

The cover features a background of a repeating chevron pattern in shades of gold and brown. A bright sunburst effect is centered at the top. A large red circle with a white double-line border is positioned in the center, containing the text '2014 FINANCIAL REPORT'. In the bottom right corner, there is a semi-transparent circular logo for 'CorporateOne' with three stars above the 'e' in 'One'.

2014
FINANCIAL
REPORT

CorporateOne



2014
**FINANCIAL
REPORT**

03

A letter from Corporate One's
President/CEO, Lee C. Butke and
Chairman, Gerald D. Guy

05

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

15

Supervisory Committee Report

16

Management Report

18

Independent Auditor's Reports

22

Financials and Footnotes

A Letter to our Members

2014 rounded out another year of profitable growth for Corporate One Federal Credit Union, with net income of \$9.2 million. It was a banner year, and our success is the result of efforts made over the past several years to grow and make our corporate credit union more efficient. Expanding our offerings to all membership groups with a best-of-breed approach, we created efficiencies in our expense structure through the integration of back-office processes. Our expense reductions alone created a savings totaling \$2.8 million in 2014. Moreover, with the capital support of our members, including \$219 million in Perpetual Contributed Capital (PCC) as of December 31, 2014, we were able to realize improved cash flows and settlements, recovering \$3.7 million in 2014 on our legacy private-label mortgages.

The past year was one of near-record earnings, yet it did not come at our members' expense. We continued to pay very competitive rates on our shares, while offering real value on our correspondent solutions. Strong usage of our products and services by our membership contributed to another year of solid earnings as did notable growth in our two credit union service organizations (CUSOs): Accolade Asset/Liability Advisory Services and Member Business Solutions (MBS). Rapid growth at both of these CUSOs is the result of their ability to offer highly desirable solutions and services that are keeping pace with credit unions' needs.

Remaining profitable is important to any company; however, earnings will be especially important to corporate credit unions. Over the course of the next five years, NCUA rules will limit a corporate's ability to fully count the PCC from its members as regulatory capital unless it has an equal amount of retained earnings by 2020. Thanks to strong earnings in 2014, Corporate One's retained earnings, or reserves and undivided earnings (RUDE), increased by \$8.5 million for a total of \$52.9 million as of December 31, 2014. As we look to the future,



Lee C. Butke,
President, CEO



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

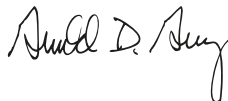
continued growth in retained earnings is vital for Corporate One to optimize our regulatory capital over the long-term for the benefit of our 865 members nationwide. We have proven our business model puts us on the right path to success.

Corporate One ended 2014 with more than \$279.1 million in total regulatory capital, which is the largest amount of regulatory capital in the corporate network. We also exceed all of the NCUA's required capital ratios. Our capital strength is the fuel in our engine, strategically driving all that we hope to achieve for our members. It ensures we have the balance sheet to support our members' liquidity needs; it protects member shares and certificates; and, it enables us to make investments in infrastructure and offerings so we can continue to deliver the innovative solutions our members have come to expect from us.

We are grateful for our members' continued, loyal support. Thanks to your capital investments in us and your ongoing use of the solutions we provide, Corporate One has grown into one of the strongest corporate credit unions in the U.S. We also appreciate Corporate One's Board of Directors, the Supervisory Committee, the Enterprise Risk Management Committee, the Executive Leadership Team and our dedicated staff for their hard work, commitment and vision. We are proud of what we have achieved together in 2014, and look forward to many more successes in the future.



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

2014 net income was \$9.2 million, an increase of \$4.5 million over 2013. It was a record year in terms of earnings – one of the top five in the history of Corporate One. Earnings are extremely important to all corporate credit unions. The National Credit Union Administration (NCUA) revised corporate regulations in 2011 and issued rules that will limit a corporate's ability to fully count, as regulatory capital, the Perpetual Contributed Capital (PCC) from its members unless it has an equal amount of retained earnings by 2020. Our members supported us by investing \$219 million of PCC with Corporate One, the most of any corporate credit union in the nation. For us to fully utilize this capital to provide value to our members, it is important for us to build our retained earnings.

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

As a member-owned cooperative, we recognize that our members are our owners. Accordingly, our goal is to appropriately balance the pricing of our services and the rates we pay on shares, while striving to build retained earnings. Although 2014 was a year of record earnings, we continued to pay very competitive rates on our shares and maintained pricing on most all of our correspondent services. Our strong earnings resulted from efforts made over the past several years to grow the corporate through a merger with another corporate, expand our offerings to both membership groups through a best-of-breed approach and create efficiencies in our expense structure through integration of back-office processes. We have also spent considerable time and money to create the most value from our legacy private-label mortgage portfolio, and those efforts continued to pay off this past year. We actively monitor this portfolio, and we only sell securities when we believe there is value in doing so. In 2014, some of the insurers of our securities resumed paying claims after years of moratoriums on claims payments. We also benefited from settlements of class action lawsuits on our securities. Had we sold the securities prematurely, we would have locked in the losses and not benefited from these recoveries.

Overall net interest income increased \$757,000 over 2013 levels, even though ultra-low interest rates caused continued margin compression in 2014. Income from improved cash flows and settlements on our legacy private-label mortgages were \$3.7 million in 2014, which contributed to the increase in net interest income year over year. Net service fee income exceeded 2013 levels by \$450,000 due to increased revenue from growth in product offerings that were new to our respective memberships as a result of the merger. Total operating expenses were down \$2.8 million year over year due to efficiencies created as a result of combining back office processes. Additionally, we restructured a supplemental executive retirement plan of one of our executives, which resulted in the reversal of a post retirement benefit obligation equal to \$1.2 million, which contributed to the overall decrease in operating expense in 2014. This was recorded as a reduction of salaries and employee benefits expense for 2014. Furthermore, intangible assets as a result of our merger with another corporate in 2012 are being amortized on a schedule that is accelerated in earlier periods and decreases over the useful lives of the assets. As a result, the amortization expense associated with these assets decreased \$441,000 in 2014 over 2013. Other-than-temporary impairment (OTTI) charges on our private-label mortgages was \$1.01 million in 2014. This was a decrease from the \$2.4 million recorded in 2013 and is the lowest level of OTTI recorded since the start of the financial crisis in 2007. Gains on the sales of securities of \$1.7 million in 2014 more than offset the OTTI we recorded, which also contributed to our strong earnings.

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

Table One: Selected Financial Information (Dollar amounts are in thousands)					
	For the year ended December 31,				
	2014	2013	2012	2011	2010
Net interest income	\$ 23,440	\$ 22,683	\$ 20,297	\$ 12,046	\$ 18,714
Net service fee income	14,804	14,354	12,426	10,498	11,394
Total operating expenses	29,670	32,464	26,175	17,047	16,167
CORE EARNINGS BEFORE NET GAIN ON INVESTMENTS AND OTHER ITEMS					
Other-than-temporary impairment losses on securities	(1,011)	(2,415)	(2,253)	(3,844)	(7,534)
Net gain on other investments	1,680	2,558	53	118	5,696
NET INCOME	\$ 9,243	\$ 4,716	\$ 4,348	\$ 1,771	\$ 12,103

Regulatory Capital Position

On October 20, 2010, the NCUA published the revisions to NCUA Rules and Regulations, Part 704, 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 were established. The new capital instruments are PCC and Non-perpetual Capital Accounts (NCA). As a result of phasing out the old capital instruments, MCS has been paid back to our members as it matured over the past several years with only a minimal amount left at the end of 2014. The MCS which was paid back to our members was fully amortized prior to its maturity and therefore not included as part of regulatory capital.

As of December 31, 2014, our total regulatory capital is \$279.1 million, which is a decrease of approximately \$10.2 million (or four percent) since December 31, 2013. This change in regulatory 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 \$355.0 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)					
At December 31,					
	2014	2013	2012	2011	2010
RUDE or retained earnings	\$ 52,933	\$ 44,454	\$ 40,498	\$ 36,781	\$ 35,431
PIC	20	20	20	20	25,332
PCC	219,208	216,970	216,024	141,917	
NCA	82,700	82,700	82,700	82,700	
MCS	101	26,095	34,945	24,023	126,924
TOTAL REGULATORY CAPITAL ACCOUNT BALANCES	354,962	370,239	374,187	285,441	187,687
Less amortized PIC, MCS and NCA	(75,910)	(81,005)	(62,584)	(24,119)	(4,781)
TOTAL REGULATORY CAPITAL	\$ 279,052	\$ 289,234	\$ 311,603	\$ 261,322	\$ 182,906

Table Three summarizes Corporate One's capital ratios as of December 31, 2014 and 2013.

Table Three: Capital Ratios (Dollar amounts are in millions)		
December 31,		
	2014	2013
Retained earnings ratio	1.45%	1.12%
Leverage ratio	7.31%	6.44%
Tier 1 risk-based capital ratio	15.22%	16.33%
Total risk-based capital ratio	15.45%	17.97%
MDANA*	\$ 3,639	\$ 3,950
MDANRA**	\$ 1,748	\$ 1,560

*Moving Daily Average Net Assets

**Moving Daily Average Net Risk-Weighted Assets

Corporate One is focused on maintaining strong capital levels and we exceed all of NCUA's required capital ratios. In 2014 we increased our retained earnings by \$8.5 million, which boosted our retained earnings and leverage ratios year over year. Additionally, our retained earnings and leverage ratios were also improved by a decrease in average net assets in 2014 as compared to 2013. Our credit union members' loan-to-share ratios have generally increased, leaving less liquidity to hold at Corporate One. During the last twelve months, we have allocated more of our assets to quality, highly-liquid, higher-yielding securities as compared to zero risk-weighted cash held at the Federal Reserve. As a result, our average risk-weighted assets have increased in 2014 compared to 2013. This increase in average risk-weighted assets was the reason our Tier 1 and Total risk-based capital ratios decreased year over year.

Table Four summarizes the NCUA requirements for the various ratios:

	Regulatory Capital Minimums	
	Well capitalized	Adequately capitalized
Retained earnings ratio	0.45%	0.45%
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.

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 eight years ago we embarked on an initiative to deploy enterprise risk management (ERM) throughout our entire organization. We believe that ERM is critical not only to managing our risks but also 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 ERM 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 ERM Committee comprised of members of our Board of Directors, our Supervisory Committee and our senior management. The ERM Committee is responsible for reviewing completed risk assessments and coordinating, in conjunction with the Supervisory Committee, the testing of controls over critical processes. The ERM Committee is 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 ERM 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 ERM committee responsible for reviewing the enterprise risk management practices of the corporate credit union. We had already incorporated ERM into our culture, processes and expense structure here at Corporate One many years prior to this becoming a regulatory requirement.

Liquidity Risk Management

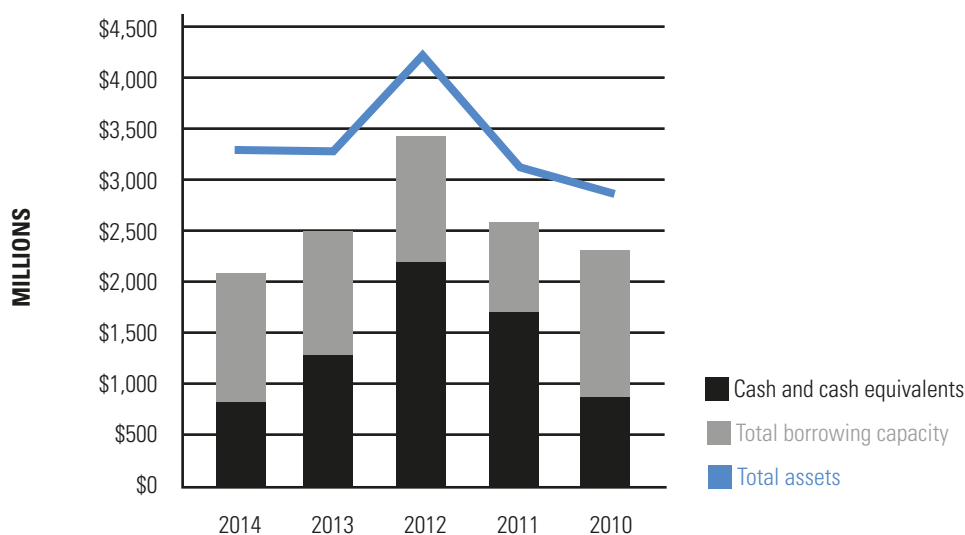
Liquidity risk is one of the most important risks we manage. With every deposit we accept, we understand that we need to appropriately manage our liquidity to ensure our members have access to those funds when needed. Accordingly, we have certain daily liquidity management strategies that we employ, 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, 2014, we had \$835.1 million 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 \$2.6 billion.

After seeing peak levels of overnight shares in 2012, our members had lower levels of excess liquidity deposited at Corporate One in 2013 and 2014. In 2014, while our overall assets were comparable to 2013, our cash and cash equivalents were down year over year as we consciously allocated more of our assets to securities as compared to cash. We are using the cash to invest in quality, highly liquid investments. This enhances our return on our assets so we can continue to pay our members competitive rates on their shares. All of our securities are classified as available-for-sale in case we need to sell them to raise liquidity. Additionally, we have used some of these investments as collateral to increase our borrowing capacity year over year. We still maintain a strong cash balance with our cash as a percentage of overnight shares above 32 percent.

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

Figure One: Trended data on liquidity sources



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, 2014, our single largest depositor represented only 10 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, 2014, was approximately \$1.2 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately \$287.4 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 \$199.4 million at December 31, 2014. 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.

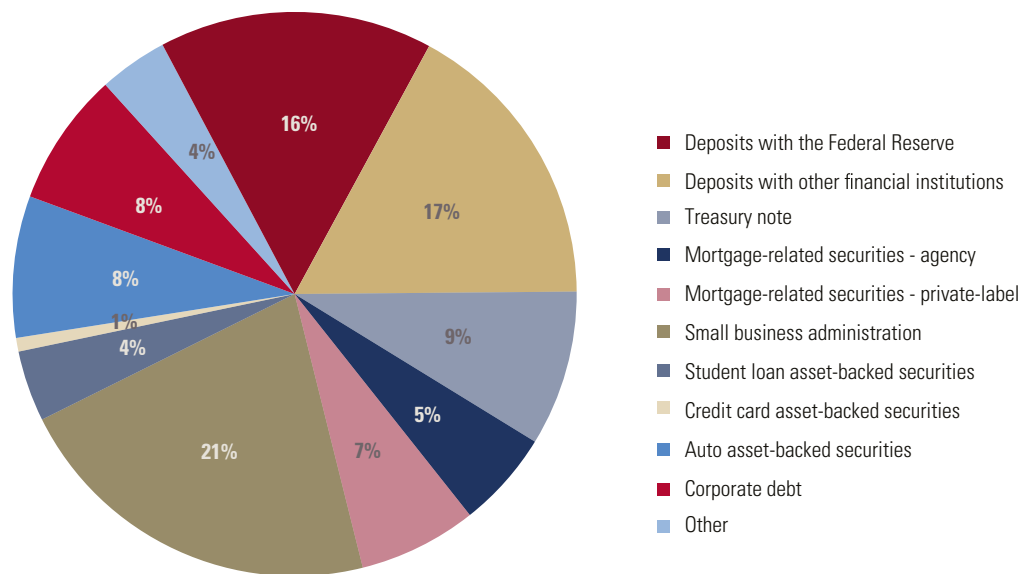
We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound deposit institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must 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 \$437.5 million at December 31, 2014.

Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines and letter of credit commitments to members of approximately \$3.2 billion at December 31, 2014. 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 also perform extensive pre-purchase and on going credit analysis and only purchase investments of high credit quality as determined by our credit risk manager. Our internal assessments of credit include, among other things, reviews of the issuer's financial stability, the trust structure, underlying collateral performance, credit enhancements and credit ratings, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs). Corporate One's portfolio diversification as of December 31, 2014, is shown in Figure Two.

Figure Two: Diversification of investment portfolio as of December 31, 2014

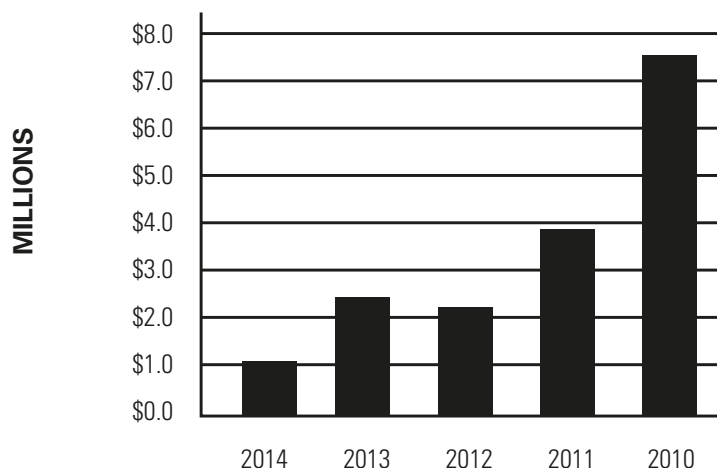


As shown in Figure Two, our portfolio remains well diversified. Twenty-one percent of the amortized cost of our portfolio is in cash held at the Federal Reserve Bank. Another 64 percent of our portfolio is cash held at other financial institutions, agencies and securities rated "A" or higher by NRSROs. 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 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.

Figure Three: OTTI charges by year



As of December 31, 2014, we owned 49 mortgage-related securities that were considered other-than-temporarily impaired. These securities had a total par value of approximately \$138.9 million at December 31, 2014. During the year ended December 31, 2014, we recorded OTTI charges on nine mortgage-related securities. The estimated credit losses on these nine securities of \$1.01 million are a calculation of the difference between the discounted cash flows of the securities and their current amortized cost. For these 49 mortgage-related securities, we have recorded total OTTI charges of approximately \$57.3 million. However, we have actually only had total cumulative principal shortfalls of approximately \$19.3 million on 23 of these securities through December 31, 2014. The

difference between the \$57.3 million of cumulative estimated credit losses and the \$19.3 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. As of December 31, 2014, we identified 13 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 13 securities and recorded additional interest income of \$1.2 million in 2014. In addition, some of the insurers of our securities resumed paying claims after years of moratoriums on claims payments. We also benefited from settlements of class action lawsuits on our securities. We recognized approximately \$3.35 million in additional net interest income related to these recoveries.

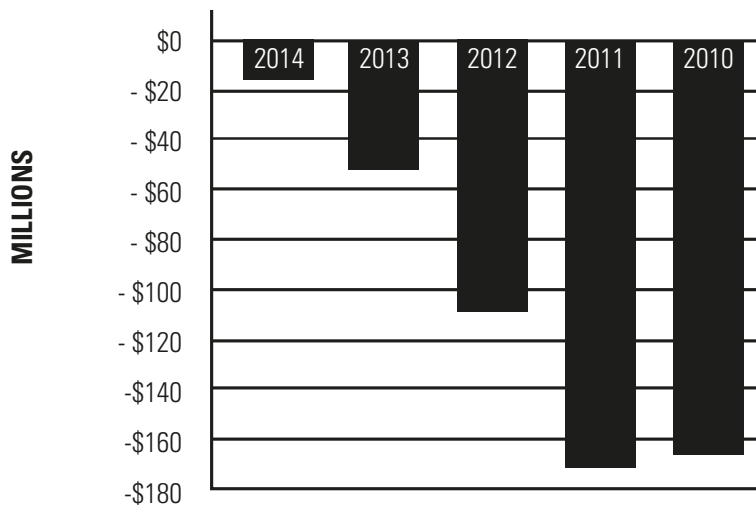
In addition to these securities, as a result of the merger with another corporate credit union, we acquired 20 private-label mortgage-related securities for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable at acquisition that all contractually 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 \$2.0 million. Additionally, current estimates of future cash flows show significant improvement. As a result, we have reclassified \$4.6 million of the nonaccretable discount to the accretable discount since acquisition. 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, 2014, there is a balance of \$20.2 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 over the remaining lives of the securities if we determine there is additional improvement in cash flows over our original estimates.

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 continue to decrease. The reduction in the net unrealized losses in our mortgage-related portfolio is also due to the recognition of losses through OTTI charges.

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

Figure Four: Net unrealized losses trend



Our \$15.5 million in net unrealized losses at December 31, 2014, is comprised primarily of unrealized losses in our student loan asset-backed securities. Our student loan asset-backed securities tend to have longer weighted average lives than our other sectors, and the student loan asset-backed security sector was not one that benefited from government programs designed to bring liquidity back in the debt markets. As a result, this has been one of our slowest sectors to experience price improvements. None of the securities in our student loan sector have ever had credit losses nor are any of them estimated to have credit losses in the future. We expect that the fair values will recover as the securities approach their final maturity dates. Our portfolio of mortgage-related securities is actually in a net unrealized gain position of \$10.2 million. The mortgage-related securities owned by Corporate One prior to the merger with another corporate are still in an overall net unrealized loss position. However, these have been more than offset by the net unrealized gains in the mortgage-related securities acquired during our merger with the other corporate. At the time of the merger in July 2012, the securities were transferred to Corporate One at fair value. With liquidity returning to the mortgage markets, the fair values have experienced significant improvements and, in most cases, have resulted in unrealized gains on the securities acquired through the merger.

Table Five details our accumulated other comprehensive loss by sector at December 31, 2014 and 2013.

Table Five: Accumulated other comprehensive loss by sector
(Dollar amounts are in thousands)

	December 31,	
	2014	2013
Type		
Student loans	\$ (25,919)	\$ (46,566)
Mortgage-related	10,189	(6,267)
Treasury note	17	
Corporate debt	(239)	548
Automobiles	(243)	91
Credit cards	(656)	(759)
Small business administration	1,397	1,329
	\$ (15,454)	\$ (51,624)

The total amortized cost of our student loan asset-backed securities portfolio was \$510.9 million as of December 31, 2014. Of that total portfolio, 75 percent were Federal Family Education Loan Program (FFELP) –backed student loan securities. The remaining 25 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. For our student loan asset-backed 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

As a result of the changes NCUA made to Regulation Part 704, when they re-regulated the corporate credit union network, corporate credit union balance sheets are mainly being used to help members manage their overnight excess liquidity. Accordingly, as of December 31, 2014, 84 percent of our liabilities are overnight shares that re-price daily while only 12 percent are fixed rate term deposits. Even the term deposits are short term in nature, with the majority of them maturing in one year or less. When members deposit funds with us, we can invest those funds in a variety of financial instruments that closely match the re-pricing characteristics of the underlying deposit, resulting in minimal mismatch. As of December 31, 2014, 25 percent of our assets were held in cash, which re-prices daily. The rest of our assets were mostly held in debt securities such as corporate debt, asset-backed, mortgage-related and small business administration securities. At year-end, 90 percent of the par value amount of our securities were variable-rate securities and reset either monthly or quarterly, predominantly based upon LIBOR. Of these variable-rate securities, 12.2 percent had interest rate caps that were fixed at the time of issuance, and the caps range from 6 percent to 18 percent. 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 and deposits; however, these represent a very modest portion of our balance sheet. Additionally, the change in value of the fixed-rate deposits generally helps offset the change in value of the fixed-rate securities that occur as a result of changes in interest rates.

Our primary interest-rate risk-measurement tool is a Net Economic Value (NEV) test. NEV is defined as the fair value of assets less the fair value of liabilities (excluding unamortized 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.

During the financial crisis that started in 2007 as a credit crisis and eventually became a liquidity crisis, the fair values of many of our securities 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 versus changes in value simply due to interest rate changes, it lost some of its value as a tool to measure interest rate risk. However, liquidity has been returning to many of the sectors in which we are invested, and the fair values of our securities have shown significant improvement. In fact, the total net unrealized losses at December 31, 2014, were only \$15.5 million, a \$36.2 million improvement from December 31, 2013. Additionally, we added \$8.5 million to retained earnings in 2014. These factors have increased our base scenario NEV from \$235.7 million at December 31, 2013, to \$262.0 million at December 31, 2014. Our NEV ratio at December 31, 2014 was 7.91 percent in the base case and 7.75 percent in the 300 basis points (bps) stress scenario, both of which exceed the minimum required NEV ratio of 2 percent.

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, 2014 and 2013 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, 2014*			
300 bps rise in rates	\$ 255,661	7.75%	\$ (6,358)
Base scenario	\$ 262,019	7.91%	
As of December 31, 2013*			
300 bps rise in rates	\$ 218,903	6.73%	\$ (16,767)
Base scenario	\$ 235,670	7.18%	

* 300, 200 and 100 bps declines did not apply in the interest rate environment present on December 31, 2014 and 2013.

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 ERM 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 2014 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. Crowe Horwath's report on Corporate One's financial statements is included within this annual report.

In addition to the annual audit, Corporate One employs internal audit staff who perform internal audits of select processes, controls and systems of Corporate One, and report 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 audit process.



William Allender,
BMI FCU



Arthur Boehm,
The Ohio Educational 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, 2014. 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, 2014.

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, 2014, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 Internal Control — Integrated Framework.

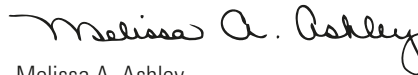
Based upon its assessment, management has concluded that, as of December 31, 2014, Corporate One's internal control over financial reporting, including controls over

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 2013 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, 2014, has been audited by Crowe Horwath LLP, an independent public accounting firm, as stated in their report dated March 19, 2015.



Lee C. Butke
President, Chief Executive Officer



Melissa A. Ashley
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 19, 2015

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 (Corporate One) internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 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 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 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, 2014, based on criteria established in the 2013 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 19, 2015 expressed an unqualified opinion on those financial statements.



Crowe Horwath LLP
Columbus, Ohio
March 19, 2015

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 19, 2015 expressed an unqualified opinion.

Crowe Horwath LLP

Crowe Horwath LLP
Columbus, Ohio
March 19, 2015

Consolidated Balance Sheets

	December 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 835,055,722	\$ 1,316,117,061
Investments in financial institutions	57,570,100	74,516,188
Available-for-sale securities, at fair value	2,188,647,234	1,806,592,425
Held-to-maturity securities (fair value 2013 – \$3,010,097)		2,355,592
Loans	163,534,315	20,801,431
Accrued interest receivable	2,343,973	1,999,574
Goodwill	3,401,412	3,401,412
Intangible assets	17,867,632	22,113,141
Other assets	43,456,429	34,605,210
TOTAL ASSETS	\$ 3,311,876,817	\$ 3,282,502,034
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	\$ 2,567,429,375	\$ 2,548,749,873
Share certificates	288,101,769	389,741,561
Member capital shares	101,290	26,094,914
Non-perpetual capital accounts	82,700,000	82,700,000
Borrowed funds	88,000,000	20,000,000
Dividends and interest payable	653,718	779,232
Due to broker	24,544,453	
Accounts payable and other liabilities	3,638,992	4,615,958
TOTAL LIABILITIES	3,055,169,597	3,072,681,538
Members' equity:		
Paid-in capital	20,000	20,000
Perpetual contributed capital	219,207,834	216,969,940
Reserves and undivided earnings	52,933,432	44,454,264
Accumulated other comprehensive loss	(15,454,046)	(51,623,708)
TOTAL MEMBERS' EQUITY	256,707,220	209,820,496
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 3,311,876,817	\$ 3,282,502,034

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended December 31,	
	2014	2013
Interest income:		
Investments and securities	\$ 32,656,250	\$ 33,039,734
Loans	586,675	731,483
TOTAL INTEREST INCOME	33,242,925	33,771,217
Dividend and interest expense:		
Share accounts	9,120,705	10,281,645
Other borrowings	681,993	806,151
TOTAL DIVIDEND AND INTEREST EXPENSE	9,802,698	11,087,796
NET INTEREST INCOME	23,440,227	22,683,421
SERVICE FEE INCOME, NET	14,804,737	14,354,002
Net gain on investments:		
Total other-than-temporary impairment losses	(3,829,177)	(11,810,075)
Portion of loss recognized in other comprehensive income	2,818,177	9,395,260
Net impairment losses recognized in earnings	(1,011,000)	(2,414,815)
Net gain on sales of securities	1,679,755	2,558,089
TOTAL NET GAIN ON INVESTMENTS	668,755	143,274
Operating expenses:		
Salaries and employee benefits	15,977,704	17,542,109
Office operations and occupancy expense	7,447,630	8,200,292
Amortization of intangibles expense	4,245,508	4,686,362
Other operating expenses	1,999,616	2,035,433
TOTAL OPERATING EXPENSES	29,670,458	32,464,196
NET INCOME	\$ 9,243,261	\$ 4,716,501

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31,	
	2014	2013
Net Income	\$ 9,243,261	\$ 4,716,501
Other comprehensive income:		
Change in net unrealized loss on available-for-sale securities	37,792,900	56,468,280
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities	1,011,000	2,414,815
Reclassification adjustment recognized in earnings for gain from sales of securities	(1,679,755)	(2,558,089)
Change in net unrealized loss due to transfer of held-to-maturity securities to available-for-sale securities	(954,483)	
Total other comprehensive income	36,169,662	56,325,006
COMPREHENSIVE INCOME	\$ 45,412,923	\$ 61,041,507

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, 2013	\$ 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
Net income			9,243,261		9,243,261
Other comprehensive income				36,169,662	36,169,662
Conversion of membership capital shares to perpetual contributed capital		837,814			837,814
Issuance of perpetual contributed capital		1,400,080			1,400,080
Dividends on perpetual contributed capital			(764,093)		(764,093)
BALANCE AT DECEMBER 31, 2014	\$ 20,000	\$ 219,207,834	\$ 52,933,432	\$ (15,454,046)	\$ 256,707,220

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 9,243,261	\$ 4,716,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,424,851	1,669,714
Amortization of intangibles	4,245,508	4,686,362
Net accretion	(4,656,845)	(5,903,536)
Net impairment losses on investments	1,011,000	2,414,815
Net gain on sales of securities	(1,679,755)	(2,558,089)
Net gain on disposals of assets		(16,528)
Net change in accrued interest receivable	(344,399)	75,988
Net change in dividends and interest payable	(125,514)	(336,837)
Other, net	(2,559,845)	(1,999,002)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,558,262	2,749,388
Cash flows from investing activities:		
Net change in investments in financial institutions	16,946,088	(21,871,018)
Available-for-sale securities:		
Sales	460,981,468	240,310,195
Maturities and principal pay downs	456,287,394	710,093,555
Purchases	(1,230,372,308)	(802,146,813)
Held-to-maturity securities:		
Maturities and principal paydowns	127,297	132,833
Dividends received from investments in CUSOs	1,120,000	
Net change in loans	(145,624,069)	(3,309,746)
Disposal of loans receivable	2,891,185	6,889,177
Net change in NCUA share insurance deposit	81,931	115,517
Net purchase of property and equipment	(1,252,450)	(1,467,665)
Advances on split-dollar life insurance agreements	(9,326,024)	(429,590)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(448,139,488)	128,316,445
Cash flows from financing activities:		
Net change in borrowed funds	68,000,000	
Change in shares and deposits	(108,116,100)	(1,029,349,306)
Issuance of perpetual contributed capital	1,400,080	837,930
Release of perpetual contributed capital due to liquidation of member credit union		(356,010)
Dividends on paid-in capital and perpetual contributed capital	(764,093)	(759,970)
NET CASH USED IN FINANCING ACTIVITIES	(39,480,113)	(1,029,627,356)
Net decrease in cash and cash equivalents	(481,061,339)	(898,561,523)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,316,117,061	2,214,678,584
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 835,055,722	\$ 1,316,117,061
Supplemental disclosure:		
Dividends and interest paid	\$ 10,692,305	\$ 12,814,604
Conversion of MCA to PCC	\$ 837,814	\$ 463,531
Securities transferred from Held-to-Maturity to Available-for-Sale at fair value	\$ 3,446,703	
Due to broker	\$ (24,544,453)	

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

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) and Accolade Investment Advisory, LLC (Accolade), which are described below, and Corporate Synergies, LLC (CorpSyn) which is currently an inactive CUSO. 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) –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, servicing and documenting of business loans. For the years ended December 31, 2014 and 2013, MBS contributed approximately \$245,000 and \$485,000, respectively to net income for Corporate One. MBS services loans for other credit unions which are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced by MBS approximated \$145.2 million and \$118.2 million at December 31, 2014 and 2013, respectively.

Accolade Investment Advisory, LLC (Accolade) –Accolade provides investment advisory services to credit unions. For the years ended December 31, 2014 and 2013, Accolade represented a nominal percentage of Corporate One's net income.

(Table dollar amounts in thousands)

(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 the assessment of other-than-temporary impairment and the amortization/accretion of premiums/discounts on investments subject to prepayment. It is reasonably possible that our estimates could change based on the improvement or worsening of the performance of our other-than-temporarily impaired securities or the change in the prepayments currently expected on investments subject to prepayment. 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, 2014 and 2013, 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.

(Table dollar amounts in thousands)

(e) Purchased Credit-Impaired Securities

Corporate One acquired private label mortgage-related securities as a result of a merger, 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 four classes: settlement, demand, term and warehouse 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) 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 exists 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.

(Table dollar amounts in thousands)

(i) Indemnification Asset

In order to accomplish a merger with another corporate credit union, 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.

(j) 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.

(k) 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 5. 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.

(l) 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.

In 2010, the NCUA published revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The revisions established a capital framework which included risk-based capital requirements. The old capital instruments, Paid-In Capital (PIC) and Membership Capital Shares (MCS), are phased out and two new capital instruments are established. These capital instruments are Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA).

PCC is required for Partner membership in 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.

In 2011, Corporate One offered its members, for a limited time, 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 or

(Table dollar amounts in thousands)

five 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, 2014 and 2013, there were \$101,000 and \$26.1 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 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, 2014 and 2013, there were \$20,000 of shares on notice.

(m) 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.

(n) 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.

(o) 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 services 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, 2014 and 2013, was \$23.4 million and \$22.6 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 \$8.6 million and \$8.3 million for the years ended December 31, 2014 and 2013, respectively.

(p) 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.

(q) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2014, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2014. Management has performed such analysis through March 19, 2015, the date the financial statements are available to be issued.

(r) Regulatory Pronouncements

On October 20, 2010, the NCUA published 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 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.

(Table dollar amounts in thousands)

The amortized cost and fair value of such securities is \$140.1 million and \$129.6 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 March 3, 2015, 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, 2016, 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 14.

(s) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) amended existing guidance related to revenue from contracts with customers. This amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, this amendment specifies the accounting for some costs to obtain or fulfill a contract with a customer. These amendments are effective for annual reporting periods beginning after December 15, 2017. Corporate One is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

(3) LOANS

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

An allowance for loan losses (ALL) was not considered necessary at December 31, 2014 or 2013, for member loans based on management's continuing review and evaluation of the loan portfolio. Corporate One incurred no loan losses in either 2014 or 2013 on member loans, and considers no member loans impaired as of, or during the years ended December 31, 2014 and 2013.

Non-member loans are participated commercial real estate loans, primarily church loans, originated from our wholly-owned CUSO, MBS. During 2014, all non-member loans were sold at par and MBS no longer engages in this line of business. No loan losses were incurred during 2014 or 2013 on non-member loans. Also, no non-member loans were considered impaired, as of, or during the year ended December 31, 2014 or 2013. An ALL was not considered necessary at December 31, 2014 or 2013.

	2014	2013
Member loans:		
Settlement	\$ 2,258	\$ 4,190
Demand	13,286	6,762
Term	122,990	2,000
Warehouse	25,000	5,000
Total member loans	163,534	17,952
Non-member loans:		
Real estate		2,849
Total non-member loans		2,849
TOTAL LOANS	\$ 163,534	\$ 20,801

(Table dollar amounts in thousands)

(4) INVESTMENTS IN FINANCIAL INSTITUTIONS

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

	2014	2013
Federal Home Loan Bank stock	\$ 12,954	\$ 15,702
Certificates of deposit	44,616	58,814
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	\$ 57,570	\$ 74,516

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, 2014 and 2013.

As of December 31, 2014 and 2013, certificates of deposit are all with domestic credit unions or banks. 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, 2014, are summarized as follows:

Year of Maturity	Balance
2015	\$ 31,186
2016	12,187
2017	1,243
TOTAL CERTIFICATES OF DEPOSIT	\$ 44,616

(Table dollar amounts in thousands)

(5) SECURITIES

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

2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	\$ 181,314	\$ 157	\$ (396)	\$ 181,075
Treasury note	25,499	17		25,516
Small business administration (SBA) securities	128,733	1,397		130,130
Mortgage-related securities	514,786	25,319	(15,130)	524,975
Asset-backed securities	1,353,769	1,695	(28,513)	1,326,951
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 2,204,101	\$ 28,585	\$ (44,039)	\$ 2,188,647
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

During the fourth quarter of 2014, our two held-to-maturity securities were transferred to the available-for-sale portfolio at fair value. The fair values and amortized costs at the date of transfer were \$3.45 million and \$4.40 million, respectively. Such transfers are rare and were due to regulatory requirements. Corporate One does not plan to classify future purchases as held-to-maturity for the foreseeable future.

Proceeds from the sale of available-for-sale securities were \$461.0 million in 2014. Gross gains of \$1.77 million and gross losses of \$91,000 were recorded on securities during 2014. 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.

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)

The expected distributions of securities at December 31, 2014, are reflected in the following table. Because the actual lives of mortgage-related securities, certain asset-backed securities, SBA securities and investments in government-sponsored entities can differ from contractual maturities due to call or prepayment features, these items are presented separately with their related expected weighted average lives (WAL).

Available-for-Sale			
	Amortized Cost	Fair Value	WAL (in years)
Securities with contractual maturities:			
Due in one year or less	\$ 284,917	\$ 284,876	
Due after one year through five years	720,323	719,251	
Securities with prepayment features:			
Residential mortgage-backed securities:			
Agency	264,627	264,913	3.68
Non-agency	250,159	260,062	4.53
Asset-backed securities	555,342	529,415	5.20
SBA securities	128,733	130,130	5.67
TOTAL	\$ 2,204,101	\$ 2,188,647	

Certain securities are pledged as collateral to secure certain lines of credit with financial institutions. See Note 9 for further details.

At December 31, 2014, approximately 90 percent of the par value amount, or \$2.05 billion, of Corporate One's securities, with a fair market value of \$1.97 billion, were variable-rate securities, the majority of which had interest rates that reset monthly or quarterly, predominantly based upon LIBOR. Of these \$2.05 billion of variable-rate securities, 12.2 percent of the par value amount, or \$249.1 million of such securities, with a fair market value of \$231.3 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:

2014						
	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	\$ 107,476	\$ (396)			\$ 107,476	\$ (396)
Mortgage-related securities	133,939	(388)	\$ 116,965	\$ (14,742)	250,904	(15,130)
Asset-backed securities	570,868	(670)	516,015	(27,843)	1,086,883	(28,513)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$ 812,283	\$ (1,454)	\$ 632,980	\$ (42,585)	\$ 1,445,263	\$ (44,039)
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	\$ 803,464	\$ (2,233)	\$ 679,409	\$ (71,738)	\$ 1,482,873	\$ (73,971)

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. 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 2014, above the \$1.01 million recorded in the accompanying consolidated statements of income.

The new NCUA Rules and Regulations Part 704 contain new investment prohibitions and other credit and asset/liability management requirements. These requirements became effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these 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 this regulation. The amortized cost and fair value of such securities is \$140.1 million and \$129.6 million, respectively. Corporate One is adhering to Part 704.10 and has filed the required IAP with the NCUA. In a letter dated March 3, 2015, 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, 2016, at which time new IAP are required to be submitted to NCUA.

(Table dollar amounts in thousands)

Unrealized losses on corporate debt securities represent 0.9 percent of our gross unrealized losses at December 31, 2014. Only ten of our corporate debt securities were in an unrealized loss position. These securities were all dual rated BBB or better by Nationally Recognized Statistical Rating Organizations (NRSRO).

Unrealized losses on asset-backed securities represent 64.7 percent of our gross unrealized losses at December 31, 2014. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2014, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	\$ 384,034	\$ 360,937	\$ 1,436	\$ (24,533)	AAA	B	6.61
Private	126,850	124,028	158	(2,980)	AAA	C	2.63
Credit cards	552,562	551,905	77	(734)	AAA	AAA	2.17
Automobiles	290,323	290,081	24	(266)	AAA	AAA	0.91
ASSET-BACKED SECURITIES	\$ 1,353,769	\$ 1,326,951	\$ 1,695	\$ (28,513)			

*Federal Family Education Loan Program

Of the approximately 98 asset-backed securities we own, that are not mortgage related, 91 of those securities are dual rated A or better. Six are dual rated B or better and the remaining one was split rated AA/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, 2014.

The remaining 34.4 percent of the gross unrealized losses on available-for-sale securities at December 31, 2014, 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, 2014, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade
Government agency insured	\$ 264,626	\$ 264,913	\$ 438	\$ (151)		
Private:						
Prime collateral	2,716	2,686		(30)	BB	B
Near-prime collateral*	110,965	115,408	10,459	(6,016)	AAA	D
Sub-prime collateral**	94,845	97,838	9,120	(6,127)	AAA	D
Insured	41,634	44,130	5,302	(2,806)	AA	D
MORTGAGE-RELATED SECURITIES	\$ 514,786	\$ 524,975	\$ 25,319	\$ (15,130)		

*Based on the definition used on offering circulars

** Based on 660 or lower FICO score

(Table dollar amounts in thousands)

At December 31, 2014, of the approximately 185 mortgage-related available-for-sale securities we own, 23 were rated D by at least one NRSRO. Eighteen of these D rated securities were determined to be other-than-temporarily impaired. Of the remaining five D rated securities, all of them were acquired from the merger and recorded at fair value and considered credit impaired at purchase. In addition to these 18 D rated other-than-temporarily impaired securities, we determined another 31 available-for-sale mortgage-related securities to be other-than-temporarily impaired. All of those securities are dual rated between B 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 securities 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 progress towards its rehabilitation plans, resulting in some recoveries of losses on our FGIC insured securities.

In addition, we own a few FGIC insured securities which were issued by Residential Capital, LLC (ResCap). These securities are not included in FGIC's rehabilitation plan, because they were part of a settlement agreement between FGIC, ResCap and various trustees. The settlement, which occurred in early 2014, included a one-time payment of partial prior losses, but then commuted the insurance policy.

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 securities that are insured by AAC, a subsidiary company of Ambac Financial Group, Inc. One of which is a student loan asset-backed security and the remaining 14 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.

AAC stopped paying claims in 2010 to conserve cash. AAC has also worked with its primary regulator, the Wisconsin Office of the Commissioner of Insurance (OCI), on a rehabilitation plan. Based on our review of the financial statements of AAC and the rehabilitation plan, Corporate One believes ultimate recovery on policy claims to be 67 percent. Accordingly, we have only recorded 33 percent of any OTTI on AAC insured securities. AAC began making cash payments again in September 2012 equal to 25 percent of the claims submitted. In July 2014, AAC increased their cash payments to 45 percent of claims submitted. Unpaid claims are being recorded as deferred payment obligations by AAC and are accruing interest at 5.1 percent. Through December 31, 2014, we have recorded \$1.19 million in OTTI charges on AAC-insured securities. We are currently placing reliance on AAC to cover \$1.27 million of expected principal shortfalls on our AAC-insured securities. Should AAC or the OCI make amendments to the plan of rehabilitation that have an adverse effect 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, 2014.

Monoline Insurer	Par Value	Amortized Cost	Fair Value	Insurer Rating	
				S&P	Moody's
FGIC	\$ 21,741	\$ 15,570	\$ 19,658	NR	WR
MBIA	13,484	12,898	12,509	B	B2
AAC	15,817	13,337	14,138	NR	WR
SGI	5,683	5,164	4,534	NR	WR
AGC	1,418	1,298	1,314	AA	A3
TOTAL	\$ 58,143	\$ 48,267	\$ 52,153		

(Table dollar amounts in thousands)

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, 2014, we owned 49 mortgage-related securities that were considered other-than-temporarily impaired. These securities had a total par value of approximately \$138.9 million at December 31, 2014. During the year ended December 31, 2014, we recorded OTTI charges on nine mortgage-related securities. The estimated credit losses on these nine securities of \$1.01 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 nine securities was approximately \$2.8 million for available-for-sale securities for the year ended December 31, 2014.

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.

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, 2014 and 2013.

	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2014	Accumulated Other Comprehensive Income (Loss) as of December 31, 2014	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2013	Accumulated Other Comprehensive Income (Loss) as of December 31, 2013
Available-for-sale securities:				
Corporate debt securities		\$ (239)		\$ 548
Mortgage-related securities - other-than-temporarily impaired	\$ 1,011	(8,362)	\$ 2,415	(14,990)
Mortgage-related securities		18,551		10,845
Treasury note		17		
Asset-backed securities		(26,818)		(47,234)
SBA securities		1,397		1,329
TOTAL AVAILABLE-FOR-SALE SECURITIES	1,011	(15,454)	2,415	(49,502)
Held-to-maturity securities:				
Mortgage-related securities - other-than-temporarily impaired				(2,122)
TOTAL HELD-TO-MATURITY SECURITIES				(2,122)
TOTAL	\$ 1,011	\$ (15,454)	\$ 2,415	\$ (51,624)

(Table dollar amounts in thousands)

Principal Losses and Recoveries

Through December 31, 2013, we had total cumulative principal shortfalls of approximately \$27.1 million on 39 securities. In 2014, we had an additional \$2.7 million in principal shortfalls, resulting in total cumulative principal shortfalls of \$29.8 million on 39 securities through December 31, 2014. 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.

As a result of the improving economy, ongoing rehabilitation of monoline insurers and various legal actions within the private-label mortgage-related security markets, beginning in 2014, we began to receive partial principal repayments. These partial repayments from either monoline insurers (FGIC and AMBAC), various class action law suits or liquidation payouts resulted in a significant increase in the cash flows of the affected securities. These payments, which were approximately \$3.35 million during 2014, are recorded as a component of net interest income on the accompanying consolidated statements of income.

The following table details cumulative credit losses on other-than-temporarily impaired debt securities for the periods ended December 31, 2014 and 2013.

	Cumulative Credit Losses on Debt Securities	
	2014	2013
Cumulative credit losses on debt securities previously recognized in earnings at January 1,	\$ (63,077)	\$ (63,082)
Credit losses recognized in earnings on debt securities not previously determined to be other-than-temporarily impaired		(214)
Additional credit losses recognized in earnings on debt securities previously determined to be other-than-temporarily impaired	(1,011)	(2,201)
Reduction due to sales of securities	363	1,246
Reduction due to increases in expected cash flows	3,683	1,174
CUMULATIVE CREDIT LOSSES ON DEBT SECURITIES PREVIOUSLY RECOGNIZED IN EARNINGS AT DECEMBER 31,	\$ (60,042)	\$ (63,077)

Purchased Credit Impaired Securities

As a result of a merger with another corporate credit union, 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 2014, 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 2014, 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, 2014 and 2013 is as follows:

2014					
	Amortized Cost	Par Value	Nonaccretable Discount	Accretable Discount	Fair Value
At January 1,	\$ 42,982	\$ 88,556	\$ 23,372	\$ 22,202	\$ 52,362
Accretion	5,071			(5,071)	
Paydowns	(5,152)	(5,152)			
Principal shortfalls		(721)	(721)		
Change due to improved projected cash flows			(2,471)	2,471	
Net change in fair value					4,832
Balance at December 31,	\$ 42,901	\$ 82,683	\$ 20,180	\$ 19,602	\$ 57,194
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

The remaining accretable discount on these purchased credit impaired securities is recognized as an increase to interest income using the interest method over the remaining lives of these securities.

(Table dollar amounts in thousands)

(6) 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:

	2014	2013
Primary Financial Company LLC	\$ 4,273	\$ 5,103
eDoc Innovations, Inc.	1,839	1,905
TOTAL EQUITY INVESTMENTS	\$ 6,112	\$ 7,008

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 is accounted for using the equity method. Our investment in Primary Financial was 21.33 percent during all of 2014 and 2013. 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 \$290,000 and \$429,000 in 2014 and 2013, respectively. In December 2013, Primary Financial declared a dividend of \$70,000 per share. The dividend was paid in February 2014 resulting in a total dividend of \$1.12 million to Corporate One.

Corporate One is a co-broker of Primary Financial and, as such, earns a spread on certificates placed. Corporate One recognized income of \$1.36 million in 2014 and \$985,000 in 2013 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 \$682,000 in 2014 and \$493,000 in 2013. These additional spreads continue through July 2015. All such spreads are included as a component of net service fee income in the accompanying consolidated statements of income.

During 2013, Corporate One performed accounting and marketing services for Primary Financial under a support services contract. The contract was a one-year contract with provisions for automatic annual renewals. During 2014, this contract was not renewed. Corporate One recognized, as a component of net service fee income in the accompanying consolidated statements of income \$209,000 in 2013 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. 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 \$65,600 in 2014 and loss of \$44,700 in 2013.

(7) GOODWILL AND INTANGIBLE ASSETS

As a result of a merger with another corporate credit union, Corporate One recorded 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, 2014, 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, 2014, 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.

(Table dollar amounts in thousands)

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

2014		
	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$ 24,962	\$ 10,418
Member relationship intangibles	4,200	876
Total intangible assets	\$ 29,162	\$ 11,294

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

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

Year	Annual amortization expense
2015	\$ 3,424
2016	2,752
2017	2,454
2018	2,358
2019	2,167

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, 2014, we do not believe that the intangible assets are impaired.

(8) 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 6. Also included in other assets are split-dollar loans related to a Supplemental Executive Retirement Plan (SERP), which are discussed in Note 12.

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

	2014	2013
Buildings and improvements	\$ 9,569	\$ 9,322
Equipment	8,896	9,149
	18,465	18,471
Less: Accumulated depreciation	8,172	8,006
NET PROPERTY AND EQUIPMENT	\$ 10,293	\$ 10,465

(Table dollar amounts in thousands)

(9) 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, 2014 and 2013, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately \$349.9 million and \$184.4 million, respectively, which provided a borrowing capacity of approximately \$287.4 million and \$178.5 million, respectively. At December 31, 2014, borrowings of \$88.0 million were outstanding at an interest rate of 0.16 percent. These borrowings matured in January 2015. At December 31, 2013, Corporate One had one borrowing outstanding with the FHLB. The \$20.0 million borrowing had a fixed-rate of 3.99 percent and matured on 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, 2014 and 2013, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately \$449.1 million and \$490.4 million, respectively, which provided a borrowing capacity of approximately \$437.5 million and \$470.8 million, respectively. At December 31, 2014 and 2013, 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, 2014 or 2013. Average borrowings under reverse repurchase agreements were approximately \$309,000 during 2014 and \$252,000 during 2013. There was no amount outstanding at any month-end during 2014 or 2013.

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, 2014 or 2013.

(10) 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:

	2014		2013	
	Balance	Rate	Balance	Rate
Settlement and regular shares	\$ 2,567,429	0.15%	\$ 2,548,750	0.14%
Share certificates	288,102	0.42%	389,742	0.45%
TOTAL SHARE ACCOUNTS	\$ 2,855,531		\$ 2,938,492	
MCS	\$ 101	0.00%	\$ 26,095	0.00%
NCA	82,700	4.00%	82,700	4.00%
PIC	20	0.00%	20	0.00%
PCC	219,208	0.35%	216,970	0.35%
TOTAL MEMBER CAPITAL ACCOUNTS	\$ 302,029		\$ 325,785	

Settlement and regular share accounts are available to members on demand and pay dividends either daily or monthly. Eligible accounts of members are insured by the NCUSIF up to \$250,000 per member. As of December 31, 2014 and 2013, insured member accounts totaled \$153.8 million and \$179.1 million, respectively. 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.

(Table dollar amounts in thousands)

Total share certificate accounts by maturity at December 31, 2014 are summarized as follows:

Year of Maturity	Balance
2015	\$ 235,049
2016	35,073
2017	17,980
TOTAL SHARE CERTIFICATES	\$ 288,102

Share certificates that meet or exceed the NCUSIF insurance limit of \$250,000 at December 31, 2014 and 2013 were \$285.8 million and \$380.8 million, respectively.

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 another corporate credit union. Corporate One continues to offer PCC to Associate members or new members who want to become Partner members of Corporate One.

(11) 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, 2014 and 2013, these financial instruments included outstanding advised lines of credit of approximately \$3.2 billion and \$2.8 billion, respectively. There were no outstanding committed lines of credit at December 31, 2014 or 2013.

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.

(12) 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. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. During 2014 and 2013, the Board of Directors suspended all discretionary contributions. Retirement expense was approximately \$665,000 in 2014 and \$704,000 in 2013.

Corporate One has provided certain executives with a SERP. During 2014, Corporate One restructured the SERP of one of the executives resulting in the reversal of a post retirement benefit obligation equal to \$1.2 million. This was recorded as a reduction of salaries and employee benefits expense for 2014 in the accompanying consolidated statements of income. The SERP is being funded via life insurance policies issued by Massachusetts Mutual Life Insurance Company and split-dollar loan agreements have been entered into with each of the executives covered under the SERP. Total split-dollar loans outstanding at December 31, 2014

(Table dollar amounts in thousands)

and 2013 were \$11.9 million and \$2.6 million, respectively, and are included in other assets in the accompanying consolidated balance sheets. The loans have a two percent fixed interest rate with interest accrued monthly and capitalized as part of the total loan balance annually. If the executives perform under the agreements, Corporate One has total commitments to fund additional advances to be used to pay life insurance premiums of \$11.6 million in total over the next nine years.

(13) 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.

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

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	\$ 835,056	\$ 835,056	\$ 1,316,117	\$ 1,316,117
Investments in financial institutions	57,570	57,642	74,516	74,528
Available-for-sale securities	2,188,647	2,188,647	1,806,592	1,806,592
Held-to-maturity securities			2,356	3,010
Loans	163,534	163,578	20,801	20,797
Accrued interest receivable	2,344	2,344	2,000	2,000
NCUSIF deposit	1,750	1,750	1,832	1,832
Liabilities:				
Borrowed funds	\$ 88,000	\$ 88,000	\$ 20,000	\$ 20,632
Dividends and interest payable	654	654	779	779
Settlement and regular shares	2,567,429	2,567,429	2,548,750	2,548,750
Share certificates	288,102	288,468	389,742	389,952
MCS	101	101	26,095	26,095
NCA	82,700	82,700	82,700	82,700

(Table dollar amounts in thousands)

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.

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.

(Table dollar amounts in thousands)

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2014.

	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	\$ 181,075	\$ 160,815	\$ 20,260	
Mortgage-related securities - agency	264,913		264,913	
Mortgage-related securities - private	260,062		36,514	\$ 223,548
SBA securities	130,130		130,130	
Treasury note	25,516		25,516	
Asset-backed securities:				
Student loans - FFELP	360,937		360,937	
Student loans - private	124,028		122,767	1,261
Credit cards	551,905		551,905	
Automobiles	290,081		290,081	
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 2,188,647	\$ 160,815	\$ 1,803,023	\$ 224,809

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

(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, 2014 and 2013.

Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)		
	2014	2013
Beginning balance January 1,	\$ 238,075	\$ 264,173
Changes in fair values of Level 3 securities due to change in price:		
Mortgage-related securities - private	17,188	27,418
Student loans - private	153	28
Increases (decreases) due to net losses on investments:		
Total other-than-temporary impairment losses - private mortgage	(3,805)	(11,765)
Portion of loss recognized in other comprehensive income-private mortgage	2,796	9,360
Decreases due to net gain on sales of securities:		
Net gain on sales of securities	(356)	(1,418)
Decreases due to sales, maturities and paydowns:		
Mortgage-related securities - private	(32,401)	(49,402)
Student loans - private	(288)	(319)
Net transfers into Level 3:		
Mortgage-related securities - private	3,447	
ENDING BALANCE DECEMBER 31,	\$ 224,809	\$ 238,075

We classify the fair value of those securities where there is a lack of observable market data as Level 3. During the fourth quarter of 2014, we transferred two held-to-maturity securities to available-for-sale at fair value. These securities were transferred into Level 3.

There were no transfers between Level 1 and Level 2 during 2014 or 2013.

(Table dollar amounts in thousands)

The following table presents quantitative information about recurring Level 3 fair value measurements at December 31, 2014 and 2013.

2014					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	\$ 223,548	Discounted cash flow	Constant prepayment rate	(-2 - 20)	5.63
			Probability of default	(0 - 22)	2.08
			Loss severity	(0 - 100)	56.93
Student loans - private	1,261	Discounted cash flow	Constant prepayment rate		17.30
			Probability of default		2.01
			Loss severity		97.50
TOTAL LEVEL 3 SECURITIES	\$ 224,809				

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				

The level 3 securities consist of 105 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.

(Table dollar amounts in thousands)

(14) 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.

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%
Leverage ratio	RUDE+PCC	MDANA	5.00%^/6.00%^^	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%

*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 another corporate credit union. Corporate One continues to offer PCC to Associate members or new members who want to become Partner members of Corporate One.

(Table dollar amounts in thousands)

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

	2014	2013
RUDE	\$ 52,933	\$ 44,454
PIC	20	20
MCS	101	26,095
NCA	82,700	82,700
PCC	219,208	216,970
TOTAL	354,962	370,239
Less: Amortized PIC, MCS and NCA	(75,910)	(81,005)
TOTAL REGULATORY CAPITAL	\$ 279,052	\$ 289,234

As of December 31, 2014, MDANA and MDANRA were \$3.64 billion and \$1.75 billion, respectively. As of December 31, 2013, MDANA and MDANRA were \$3.95 billion and \$1.56 billion, respectively.

The following summarizes Corporate One's capital ratios as of December 31, 2014 and 2013.

	December 31, 2014	December 31, 2013
Retained earnings ratio	1.45%	1.12%
Leverage ratio	7.31%	6.44%
Tier 1 risk-based capital ratio	15.22%	16.33%
Total risk-based capital ratio	15.45%	17.97%

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, 2014 and 2013, 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 2014 and 2013, we complied with the NEV sensitivity requirement and the NEV ratio requirement.

(15) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2014 and 2013.

	Unrealized Gains and Losses on Available-for-Sale Securities	
	2014	2013
Beginning balance – accumulated other comprehensive income (loss) by component	\$ (51,623,708)	\$ (107,948,714)
Other comprehensive income before reclassification	36,838,417	56,468,280
Amounts reclassified from accumulated other comprehensive income	(668,755)	(143,274)
Net current period other comprehensive income	36,169,662	56,325,006
ENDING BALANCE – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT	\$ (15,454,046)	\$ (51,623,708)

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the years ending December 31, 2014 and 2013.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2014	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2013	Affected Line Item in the Consolidated Statements of Income
Reclassification adjustment recognized in earnings for gain from sales of securities	\$ (1,679,755)	\$ (2,558,089)	Net gain on sales of securities
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities	1,011,000	2,414,815	Net impairment losses recognized in earnings
TOTAL RECLASSIFICATIONS FOR THE PERIOD	\$ (668,755)	\$ (143,274)	