

2017

2017 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

03

Management Report

05

Independent Auditor's Reports

09

Consolidated Balance Sheet

10

Consolidated Statements
of Income

11

Consolidated Statements of
Comprehensive Income

12

Consolidated Statements of
Changes in Members' Equity

13

Consolidated Statements of
Cash Flows

14

Notes to Consolidated
Financial Statements

CORPORATE ONE FEDERAL CREDIT UNION

866/MyCorp1 • www.corporateone.coop
8700 Orion Place, Columbus, Ohio 43240

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, 2017. 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, 2017.

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, 2017, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Regulation 704.15 of the National Credit Union Administration (NCUA).

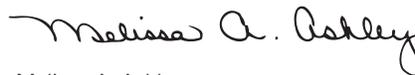
Based upon its assessment, management has concluded that, as of December 31, 2017, Corporate One's internal control over financial reporting, including controls over the

preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, is effective based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Regulation 704.15 of the National Credit Union Administration (NCUA).

The Credit Union's 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, 2017, has been audited by Crowe Horwath LLP, an independent public accounting firm, as stated in their report dated March 27, 2018.



Lee C. Butke
President, Chief Executive Officer



Melissa A. Ashley
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 27, 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on Internal Control Over Financial Reporting

We have audited Corporate One Federal Credit Union's ("Corporate One") internal control over financial reporting as of December 31, 2017, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Regulation 704.15 of the National Credit Union Administration (NCUA).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment of Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected 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 audit were conducted to meet the reporting requirements of Regulation 704.15 of the National Credit Union Administration (NCUA), our audit 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 - Corporate Credit Union Call Report. 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 assessment 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.

Opinion

In our opinion, Corporate One Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Regulation 704.15 of the National Credit Union Administration (NCUA).

Other Matter

This report is intended solely for the information and use of management, the Supervisory Committee, Board of Directors, others within the organization, and the National Credit Union Administration and is not intended to be and should not be used by anyone other than these specified parties.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the 2017 consolidated financial statements of Corporate One Federal Credit Union, and our report dated March 27, 2018, expressed an unmodified opinion on those consolidated financial statements.

Crowe Horwath LLP

Crowe Horwath LLP
Columbus, Ohio
March 27, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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 audited in accordance with auditing standards generally accepted in the United States of America, Corporate One's internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Regulation 704.15 of the National Credit Union Administration (NCUA) and our reported dated March 27, 2018 expressed an unmodified opinion.



Crowe Horwath LLP
Columbus, Ohio
March 27, 2018

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,074,272,832	\$ 718,149,685
Investments in financial institutions	43,134,000	32,241,700
Available-for-sale securities, at fair value	1,844,746,789	2,312,910,263
Loans	117,562,556	119,444,279
Accrued interest receivable	5,072,068	2,964,122
Goodwill	3,401,412	3,401,412
Intangible assets	9,241,302	11,695,802
Other assets	62,179,598	57,465,651
TOTAL ASSETS	\$ 3,159,610,557	\$ 3,258,272,914
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	\$ 2,534,923,916	\$ 2,767,117,506
Share certificates	257,573,868	171,949,782
Borrowed funds	50,000,000	22,000,000
Dividends and interest payable	201,347	63,059
Due to broker		19,975,000
Accounts payable and other liabilities	5,630,024	6,542,757
TOTAL LIABILITIES	2,848,329,155	2,987,648,104
Members' equity:		
Perpetual contributed capital	219,441,538	219,173,905
Retained earnings	81,598,817	69,988,474
Accumulated other comprehensive income (loss)	10,241,047	(18,537,569)
TOTAL MEMBERS' EQUITY	311,281,402	270,624,810
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 3,159,610,557	\$ 3,258,272,914

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,	
	2017	2016
Interest income:		
Investments and securities	\$ 54,889,219	\$ 40,001,615
Loans	2,204,184	2,216,029
TOTAL INTEREST INCOME	57,093,403	42,217,644
Dividend and interest expense:		
Share accounts	20,751,239	11,217,213
Other borrowings	5,747,270	1,745,928
TOTAL DIVIDEND AND INTEREST EXPENSE	26,498,509	12,963,141
NET INTEREST INCOME	30,594,894	29,254,503
SERVICE FEE INCOME, NET	13,327,455	13,867,639
Net gain on investments:		
Total other-than-temporary impairment losses	(76,565)	(404,296)
Portion of loss recognized in other comprehensive income	7,895	233,591
Net impairment losses recognized in earnings	(68,670)	(170,705)
Net gain on sales of securities	2,261,144	1,169,386
TOTAL NET GAIN ON INVESTMENTS	2,192,474	998,681
GAIN ON SALE OF PRODUCT LINE	2,072,329	
Operating expenses:		
Salaries and employee benefits	21,312,872	20,899,639
Office operations and occupancy expense	7,603,766	8,131,590
Amortization of intangibles expense	2,454,500	2,750,335
Other operating expenses	3,695,168	2,683,713
TOTAL OPERATING EXPENSES	35,066,306	34,465,277
NET INCOME	\$ 13,120,846	\$ 9,655,546

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2017	2016
Net Income	\$ 13,120,846	\$ 9,655,546
Other comprehensive income:		
Change in net unrealized gain on available-for-sale securities	30,971,090	21,881,722
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities	68,670	170,705
Reclassification adjustment recognized in earnings for gain from sales of securities	(2,261,144)	(1,169,386)
Total other comprehensive income	28,778,616	20,883,041
COMPREHENSIVE INCOME	\$ 41,899,462	\$ 30,538,587

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
BALANCE AT JANUARY 1, 2016	\$ 219,181,014	\$ 61,102,675	\$ (39,420,610)	\$ 240,863,079
Net Income		9,655,546		9,655,546
Other comprehensive income			20,883,041	20,883,041
Release of perpetual contributed capital due to liquidation of member credit union	(7,109)			(7,109)
Dividends on perpetual contributed capital		(769,747)		(769,747)
BALANCE AT DECEMBER 31, 2016	219,173,905	69,988,474	(18,537,569)	270,624,810
Net income		13,120,846		13,120,846
Other comprehensive income			28,778,616	28,778,616
Issuance of PCC	267,633			267,633
Dividends on perpetual contributed capital		(1,510,503)		(1,510,503)
BALANCE AT DECEMBER 31, 2017	\$ 219,441,538	\$ 81,598,817	\$ 10,241,047	\$ 311,281,402

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 13,120,846	\$ 9,655,546
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,807,426	1,825,264
Amortization of intangibles	2,454,500	2,750,335
Net accretion	(3,545,333)	(5,349,631)
Net impairment losses on investments	68,670	170,705
Net gain on sales of securities	(2,261,144)	(1,169,386)
Net loss (gain) on disposals of assets	8,167	(4,680)
Gain on sale of product line	(2,072,329)	
Net change in accrued interest receivable	(2,107,946)	(882,729)
Net change in dividends and interest payable	138,288	(487,948)
Other, net	(215,735)	1,554,248
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,395,410	8,061,724
Cash flows from investing activities:		
Net change in investments in financial institutions	(10,892,300)	13,241,600
Available-for-sale securities:		
Sales	484,680,440	203,794,510
Maturities and principal pay downs	565,013,073	486,820,440
Purchases	(572,722,116)	(637,194,759)
Dividends received from investments in CUSOs		480,000
Net change in loans	1,881,723	18,642,034
Proceeds from sale of product line	1,800,000	
Net change in NCUA share insurance deposit	(30,314)	19,780
Net purchase of property and equipment	(760,740)	(1,580,720)
Advances on split-dollar life insurance agreements	(429,655)	(429,655)
NET CASH PROVIDED BY INVESTING ACTIVITIES	468,540,111	83,793,230
Cash flows from financing activities:		
Net change in borrowed funds	28,000,000	(65,000,000)
Change in shares and deposits	(146,569,504)	(445,154,134)
Redemption of non-perpetual contributed capital		(82,700,000)
Release of perpetual contributed capital due to liquidation of member credit union		(7,109)
Issuance of perpetual contributed capital	267,633	
Dividends on perpetual contributed capital	(1,510,503)	(769,747)
NET CASH USED IN FINANCING ACTIVITIES	(119,812,374)	(593,630,990)
Net increase (decrease) in cash and cash equivalents	356,123,147	(501,776,036)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	718,149,685	1,219,925,721
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,074,272,832	\$ 718,149,685
Supplemental disclosure:		
Dividends and interest paid	\$ 27,870,724	\$ 14,220,836
Due to broker		\$ (19,975,000)

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, digital 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): Lucro Commercial Solutions, LLC (Lucro) 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.

Lucro Commercial Solutions, LLC (Lucro) formerly known as Member Business Solutions, LLC (MBS) – Lucro's purpose is to provide business lending solutions to its credit union customers. The primary source of income for Lucro is provided through fees earned for the underwriting, servicing and documenting of business loans. For the years ended December 31, 2017 and 2016, Lucro contributed approximately \$356,000 and \$182,000, respectively to net income for Corporate One. Lucro services loans for other credit unions which are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced by Lucro approximated \$262.3 million and \$223.2 million at December 31, 2017 and 2016, respectively.

Accolade Investment Advisory, LLC (Accolade) – Accolade provides asset/liability management tools and investment advisory services to credit unions. For the years ended December 31, 2017 and 2016, Accolade contributed approximately \$132,000 and \$69,000, respectively to net income for Corporate One.

(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 (OTTI) 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, 2017 and 2016, 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 OTTI at least semi-annually, 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

(Table dollar amounts in thousands)

loss, which must be recognized in the statement of income and 2) OTTI related to other factors, which is recognized in other comprehensive income (loss). The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(e) Purchased Credit-Impaired Securities

Corporate One acquired private label mortgage-related securities as a result of 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

Member loans are divided into four classes: settlement, demand, term and warehouse loans. 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's creditworthiness on a case-by-case basis.

An allowance for loan losses 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.

(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 exist that indicate that an impairment test should be performed. Corporate One has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

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

(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.

(Table dollar amounts in thousands)

(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 6. Additionally, in providing financial services solely to the credit union industry, Corporate One is dependent upon the viability of that industry and the industry's support of corporate credit unions.

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

(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.

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 a liability 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, 2017 and 2016, there were \$20,000 of shares on notice and are included in liabilities under term shares 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 which is no longer being offered and fully matured during 2016. 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. The remaining MCS matured in 2016.

(m) Retained Earnings

Retained earnings represent earnings not distributed as dividends to members.

(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 securities related to other-than-temporary impairment.

(Table dollar amounts in thousands)

(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 asset/liability management tools 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, 2017 and 2016, was \$17.3 million and \$20.4 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 \$4.0 million and \$6.5 million for the years ended December 31, 2017 and 2016, 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) Reclassifications

Certain reclassifications have been made in the prior year's financial statement to conform to the presentation for the year ended December 31, 2017. These reclassifications had no material impact on total assets, total liabilities and members' equity, or net income.

(r) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2017. Management has performed such analysis through March 27, 2018, the date the financial statements are available to be issued.

(s) 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 regulation established a new capital framework, including risk-based capital requirements; imposed new prompt corrective action requirements; placed various new limits on corporate investments; imposed new asset/liability management controls; amended some corporate governance provisions; and limited 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. At December 31, 2017, the amortized cost and fair value of such securities is \$66.2 million and \$64.1 million, respectively. At December 31, 2016, the amortized cost and fair value of such securities was \$87.5 million and \$77.7 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 5, 2018 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, 2019, 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. In 2017, the NCUA issued amendments to Regulation Part 704. Specifically, the amendments established a retained earnings ratio requirement and revised the definitions of retained earnings and Tier 1 capital. These requirements are discussed further in Note 15.

(Table dollar amounts in thousands)

(t) 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, 2018. Corporate One is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, available-for-sale debt securities, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a write-down. Existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For debt securities with other-than-temporary impairment (OTTI), the guidance will be applied prospectively. The standard is effective for annual reporting periods beginning after December 15, 2020. Corporate One is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

(3) SALE OF CREDIT/DEBIT CARD SERVICING

In April 2017, we entered into an asset purchase agreement to transition our servicing responsibility and ownership of certain debit and credit card contracts to PSCU Incorporated (PSCU). The asset purchase agreement resulted in a gain of approximately \$2.1 million recognized in the accompanying consolidated statements of income. Corporate One received \$1.8 million in cash, with the potential for additional payments over the next five years of approximately \$60,000 a year. The actual annual payments will be based on the retention of the current level of cardholders. The contingent payments have been recorded as a receivable in other assets on the consolidated balance sheets.

(4) LOANS

Loans to members at December 31 are summarized at right.

An allowance for loan losses (ALL) was not considered necessary at December 31, 2017 or 2016, for member loans based on management's continuing review and evaluation of the loan portfolio. Corporate One incurred no loan losses in either 2017 or 2016 on member loans, and considers no member loans impaired as of, or during the years ended December 31, 2017 and 2016.

	2017	2016
Member loans:		
Term	\$ 88,108	\$ 100,183
Warehouse	21,540	13,519
Demand	7,809	5,733
Settlement	106	9
TOTAL LOANS	\$ 117,563	\$ 119,444

(Table dollar amounts in thousands)

(5) INVESTMENTS IN FINANCIAL INSTITUTIONS

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

	2017	2016
Federal Home Loan Bank stock	\$ 39,710	\$ 21,871
Certificates of deposit	3,424	10,371
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	\$ 43,134	\$ 32,242

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 years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, 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 National Credit Union Share Insurance Fund (NCUSIF).

Certificates of deposit by maturity at December 31, 2017, are summarized as follows:

Year of Maturity	Balance
2018	\$ 2,184
2019	496
2020	744
TOTAL CERTIFICATES OF DEPOSIT	\$ 3,424

(Table dollar amounts in thousands)

(6) SECURITIES

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

2017				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	\$ 232,243	\$ 1,115	\$ (186)	\$ 233,172
Small business administration (SBA) securities	449,790	5,745		455,535
Mortgage-related securities	541,103	15,317	(4,416)	552,004
Asset-backed securities	611,370	3,043	(10,377)	604,036
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 1,834,506	\$ 25,220	\$ (14,979)	\$ 1,844,747
2016				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	\$ 173,505	\$ 1,075		\$ 174,580
Small business administration (SBA) securities	401,451	5,057		406,508
Mortgage-related securities	711,617	11,548	\$ (13,792)	709,373
Asset-backed securities	1,044,875	1,818	(24,244)	1,022,449
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 2,331,448	\$ 19,498	\$ (38,036)	\$ 2,312,910

Proceeds from the sale of available-for-sale securities were \$484.7 million in 2017. Gross gains of \$2.3 million and gross losses of \$17,000 were recorded on securities during 2017. Proceeds from the sale of available-for-sale securities were \$203.8 million in 2016. Gross gains of \$1.2 million and gross losses of \$0 were recorded on securities during 2016.

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. SBA securities consist primarily of securitized loans to small businesses used for the purchase of land, buildings, equipment or new construction.

(Table dollar amounts in thousands)

The expected distributions of securities at December 31, 2017, 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 after one year through five years	\$ 507,931	\$ 509,912	
Due after five years through ten years	25,000	25,345	
Securities with prepayment features:			
Residential mortgage-backed securities:			
Agency	403,109	403,437	2.25
Non-agency	127,994	138,510	4.31
Asset-backed securities	320,682	312,008	5.98
SBA securities	449,790	455,535	7.97
TOTAL	\$ 1,834,506	\$ 1,844,747	

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

At December 31, 2017, approximately 99 percent of the par value amount, or \$1.86 billion, of Corporate One's securities, with a fair market value of \$1.83 billion, were variable-rate securities, the majority of which had interest rates that reset monthly or quarterly, predominantly based upon LIBOR. Of these \$1.86 billion of variable-rate securities, 24 percent of the par value amount, or \$455.3 million of such securities, with a fair market value of \$444.8 million, had interest rate caps that were fixed at the time of issuance and the caps range from 6 percent to 18 percent.

(Table dollar amounts in thousands)

The gross unrealized 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:

2017						
	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	\$ 51,444	\$ (186)			\$ 51,444	\$ (186)
Mortgage-related securities	75,535	(107)	\$ 97,173	\$ (4,309)	172,708	(4,416)
Asset-backed securities	19,594	(6)	217,647	(10,371)	237,241	(10,377)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$ 146,573	\$ (299)	\$ 314,820	\$ (14,680)	\$ 461,393	\$ (14,979)
2016						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Mortgage-related securities	\$ 41,945	\$ (67)	\$ 518,682	\$ (13,725)	\$ 560,627	\$ (13,792)
Asset-backed securities	84,928	(37)	278,650	(24,207)	363,578	(24,244)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$ 126,873	\$ (104)	\$ 797,332	\$ (37,932)	\$ 924,205	\$ (38,036)

Corporate One believes the declines in fair values of our 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. The gross unrealized losses on our corporate debt securities were due to price volatility at year end. 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 2017, above the \$68,700 recorded in the accompanying consolidated statements of income. As of December 31, 2016, we recorded an OTTI charge on one mortgage-related security. The estimated credit loss on this one security of \$171,000 was recorded in the accompanying consolidated statements of income.

The NCUA Rules and Regulations Part 704 that became effective January 18, 2011 contain investment prohibitions and other credit and asset liability management requirements. 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. At December 31, 2017, the amortized cost and fair value of such securities is \$66.2 million and \$64.1 million, respectively. At December 31, 2016, the amortized cost and fair value of such securities was \$87.5 million and \$77.7 million, respectively. Corporate One is adhering to Part 704.10 and has filed the required IAP with the NCUA. In a letter dated March 5, 2018, 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, 2019, at which time new IAP are required to be submitted to NCUA.

Gross unrealized losses on corporate debt securities represent 1.2 percent of our gross unrealized losses at December 31, 2017. Of the 13 corporate debt securities we own, 11 of those securities are dual rated A or better. The remaining are dual rated BBB or better.

(Table dollar amounts in thousands)

Gross unrealized losses on asset-backed securities represent 69.3 percent of our gross unrealized losses at December 31, 2017. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2017, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	\$ 287,239	\$ 279,374	\$ 1,702	\$ (9,567)	AAA	B	6.38
Private	33,442	32,634	2	(810)	AAA	BBB	2.52
Credit cards	164,825	165,762	937		AAA	AAA	3.09
Automobiles	55,864	56,183	319		AAA	AAA	1.95
Insurance funding agreement	70,000	70,083	83		AAA	AAA	3.69
ASSET-BACKED SECURITIES	\$ 611,370	\$ 604,036	\$ 3,043	\$ (10,377)			

*Federal Family Education Loan Program

Of the approximately 59 asset-backed securities we own, that are not mortgage related, 40 of those securities are dual rated A or better. The remaining are dual rated B or better. We continue to receive principal and interest payments on these securities. FFELP student loan asset-backed securities, which constitute our largest gross unrealized losses, continue to benefit from the ultimate guarantee from the US Department of Education as to payment of principal and accrued interest of 97 percent or more. We believe these losses are temporary and that fair values will approximate amortized costs as the securities near maturity.

The remaining 29.5 percent of the gross unrealized losses on available-for-sale securities at December 31, 2017, 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, 2017, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade
Government agency insured	\$ 413,109	\$ 413,494	\$ 586	\$ (201)		
Private:						
Prime collateral	1,422	1,457	35		BB	B
Near-prime collateral*	58,300	63,170	6,509	(1,639)	AAA	D
Sub-prime collateral**	55,365	60,547	7,297	(2,115)	AAA	D
Insured	12,907	13,336	890	(461)	AAA	D
MORTGAGE-RELATED SECURITIES	\$ 541,103	\$ 552,004	\$ 15,317	\$ (4,416)		

*Based on the definition used on offering circulars

** Based on 660 or lower FICO score

(Table dollar amounts in thousands)

At December 31, 2017, of the approximately 148 mortgage-related available-for-sale securities we own, 14 were rated D by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Ten of these D rated securities were determined to be other-than-temporarily impaired. Of the remaining four D rated securities, all but one of them were acquired from the merger and recorded at fair value and considered credit impaired at purchase. The other security is a private-label mortgage that has not met any of our OTTI triggers, has not experienced any actual losses and as of December 31, 2017, has a remaining par of approximately \$100,000. In addition to these 10 D rated other-than-temporarily impaired securities, we determined another 23 available-for-sale mortgage-related securities to be other-than-temporarily impaired, and those securities are dual rated between BB and C. We hold one additional other-than-temporarily impaired security which is currently unrated.

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, 2017, we owned 34 mortgage-related securities that were considered other-than-temporarily impaired. These securities had a total par value of approximately \$81.8 million at December 31, 2017. During the year ended December 31, 2017, we recorded an OTTI charge on one mortgage-related security. The estimated credit loss on this one security of \$68,700, recognized in the accompanying consolidated statements of income, is a calculation of the difference between the discounted cash flow of the security and its current amortized cost. Total other-than-temporary impairment recognized in accumulated other comprehensive income related to this one security was approximately \$8,000 for the year ended December 31, 2017.

As of December 31, 2016, we owned 41 mortgage-related securities that were considered other-than-temporarily impaired. These securities had a total par value of approximately \$101.3 million at December 31, 2016. During the year ended December 31, 2016, we recorded an OTTI charge on one mortgage-related security. The estimated credit loss on this one security of \$171,000, recognized in the accompanying consolidated statements of income, is a calculation of the difference between the discounted cash flow of the security and its current amortized cost. Total other-than-temporary impairment recognized in accumulated other comprehensive income related to this one security was approximately \$234,000 for the year ended December 31, 2016.

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, 2017 and 2016.

	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2017	Accumulated Other Comprehensive Income (Loss) as of December 31, 2017	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2016	Accumulated Other Comprehensive Income (Loss) as of December 31, 2016
Available-for-sale securities:				
Corporate debt securities		\$ 929		\$ 1,075
Mortgage-related securities - other-than-temporarily impaired	\$ 69	(1,689)	\$ 171	(9,056)
Mortgage-related securities		12,590		6,812
Asset-backed securities		(7,334)		(22,426)
SBA securities		5,745		5,057
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 69	\$ 10,241	\$ 171	\$ (18,538)

(Table dollar amounts in thousands)

The following table details cumulative credit losses on other-than-temporarily impaired debt securities for the periods ended December 31, 2017 and 2016.

	Cumulative Credit Losses on Debt Securities	
	2017	2016
Cumulative credit losses on debt securities previously recognized in earnings at January 1,	\$ (55,838)	\$ (57,265)
Additional credit losses recognized in earnings on debt securities previously determined to be other-than-temporarily impaired	(69)	(171)
Reduction due to sales of securities	532	243
Reduction due to increases in expected cash flows	771	1,355
CUMULATIVE CREDIT LOSSES ON DEBT SECURITIES PREVIOUSLY RECOGNIZED IN EARNINGS AT DECEMBER 31,	\$ (54,604)	\$ (55,838)

Principal Losses and Recoveries

Through December 31, 2016, we had total cumulative principal shortfalls of approximately \$33.7 million on 42 securities. In 2017, we had an additional \$1.2 million in principal shortfalls, resulting in total cumulative principal shortfalls of \$34.9 million on 43 securities through December 31, 2017. 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 security markets, beginning in 2014, we began to receive partial principal repayments. These partial repayments from the monoline insurers, 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 \$425,000 and \$848,000 during 2017 and 2016, respectively, are recorded as a component of net interest income in the accompanying consolidated statements of income.

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. One of these impaired securities was sold in 2015 and one matured in 2017. Based on our review during 2017, 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 2017, with the amount of periodic accretion adjusted over the remaining lives of the securities.

(Table dollar amounts in thousands)

A rollforward of the amortized cost, par value, discount amounts and fair value of the remaining 18 and 19 private label mortgage-related securities as of December 31, 2017 and 2016, respectively, is as follows:

2017					
	Amortized Cost	Par Value	Nonaccretable Discount	Accretable Discount	Fair Value
At January 1,	\$ 33,758	\$ 62,995	\$ 18,361	\$ 10,876	\$ 40,599
Accretion	3,090			(3,090)	
Paydowns	(11,297)	(11,297)			
Principal shortfalls		(203)	(203)		
Change due to improved projected cash flows			(1,708)	1,708	
Net change in fair value					(5,383)
Balance at December 31,	\$ 25,551	\$ 51,495	\$ 16,450	\$ 9,494	\$ 35,216

2016					
	Amortized Cost	Par Value	Nonaccretable Discount	Accretable Discount	Fair Value
At January 1,	\$ 38,841	\$ 72,216	\$ 18,645	\$ 14,730	\$ 48,502
Accretion	4,003			(4,003)	
Paydowns	(9,086)	(9,086)			
Principal shortfalls		(135)	(135)		
Change due to improved projected cash flows			(149)	149	
Net change in fair value					(7,903)
Balance at December 31,	\$ 33,758	\$ 62,995	\$ 18,361	\$ 10,876	\$ 40,599

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.

(7) EQUITY INVESTMENTS

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

	2017	2016
Primary Financial Company LLC	\$ 4,349	\$ 4,118
eDoc Innovations, Inc.	1,889	1,905
TOTAL EQUITY INVESTMENTS	\$ 6,238	\$ 6,023

(Table dollar amounts in thousands)

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 2017 and 2016. 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 \$231,000 and \$151,000 in 2017 and 2016, respectively. Corporate One is also a co-broker of Primary Financial and, as such, earns a spread on certificates placed. Corporate One recognized income of \$1.30 million in 2017 and \$1.54 million in 2016 on the certificates placed. In December 2017, Primary Financial declared a dividend of \$15,000 per share. The dividend will be paid in the first quarter of 2018 resulting in a total dividend of \$240,000 to Corporate One.

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 income or loss, recognized as a component of net service fee income in the accompanying consolidated statements of income, was a loss of \$(16,100) in 2017 and income of \$38,100 in 2016.

(8) 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, 2017, 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, 2017, 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:

2017		
	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$ 24,962	\$ 17,993
Member relationship intangibles	4,200	1,928
TOTAL INTANGIBLE ASSETS	\$ 29,162	\$ 19,921

2016		
	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$ 24,962	\$ 15,889
Member relationship intangibles	4,200	1,577
TOTAL INTANGIBLE ASSETS	\$ 29,162	\$ 17,466

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

Year	Annual amortization expense
2018	\$ 2,358
2019	2,167
2020	1,885
2021	1,496
2022	814

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, 2017, we do not believe that the intangible assets are impaired.

(9) OTHER ASSETS

Included in other assets is a deposit with the NCUA for share insurance, accounts receivable, prepaid accounts, net property and equipment and an indemnification asset. Equity investments are also included in other assets and are discussed in Note 7. Also included in other assets are split dollar loans related to a Supplemental Executive Retirement Plan (SERP), which are discussed in Note 13.

(Table dollar amounts in thousands)

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

	2017	2016
Buildings and improvements	\$ 9,837	\$ 9,781
Equipment	11,757	12,679
	21,594	22,460
Less: Accumulated depreciation	11,247	11,101
NET PROPERTY AND EQUIPMENT	\$ 10,347	\$ 11,359

(10) BORROWED FUNDS

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At December 31, 2017 and 2016, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately \$858.8 million and \$877.3 million, respectively, which provided a borrowing capacity of approximately \$798.3 million and \$841.3 million, respectively. At December 31, 2017, borrowings of \$50.0 million were outstanding at an interest rate of 1.42 percent. These borrowings matured in January 2018. At December 31, 2016, borrowings of \$22.0 million were outstanding at an interest rate of 0.64 percent. These borrowings matured in January 2017.

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, 2017 and 2016, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately \$571.1 million and \$448.2 million, respectively, which provided a borrowing capacity of approximately \$519.0 million and \$407.2 million, respectively. At December 31, 2017 and 2016, 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 \$250.0 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, 2017 or 2016. Average borrowings under reverse repurchase agreements were approximately \$267,000 during 2017 and \$394,000 during 2016. There was no amount outstanding at any month-end during 2017 or 2016.

We also maintain \$130.0 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, 2017 or 2016.

(Table dollar amounts in thousands)

(11) SHARE ACCOUNTS AND MEMBER CAPITAL ACCOUNTS

Balances and weighted average rates of share accounts and member capital accounts at December 31 are summarized as follows:

	2017		2016	
	Balance	Rate	Balance	Rate
Settlement and regular shares	\$ 2,534,924	1.01%	\$ 2,767,118	0.46%
Share certificates	257,574	1.51%	171,950	0.80%
TOTAL SHARE ACCOUNTS	\$ 2,792,498		\$ 2,939,068	
PCC	\$ 219,442	0.80%	\$ 219,174	0.35%
TOTAL MEMBER CAPITAL ACCOUNTS	\$ 219,442		\$ 219,174	

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, 2017 and 2016, insured member accounts totaled \$156.5 million and \$147.5 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.

Total share certificate and PIC accounts by maturity at December 31, 2017 are summarized as follows:

Year of Maturity	Balance
2018	\$ 218,716
2019	23,492
2020	15,346
2031	20
TOTAL SHARE CERTIFICATES	\$ 257,574

Share certificates that meet or exceed the NCUSIF insurance limit of \$250,000 at December 31, 2017 and 2016 were \$238.8 million and \$168.3 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. 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)

(12) COMMITMENTS AND CONTINGENCIES

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

These financial instruments include committed and advised lines of credit. The contractual amounts of these instruments represent the extent of Corporate One's exposure to credit loss. Corporate One uses the same credit policies in making these commitments and obligations as it does for on-balance-sheet instruments. In extending commitments, Corporate One evaluates each member's creditworthiness on a case-by-case basis. All outstanding commitments are subject to collateral agreements and have termination clauses. At December 31, 2017 and 2016, these financial instruments included outstanding advised lines of credit of approximately \$3.5 billion and \$3.4 billion, respectively. There were no outstanding committed lines of credit at December 31, 2017 or 2016.

Commitments to extend credit to members remain effective as long as there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Since a portion of the commitments are expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

(13) RETIREMENT PLAN

Corporate One sponsors a defined-contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code which covers substantially all employees. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Employees also have the option to contribute a portion of their compensation on a pre- or post-tax basis. Corporate One matches 150 percent of the first three percent employee contribution and 75 percent on the next two. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. There was no additional discretionary contribution for 2017. In 2016, the Board voted and paid in April 2017 an additional four percent one-time discretionary contribution to all eligible employees. Retirement expense was approximately \$733,000 in 2017 and \$1.38 million in 2016.

Corporate One has provided certain executives with a SERP. 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. As part of the split dollar loan agreements, the executives have assigned the policies to Corporate One as collateral. This assignment secures repayment of any advances and accrued interest for policy premiums and any other advances under any agreement. During 2015, Corporate One purchased annuities through Massachusetts Mutual Life Insurance Company to fund the remaining life insurance premiums due under these policies. The split dollar loan agreements were amended to include the amounts related to the purchase of the annuities as well as modifications to certain terms and the interest rate. The loans were modified and have a 2.19 percent fixed interest rate, with interest accrued monthly and capitalized as part of the total loan balance annually. Total capitalized accrued interest at December 31, 2017 and 2016 was \$541,000 and \$530,000, respectively. Total split dollar loans outstanding at December 31, 2017 and 2016 were \$25.9 million and \$24.9 million, respectively, and are included in other assets in the accompanying consolidated balance sheets. In addition, beginning in 2015, one executive was provided with a 457(f) plan. The expense of the plan is being recognized over the service period with \$188,000 recognized in 2017 and 2016, respectively, which is included in salaries and employee benefits in the accompanying Consolidated Statements of Income.

(Table dollar amounts in thousands)

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

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, 2017:

	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	\$ 233,172	\$ 233,172		
Mortgage-related securities - agency	413,494	10,057	\$ 403,437	
Mortgage-related securities - private	138,510		15,990	\$ 122,520
SBA securities	455,535		455,535	
Asset-backed securities:				
Student loans - FFELP	279,374		279,374	
Student loans - private	32,634		32,059	575
Insurance funding agreement	70,083		70,083	
Credit cards	165,762		165,762	
Automobiles	56,183		56,183	
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 1,844,747	\$ 243,229	\$ 1,478,423	\$ 123,095

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2016:

	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	\$ 174,580	\$ 164,596	\$ 9,984	
Mortgage-related securities - agency	540,912	20,017	520,895	
Mortgage-related securities - private	168,461		19,094	\$ 149,367
SBA securities	406,508		406,508	
Asset-backed securities:				
Student loans - FFELP	310,963		310,963	
Student loans - private	59,168		58,388	780
Credit cards	475,456		475,456	
Automobiles	176,862		176,862	
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 2,312,910	\$ 184,613	\$ 1,978,150	\$ 150,147

(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, 2017 and 2016.

Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)		
	2017	2016
Beginning balance January 1,	\$ 150,147	\$ 183,844
Changes in fair values of Level 3 securities due to change in price:		
Mortgage-related securities - private	10,687	(1,464)
Student loans - private	2	
Decreases due to net losses on investments:		
Total other-than-temporary impairment losses - private mortgage	(77)	(404)
Portion of loss recognized in other comprehensive income-private mortgage	8	233
Decreases due to net gain on sales of securities:		
Net gain on sales of securities	(531)	(243)
Decreases due to sales, maturities and paydowns:		
Mortgage-related securities - private	(36,934)	(31,569)
Student loans - private	(207)	(250)
ENDING BALANCE DECEMBER 31,	\$ 123,095	\$ 150,147

We classify the fair value of those securities where there is a lack of observable market data as Level 3. There were no transfers during 2017 or 2016.

(Table dollar amounts in thousands)

The following table presents quantitative information about recurring Level 3 fair value measurements at December 31, 2017 and 2016.

2017					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	\$ 122,520	Discounted cash flow	Constant prepayment rate	(0-100)	10.39
			Probability of default	(0 - 67)	3.11
			Loss severity	(0-96)	20.52
Student loans - private	575	Discounted cash flow	Constant prepayment rate		8.62
			Probability of default		1.56
			Loss severity		68.49
TOTAL LEVEL 3 SECURITIES	\$ 123,095				

2016					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	\$ 149,367	Discounted cash flow	Constant prepayment rate	(-6-30)	8.49
			Probability of default	(0 - 20)	2.57
			Loss severity	(25 - 100)	55.83
Student loans - private	780	Discounted cash flow	Constant prepayment rate		21.02
			Probability of default		1.11
			Loss severity		23.61
TOTAL LEVEL 3 SECURITIES	\$ 150,147				

The level 3 securities consist of 83 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)

(15) REGULATORY CAPITAL AND NET ECONOMIC VALUE REQUIREMENTS

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

These requirements contain a multi-step, multi-year phase-in with certain definitions changing over time as various requirements are phased in. The following table presents the ratios, definitions of the numerators and denominators for each of the ratios and the required minimum levels for well capitalized and adequately capitalized designations under the regulation. Beginning in October 2016, the amount of Perpetual Contributed Capital (PCC) included in Tier 1 Capital was limited. This limitation is both a function of retained earnings and Moving Daily Average Net Assets (MDANA). Under the 2010 changes, the amount of PCC included in Tier 1 Capital was to be further limited to the amount of retained earnings a corporate holds beginning in 2020.

On November 22, 2017, the NCUA issued further amendments to Part 704. Specifically, the amendments include a revision to the definition of retained earnings and Tier 1 capital and the addition of a definition for a retained earnings ratio. The effective date of these amendments was December 22, 2017.

The 2017 revision to the definition of retained earnings clarifies the components and adds Generally Accepted Accounting Principles (GAAP) equity acquired in a merger to the definition. Modifications to the Tier 1 capital definition includes the removal of a requirement in 2020 to limit PCC counted as Tier 1 capital to the amount of retained earnings. The amendment further adds a benchmark for corporates to achieve a retained earnings ratio of 250 basis points. Prior to attaining the benchmark, the corporate would be required to deduct the amount of federally-insured PCC exceeding retained earnings by 200 basis points. Prior to these amendments all PCC issued by a corporate was limited. The change to limit only federally-insured PCC increases our leverage and Tier 1 risk-based capital ratios as of the effective date of the amendment.

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

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

*Moving Daily Average Net Assets (NCUA Rules and Regulations §704.2 allows for the deductions used in Tier 1 capital to also be deducted from MDANA for use in the Leverage ratio calculation.)

**Moving Daily Average Net Risk Weighted Assets

*** As defined by the NCUA Rules and Regulations §704.2

(Table dollar amounts in thousands)

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

	2017	2016
Retained Earnings	\$ 81,599	\$ 69,988
PCC	219,442	219,174
Add: Retained earnings of acquired credit union		869
Less: CUSO equity investments	(6,238)	(6,023)
Less: Excluded PCC*	(43,404)	(73,763)
Tier 1 Capital	251,399	210,245
Unamortized PIC	20	20
Add: Excluded PCC*	43,404	73,763
Tier 2 Capital	43,424	73,783
TOTAL CAPITAL	\$ 294,823	\$ 284,028

*As per the regulation beginning in October 2016 all corporate credit unions must exclude the portion of PCC equal to the amount of PCC less retained earnings exceeding 2 percent of MDANA. In 2017, the regulation changed and if a corporate credit union's retained earnings ratio is less than 2.5 percent they must exclude the portion of PCC equal to the amount of federally insured PCC less retained earnings exceeding 2 percent of MDANA.

As of December 31, 2017, MDANA and MDANRA were \$3.59 billion and \$908 million, respectively. As of December 31, 2016, MDANA and MDANRA were \$3.77 billion and \$1.25 billion, respectively. NCUA Rules and Regulations Part 704 allows for the deductions from Tier 1 capital to also be deducted from MDANA for use in the leverage ratio. At December 31, 2017 and 2016, adjusted MDANA (used for the leverage ratio) was \$3.54 billion and \$3.70 billion, respectively.

The following summarizes Corporate One's capital ratios as of December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Retained earnings ratio	2.27%	1.86%
Leverage ratio	7.10%	5.69%
Tier 1 risk-based capital ratio	27.70%	16.79%
Total risk-based capital ratio	32.48%	22.69%

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, 2017 and 2016, 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 2017 and 2016, we complied with the NEV sensitivity requirement and the NEV ratio requirement.

(Table dollar amounts in thousands)

(16) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2017 and 2016.

	Unrealized Gains and Losses on Available-for-Sale Securities	
	2017	2016
Beginning balance – accumulated other comprehensive loss by component	\$ (18,537,569)	\$ (39,420,610)
Other comprehensive income before reclassification	30,971,090	21,881,722
Amounts reclassified from accumulated other comprehensive income	(2,192,474)	(998,681)
Net current period other comprehensive income	28,778,616	20,883,041
ENDING BALANCE – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT	\$ 10,241,047	\$ (18,537,569)

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the years ending December 31, 2017 and 2016.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2017	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2016	Affected Line Item in the Consolidated Statements of Income
Reclassification adjustment recognized in earnings for gain from sales of securities	\$ (2,261,144)	\$ (1,169,386)	Net gain on sales of securities
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities	68,670	170,705	Net impairment losses recognized in earnings
TOTAL RECLASSIFICATIONS FOR THE PERIOD	\$ (2,192,474)	\$ (998,681)	