Financial Statements and Independent Auditors' Report

Bank-Fund Staff Federal Credit Union

Years Ended December 31, 2018 and 2017

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Independent Auditors' Report

Supervisory Committee and Board of Directors
Bank-Fund Staff Federal Credit Union
Washington, DC

Report on Financial Statements

We have audited the accompanying financial statements of Bank-Fund Staff Federal Credit Union, which comprise the statements of financial condition as of December 31, 2018 and 2017, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

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

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

Supervisory Committee and Board of Directors
Bank-Fund Staff Federal Credit Union

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank-Fund Staff Federal Credit Union as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
February 27, 2019

Bank-Fund Staff Federal Credit Union
STATEMENTS OF FINANCIAL CONDITION
December 31, 2018 and 2017
(In Thousands)

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 210,813	$ 232,252
Investments		
Available-for-Sale Securities	1,846,233	1,726,210
Other Investments	19,117	20,020
Loans-in-Process	36,193	22,007
Loans, Net	2,798,196	2,707,677
Accrued Interest Receivable	11,475	10,170
Property and Equipment, Net	6,072	7,220
NCUSIF Deposit	32,557	31,577
Other Assets	11,181	33,751
Total Assets	$ 4,971,837	$ 4,790,884
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share Accounts	$ 4,348,837	$ 4,229,471
Accrued Interest Payable	12,560	12,526
Accrued Expenses and Other Liabilities	26,823	20,426
Total Liabilities	4,388,220	4,262,423
MEMBERS' EQUITY		
Regular Reserves	27,151	27,151
Undivided Earnings	566,760	508,890
Accumulated Other Comprehensive Loss	(10,294)	(7,580)
Total Members' Equity	583,617	528,461
Total Liabilities and Members' Equity	$ 4,971,837	$ 4,790,884

See accompanying Notes to Financial Statements.

Bank-Fund Staff Federal Credit Union
STATEMENTS OF INCOME
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018	2017
Interest Income		
Loans	$ 99,252	$ 91,254
Securities, Interest Bearing Deposits and Cash Equivalents	37,281	24,368
Total Interest Income	136,533	115,622
Interest Expense		
Members' Share Accounts	26,935	19,546
Net Interest Income	109,598	96,076
(Credit) Provision for Loan Losses	(1,331)	5,605
Net Interest Income After Provision for Loan Losses	110,929	90,471
Non-Interest Income		
Fee Income	2,466	2,188
Interchange Income	12,627	11,936
Commission Income	1,352	1,005
Loan Servicing	270	293
Sublet Rental Income	482	409
Other Non-Interest Income	2,160	1
Net (Loss) on Investments	(8)	(47)
Net Gain on Sale of Loans	83	7
Total Non-Interest Income	19,432	15,792
Non-Interest Expense		
General and Administrative:		
Compensation and Benefits	33,178	32,426
Office Operating Expenses	28,682	24,933
Occupancy	7,336	6,897
Professional and Outside Processing Fees	2,341	2,614
Investment Management Fees	387	380
NCUA Operating Fees	611	496
Net (Gain) on Disposal of Assets	(43)	(50)
Total Non-Interest Expense	72,492	67,696
Net Income	$ 57,869	$ 38,567

See accompanying Notes to Financial Statements.

Bank-Fund Staff Federal Credit Union
STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018	2017
Net Income	$ 57,869	$ 38,567
Other Comprehensive Income:		
Available-for-Sale Securities		
Unrealized Holding Loss Arising During the Period	(2,722)	(2,476)
Reclassification for Losses Included in Net Income	8	47
Other Comprehensive Loss, Net	(2,714)	(2,429)
Total Comprehensive Income	$ 55,155	$ 36,138

See accompanying Notes to Financial Statements.

Bank-Fund Staff Federal Credit Union
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2018 and 2017
(In Thousands)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2017	$ 27,151	$ 470,323	$ (5,151)	$ 492,323
Net Income	-	38,567	-	38,567
Other Comprehensive Loss, Net	-	-	(2,429)	(2,429)
Balance at December 31, 2017	27,151	508,890	(7,580)	528,461
Net Income	-	57,869	-	57,869
Other Comprehensive Loss, Net	-	-	(2,714)	(2,714)
Balance at December 31, 2018	$ 27,151	$ 566,760	$ (10,294)	$ 583,617

See accompanying Notes to Financial Statements.

Bank-Fund Staff Federal Credit Union
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 57,869	$ 38,567
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	3,251	3,389
Amortization of Security Premiums/Discounts, Net	(398)	4,011
(Credit) Provision for Loan Losses	(1,331)	5,605
Amortization and Fair Value Adjustment of Mortgage Servicing Rights	326	478
Capitalization of Mortgage Servicing Rights	(13)	-
Real Estate Loans Originated for Sale	(1,367)	(541)
Real Estate Loans Sold	1,367	541
Amortization of Net Loan Origination Costs (Fees)	417	1,035
Loss on Sale of Investments, Net	8	47
Gain on Sale of Mortgage Loans	(83)	(7)
Changes in:		
Accrued Interest Receivable	(1,305)	(1,687)
Other Assets	22,874	(22,227)
Accrued Interest Payable	34	2,516
Accrued Expenses and Other Liabilities	6,398	5,023
Net Cash Provided by Operating Activities	88,047	36,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Available-for-Sale Securities	(804,119)	(781,280)
Proceeds from Maturities of Available-for-Sale Securities	585,604	334,819
Proceeds from Sales of Available-for-Sale Securities	96,175	288,007
Purchase of Other Investments	903	(3,241)
Loan Originations Net of Principal Collected on Loans to Members	(104,333)	(126,447)
Increase in NCUSIF Deposit	(980)	(1,971)
Purchases of Property and Equipment	(2,103)	(2,044)
Net Cash Used by Investing Activities	(228,852)	(292,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	119,366	264,606
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(21,439)	9,199
Cash and Cash Equivalents - Beginning of Year	232,252	223,053
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 210,813	$ 232,252
SUPPLEMENTARY DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Interest Paid	$ 26,901	$ 17,046
Transfers of Loans to Other Real Estate Owned	$ 628	$ 718

See accompanying Notes to Financial Statements.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Bank-Fund Staff Federal Credit Union (the Credit Union) is a federal-chartered cooperative association headquartered in Washington, DC, organized in accordance with the provisions of the Federal Credit Union Act of 1934 for the purpose of promoting thrift among and creating a source of credit for its members.

2. Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. This generally consists of the staff, retirees, and families of the World Bank Group (WBG), the International Monetary Fund (IMF), and their related organizations. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members.

3. Accounting Principles Generally Accepted in the United States of America

The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes Accounting Principles Generally Accepted in the United States of America (US GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Credit Union. References to US GAAP issued by the FASB in these footnotes are to The FASB Accounting Standards Codification™ commonly referred to as the Codification or ASC. Amendments to existing US GAAP are promulgated through Accounting Standards Updates, referred to as ASUs.

4. Uses of Estimates

The preparation of the financial statements in conformity with US 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. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, valuation of securities, and mortgage servicing rights.

5. Financial Instruments with Concentrations of Risk

The Credit Union's business activity is with its members who reside primarily in the Washington, DC metropolitan area. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in metropolitan Washington, DC. The loan portfolio is concentrated in first and junior lien mortgage loans. The residential real estate portfolio represents approximately 93% and 92% of the gross loan balances for the years ended December 31, 2018 and 2017, respectively. The Credit Union adheres to high underwriting policies and guidelines, and has developed a well-diversified mortgage loan portfolio.

6. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, amounts due from financial institutions, federal funds sold and monies held on deposit at the Federal Reserve and highly liquid mutual funds held at other financial institutions. Amounts due from financial institutions may, at times, exceed federally insured limits.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Investments

Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of the Statement of Financial Condition date. Investments that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale. Investments bought and held principally for the purpose of selling them in the near term are classified as trading. Investment securities are comprised of U.S. Government obligations, funds collateralized by U.S. Government obligations, and federal agency securities. These securities are carried at fair value.

Other investments include capital stock in the Federal Home Loan Bank of Atlanta (FHLB) and the NCUA Central Liquidity Facility. In addition, the Credit Union has investments in Credit Union Service Organizations such as PSCU and CO-OP. These investments are carried at cost and are evaluated annually for impairment.

Unrealized gains and losses on securities classified as available-for-sale are excluded from earnings and reported in accumulated other comprehensive income (loss) in the Statements of Changes in Members' Equity. Realized and unrealized gains and losses on trading securities are included in the Statements of Income and are measured using the specific identification method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Credit Union did not record any other-than-temporary impairment during the years ended December 31, 2018 and 2017.

8. Loans Held-for-Sale

Mortgage loans originated and intended for sale in the secondary market at the time of origination are carried at the lower of cost or estimated fair value. All sales are made without recourse subject to customary representations and warranties. Gains and losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. Income and fees collected for servicing are credited to noninterest income, net of the related servicing asset amortization.

9. Loans-in-Process

Loans-in-process include residential real estate loans originated and funded prior to the end of the year, that have yet to be activated on the Credit Union's core processing system as of the end of the year.

10. Loans, Net

The Credit Union grants consumer and residential mortgage loans to its members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions of the area.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of deferred origination fees and costs, less an allowance for loan losses. Interest income on loans is accrued on the unpaid principal balance calculated using the simple interest method and recognized over the term of the loan.

Mortgage loan fees and certain direct mortgage loan origination costs are deferred; the net fee or cost is recognized as an adjustment to interest income of the related loans using the interest method over the contractual life of the loans.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Loans, Net (Continued)

The Credit Union has determined that consumer loan origination costs and fees are immaterial and therefore does not capitalize any costs or fees associated with consumer loans.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if past due amounts are in the process of collection and is either guaranteed or well-secured.

When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in a prior year is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal (cost recovery method) or reported as interest income (cash basis method), according to management's judgment as to the collectability of principal, until qualifying for return to accrual.

Residential mortgage and consumer loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, generally six months or longer, and the ultimate collectability of the total contractual principal and interest is no longer in doubt and reasonably assured.

Past due status is based on the contractual terms of the loan and is measured as 30 to 59 days, 60 to 89 days, and 90 days or more past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

Management recommends an account for charge-off after due consideration of the following factors to determine a subsequent course of action:

- Member communication indicates that the obligation will not be paid;
- Debtor has filed bankruptcy and has not or will not reaffirm the debt;
- Income producing capability has been lost due to death, disablement, loss of job, or incarceration;
- A deficiency balance on the debt resulting from the sale of the property and the debtor has no intent to pay;
- A settlement agreement between the debtor and the Credit Union for less than the outstanding loan balance;
- Remaining outstanding balance is too low to warrant further Credit Union costs in attempting collection.

11. Allowance for Loan Losses

The allowance for loan losses represents the Credit Union's estimate of probable losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting policy because it requires significant judgment and the evaluation of several factors: ongoing loan reviews, consideration of the Credit Union's loan loss experience, trends in delinquent and nonperforming loans, risk characteristics of the various classifications of loans, existing economic conditions, the fair value of underlying collateral, the size and diversity of individual large credits, and other qualitative and quantitative factors that could affect probable credit losses.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Allowance for Loan Losses (Continued)

Other considerations include the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience and additional qualitative adjustments for internal and external factors, such as changes in lending policy, nature and volume of the portfolio, experience and depth of lending management, volume and severity of past due loans, and competition and legal and regulatory requirements. Additionally, an allocation of reserves may be established for special situations that are unique to the measurement period with consideration of current economic trends and conditions. Because current economic conditions can change and future events are inherently difficult to predict, the anticipated amount of estimated loan losses, and therefore the adequacy of the allowance, could change significantly.

The adequacy of the allowance for loan losses is evaluated quarterly and is established through provisions for loan losses that are charged against earnings. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available, including the amounts and timing of future cash flows expected to be received on impaired loans. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses and may require the Credit Union to make additions to the allowance based on their judgment about information available to them at the time of their examinations. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is likely. Subsequent recoveries, if any, are credited to the allowance.

Consumer and residential mortgage loans are evaluated for impairment based on facts and circumstances associated with the loan and member at the time delinquency has reached 120 days or more past due. A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Management determines the significance of payment delays and payment shortfalls taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Other factors management considers in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

The Credit Union's allowance for loan losses consists of a specific valuation allowance established for probable losses on specific loans and a general allowance based upon historical losses over a one year period for similar loans with similar characteristics and trends, adjusted, as necessary to reflect the impact of current economic conditions and other qualitative risk factors both internal and external to the Credit Union.

The allowance established for specifically identified loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value or the estimated fair value of the underlying collateral.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Allowance for Loan Losses (Continued)

The general allowance based on historical loan loss experience is established for loans that can be grouped into homogeneous pools based on similar characteristics. General allowance factors are based on an analysis of historical charge-off experience and expected losses. These factors are developed and applied to the portfolio by loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include credit quality statistics, recent economic uncertainty, losses incurred from recent events and lagging data.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates or extension of maturity dates. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union did not enter into any TDRs during the years ended December 31, 2018 and 2017.

12. Transfers of Financial Assets and Participating Interests

Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered.

A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset.

Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

13. Loan Servicing

The Credit Union has one class of servicing assets related to the sale of mortgage loans. Servicing rights are initially measured at fair value at the date of transfer. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are measured at amortized cost. The Credit Union has elected to account for mortgage loan servicing rights using the amortization method in which the rights are amortized into noninterest income in proportion to, and over the periods of, the estimated future net servicing income of the underlying financial assets.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Loan Servicing (Continued)

On a quarterly basis, the servicing asset is evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics of the underlying loans such as interest rate, term, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

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

14. Off-Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

15. Other Real Estate Owned

The Credit Union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the Credit Union enforces its first lien holder status and repossesses the collateral. Repossessed collateral normally consists of residential real estate and vehicles.

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure. Fair value is based on independent appraisals or other relevant factors. Valuation adjustments required at the time of foreclosure are charged to the allowance for loan losses. Subsequent to foreclosure, property valuations are periodically performed with any further reductions to fair-value charged to earnings. Revenue and expenses from operations and changes in the valuation allowance, if any, are included in operating expenses.

Other real estate owned, included in other assets in the Statements of Financial Condition, totaled $533 thousand and $927 thousand as of December 31, 2018 and 2017, respectively.

16. Property and Equipment, Net

Leasehold improvements and furniture and equipment are carried at cost, less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is depreciated using the straight-line method over the terms of the related leases or the estimated useful lives, whichever is shorter. When assets are retired or sold, the asset cost and related accumulated depreciation are eliminated from the respective accounts, and any resultant gain or loss is included in net income.

Maintenance and repairs are charged to operating expense as incurred and the cost of major improvements is capitalized.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

18. NCUSIF Deposit

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

Legislation was passed by Congress to permit NCUA to create a temporary Corporate Credit Union Stabilization Fund (CCUSF) to absorb costs and borrowings incurred by the Fund related to the corporate credit union collapse. Effective October 1, 2017, the NCUA closed the CCUSF and incorporated the assets into the NCUSIF. At its February 15, 2018, open meeting, the NCUA Board unanimously approved a NCUSIF equity distribution to all eligible financial institutions. The distribution was reported within Other Non-Interest Income and totaled approximately $2,159 thousand during the year ended December 31, 2018. There was no distribution for the year ended December 31, 2017.

19. Members' Share Accounts

Members' share accounts represent accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned in excess of $5, no member has more than one vote. Members' shares and deposits are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares and deposits are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union.

20. Members' Equity

The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of interest.

21. Comprehensive Income

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Comprehensive Income (Continued)

The changes in accumulated other comprehensive income (loss) included in members' equity, by component, are as follows (in thousands):

	Available-for-Sale Securities	Total
Balance at January 1, 2017	$ (5,151)	$ (5,151)
Other Comprehensive Income (Loss) Before Reclassifications	(2,476)	(2,476)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	47	47
Other Comprehensive Loss	(2,429)	(2,429)
Balance at December 31, 2017	(7,580)	(7,580)
Other Comprehensive (Loss) Before Reclassifications	(2,722)	(2,722)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	8	8
Other Comprehensive Loss	(2,714)	(2,714)
Balance at December 31, 2018	$ (10,294)	$ (10,294)

Reclassifications from Accumulated Other Comprehensive Income (Loss) for Securities Available-for – Sale are posted through Net Gain (Loss) on Investments on the Statements of Income.

22. Income Taxes

As a federal instrumentality, the Credit Union is exempt from federal and state income taxes under Section 501(c)(14) of the Internal Revenue Code.

23. Advertising Costs

Advertising and promotion costs are expensed as incurred.

24. Fair Value Measurements

The Codification defines fair value, establishes a framework for measuring fair value adjustments to certain assets and liabilities and expands disclosures about fair value measurements. Fair value is a market-based measurement, not an entity-specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets. Fair value measurements are disclosed by level within the fair value hierarchy.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

24. Fair Value Measurements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Valuation techniques are to be consistent with the market approach, the income approach, and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value hierarchy establishes valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections which require significant management judgment or estimation in determining the fair value assigned to such assets or liabilities.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

25. New Accounting Pronouncements

In May 2014, the FASB approved ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard will be effective for the Credit Union for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on the Credit Union's financial statements.

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Condition and disclosing key information about leasing arrangements. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2019, and interim periods within the fiscal year beginning after December 15, 2020. Early adoption is permitted. The Credit Union is currently evaluating the impact of ASU 2016-02 on the financial statements.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASUs are effective for the Credit Union for the fiscal year beginning after December 15, 2021, including interim periods within this fiscal year. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2018-19 on the financial statements.

In March 2017, the FASB approved ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The guidance requires an entity to shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The standard will be effective for the Credit Union for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Credit Union believes that this standard will not have a material impact on the Credit Union's financial statements.

26. Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through February 27, 2019, the date the financial statements were available to be issued.

NOTE B INVESTMENT SECURITIES AND OTHER INVESTMENTS

1. Available-for-Sale Securities:

Investment securities classified as available-for-sale consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2018				
SBA Pools	$ 27,469	$ 33	$ (612)	$ 26,890
Mortgage-Backed Securities	486,460	2,650	(9,094)	480,016
Collateralized Mortgage Obligation Securities	405,216	1,031	(1,277)	404,970
U.S. Treasury Notes	936,758	262	(2,663)	934,357
Total	$ 1,855,903	$ 3,976	$ (13,646)	$ 1,846,233
December 31, 2017				
SBA Pools	$ 32,241	$ 50	$ (701)	$ 31,590
Mortgage-Backed Securities	485,118	1,959	(5,634)	481,444
Collateralized Mortgage Obligation Securities	427,879	1,009	(1,070)	427,817
U.S. Treasury Notes	787,928	-	(2,569)	785,359
Total	$ 1,733,167	$ 3,018	$ (9,974)	$ 1,726,210

Sale of securities available-for-sale resulted in gross losses of $8 thousand and $47 thousand during the years ended December 31, 2018 and 2017, respectively.

NOTE B INVESTMENT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

The following table shows the fair value of available-for-sale securities and gross unrealized losses, aggregated by length of time individual securities have been in a continuous unrealized loss position (in thousands):

	Number of Securities	Fair Value (Carrying Value)	Less than 12 months	12 months or Greater	Total Unrealized Losses
December 31, 2018					
SBA Pools	6	$ 26,239	$ -	$ (612)	$ (612)
Mortgage-Backed Securities	46	288,804	-	(9,094)	(9,094)
Collateralized Mortgage Obligation Securities	56	186,059	(65)	(1,212)	(1,277)
U.S. Treasury Notes	37	737,510	(176)	(2,487)	(2,663)
Total	145	$ 1,238,612	$ (241)	$ (13,405)	$ (13,646)
December 31, 2017					
SBA Pools	6	$ 30,706	$ (701)	$ -	$ (701)
Mortgage-Backed Securities	42	336,639	(4,665)	(969)	(5,634)
Collateralized Mortgage Obligation Securities	49	190,930	(589)	(481)	(1,070)
U.S. Treasury Notes	42	785,359	(2,476)	(93)	(2,569)
Total	139	$ 1,343,634	$ (8,431)	$ (1,543)	$ (9,974)

The Credit Union has evaluated the securities in the above tables as of December 31, 2018 and 2017, and has concluded that none of these securities has impairment that is other-than-temporary. The Credit Union evaluates whether an other-than-temporary impairment exists by considering primarily the following factors: (a) the length of time and extent to which the fair value has been less than the amortized cost of the security, (b) changes in the financial condition, credit rating and near-term prospects of the issuer, (c) whether the issuer is current on contractually obligated interest and principal payments, (d) changes in the financial condition of the security's underlying collateral and (e) the payment structure of the security. If other-than-temporary impairment is determined, the Credit Union estimates expected future cash flows to determine the credit loss amount with a quantitative and qualitative process that incorporates information received from third-party sources along with internal assumptions and judgments regarding the future performance of the security. Based upon this evaluation, the Credit Union concluded that the securities that are in an unrealized loss position are in a loss position because of changes in interest rates after the securities were purchased. The Credit Union's analysis for each investment is performed at the security level. As a result of its review, the Credit Union concluded that other-than-temporary impairment did not exist due to the Credit Union's ability and intention to hold these securities for a period sufficient to recover their amortized cost basis.

NOTE B INVESTMENT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

The Credit Union pledged four Small Business Administration securities as collateral for potential borrowings with the Federal Reserve Bank's discount window. As of December 31, 2018 and 2017, the fair value of the collateral was $23.0 million and $26.1 million, respectively. As of December 31, 2018 and 2017, there were no securities pledged as collateral for a letter of credit with the FHLB.

The amortized cost and fair value of available-for-sale securities, at December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and are, therefore, classified separately with no specific maturity date (in thousands):

	Amortized Cost	Fair Value (Carrying Value)
No Contractual Maturity	$ -	$ -
Less than 1 year Maturity	660,199	658,040
1 - 5 years' Maturity	276,559	276,317
SBA Pools, Mortgage-Backed Securities and Collateralized Mortgage Obligation Securities	919,145	911,876
Total	$ 1,855,903	$ 1,846,233

2. Other Investments

Other investments include the following (in thousands):

	December 31, 2018	December 31, 2017
Investments in Capital Stock:		
Central Liquidity Facility (CLF)	$ 11,593	$ 10,836
FHLB - Atlanta	4,312	4,035
FHLB Cash on Deposit	647	2,690
Investments in Credit Union Service Organizations:		
PSCU	1,919	1,868
CO-OP	646	591
Total	$ 19,117	$ 20,020

NOTE B INVESTMENT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Central Liquidity Facility Stock
The Credit Union is a member of the NCUA Central Liquidity Facility (Facility), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the Facility as determined by a statutory formula. As of December 31, 2018 and 2017, the Credit Union had not borrowed from the Facility.

FHLB - Atlanta
The Credit Union has an investment in FHLB stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and, as such, is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment. In addition, the Credit Union maintains cash on hand at FHLB – Atlanta.

Loans to, and Investments in, CUSOs
The Credit Union's ownership interest in Payment Systems for Credit Unions, Inc. (PSCU) and Co-Op Financial Services is stated at cost. The CUSOs operate as cooperatives, providing transaction services for shared branching, debit/credit cards, and ATMs on a service-at-cost basis for the mutual benefit of its patrons (credit union owners). The CUSOs distribute patronage dividends to its members in the form of cash and revolving fund certificates.

NOTE C LOANS, NET

Loans are extended to members on a fixed-rate and a variable-rate basis. All variable-rate consumer loans are subject to being re-priced within one year. The majority of all variable-rate real estate loans are subject to being re-priced between three to seven years. The majority of all real estate loans are collateralized by residential property located in the Washington, DC metropolitan area.

The Credit Union offers nontraditional mortgage loans to its members. These loans include hybrid loans that consist of loans that are fixed for an initial period of three, five or seven years. These nontraditional mortgage loans may have significantly different credit risk characteristics than traditional mortgage products. However, the Credit Union believes it has established prudent underwriting standards as well as adequate risk management processes to monitor these additional risks.

Non-traditional mortgage loans, which are included in the residential real estate loan captions below, totaled $1.54 billion and $1.51 billion at December 31, 2018 and 2017, respectively.

NOTE C LOANS, NET (CONTINUED)

A summary of net loans outstanding is as follows (in thousands):

	December 31, 2018	December 31, 2017
Consumer Loans:		
Vehicle Loans	$ 58,704	$ 54,736
Credit Card Loans	92,443	92,956
Loans Secured by Shares and Deposits	1,743	1,800
Other Consumer Loans, Primarily Unsecured	60,128	61,846
Subtotal	213,018	211,338
Residential Real Estate:		
First Lien Mortgages	2,416,564	2,322,891
Junior Lien Mortgages and Home Equity	195,361	204,518
Subtotal	2,611,925	2,527,409
Total Loans	2,824,943	2,738,747
Net Deferred Loan Origination Costs (Fees)	(4,051)	(3,633)
Allowance for Loan Losses	(22,696)	(27,438)
Loans, Net	$ 2,798,196	$ 2,707,677

The Credit Union is party to financial instruments with off-statement of financial condition risk extended in the normal course of business to meet the financing needs of its members. These financial instruments consist of commitments to extend loans against approved lines of credit as long as there is no violation of any significant condition established in the contract. Commitments are made on both an open-ended and closed-ended basis. The open-ended loans are generally self-replenishing as long as payments are made. The closed-ended loans have fixed terms and are collateralized by real estate.

1. Loan Quality and the Allowance for Loan Losses

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. Consideration is given to various factors in establishing this estimate including, but not limited to, current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrower's actual or perceived financial strength, the adequacy of the underlying collateral if collateral dependent, and other relevant factors such as known and inherent risks in the loan portfolio, effects from changes in underwriting standards, and changes in the membership base or issues with primary sponsor organizations. Management, at its discretion, may determine that an appraisal or asset valuation is necessary for a particular loan in order to assess a valuation allowance. In addition, subsequent adjustments to the valuation may be warranted based on information and knowledge Management has about a particular situation.

Certain factors involved in the evaluation are inherently subjective, as they require material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans, if any.

NOTE C LOANS, NET (CONTINUED)

For purposes of calculating the allowance for loan losses, the Credit Union segregates its loan portfolio into the following segments: consumer loans and residential real estate.

Consumer Loans: The Credit Union's consumer loan segment is comprised of vehicle loans, credit card loans, loans secured by shares and deposits, and other unsecured consumer loans. The allowance for this segment is generally determined through the analysis of historical charge-offs because of smaller individual balances and the homogeneous nature of the consumer portfolio. Risk characteristics considered in performing the allowance estimation process include those similar to the mortgage portfolio with emphasis on historical loss rates over one year with a comparison to three-year loss rates and five-year loss rates, and delinquency trends. Management has consistently applied this methodology year over year with historical loss factors being the primary influence in any change to the allowance related to this segment.

Residential Real Estate: Residential mortgage loans consist of first lien positions, junior lien positions and home equity products. In establishing the allowance for loan losses related to mortgage loans, management considers various risk characteristics and qualitative factors, which include historical loss rates over one year with a comparison to three-year loss rates and five-year loss rates, trends in real estate values, hiring practices of sponsor organizations, unemployment trends in the region, overall economic conditions, and current loss and delinquency trends. Management has consistently applied this methodology year over year with current economic trends as the primary factor influencing changes in the allowance.

The analysis for determining the allowance for loan losses is consistent with guidance set forth in US GAAP and the Interagency Policy Statement on the Allowance for Loan and Lease Losses. The analysis has two components, specific and general allocations.

The specific component addresses specific reserves established for impaired loans. A loan is considered to be impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all interest and principal payments due according to the originally contracted terms of the loan agreement. Expected cash flow on collateral values discounted for market conditions and selling costs are used to establish specific allocations.

The general component addresses the reserves established for pools of homogenous loans, including residential real estate or consumer loans. The general component includes a quantitative and qualitative analysis where the quantitative analysis includes historical loan loss experience and other factors driven by economic and market conditions that have an effect on the probability and magnitude of a loss. Qualitative measures include other risk factors such as loan volumes, nonperformance, concentrations, competition, legal and regulatory issues, and other current economic risk factors.

In 2018, the qualitative and economic factors of the general reserve were reviewed and updated to incorporate aspects of the current economic environment. This analysis led to a decrease in the required general reserves of approximately 20 basis points, or $4.7 million, compared to the prior year.

NOTE C LOANS, NET (CONTINUED)

The following is an analysis of the allowance for loan losses (in thousands):

	Consumer				Residential Real Estate		
	Vehicles	Credit Card	Secured	Unsecured	First Liens	Junior Liens and Home Equity	Total
Balance at January 1, 2017	$ 970	$ 3,784	$ -	$ 3,310	$ 10,917	$ 6,724	$ 25,705
Provision (Credit) for Loan Losses	274	3,269	-	115	97	1,850	5,605
Loans Charged-Off	(133)	(1,664)	-	(1,224)	(174)	(1,000)	(4,195)
Recoveries	23	142	-	149	3	6	323
Balance at December 31, 2017	1,134	5,531	-	2,350	10,843	7,580	27,438
Provision (Credit) for Loan Losses	(94)	5,314	-	3,861	(6,366)	(4,046)	(1,331)
Loans Charged-Off	(288)	(1,582)	-	(1,382)	(19)	(634)	(3,905)
Recoveries	11	165	-	188	3	127	494
Balance at December 31, 2018	$ 763	$ 9,428	$ -	$ 5,017	$ 4,461	$ 3,027	$ 22,696

The following tables present loans that were evaluated for the allowance under the specific reserve, or individually, and those that were evaluated under the general reserve, or collectively (in thousands):

December 31, 2018	Consumer				Residential Real Estate		
	Vehicles	Credit Card	Secured	Unsecured	First Liens	Junior Liens and Home Equity	Total
Loans Evaluated for Allowance:							
Individually	$ 150	$ 1,102	$ -	$ 1,772	$ 92	$ 107	$ 3,223
Collectively	58,554	91,341	1,743	58,356	2,416,472	195,254	2,821,720
Total Loans, Gross	$ 58,704	$ 92,443	$ 1,743	$ 60,128	$ 2,416,564	$ 195,361	$ 2,824,943
Allowance Established for Loans Evaluated:							
Individually	$ 37	$ 551	$ -	$ 985	$ 92	$ 107	$ 1,772
Collectively	726	8,877	-	4,032	4,369	2,920	20,924
Allowance at December 31, 2018	$ 763	$ 9,428	$ -	$ 5,017	$ 4,461	$ 3,027	$ 22,696
Allowance as a % of Loan Balances	1.300%	10.199%	0.000%	8.344%	0.185%	1.549%	0.801%

NOTE C LOANS, NET (CONTINUED)

December 31, 2017	Consumer				Residential Real Estate		
	Vehicles	Credit Card	Secured	Unsecured	First Liens	Junior Liens and Home Equity	Total
Loans Evaluated for Allowance:							
Individually	$ 229	$ 2,469	$ -	$ 351	$ 11,080	$ 1,978	$ 16,107
Collectively	54,507	90,487	1,800	61,495	2,311,811	202,540	2,722,640
Total Loans, Gross	$ 54,736	$ 92,956	$ 1,800	$ 61,846	$ 2,322,891	$ 204,518	$ 2,738,747
Allowance Established for Loans Evaluated:							
Individually	$ 229	$ 2,469	$ -	$ 351	$ 413	$ 1,978	$ 5,440
Collectively	905	3,062	-	1,999	10,430	5,602	21,998
Allowance at December 31, 2017	$ 1,134	$ 5,531	$ -	$ 2,350	$ 10,843	$ 7,580	$ 27,438
Allowance as a % of Loan Balances	2.072%	5.950%	0.000%	3.800%	0.467%	3.706%	1.000%

2. Delinquent Loans

The Credit Union evaluates credit quality trends primarily through monitoring loan delinquencies on a monthly basis and begins to formally evaluate potential credit issues at 120 days past due whereby an allowance for loan loss is considered based on facts and circumstances known at the time. Delinquent loans past due 30 to 89 days are considered performing while loans past due 90 days or more are nonperforming and placed on nonaccrual status.

The table below presents the past-due status of loan delinquencies (in thousands):

December 31, 2018		Loans Past Due				
	Current	30-59 Days	60-89 Days	Nonaccrual 90+ Days	Total	Total Loans
Consumer Loans:						
Vehicle Loans	$ 57,417	$ 870	$ 227	$ 190	$ 1,287	$ 58,704
Credit Card Loans	84,372	5,358	1,169	1,544	8,071	92,443
Loans Secured by Shares			-			
and Deposits	1,720	23	-	-	23	1,743
Other Consumer Loans, Primarily Unsecured	57,773	1,025	266	1,064	2,355	60,128
Residential Real Estate:						
First Lien Mortgages	2,404,403	6,248	1,334	4,579	12,161	2,416,564
Junior Lien Mortgages and Home Equity	190,123	2,241	1,364	1,633	5,238	195,361
Total	$ 2,795,808	$ 15,765	$ 40,888	$ 9,010	$ 29,135	$ 2,824,943

NOTE C LOANS, NET (CONTINUED)

December 31, 2017

		Loans Past Due				
	Current	30-59 Days	60-89 Days	Nonaccrual 90+ Days	Total	Total Loans
Consumer Loans:						
Vehicle Loans	$ 53,422	$ 567	$ 271	$ 477	$ 1,315	$ 54,736
Credit Card Loans	85,338	5,148	817	1,653	7,617	92,956
Loans Secured by Shares and Deposits	1,800	-	-	-	-	1,800
Other Consumer Loans, Primarily Unsecured	59,778	665	414	988	2,068	61,846
Residential Real Estate:						
First Lien Mortgages	2,305,381	6,430	2,866	8,215	17,510	2,322,891
Junior Lien Mortgages and Home Equity	198,736	2,563	704	2,514	5,782	204,518
Total	$ 2,704,455	$ 15,373	$ 5,072	$ 13,846	$ 34,291	$ 2,738,747

3. Nonaccrual Loans

Interest on loans is accrued and credited to income based on the principal amount and contract rate on the loan. The accrual of interest is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet future payments as they become due, generally when a loan is 90 days past the contractual due date. A loan will also be placed on nonaccrual status when it is determined to be impaired, even if prior to 90 days past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. While a loan is on nonaccrual status, no interest is recognized. Loans are returned to accrual status only when the loan is brought current and ultimate collectability of principal and interest is no longer in doubt.

Nonaccrual loans totaled $9.0 million and $13.8 million as of December 31, 2018 and 2017, respectively, and are considered nonperforming loans as discussed in Nonperforming Loans below.

For the years ended December 31, 2018 and 2017, $479 thousand and $661 thousand, respectively, of gross interest would have been recorded if nonaccrual loans had been current and in accordance with their original terms. Of that amount for the years ended December 31, 2018 and 2017, $262 thousand and $343 thousand, respectively, was recorded as interest income on a cash basis and $285 thousand and $318 thousand, respectively, was not recognized.

4. Impaired Loans

Loans are determined as impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all amounts due in accordance with the contractual terms of the loan. Loans classified as impaired are placed on nonaccrual status and are included as nonaccrual loans.

First and junior lien mortgage loans greater than 120 days past due are individually reviewed for potential impairment on a regular basis as a part of the quarterly allowance for loan loss review process. In assessing the impairment of a loan and the related reserve requirement for that loan, various methodologies are employed. Impairment on loans that are not collateral dependent is determined primarily using the present value of expected future cash flows discounted at the loan's effective interest rate.

NOTE C LOANS, NET (CONTINUED)

With respect to most real estate loans, and specifically if the loan is considered to be probable of foreclosure, an approach that estimates the fair value of the underlying collateral is generally used. The collateral is appraised to reflect realizable value, with the market value being adjusted for an assessment of marketing cost and the total hold period. Collateral appraisals on impaired loans are updated at least annually, and more frequently if deemed necessary based on observed market deterioration.

The Credit Union did not have impaired loans to report beyond those that were individually evaluated and that were specifically reserved for as of December 31, 2018 and 2017. The average recorded investment, defined as outstanding loan balance plus accrued interest, net deferred loan costs and fees, and unamortized premium or discount, in those loans was insignificant as of December 31, 2018 and 2017.

5. Troubled Debt Restructuring

Certain loan modifications or restructurings are required to be classified as a TDR and classified as an impaired loan. In general, the modification or restructuring of a debt is considered a TDR if the Credit Union, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Credit Union would not otherwise consider.

At December 31, 2018, the Credit Union identified 12 loans secured by first mortgages that were considered TDR loans. The aggregate outstanding balance was $4.8 million, with 10 loans in accrual status. The allowance for loan loss reserve established for the restructured loans was $92 thousand.

At December 31, 2017, the Credit Union identified 13 loans secured by first mortgages that were considered TDR loans. The aggregate outstanding balance was $5.2 million, with 9 loans in accrual status. The allowance for loan loss reserve established for the restructured loans was $413 thousand.

6. Nonperforming Loans

Nonperforming loans include nonaccrual loans, loans delinquent 90 days or more and still accruing, and restructured loans still accruing, if any. With the exception of the credit card portfolio, loans are placed on nonaccrual status when they become 90 days delinquent. Credit card loans are placed on nonaccrual status when they become 120 days delinquent. In addition, loans that were not delinquent in excess of 90 days but exhibited doubt as to the Credit Union's ability to collect all contractual principal and interest would be classified as impaired and placed on nonaccrual status.

NOTE C LOANS, NET (CONTINUED)

The table below presents a summary of nonperforming loans (in thousands):

	December 31, 2018		December 31, 2017	
	Balance	% of Loan Segment	Balance	% of Loan Segment
Nonaccrual Loans				
Consumer Loans:				
Vehicle Loans	$ 190	0.324%	$ 477	0.871%
Credit Card Loans	1,544	1.670%	1,653	1.778%
Loans Secured by Shares and Deposits	-	0.000%	-	0.000%
Other Consumer Loans, Primarily Unsecured	1,064	1.770%	988	1.598%
Residential Real Estate:				
First Lien Mortgages	4,579	0.189%	8,215	0.354%
Junior Lien Mortgages and Home Equity	1,633	0.836%	2,514	1.229%
Total Nonaccrual Loans	$ 9,010	0.330%	$ 13,846	0.523%

NOTE D LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying Statements of Financial Condition. The unpaid principal balances of these loans are summarized as follows (in thousands):

	December 31, 2018	December 31, 2017
Mortgage Loan Portfolios Serviced For:		
Federal National Mortgage Association	$ 240,822	$ 277,778
Charlie Mac	1,360	1,515
Ocwen/Residential Funding Corporation	265	276
Total	$ 242,447	$ 279,569

NOTE D LOAN SERVICING (CONTINUED)

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in members' share accounts, totaled $559 thousand and $480 thousand at December 31, 2018 and 2017, respectively.

The Credit Union receives fees from investors in return for performing the traditional services of collecting individual loan payments. Loan servicing includes processing payments, accounting for loan funds and collecting and paying real estate taxes, hazard insurance and other loan-related items such as private mortgage insurance. After receipt of the gross mortgage payment from individual borrowers, the Credit Union remits to the investor a predetermined net amount based on the loan sale agreement for that mortgage.

The components of capitalized mortgage servicing rights are summarized as follows (in thousands):

	December 31,	
	2018	**2017**
Mortgage Servicing Rights:		
Balance, Net, at Beginning of Year	$ 2,247	$ 2,725
Additions	13	-
Amortizations	(386)	(477)
Impairment Allowance (Increase) Decrease	60	(1)
Total Carrying Value, Included in Other Assets	$ 1,934	$ 2,247

The estimated fair value of the Credit Union's mortgage servicing rights was $2.5 million and $2.9 million as of December 31, 2018 and 2017, respectively. The fair value of servicing rights was determined using a weighted average discount rate of 10.50% and a weighted average prepayment speed assumption of 12.16% as of December 31, 2018. The fair value of servicing rights was determined using a weighted average discount rate of 9.50% and a weighted average prepayment speed assumption of 10.29% as of December 31, 2017. Prepayment speeds are expressed using the Public Securities Association convention, which estimate the rate at which mortgage borrowers will pay off their mortgages, depending on the stratification of the specific right as of December 31, 2018 and 2017.

NOTE E PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows (in thousands):

	Estimated Useful Lives	December 31, 2018	December 31, 2017
Leasehold Improvements	10 Years	$ 16,079	$ 16,076
Furniture and Equipment	3 Years	40,830	38,792
Purchased Assets in Progress of Capitalization	-	806	745
Total Property and Equipment		57,715	55,613
Less: Accumulated Depreciation		(51,643)	(48,393)
			-
Total Property and Equipment, Net		$ 6,072	$ 7,220

The Credit Union leases space for offices and automated teller machines. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. Minimum rental payments under operating leases with initial or remaining terms of one year or more at December 31, 2018, are as follows (in thousands):

Year Ending December 31,	Minimum Rent
2019	$ 6,921
2020	7,098
2021	7,440
2022	7,626
2023	7,816
Subsequent Years	7,986
Total	$ 44,887

Rental expense for all facilities leased under operating leases totaled $7.3 million and $6.9 million for the years ended December 31, 2018 and 2017, respectively.

NOTE F MEMBERS' SHARE ACCOUNTS

Members' share accounts are summarized as follows (in thousands):

	December 31, 2018	December 31, 2017
Regular Shares	$ 954,932	$ 897,322
Checking	1,114,474	1,085,403
Money Market Accounts	1,788,231	1,762,253
IRA Savings Accounts	15,736	14,711
IRA Certificate Accounts	15,429	15,209
Share Certificate Accounts	460,035	454,573
Total	$ 4,348,837	$ 4,229,471

At December 31, 2018, scheduled maturities of members' share accounts are summarized as follows (in thousands):

Year Ending December 31,	Amount
No Contractual Maturity	$ 3,873,373
2019	267,746
2020	70,719
2021	36,809
2022	33,168
2023	40,646
Subsequent Years	26,376
Total	$ 4,348,837

Regular shares, checking accounts and money market accounts have no contractual maturity date, while IRA certificate accounts and share certificate accounts have maturities of ten years or less.

The aggregate amounts of certificates of deposit in denominations of $250,000 or more were approximately $138.6 million and $130.5 million at December 31, 2018 and 2017, respectively.

Member accounts are insured to at least $250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

In December 2018, the Board of Directors declared supplemental dividends of $12.5 million, which were paid in January 2019. In December 2017, the Board of Directors declared supplemental dividends of $12.5 million, which were paid in January 2018. These amounts are included in accrued interest payable in the Statements of Financial Condition.

NOTE G BORROWED FUNDS

The Credit Union established borrowing privileges at the Discount Window with the Federal Reserve Bank. No advances were made in 2018 and 2017.

The Credit Union is a member of the FHLB of Atlanta. As a member, the Credit Union may from time to time apply for an advance or advances which may be available to it. These advances are secured by all stock of the FHLB owned by the Credit Union, and essentially all eligible one- to four-family residential real estate, home equity, and commercial real estate loans under a blanket lien pledge. Loans pledged as collateral amounted to approximately $729 million and $731 million as of December 31, 2018 and 2017, respectively. The Credit Union had a blanket lien in the amount of $729 million as collateral for the years ended December 31, 2018 and 2017. There were no securities pledged as collateral for a letter of credit with the FHLB as of December 31, 2018 and 2017. There were no balances outstanding on this line at December 31, 2018 and 2017.

NOTE H CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios of net worth to total assets. Further, credit unions over $10 million in assets are also required to calculate a Risk-Based Net Worth (RBNW) requirement that establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of December 31, 2018 and 2017, were 5.18% and 5.15%, respectively. The minimum requirement to be considered "complex" under the regulatory framework is 6.00%. Management believes, as of December 31, 2018 and 2017, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2018 and 2017, the NCUA categorized the Credit Union as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well-capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

NOTE H CAPITAL REQUIREMENTS (CONTINUED)

The Credit Union's actual capital amounts and ratios are presented in the following table (dollars in thousands):

	December 31, 2018		December 31, 2017	
	Amount	Ratio Requirement	Amount	Ratio Requirement
Amounts Needed to be Classified as "Adequately Capitalized"	$ 298,310	6.00%	$ 287,453	6.00%
Amounts Needed to be Classified as "Well-Capitalized"	348,029	7.00%	335,362	7.00%
Actual Net Worth	593,911	11.95%	536,041	11.19%

Because the RBNWR of 5.18% at December 31, 2018, is less than the regulatory net worth ratio of 11.95%, the Credit Union retains its original assigned category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE I RELATED PARTY TRANSACTIONS

Loans to employees are made at preferred interest rates. All other terms and collateral requirements are comparable to those required of other members. The aggregate amount of these loans was approximately $20.1 million and $19.5 million as of December 31, 2018 and 2017, respectively. The aggregate principal advances and principal repayments are not significant.

Loans to Directors and Committee members are made on the same terms and conditions as loans made to other members. The aggregate amount of these loans was $6.6 million and $7.0 million as of December 31, 2018 and 2017, respectively.

The WBG and the IMF charged the Credit Union $1.6 million for office space for the years ended December 31, 2018 and 2017.

Deposits from employees, Directors and Committee members held by the Credit Union at December 31, 2018 and 2017, were approximately $5.59 million and $6.94 million, respectively.

NOTE J COMMITMENTS AND CONTINGENT LIABILITIES

1. Off-Statement of Financial Condition Activities

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

The Credit Union's exposure to credit loss is represented by the contractual amount of these off-statement of financial condition loans commitments. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the financial statements

NOTE J COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Outstanding loan commitments at December 31, 2018 and 2017, totaled approximately $36.2 million and $22.0 million, respectively.

Unfunded loan commitments are summarized as follows (in thousands):

	December 31,	
	2018	2017
Home equity lines of credit	$ 197,142	$ 196,849
Credit cards	320,017	317,507
Share overdraft protection	77,153	77,574
Other	1,324	1,395
Total	$ 595,636	$ 593,325

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

2. Legal Contingencies

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

NOTE K FAIR VALUE MEASUREMENTS

1. Fair Value on a Recurring Basis

The following tables summarize financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	December 31, 2018			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes	$ 934,357	$ 934,357	$ -	$ -
Mortgage-Backed Securities Collateralized Mortgage Obligation Securities and SBA Pools	911,876	-	911,876	-
Total	$ 1,846,233	$ 934,357	$ 911,876	$ -

	December 31, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes	$ 785,359	$ 785,359	$ -	$ -
Mortgage-Backed Securities Collateralized Mortgage Obligation Securities and SBA Pools	940,851	-	940,851	-
Total	$ 1,726,210	$ 785,359	$ 940,851	$ -

There were no significant transfers between Level 1 or Level 2 investments.

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

2. Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis that are subject to fair value adjustments in certain circumstances; for example, when there is evidence of impairment.

Other repossessed assets acquired in settlement of loans are recorded at the lower of the principal balance of the loan or fair value of the property less estimated selling expenses. Certain assumptions and unobservable inputs are currently being used by appraisers, therefore qualifying these assets as Level 3.

The following tables present the assets and liabilities carried on the Statements of Financial Condition by caption and by level within the valuation hierarchy as described above for which a nonrecurring change in fair value has been recorded (in thousands).

	Value at December 31, 2018				Year Ended December 31, 2018
	Total	Level 1	Level 2	Level 3	Total Loss Recognized
Impaired Loans	$ 3,223	$ -	$ -	$ 3,223	$ (1,772)
Other Repossessed Assets	533	-	-	533	-
Total	$ 3,756	$ -	$ -	$ 3,756	$ (1,772)

	Value at December 31, 2017				Year Ended December 31, 2017
	Total	Level 1	Level 2	Level 3	Total Loss Recognized
Impaired Loans	$ 16,107	$ -	$ -	$ 16,107	$ (5,440)
Other Repossessed Assets	927	-	-	927	-
Total	$ 17,034	$ -	$ -	$ 17,034	$ (5,440)

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

	December 31, 2018			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 3,223	Evaluation of Collateral	Estimation of Value	Not Meaningful
Other Repossessed Assets	533	Appraisal	Appraisal Adjustment	Not Meaningful

	December 31, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 16,107	Evaluation of Collateral	Estimation of Value	Not Meaningful
Other Repossessed Assets	927	Appraisal	Appraisal Adjustment	Not Meaningful

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Other Repossessed Assets

Other repossessed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, other repossessed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in other Non-Interest Expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of other repossessed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

The following table is a summary of activity for recurring Level 3 fair value measurements of loans held-for-sale (in thousands):

	December 31,	
	2018	2017
Balance, Beginning of Year	$ -	$ -
Loans Originated for Sale	1,367	541
Loans Sold	(1,367)	(541)
Balance, End of Year	$ -	$ -

NOTE L EMPLOYEE BENEFIT PLANS

1. Defined Contribution Plan

The Credit Union has a defined contribution retirement savings plan for the benefit of its employees. Participation is limited to all full-time employees who have completed one or more years of service. Employer contribution amounts are based on a percentage of an employee's salary depending upon the employee's number of years of employment. Participants vest in employer contributions based on their total years of vesting service and are fully vested after five years. Participants are at all times fully vested in their own contributions. The Credit Union had $2.4 million and $2.2 million in contribution plan expense in 2018 and 2017, respectively.