 2013 or 2012.

We also maintain $65.0 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing. No amount was outstanding at December 31, 2013 or 2012.

(Table dollar amounts in thousands)

(11) SHARE ACCOUNTS AND MEMBER CAPITAL ACCOUNTS
Balances and weighted average rates of share accounts and member capital accounts at December 31 are summarized as follows:

	2013		2012	
	Balance	Rate	Balance	Rate
Settlement and regular shares	$ 2,548,750	0.14%	$ 3,592,621	0.16%
Share certificates	389,742	0.45%	366,834	0.75%
TOTAL SHARE ACCOUNTS	**2,938,492**		**3,959,455**	
MCS	$ 26,095	0.00%	$ 34,945	0.00%
NCA	82,700	4.00%	82,700	4.00%
PIC	20	0.00%	20	0.00%
PCC	216,970	0.35%	216,024	0.35%
TOTAL MEMBER CAPITAL ACCOUNTS	**$ 325,785**		**$ 333,689**	

Settlement and regular share accounts are available to members on demand and pay dividends either daily or monthly. Share certificate accounts have specific maturities and dividend rates. Dividend payments on share certificate accounts vary according to the type of share certificate issued and the length of maturity. Share certificates can be redeemed by members prior to maturity at fair value, as determined by Corporate One. Share certificates of $100,000 or more were $389.7 million and $366.5 million at year-end 2013 and 2012, respectively.

Total share certificate accounts by maturity at December 31, 2013 are summarized as follows:

Year of Maturity	Balance
2014	$ 280,644
2015	76,675
2016	32,423
TOTAL SHARE CERTIFICATES	**$ 389,742**

Eligible accounts of members are insured by the NCUSIF up to $250,000 per member. As of December 31, 2013, insured member accounts totaled $179.1million.

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. Additionally during 2011, Corporate One offered its Partner members the ability to invest in NCA. We raised a total of $82.7 million of NCA and that offering is now closed. The NCA was issued with a five year term and matures in 2016. During 2012, we acquired $68.6 million of PCC through the merger with Southeast. We also acquired MCS from Southeast members who did not subscribe to convert their MCS to PCC. Corporate One continues to offer PCC to Associate members or new members who want to become Partner members of Corporate One. All MCS matures in 2014.

(12) COMMITMENTS AND CONTINGENCIES
Corporate One is a party to various financial instruments with off-balance-sheet risk that are used in the normal course of business to meet the financing needs of our members and to manage our exposure to market risks. These financial instruments involve, to varying degrees, elements of credit risk that are not recognized in the balance sheets.

These financial instruments include committed and advised lines of credit. The contractual amounts of these instruments represent the extent of Corporate One's exposure to credit loss. Corporate One uses the same credit policies in making these commitments and obligations as it does for on-balance-sheet instruments. In extending commitments, Corporate One evaluates each member's creditworthiness on a case-by-case basis. All outstanding commitments are subject to collateral agreements and have termination clauses. At December 31, 2013 and 2012, these financial instruments included outstanding advised lines of credit of approximately $2.8 billion and $3.0 billion, respectively. There were no outstanding committed lines of credit at December 31, 2013. Outstanding committed lines of credit, which have a 364-day term, at December 31, 2012 were approximately $15.0 million.

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 are expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

(13) RETIREMENT PLAN

Corporate One sponsors a defined-contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code which covers substantially all employees. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Employees also have the option to contribute a portion of their compensation on a pre- or post-tax basis. Corporate One matches 150 percent of the first 3 percent employee contribution and 75 percent on the next 2 percent employee contribution. For those employees who joined Corporate One through the merger with Southeast, we matched 100 percent of the first 4 percent employee contribution, which was consistent with Southeast's plan at the time of merger. As of January 1, 2013, the 401(k) plans were combined and all employees are covered under Corporate One's 401(k) matching policies. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. During 2013 and 2012, the Board of Directors suspended all discretionary contributions. Retirement expense was approximately $704,000 in 2013 and $499,000 in 2012.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by Corporate One using available market information and appropriate valuation methodologies. Due to their short-term nature, the fair values of cash and cash equivalents, accrued interest receivable, and dividends and interest payable approximate carrying values. The fair value of the NCUSIF deposit approximates the carrying value because, if redeemed, it would be redeemed at cost. The fair value of MCS and NCA approximates the carrying value because, when redeemed, they would be redeemed at cost. The fair values of loan commitments are determined based on the fees currently charged to enter into similar agreements, taking into consideration the remaining terms of the agreements and the present creditworthiness of the counterparty. Neither the fees earned during the year on these instruments nor their fair value at year end are material to the financial statements.

The assumptions used by Corporate One in estimating fair-value disclosures for its remaining financial instruments are described below.

- Investments in financial institutions are based on discounted cash flow analyses using current market rates, except FHLB stock. It was not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.
- The fair values for securities are generally determined by discounting the future cash flows using rates currently available for similar securities, or based on quoted market prices or dealer quotations, if available.
- The estimated fair value of loans is determined by discounting future cash flows using interest rates currently being offered to members for loans with similar terms.
- The fair value of borrowed funds is based on discounted cash flow analyses using current market rates.
- The fair values approximate carrying values for settlement and regular share accounts payable on demand at the balance sheet date.
- The fair value of fixed-maturity share certificates is estimated by discounting the future cash flows using the rates currently offered for share certificates of similar remaining maturities.

(Table dollar amounts in thousands)

The fair values of Corporate One's financial instruments at December 31 are summarized as follows:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	$ 1,316,117	$ 1,316,117	$ 2,214,679	$ 2,214,679
Investments in financial institutions	74,516	74,528	52,645	52,778
Available-for-sale securities	1,806,592	1,806,592	1,892,680	1,892,680
Held-to-maturity securities	2,356	3,010	2,356	1,856
Loans	20,801	20,797	24,381	24,370
Accrued interest receivable	2,000	2,000	2,076	2,076
NCUSIF deposit	1,832	1,832	1,947	1,947
Liabilities:				
Borrowed funds	$ 20,000	$ 20,632	$ 20,000	$ 21,149
Dividends and interest payable	779	779	1,116	1,116
Settlement and regular shares	2,548,750	2,548,750	3,592,621	3,592,621
Share certificates	389,742	389,952	366,834	367,380
MCS	26,095	26,095	34,945	34,945
NCA	82,700	82,700	82,700	82,700

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. 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.

The guidance requires that the highest level of valuation available be used. This standard describes inactive markets as characterized by few transactions for the asset, prices that are not current, prices that vary substantially, or some combination thereof, and while an entity should not assume a market is inactive; it should also not assume the prices available are from active markets. The determination of market participation requires a significant amount of judgment by management.

The fair value of available-for-sale securities other than residential mortgage-backed or home equity asset-backed securities are determined by obtaining quoted prices from brokers or pricing services, or market listings as of the last day of the year. For securities where there is limited trading due to current market conditions, pricing services utilized matrix pricing to determine the price. Matrix pricing is a mathematical technique used widely in the industry to value debt securities without relying on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. We have classified the pricing for such securities as Level 2.

(Table dollar amounts in thousands)

Corporate One engages independent third-party experts to value our asset-backed securities where pricing is not available from a pricing service and our residential mortgage-backed and home equity asset-backed securities. These third-party experts use their internal models for pricing these securities. Information such as historical and current performance of the underlying collateral, deferral/default rates, collateral coverage ratios, cash flow projections, and liquidity and credit premiums required by a market participant, are utilized in determining individual security valuations. For residential mortgage-backed and home equity asset-backed securities where we see limited trading due to current market conditions, we classify the pricing for such securities as Level 3. For these securities, the fair value is highly sensitive to assumption changes and market volatility.

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2013:

	Total Fair Value	Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	$ 194,933	$ 194,933		
Mortgage-related securities - agency	123,239		$ 123,239	
Mortgage-related securities - private	279,240		42,561	$ 236,679
SBA securities	73,922		73,922	
Asset-backed securities:				
Student loans - FFELP	439,964		439,964	
Student loans - private	112,672		111,276	1,396
Credit cards	362,438		362,438	
Automobiles	220,184		220,184	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 1,806,592**	**$ 194,933**	**$ 1,373,584**	**$ 238,075**

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2012:

	Total Fair Value	Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	$ 39,610	$ 39,610		
Government-sponsored enterprises	209,657		$ 209,657	
Mortgage-related securities - agency	86,139		86,139	
Mortgage-related securities - private	314,362		51,876	$ 262,486
Mutual funds	49,975	49,975		
SBA securities	88,671		88,671	
Asset-backed securities:				
Student loans - FFELP	332,267		332,267	
Student loans - private	133,499		131,812	1,687
Credit cards	397,834		397,834	
Automobiles	240,665		240,665	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 1,892,679**	**$ 89,585**	**$ 1,538,921**	**$ 264,173**

(Table dollar amounts in thousands)

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2013 and 2012.

	Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)	
	2013	**2012**
Beginning balance January 1,	$ 264,173	$ 219,190
Changes in fair values of Level 3 securities due to change in price:		
Mortgage-related securities - private	27,418	22,485
Student loans - private	28	12
Increases (decreases) due to net losses on investments:		
Total other-than-temporary impairment losses - private mortgage	(11,765)	(10,005)
Portion of loss recognized in other comprehensive income-private mortgage	9,360	8,124
Decreases due to net gain on sales of securities:		
Net gain on sales of securities	(1,418)	(2)
Decreases due to sales, maturities and paydowns:		
Mortgage-related securities - private	(49,402)	(29,312)
Student loans - private	(319)	(428)
Increases due to acquisition through merger:		
Mortgage-related securities - private		107,607
Net transfers in and/or (out) of Level 3:		
Mortgage-related securities - private		
Student loans - FFELP		(50,523)
Student loans - private		(2,975)
ENDING BALANCE DECEMBER 31,	**$ 238,075**	**$ 264,173**

We classify the fair value of those securities where there is a lack of observable market data as Level 3. During 2012, market activity began to increase and as of December 31, 2012, certain securities were transferred out of Level 3 and into Level 2 because observable market data for these investments once again became available. The fair value for these securities was transferred on December 31, 2012.

There were no transfers between Level 1 and Level 2 during 2013 or 2012.

(Table dollar amounts in thousands)

The following table presents quantitative information about recurring Level 3 fair value measurements at December 31, 2013 and 2012:

2013					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	$ 236,679	Discounted cash flow	Constant prepayment rate	(- 2-25)	8.67
			Probability of default	(0 - 30)	3.62
			Loss severity	(0-100)	55.77
Student loans - private	1,396	Discounted cash flow	Constant prepayment rate		3.49
			Probability of default		2.38
			Loss severity		97.50
TOTAL LEVEL 3 SECURITIES	**$ 238,075**				

2012					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	$ 262,486	Discounted cash flow	Constant prepayment rate	(-4.02 - 71.61)	4.97
			Probability of default	(0 - 61.44)	7.78
			Loss severity	(-6.88 - 632.36)	97.50
Student loans - private	1,687	Discounted cash flow	Constant prepayment rate		4.07
			Probability of default		3.24
			Loss severity		97.50
TOTAL LEVEL 3 SECURITIES	**$ 264,173**				

The Level 3 securities consist of 115 private label mortgage-related securities and one private label student loan security. The significant unobservable inputs used in the fair value measurements of these securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

(15) REGULATORY CAPITAL AND NET ECONOMIC VALUE REQUIREMENTS

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 PCC and 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.

(Table dollar amounts in thousands)

The regulation contains a multi-step, multi-year phase in of the new capital requirements. The new requirements went into effect on October 20, 2011; however, certain definitions change 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 new regulation. The definitions of the numerators are simplifications, as the new regulation contains certain adjustments to each capital calculation.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Retained earnings ratio	RUDE	MDANA**	0.45%	0.45%
Interim leverage ratio*	RUDE+PCC+NCA	MDANA	5.00%^/6.00%^^	4.00%
Permanent leverage ratio*	RUDE+PCC	MDANA	5.00%^	4.00%
Tier 1 risk-based capital ratio	RUDE+PCC	MDANRA***	6.00%	4.00%
Total risk-based capital ratio	RUDE+PCC+NCA+PIC+MCS	MDANRA	10.00%	8.00%

* Interim leverage ratio is in effect until September 2013. Effective October 2013, the interim leverage ratio is replaced by the permanent leverage ratio per NCUA Rules and Regulations.
**Moving Daily Average Net Assets
***Moving Daily Average Net Risk Weighted Assets
^ Base Plus Expanded Authority Requirement. Under Base Plus, a 20% maximum decline in the Net Economic Value in the stress test required per Reg. 704 is permissible.
^^ Part I Expanded Authority. Under Part I, a 20% maximum decline in the Net Economic Value in the stress test required per Reg. 704 is permissible.

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. Additionally, during 2011, Corporate One offered its Partner members the ability to invest in NCA. We raised a total of $82.7 million of NCA and that offering is now closed. The NCA was issued with a five-year term and matures in 2016. During 2012, we acquired $68.6 million of PCC through the merger with Southeast. We also acquired MCS from Southeast members who did not subscribe to convert their MCS to PCC. Corporate One continues to offer PCC to Associate members or new members who want to become Partner members of Corporate One.

The following table outlines the components of regulatory capital at December 31:

(Table dollar amounts in thousands)

	2013	2012
RUDE	$ 44,454	$ 40,498
PIC	20	20
MCS	26,095	34,945
NCA	82,700	82,700
PCC	216,970	216,024
TOTAL	370,239	374,187
Less: Amortized PIC, MCS and NCA	(81,005)	(62,584)
TOTAL REGULATORY CAPITAL	**$ 289,234**	**$ 311,603**

As of December 31, 2013, MDANA and MDANRA were $3.95 billion and $1.56 billion, respectively. As of December 31, 2012, MDANA and MDANRA were $4.65 billion and $1.52 billion, respectively. As required by the NCUA, the 2012 twelve-month rolling MDANA and MDANRA of Southeast were combined with Corporate One's to calculate a combined twelve-month rolling MDANA and MDANRA.

The following summarizes Corporate One's capital ratios as of December 31, 2013 and 2012, under the new regulation that became effective in October 2011.

	December 31, 2013	December 31, 2012
Retained earnings ratio	1.12%	0.87%
Interim leverage ratio	n/a*	6.39%
Permanent leverage ratio	6.44%	5.39%
Tier 1 risk-based capital ratio	16.33%	16.52%
Total risk-based capital ratio	17.97%	20.03%

*The Permanent leverage ratio replaced the Interim leverage ratio October 21, 2013 per NCUA Rules and Regulations.

There are a number of remedies available to a corporate credit union should its regulatory ratios fall below the required minimum. However, despite such remedies, the NCUA could restrict the corporate's ability to, among other things, accept additional deposits, open new accounts, make loans or pay dividends. As of December 31, 2013 and 2012, Corporate One exceeded all the regulatory capital ratio requirements.

Corporate One's NEV sensitivity is limited by Part 704 of NCUA rules and regulations to a 20 percent change from base and an NEV ratio greater than the minimum regulatory ratio of 2.0 percent. If Corporate One fails to meet its NEV requirements for 30 calendar days, a detailed, written action plan that sets forth the time needed and means by which it intends to correct the violation must be submitted to the NCUA. In addition, discretionary actions by the NCUA are possible that could have a material effect on Corporate One's financial position and operations.

Throughout 2013 and 2012, we comply with the NEV sensitivity requirement and the NEV ratio requirement.