TWENTY SEVENTEEN

Annual Report

AmeriCU
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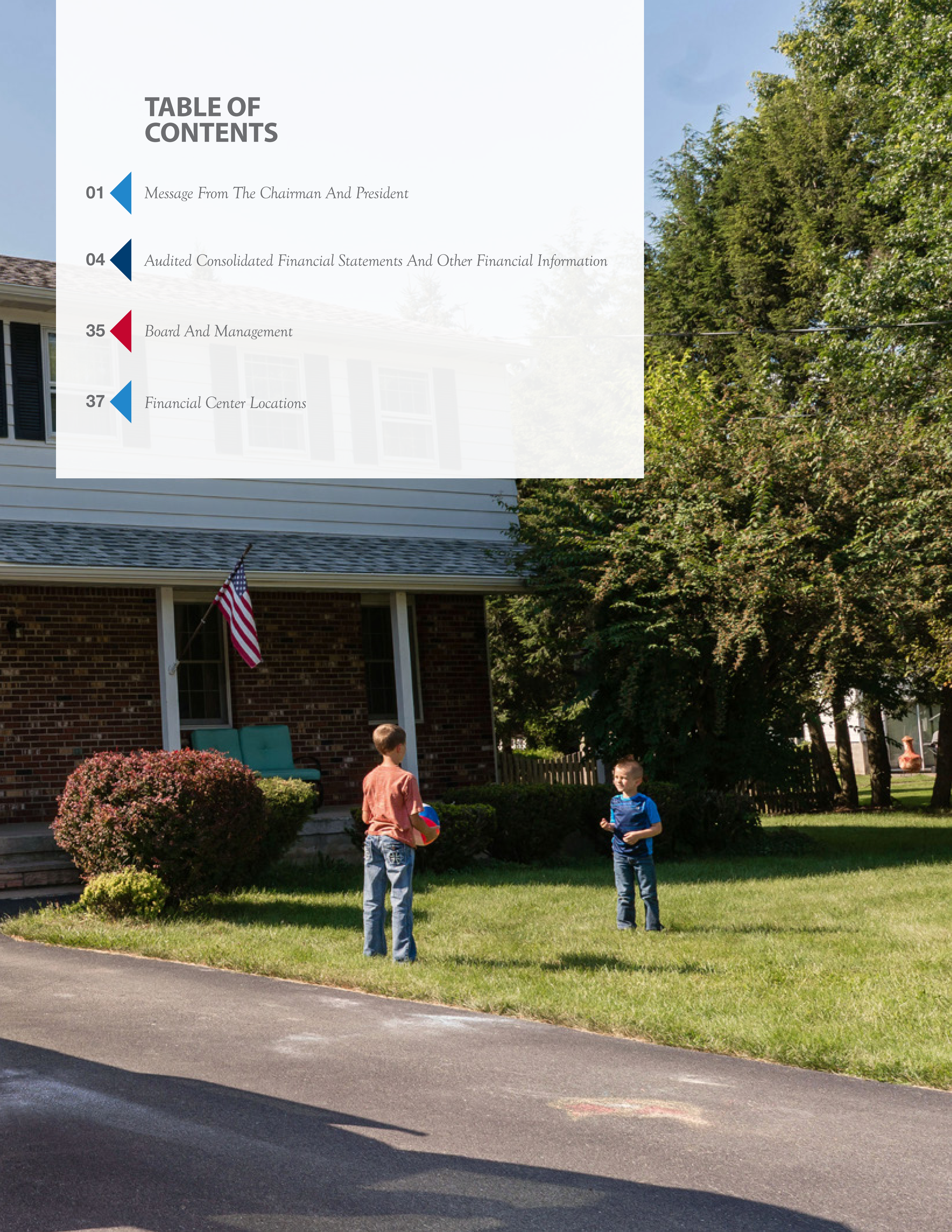
AmeriCU

TABLE OF CONTENTS



P R E S I D E N T ' S   M E S S A G E

"Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has." – Margaret Mead

In 1950, a few employees of Griffiss Air Force Base came together to start what is now AmeriCU Credit Union. Today, that small group's vision has turned into over 127,000 members across Central and Northern New York, the United States, and the world. In 2017 alone, AmeriCU added 7,356 members. Consider the magnitude of that for a moment. If every AmeriCU member gathered together in one place, it would create a city nearly the size of Syracuse, twice the size of Utica, and four times larger than Rome, NY! Could our founders have possibly anticipated that they were putting into motion a series of events that would lead to a membership larger than even the city the credit union began in? This powerful combination of a strong vision, the commitment to do the work, and the tenacity to see it through cannot be understated. Sixty-eight years ago, a small group of people saw a need, made a plan, and did the work – and our members and communities are much better for it.

As has always been true, our members are our core reason for existence. We were founded by our members, governed by the members who serve on our volunteer Board of Directors, and make every decision with the best interests of our members in mind. In 2017, after several years of opening new locations and expanding our field of membership, we took a breath and looked inward at ourselves – including our service, products, organizational structure, and strategy – so that we can be absolutely certain that we are providing the very best we can, every day, to our members. As part of this initiative, we unveiled AmeriCU's new, more member focused vision statement:

"Providing our members the right financial services to live life, dream big, and achieve financial success."

We are here, at every step of our members' lives, as trusted advisors and financial partners working together to help every member reach their goals.

This focus is more than just a philosophical exercise. Our member-centricity has been the catalyst of our extraordinary growth. In 2017, as we have for many years, AmeriCU continued a positive and rapid growth trend adding 7,356 net new members throughout our field of membership – a 8.91% overall increase in membership year over year. In an effort to better serve the needs of our members we have begun to re-think the traditional branch, and last year, entered into a partnership with Resort Lifestyle Communities, an all-inclusive retirement community. We opened our first satellite location, on site at their new facility in Fayetteville, to better serve their residents and our members. As we move into 2018 – and beyond – we continue to look at more convenient ways to serve our members, wherever they are and whatever they may need.

As we consider the future of the credit union, and think about how to add services, and increase convenience, we know that much of our upcoming expansion will not be in just brick and mortar locations, but also in an ever expanding suite of digital offerings on smartphones, tablets, computers, smart watches, and other devices. We're working hard to make sure that our members have the latest technology so that they can manage their money how, when, and where they want. There is not just one answer to the question "What does AmeriCU need to do to best serve our members?" In fact, with over 127,000 members, each with their own needs, wants, hopes, and dreams, there are at least 127,000 unique answers. Each member's relationship with AmeriCU is distinct, and so our goal is to be able to provide an increasingly personal, seamless, and friendly experience in every service channel. To do this, we're investing in top-

of-the-line technologies to quickly move the credit union into the future, while simultaneously increasing our cyber security and information security. We are singularly focused on the member experience at every touchpoint – whether digital, in a Financial Center, or otherwise.

Additionally, we recognize that our employees are the most important asset that we have, and are the reason for our success. Our employee training and education programs have always been a point of pride for us and, in 2017, we made significant enhancements to our Training department structure and added an award-winning curriculum for member service to equip our employees to better focus on our vision. We began to redefine goals and roles for our staff, held numerous all employee training sessions, and have continually emphasized our single minded commitment to our members. These changes ensure an even better member experience which will drive growth because our employees are even better equipped to provide members with the right products and services. To quantify exactly how satisfied our members are, and the efforts of our ongoing training programs, AmeriCU partners with Deluxe/CSP to measure overall member satisfaction. We benchmark our performance against 30 large financial institutions nationwide and hold ourselves to a minimum performance score of 94 – highly satisfied. In 2017, we once again met and exceeded our goal, achieving an average score of 97.61% which once again earned us a place among the top performers in our industry. We are incredibly proud of the work our employees do every day to serve our members.

Due to our sound strategic planning, a commitment to providing some of the lowest loan and highest deposit rates in our market, and our focus on providing our members with the right solutions, AmeriCU saw rapid loan growth in 2017 and made progress toward the goals set forth in our five-year lending plan. In 2017, AmeriCU's total loan production was $599.7MM, a 0.36% increase over 2016, across consumer loans, home equity loans, mortgage loans, and vehicle loans (auto, motorcycle, RV, and marine). As of year-end 2017, AmeriCU's total loan portfolio exceeded $1.3B. Additionally, AmeriCU showed strong growth in share balances with a 4.83% increase over 2016 across all share types (including checking, savings, money market, and share certificates). By year end, AmeriCU members held a total of over $1.3B in shares.

AmeriCU Capital Management, LLC and AmeriCU Services, LLC, also grew last year as hundreds of members turned to AmeriCU and its subsidiaries to meet all of their financial needs – including insurance, investment, and retirement planning services. AmeriCU Services, LLC experienced growth in 2017 growing to hold 2,440 consumer insurance policies as well as 422 commercial insurance policies. AmeriCU Capital Management, LLC also grew in 2017, and are now serving 791 clients with more than $166MM in assets under management.

In addition to serving the needs of members, AmeriCU remains dedicated to improving our communities. In 2017, we deepened our relationships with the Children's Miracle Network, the Relay for Life, and the Carol M. Baldwin Breast Cancer Research Fund. We also continued to sponsor the Salute to the Troops Tribute Concert at MountainFest, a concert and festival for service members and their families at Fort Drum, free of charge to the community. We proudly sponsor the American Heart Association's Heart Run/Walks in Utica, Rome, Syracuse, and Watertown, the USO Ample Sample, the Cazenovia Chilly Chili Walk Run, the B'Ville Big Chill, and many other worthy causes in our communities. In 2017 alone, AmeriCU donated over $150,000 in donations and sponsorships. Additionally, we provided more than 60 financial education events throughout the year, which reached more than 425 adults as well as 1,205 students and also awarded over $10,000 in scholarships to members who were graduating high school seniors or continuing college students.

While we've grown from a small group of founding members to a membership the size of a large city, we haven't outgrown our wavering focus on the importance of every member, every interaction, and every community we serve. AmeriCU provides our members the right financial services to live life, dream big, and achieve financial success. Our vision is clear, we've made a plan, and we remain committed to doing the important work we've done since the day we were founded – serving our members.

John A. Stevenson
Chairman of the Board

Mark Pfisterer
President and CEO
AmeriCU Credit Union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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

AmeriCU Credit Union and Subsidiaries

DECEMBER 31, 2017 AND 2016

Audited Consolidated Financial Statements:

Other Financial Information:

Firley, Moran, Freer & Eassa, CPA, P.C.
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TEL: 315.472.7045 • **FAX:** 315.472.7053 • **www.fmfecpa.com**

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
AmeriCU Credit Union
Rome, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AmeriCU Credit Union and Subsidiaries which comprise the consolidated statements of financial condition as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 auditor's 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.

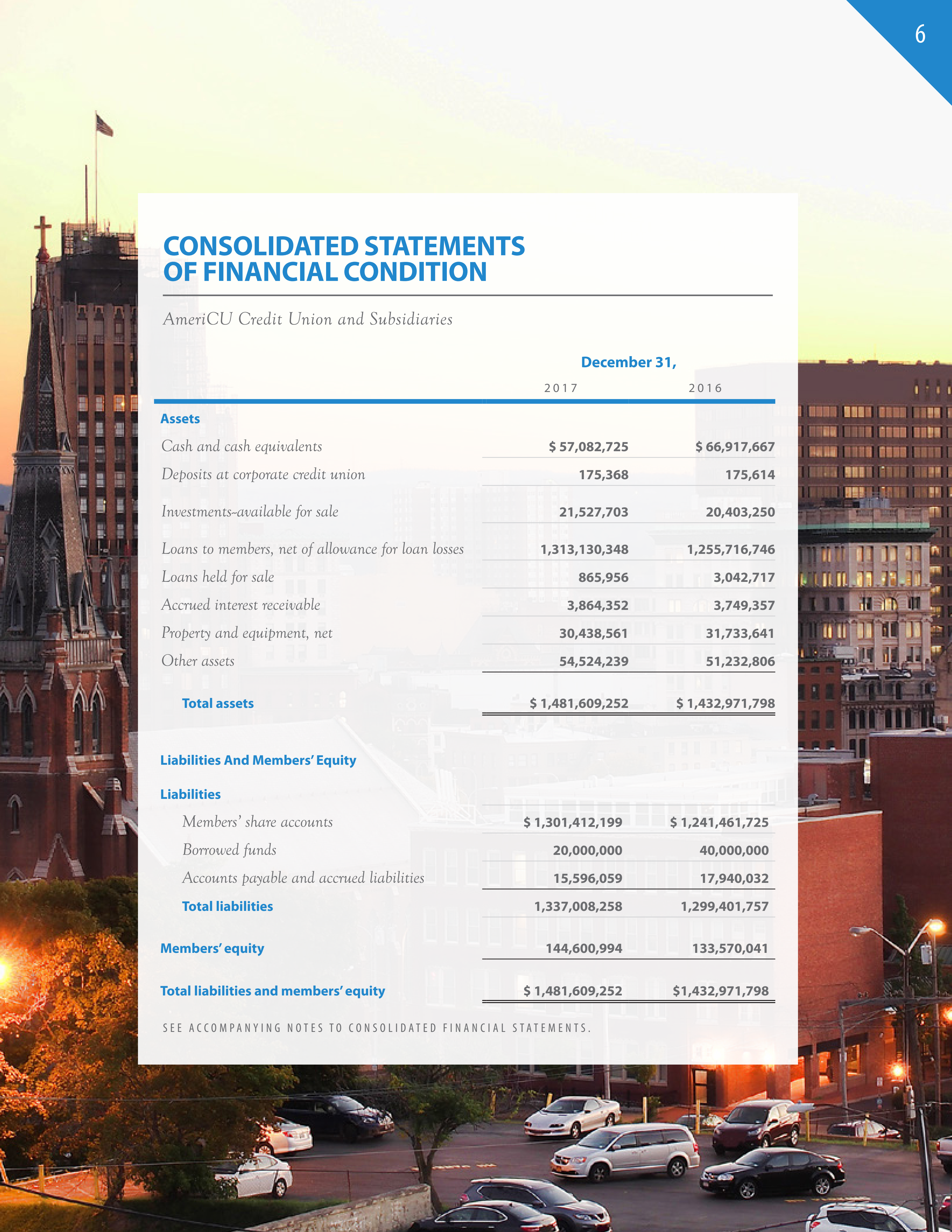
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AmeriCU Credit Union and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Firley, Moran, Freer & Eassa, CPA, P.C.

Syracuse, New York
February 23, 2018



CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AmeriCU Credit Union and Subsidiaries

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 57,082,725	$ 66,917,667
Deposits at corporate credit union	175,368	175,614
Investments-available for sale	21,527,703	20,403,250
Loans to members, net of allowance for loan losses	1,313,130,348	1,255,716,746
Loans held for sale	865,956	3,042,717
Accrued interest receivable	3,864,352	3,749,357
Property and equipment, net	30,438,561	31,733,641
Other assets	54,524,239	51,232,806
Total assets	$ 1,481,609,252	$ 1,432,971,798
Liabilities And Members' Equity		
Liabilities		
Members' share accounts	$ 1,301,412,199	$ 1,241,461,725
Borrowed funds	20,000,000	40,000,000
Accounts payable and accrued liabilities	15,596,059	17,940,032
Total liabilities	1,337,008,258	1,299,401,757
Members' equity	144,600,994	133,570,041
Total liabilities and members' equity	$ 1,481,609,252	$1,432,971,798

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2017	2016
Income:		
Interest on loans	$51,255,006	$46,820,876
Investment income	3,726,436	1,889,339
	54,981,442	48,710,215
Interest expense:		
Dividends	9,233,569	7,995,068
Borrowed funds	157,799	126,761
	9,391,368	8,121,829
NET INTEREST INCOME	45,590,074	40,588,386
Provision for loan losses	7,055,000	5,399,427
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,535,074	35,188,959
Non-interest income:		
Fees, service charges and other income	20,404,551	19,941,582
Gain on sales of loans	2,017,289	2,728,063
	22,421,840	22,669,645
Non-interest expense:		
Compensation and benefits	27,251,065	25,372,403
Office occupancy and operations	16,186,775	16,893,770
Professional services	4,929,011	5,214,306
Membership services, promotions and other	2,452,331	2,462,229
	50,819,182	49,942,708
Net income	$ 10,137,732	$ 7,915,896

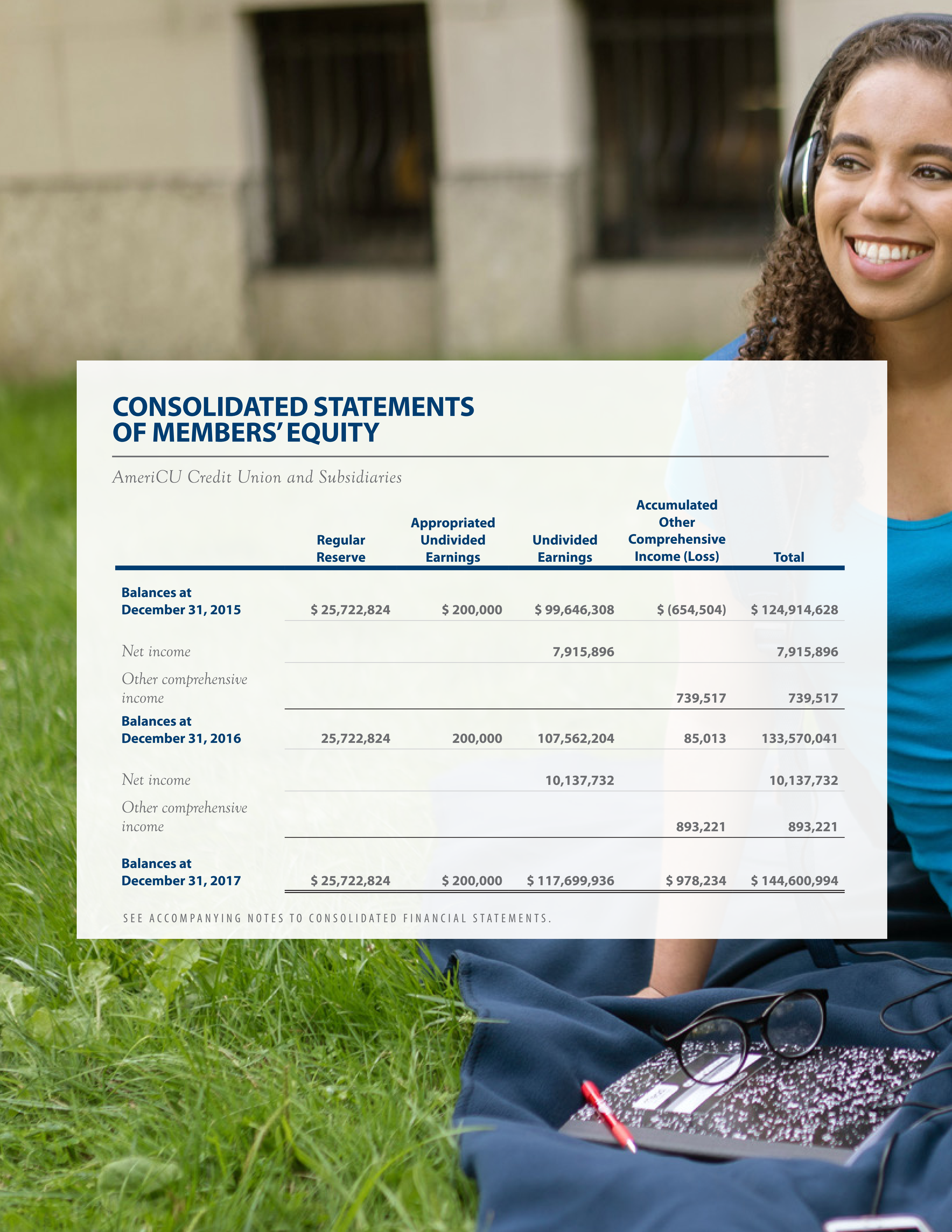
SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2017	2016
Net income	$ 10,137,732	$ 7,915,896
Other comprehensive income:		
Unrealized holding gains on investments-available for sale arising during the year, net	919,913	949,383
Reclassification adjustment for gains included in net income	(26,692)	(209,866)
Other comprehensive income	893,221	739,517
Total comprehensive income	$ 11,030,953	8,655,413

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

AmeriCU Credit Union and Subsidiaries

	Regular Reserve	Appropriated Undivided Earnings	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2015	$ 25,722,824	$ 200,000	$ 99,646,308	$ (654,504)	$ 124,914,628
Net income			7,915,896		7,915,896
Other comprehensive income				739,517	739,517
Balances at December 31, 2016	25,722,824	200,000	107,562,204	85,013	133,570,041
Net income			10,137,732		10,137,732
Other comprehensive income				893,221	893,221
Balances at December 31, 2017	$ 25,722,824	$ 200,000	$ 117,699,936	$ 978,234	$ 144,600,994

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.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CONSOLIDATED STATEMENTS OF CASH FLOWS

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 10,137,732**	**$ 7,915,896**
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for loan losses	**7,055,000**	**5,399,427**
Depreciation and amortization	**2,832,421**	**2,860,952**
Gain on sales of loans	**(2,017,289)**	**(2,728,063)**
Loss (gain) on disposal of property and equipment	**45,181**	**(3,432)**
Gain on sales of investments	**(26,692)**	**(209,866)**
Loss (gain) on sales of other real estate owned, net	**26,053**	**(32,347)**
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Loans held for sale	**2,176,761**	**(106,411)**
Accrued interest receivable	**(114,995)**	**(156,780)**
Other assets	**(826,992)**	**(1,078,349)**
Accounts payable and accrued liabilities	**(4,792,706)**	**4,269,132**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 14,494,474**	**$ 16,443,414**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS--CONTINUED

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in deposits at corporate credit unions	$ 246	$ (403)
Purchases of investments-available for sale	(1,907,917)	(4,142,869)
Proceeds from sales of investments-available for sale	1,703,377	1,678,241
Loan originations, net of principal collected	(114,025,158)	(205,836,085)
Proceeds from loans sold	51,014,438	127,425,686
Proceeds from sales of other real estate owned	517,646	1,399,104
Purchases of property and equipment	(1,586,582)	(2,961,692)
Proceeds from sales of property and equipment	4,060	3,432
NET CASH USED IN INVESTING ACTIVITIES	(64,279,890)	(82,434,586)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share accounts	59,950,474	96,567,681
Net decrease in borrowed funds	(20,000,000)	(11,000,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	39,950,474	85,567,681
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,834,942)	19,576,509
Cash and cash equivalents at beginning of year	66,917,667	47,341,158
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 57,082,725	$ 66,917,667
SUPPLEMENTAL DISCLOSURES		
Dividends paid on members' share accounts	$ 9,233,569	$ 7,995,068
Transfer of loans to other real estate owned	$ 559,407	$ 1,384,905
Interest on borrowed funds	$ 157,799	$ 126,761
NON-CASH INVESTING ACTIVITIES		
Unrealized holding gains on investments-available for sale arising during the year, net	$ 893,221	$ 739,517

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AmeriCU Credit Union and Subsidiaries
December 31, 2017 and 2016

NOTE A
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business:

AmeriCU Credit Union (AmeriCU or the Credit Union) is a state chartered cooperative association organized in accordance with the provisions of the State of New York and is administratively responsible to the New York State Department of Financial Services. It promotes thrift among, and creates a source of credit for, its members located in the New York State counties of Oneida, Onondaga, Cayuga, Madison, Jefferson, Oswego, Lewis, Herkimer and Cortland.

Principles of Consolidation:

The financial statements include the accounts of AmeriCU and its wholly owned subsidiaries, Hamilton Associates, Inc., AmeriCU Services, LLC and AmeriCU Capital Management, LLC. These subsidiaries are credit union organizations (collectively the CUOs) incorporated and organized for the primary purpose of providing services to AmeriCU's members. These services include electronic tax filing, insurance and investment services. All significant intercompany accounts and transactions have been eliminated in the financial statements.

Significant Accounting Policies:

The Credit Union and its subsidiaries follow the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations and cash flows of the Credit Union and its subsidiaries. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (the Codification or FASB ASC).

Use of Estimates:

The preparation of the 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 that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, certain operating bank account balances and money market funds. Amounts held on deposit with other financial institutions may, at times, exceed federally insured limits.

Investments:

The Credit Union is required to categorize each investment as either held to maturity, available for sale, or trading. At December 31, 2017 and 2016, the Credit Union did not maintain a trading or held to maturity investment portfolio. Securities not classified as held to maturity or trading are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported as other comprehensive income or loss.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the current liquidity and volatility of the market for each of the individual security categories, (4) the projected cash flows from the specific security type, (5) the financial guarantee and financial rating of the issuer, and (6) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. There are no other than temporary impairment losses at December 31, 2017 or 2016. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans to Members:

Loans receivable that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Certain direct origination costs are deferred and recognized as an adjustment to interest income using the sum of the years digits method over the weighted average life of the loans.

Allowance for Loan Losses:

The allowance for loan losses is established, as losses are estimated to have occurred, through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Because of uncertainties inherent in the estimation process, management's estimate of loan losses within the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible, if any, cannot be estimated.

The allowance consists of specific, general and unallocated components. Specific allowances for loan losses are established for impaired loans on an individual basis as required by the Codification. The general component is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

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. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, 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. Impairment is measured on a loan by loan basis as determined by the fair value of the collateral.

Generally, large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and residential loans for impairment disclosures unless such loans are the subject of a restructuring agreement.

Loan Servicing:

Servicing assets are recognized as separate assets when servicing rights are retained as mortgage loans are sold. When sold, a portion of the basis in the mortgage loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable loan 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 amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.*

Income is recognized 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 loan servicing rights is netted against loan servicing fee income.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If the Credit Union later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Troubled Debt Restructurings:

The Credit Union performs a loan-level valuation of those loans identified by the Credit Union as troubled debt restructurings. The Credit Union believes that each loan included in the analysis constitutes a troubled debt restructuring when, prior to the restructuring, the borrower experiences financial difficulty and, in response, the Credit Union grants a concession to the borrower, such as a reduction of interest rate, extension of the loan term or other concession that the Credit Union would not otherwise consider.

The Credit Union estimates the impairment of the troubled debt restructured loan portfolio by discounting expected cash flows of the restructured loans at the original interest rate. If applicable, the identified impairment amount would then be reserved for as part of the allowance for loan loss account.

Loans Held for Sale:

Loans held for sale are those mortgage loans the Credit Union has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains and losses on sales of mortgage loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans after allocating cost to servicing rights retained. All sales are made without recourse subject to the customary representations and warrantees.

Foreclosed and Repossessed Assets:

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in non-interest expense.

Property and Equipment:

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

National Credit Union Share Insurance Fund Deposit and Assessments:

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

Legislation was passed by Congress to permit the NCUA to create a Temporary Corporate Credit Union Stabilization Fund (TCCUSF) to absorb costs and borrowings incurred by the TCCUSF related to the collapse of various corporate credit unions.

The Credit Union recognizes NCUSIF premiums and TCCUSF assessments when approved by the NCUA. During the years ended December 31, 2017 and 2016, there were no NCUSIF premiums due or TCCUSF assessments recognized by the Credit Union.

Members' Share Accounts:

Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation. However, in the event of liquidation, their accounts are insured in accordance with NCUA regulations through the NCUSIF. Dividends on members' shares are based on available earn-

ings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Members' Equity:

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of undivided earnings, is not available for the payment of dividends. The appropriated undivided earnings was established at the discretion of the Board of Directors and is not available for the payment of dividends.

Advertising Costs:

The Credit Union follows the policy of expensing its advertising costs (including any production costs) as incurred. Advertising expense was approximately $1,444,000 and $1,102,000 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes:

The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union's subsidiary, Hamilton Associates, Inc., is a C corporation and is subject to federal and state income taxes. Its other CUOs are each limited liability companies and are disregarded as separate tax entities. Operations of the CUOs resulted in immaterial amounts of income tax expense in 2017 and 2016.

The Credit Union is a state-chartered credit union described in Internal Revenue Code (IRC) Section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purpose. The Credit Union continually assesses its activities for any potential federal or state income tax liability. In the opinion of management, any liability arising from federal or state taxation of activities deemed to be unrelated to its exempt purposes is not expected to have a material effect on the Credit Union's financial position or results of operation. The Credit Union annually files federal and state unrelated business income tax (UBIT) returns. Amounts of UBIT tax from the performance of activities unrelated to the Credit Union's tax exempt function resulted in immaterial amounts of tax expense in 2017 and 2016.

The Credit Union complies with FASB ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes", which clarifies the accounting for uncertainty in income taxes. There was no impact to the accompanying financial statements attributable to this ASC for the years ended December 31, 2017 and 2016.

The Credit Union is potentially subject to income tax examinations for its U.S. federal and state income taxes for the years 2014 through 2017.

Fair Value Measurements:

Guidance under GAAP establishes a three tiered hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of financial instruments as noted below:

Level 1 - quoted prices in active markets for identical inputs

Level 2 - other significant observable inputs

Level 3 - significant unobservable inputs (including the Credit Union's own assumptions in determining fair value)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. The fair value of investments-available for sale is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). If listed prices or quotes are not available, fair value is based upon quoted market prices of comparable instruments or through adjusted discounted cash flow models that use other significant observable inputs (Level 2).

Recent Accounting Pronouncement:

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers". ASU No. 2014-09 replaces most existing revenue recognition guidance in GAAP and creates a single source of revenue guidance for all entities in all industries and is more principles-based than current revenue guidance. This standard provides a five-step model for an entity to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to receive in exchange for those goods or services. The standard also requires disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for the year ending December 31, 2019. The Credit Union is currently evaluating the impact, if any, this ASU will have on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". This standard requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than equity investments accounted for under equity method of accounting or those that result in the consolidation of the investee). In addition, this standard eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet, this provision of the ASU was early adopted by the Credit Union in 2016. This standard is effective for the year ending December 31, 2019. The Credit Union does not expect the remaining provisions of this standard to have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases". The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, a lessee will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. Leases will be classified as either finance or operating, with classification affecting only presentation of expenses and cash flows. The accounting guidance for lessors is largely unchanged. This standard is effective for the year ending December 31, 2020. The Credit Union is currently evaluating the impact this ASU will have on the financial statements.

In June 2016, FASB issued ASU 2016-13 "Financial Instruments–Credit Losses: Measurement of Credit Losses on Financial Instruments". This standard adds an impairment model, the Current Expected Credit Loss (CECL) model, that is based on expected credit losses rather than incurred losses, which the FASB believes will result in a more timely recognition of such losses. This standard is effective for the Credit Union for the year ending December 31, 2021. The Credit Union is currently evaluating the provisions of this ASU and will be closely monitoring developments and additional guidance to determine the potential impact this standard will have on the financial statements.

Reclassifications:

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Events Occurring After Reporting Date:

The Credit Union has evaluated events and transactions that occurred between December 31, 2017 and February 23, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no such events or transactions identified by the Credit Union.

NOTE B
DEPOSITS AT CORPORATE CREDIT UNION

Credit unions that are participating in corporate credit unions acquire membership privileges by maintaining a deposit with a corporate credit union. The Credit Union is a member of, and transacts business with, Alloya Corporate Federal Credit Union (Alloya). Deposits at Alloya consist of the following:

	December 31,	
	2017	2016
PLATEAU AND MONEY MARKET ACCOUNTS	**$ 368**	**$ 614**
PERPETUAL CONTRIBUTED CAPITAL	**175,000**	**175,000**
	$ 175,368	**$ 175,614**

Perpetual Contributed Capital:

The Credit Union maintains a capital deposit with Alloya in a perpetual contributed capital account. The deposit allows the Credit Union to participate as a member of the corporate credit union. The deposit is uninsured and requires approval by the corporate credit union in order to withdraw the funds. The perpetual contributed capital account of a corporate credit union is subordinate to all other liabilities of a corporate credit union.

NOTE C
INVESTMENTS--AVAILABLE FOR SALE

The Credit Union has made certain investments via a Total Benefit Pre-Funding Program (TBPF Program). The investments made via the TBPF Program are primarily made up of assets normally impermissible to the Credit Union, but allowable if the investments are specifically earmarked for the purpose of pre-funding future employee benefit obligations, with the proceeds off-setting general employee benefits expense. The TBPF investments have been classified as investments-available for sale in the accompanying Consolidated Statements of Financial Condition.

The amortized cost and estimated fair value of investments-available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	AT DECEMBER 31, 2017			
Investments under the TBPF Program:				
Common stocks	$5,925,362	$ 1,252,355	$ 98,206	$ 7,079,511
Real estate investment trusts	920,661	124,328	10,415	1,034,574
Mutual funds	7,348,781	7,467	127,734	7,228,514
Exchange traded funds	6,341,166	15,445	185,497	6,171,114
Other Investments:				
Mortgage-backed securities	13,499	491	-0-	13,990
	$ 20,549,469	$ 1,400,086	$ 421,852	$ 21,527,703

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	AT DECEMBER 31, 2016			
Investments under the TBPF Program:				
Common stocks	$5,541,944	$ 378,997	$ 109,489	$ 5,811,452
Real estate investment trusts	1,216,755	133,586	3,100	1,347,241
Mutual funds	7,155,421	8,218	148,641	7,014,998
Exchange traded funds	6,387,028	652	175,561	6,212,119
Other Investments:				
Mortgage-backed securities	17,089	351	-0-	17,440
	$ 20,318,237	$ 521,804	$ 436,791	$ 20,403,250

The following table presents the Credit Union's investments-available for sale fair value and gross unrealized losses aggregated by the length of time the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
			AT DECEMBER 31, 2017			
Investments under the TBPF Program:						
Common stocks	**$ 226,386**	**$ (13,634)**	**$ 869,861**	**$ (84,572)**	**$ 1,096,247**	**$ (98,206)**
Real estate investment trusts	**14,482**	**(954)**	**118,394**	**(9,461)**	**132,876**	**(10,415)**
Mutual funds	**-0-**	**-0-**	**6,464,827**	**(127,734)**	**6,464,827**	**(127,734)**
Exchange traded funds	**-0-**	**-0-**	**2,694,284**	**(185,497)**	**2,694,284**	**(185,497)**
	$ 240,868	**$ (14,588)**	**$ 10,147,366**	**$ (407,264)**	**$ 10,388,234**	**$(421,852)**
			AT DECEMBER 31, 2016			
Investments under the TBPF Program:						
Common stocks	**$ 1,082,040**	**$ (44,322)**	**$ 473,389**	**$ (65,167)**	**$ 1,555,429**	**$ (109,489)**
Real estate investment trusts	**79,525**	**(631)**	**45,512**	**(2,469)**	**125,037**	**(3,100)**
Mutual funds	**485,939**	**(10,622)**	**5,957,981**	**(138,019)**	**6,443,920**	**(148,641)**
Exchange traded funds	**631,077**	**(15,093)**	**5,458,406**	**(160,468)**	**6,089,483**	**(175,561)**
	$ 2,278,581	**$ (70,668)**	**$ 11,935,288**	**(366,123)**	**$ 14,213,869**	**$ (436,791)**

The Credit Union does not intend to sell the investments and it is not more likely than not that the Credit Union will be required to sell the investments prior to their anticipated recovery of the unrealized losses and, the Credit Union believes the decline in fair value for these securities to be temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment would be reduced and the resulting loss recognized in net income in the period in which the other than temporary impairment is identified.

NOTE D

LOANS TO MEMBERS

Loans to members consist of the following (in 000's):

	December 31, 2017	December 31, 2016
MEMBER BUSINESS LOANS	$ 68,525	$ 32,751
MORTGAGES AND OTHER REAL ESTATE:		
Mortgages	172,468	175,819
Home equity/improvement loans	394,332	404,409
	566,800	580,228
VEHICLES AND OTHER CONSUMER:		
Vehicles	578,831	559,033
Credit cards and other lines of credit	49,158	46,793
Education loans	19,797	18,089
Unsecured signature/personal	37,228	24,718
	685,014	648,633
Less allowance for loan losses	7,209	5,895
	$ 1,313,130	$ 1,255,717

NOTE E
LOAN QUALITY

Management performs a monthly evaluation of the adequacy of the allowance for loan losses (ALL). For the purposes of calculating the ALL, the Credit Union segregates its loan portfolio into the following general segments: member business, mortgages and other real estate and vehicles and other consumer.

The following is an analysis of the allowance for loan losses by segment:

Allowance for Loan Losses

	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
			DECEMBER 31, 2017	
Beginning balance	$ 142,671	$ 1,223,671	$ 4,528,768	$ 5,895,110
Charge-offs	-0-	(947,144)	(6,327,292)	(7,274,436)
Recoveries	656	180,480	1,352,414	1,533,550
Provision	70,494	983,939	6,000,567	7,055,000
Ending balance	$ 213,821	$ 1,440,946	$ 5,554,457	$ 7,209,224
			DECEMBER 31, 2016	
Beginning balance	$ 151,323	$ 1,200,387	$ 3,818,457	$ 5,170,167
Charge-offs	-0-	(978,644)	(5,378,278)	(6,356,922)
Recoveries	57	296,088	1,386,293	1,682,438
Provision	(8,709)	705,840	4,702,296	5,399,427
Ending balance	$ 142,671	$ 1,223,671	$ 4,528,768	$ 5,895,110

The following presents, by loan segment, loans that were evaluated for the allowance for loan losses individually and those that were evaluated collectively as of December 31, 2017 and 2016:

	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
	DECEMBER 31, 2017			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ -0-	$ 563,744	$ -0-	$ 563,744
Ending balance allocated to loans collectively evaluated for impairment	213,821	877,202	5,554,457	6,645,480
Total	$ 213,821	$ 1,440,946	$ 5,554,457	$ 7,209,224
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ -0-	$ 7,394,719	$ 21,843	$ 7,416,562
Ending balance of loans collectively evaluated for impairment	68,524,998	559,405,694	684,992,318	1,312,923,010
Total	$ 68,524,998	$ 566,800,413	$ 685,014,161	$ 1,320,339,572
	DECEMBER 31, 2016			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ -0-	$ 209,724	$ -0-	$ 209,724
Ending balance allocated to loans collectively evaluated for impairment	142,671	1,013,947	4,528,768	5,685,386
Total	$ 142,671	$ 1,223,671	$ 4,528,768	$ 5,895,110
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ -0-	$ 5,418,597	$ 60,528	$ 5,479,125
Ending balance of loans collectively evaluated for impairment	32,750,953	574,808,929	648,572,849	1,256,132,731
Total	$ 32,750,953	$ 580,227,526	$ 648,633,377	$ 1,261,611,856

Past Due Loans:

Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date. An analysis of past due loans, segregated by loan segment, as of December 31, 2017 and 2016, was as follows:

Analysis of Past Due Loans

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
DECEMBER 31, 2017						
Member business	$ 49,776	$ -0-	$ -0-	$ 49,776	$ 68,475,222	$ 68,524,998
Mortgages and other real estate	4,560,471	891,896	5,188,401	10,640,768	556,159,645	566,800,413
Vehicles and other consumer	17,081,907	4,454,187	2,475,147	24,011,241	661,002,920	685,014,161
Total	$ 21,692,154	$ 5,346,083	$ 7,663,548	$ 34,701,785	$ 1,285,637,787	$ 1,320,339,572
DECEMBER 31, 2016						
Member business	$-0-	$ -0-	$ -0-	$ -0-	$ 32,750,953	$ 32,750,953
Mortgages and other real estate	5,264,937	1,098,804	4,002,437	10,366,178	569,861,348	580,227,526
Vehicles and other consumer	12,135,207	3,785,413	1,279,654	17,200,274	631,433,103	648,633,377
Total	$ 17,400,144	$ 4,884,217	$ 5,282,091	$ 27,566,452	$ 1,234,045,404	$ 1,261,611,856

The following table summarizes troubled debt restructurings:

Modifications as of December 31,

	2017			2016		
	Number of loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructuring:						
Mortgages and other real estate	23	$ 3,284,577	$ 3,668,236	18	$ 2,898,702	$ 3,222,032
Vehicles and other consumer	4	78,689	78,689	10	165,045	165,045

There were no troubled debt restructurings that subsequently defaulted in 2017 and 2016.

Risk Rating:

In addition to monitoring the performance status of the loan portfolio, the Credit Union also utilizes a risk rating system to evaluate loan asset quality. This methodology is primarily used for loans that are reviewed individually (typically member business loans) for ALL as described previously and are not part of a homogeneous loan pool. The risk rating system considers factors such as financial condition, earnings, collateral, management and industry outlook.

The Credit Union's internally assigned classifications are as follows: Superior–substantially risk free, Excellent–minimal risk, Good–-modest risk, Acceptable–average risk, Acceptable with caution/watch–developing risk, Special mention–currently protected but potentially weak, considerable risk, Substandard–high and well defined risk of default, Doubtful–extremely high risk of loss, and Loss–-loans classified as loss are considered non-collectible.

Risk Rating by Internally Assigned Classifications for its Member Business Loan Portfolio:

	December 31, 2017	December 31, 2016
Superior	$ -0-	$ 37,087
Excellent	3,586,064	3,415,110
Good	28,716,876	15,845,438
Acceptable	33,376,751	11,994,737
Acceptable with caution/watch	2,030,230	1,124,698
Special mention	815,077	-0-
Substandard	-0-	333,883
Doubtful	-0-	-0-
Loss	-0-	-0-
Total	$ 68,524,998	$ 32,750,953

For loans that are not rated under this system, the Credit Union evaluates credit quality based on the aging status of the loan (previously presented) and the performing status. The following table presents the performance status on selected loans:

	Mortgages and other real estate	Vehicles and other consumer	Total
	DECEMBER 31, 2017		
Performing	$ 561,612,012	$ 682,539,014	$ 1,244,151,026
Non-performing (nonaccrual)	5,188,401	2,475,147	7,663,548
Total	$ 566,800,413	$ 685,014,161	$ 1,251,814,574
	DECEMBER 31, 2016		
Performing	$ 576,225,089	$ 647,353,723	$ 1,223,578,812
Non-performing (nonaccrual)	4,002,437	1,279,654	5,282,091
Total	$ 580,227,526	$ 648,633,377	$ 1,228,860,903

If interest on non-performing loans had been accrued, such income would have approximated $222,900 and $68,200 for the years ended December 31, 2017 and 2016, respectively.

NOTE F
LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of loans serviced for others and the mortgage custodial escrow accounts are summarized as follows (in 000's):

	December 31,	
	2017	2016
Mortgage loan portfolio serviced	$ 288,214	$ 294,061
Custodial escrow accounts	$ 4,086	$ 3,926

A summary of the changes in the balance of mortgage servicing rights in 2017 and 2016 were as follows (in 000's):

	Year ended December 31,	
	2017	2016
Balance, beginning of year	$ 1,044	$ 1,067
Servicing rights recognized	79	278
Amortization of servicing rights	(276)	(301)
Balance, end of year	$ 847	$ 1,044

The carrying value of mortgage servicing rights approximates fair value.

NOTE G
OTHER ASSETS

Other assets consist of (in 000's):	December 31,	
	2017	2016
National Credit Union Share Insurance Fund deposit	$ 12,201	$ 11,216
Dealer reserves	6,604	6,960
Accounts receivable and miscellaneous clearing accounts	2,833	1,596
Loan collateral in process of liquidation	985	427
Mortgage servicing rights	847	1,044
SERP related investments and life insurance annuity	23,432	20,983
Other real estate owned	357	341
Prepaid and deferred expenses	3,892	4,205
Investments in unconsolidated credit union service organizations	1,361	1,308
FHLB of New York stock	1,662	2,803
NCB Community Investment Fund	250	250
Investor Secondary Capital Fund	100	100
	$ 54,524	$ 51,233

Federal Home Loan Bank of New York Stock:

The Credit Union's investment in the Federal Home Loan Bank (FHLB) of New York stock was purchased to allow the Credit Union access to the services provided by the FHLB of New York. The stock is considered restricted, as it may only be resold back to the FHLB of New York at cost. To maintain a line of credit with the FHLB of New York, the Credit Union may be required to invest in additional amounts of FHLB of New York stock.

NOTE H
PROPERTY, EQUIPMENT AND LEASE OBLIGATIONS

Property and equipment is comprised of the following (in 000's):

	December 31,	
	2017	2016
Land	**$ 4,410**	**$ 4,410**
Buildings	**24,176**	**24,042**
Furniture, fixtures and equipment	**21,038**	**17,359**
Automatic teller machines and kiosks	**6,490**	**8,779**
Leasehold improvements	**4,169**	**4,156**
	60,283	**58,746**
Accumulated depreciation and amortization	**(29,844)**	**(27,012)**
	$ 30,439	**$ 31,734**

Depreciation and amortization expense amounted to $2,832,421 and $2,860,952 in 2017 and 2016, respectively.

The Credit Union is obligated under noncancelable operating leases for branch and office facilities. Net rent expense under these operating leases amounted to approximately $514,000 and $458,000 in 2017 and 2016, respectively. Certain leases contain renewal options.

The approximate required minimum rental payments under the terms of the leases are as follows (in 000's):

Years ending December 31,	
2018	**$ 443**
2019	**423**
2020	**324**
2021	**308**
2022	**198**
Thereafter	**1,737**
	$ 3,433

NOTE I
MEMBERS' SHARE ACCOUNTS

The aggregate amount of members' share accounts over $250,000 was approximately $89,891,000 at December 31, 2017.

At December 31, 2017, scheduled maturities of share certificates, including IRA certificate accounts, are as follows (in 000's):

Years ending December 31,	
2018	$ 264,082
2019	55,441
2020	49,267
2021	54,168
2022	37,068
Thereafter	354
	$ 460,380

NOTE J
FINANCING ARRANGEMENTS

Alloya Line of Credit:

The Credit Union has an $8.75 million dollar line of credit agreement with Alloya secured by the assets of the Credit Union. The interest rate is determined by Alloya at the time of borrowing and is established based on current market rates. There were no outstanding borrowings under this facility as of December 31, 2017 and 2016.

FHLB of New York Advance Agreement:

The Credit Union has an advance, collateral and security agreement with the FHLB of New York. This agreement provides the Credit Union with a credit line having $98,371,623 of availability at December 31, 2017. The Credit Union is required to pledge eligible mortgage loans as collateral, with $118,371,623 of mortgages currently eligible to be pledged as collateral. The interest rate is determined by the FHLB of New York at the time of borrowing and is established based on the term of the loan selected by the Credit Union and current market rates. The Credit Union has $20,000,000 (1.56% annual interest, maturing on January 17, 2018) and $40,000,000 (0.75% annual interest, maturing on January 31, 2017) in outstanding borrowings as of December 31, 2017 and 2016, respectively.

Federal Reserve Bank of New York Advance Agreement:

The Credit Union has an advance, collateral and security agreement with the Federal Reserve Bank of New York which provides the Credit Union with a line of credit. The Credit Union is required to pledge eligible indirect auto loans as collateral. The interest rate is determined at the time of borrowing and is established based on a 90-day term set by the Federal Reserve Bank of New York at prevailing market rates. There were no outstanding borrowings under this facility as of December 31, 2017 and 2016.

NOTE K
401(K) PENSION PLAN

The Credit Union maintains a 401(k) pension plan covering substantially all employees. The Plan allows employees, immediately upon date of hire, to defer a portion of their salary through contributions to the Plan. After one year of service the Credit Union makes matching contributions to the Plan based on elected compensation deferrals. The Credit Union's matching contribution is based on 100% of the elected deferral for the first 3% of compensation and 50% of the elected deferral for the next 2% of compensation. Expense for the years ended December 31, 2017 and 2016 amounted to approximately $646,000 and $583,000, respectively.

NOTE L
COMMITMENTS

Financial Instruments with Off-Balance Sheet Risk:

The Credit Union enters into commitments to extend credit in the normal course of meeting the financial needs of its members. Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to a member (as long as there is no violation of any condition established in the contract). These commitments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition.

Credit risk is the possibility that loss may occur from the counterpart's failure to perform according to the terms of the contract. Interest rate risk is due to fluctuations in interest rates that may decrease the market value of a financial instrument. Liquidity risk is the risk that the Credit Union will not be able to meet its contractual obligations as they come due.

The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments. The Credit Union controls the credit risk of commitments to extend credit through credit approvals, credit limits, monitoring procedures, and management's evaluation of each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the member.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amounts of the commitments. A summary of the contract amounts of the Credit Union's commitments to extend credit at December 31, 2017 is as follows (in 000's):

Unused credit card lines	**$ 105,183**
Unused lines of credit	**38,277**
Overdraft protection program commitments	**29,029**
Loans approved not yet disbursed	**2,859**
Unused residential construction loans	**931**
Unfunded business loan commitments	**16,725**
Other unfunded commitments	**8,965**
	$ 201,969

Since portions of the above commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

Financial Instruments with Concentrations of Credit Risk:

The Credit Union has identified certain credit risk concentrations in relation to its on and off balance sheet financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

The Credit Union, at times, maintains deposits with depository financial institutions that exceed federally insured limits.

The Credit Union originates residential real estate loans throughout Central and Northern New York. These loans are underwritten to comply with secondary market standards and are secured by the underlying collateral. The Credit Union also grants various secured and unsecured consumer type loans to members in these regions.

Sponsorship Commitments:

The Credit Union has sponsorship and license commitments with several local organizations and is required to pay approximately $595,000 over the next three years; $428,000 in 2018, $100,000 in 2019 and $67,000 in 2020.

NOTE M
RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, executive officers and employees. The aggregate loans at December 31, 2017 and 2016 are approximately $12,655,000 and $12,754,000, respectively. Shares from these related parties at December 31, 2017 and 2016 amounted to approximately $17,818,000 and $14,332,000, respectively. It is the Credit Union's policy that all such transactions are on substantially the same terms as those for comparable transactions with its members.

NOTE N
REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements. 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 regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off balance sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth 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.

Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) requirement which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW ratio as of December 31, 2017 and 2016 was 5.9% and 6.1%, respectively. A ratio of 6% or greater would cause the Credit Union to be considered complex. The Credit Union was classified as complex at December 31, 2016, and as such, the Credit Union's net worth ratio must be greater than the RBNW ratio or it will be classified as undercapitalized. Management believes, as of December 31, 2017 and 2016, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2017, the most recent call reporting period, the Credit Union was categorized 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% of assets and meet any applicable RBNW requirement. Management believes there are no conditions or events that have occurred since that notification that would have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2017 and 2016 are presented in the following table (in 000's):

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions		To be Adequately Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2017						
Net Worth	$ 143,623	9.7%	$ 103,746	7.0%	$ 88,926	6.0%
Risk-Based Net Worth Requirement	87,147	5.9%	N/A	N/A	N/A	N/A
December 31, 2016						
Net Worth	$ 133,485	9.3%	$ 100,273	7.0%	$ 85,948	6.0%
Risk-Based Net Worth Requirement	87,810	6.1%	N/A	N/A	N/A	N/A

Actual net worth amounts in the preceding table do not include accumulated other comprehensive income or (loss). In performing its calculation of total assets, the Credit Union used the quarter-end balance option, at December 31, 2017 ($1,482,092,315) and December 31, 2016 ($1,432,467,234), as permitted by regulation.

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category.

Firley, Moran, Freer & Eassa, CPA, P.C.
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TEL: 315.472.7045 • **FAX:** 315.472.7053 • **www.fmfecpa.com**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

To the Supervisory Committee and Board of Directors
AmeriCU Credit Union
Rome, New York

We have audited the financial statements of AmeriCU Credit Union and Subsidiaries as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon, dated February 23, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to February 23, 2018.

The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Firley, Moran, Freer & Eassa, CPA, P.C.

Syracuse, New York
February 23, 2018

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AmeriCU Credit Union And Subsidiaries
December 31, 2017

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Services, LLC	AmeriCU Capital Management, LLC	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 57,082,725	$ 103,876	$ 1,463,362	$ 2,387,750	$ 3,954,988	$ 57,082,725
Deposits at corporate credit union	175,368					175,368
Investments–available for sale	21,527,703					21,527,703
Loans to members, net of allowance for loan losses	1,313,130,348					1,313,130,348
Loans held for sale	865,956					865,956
Accrued interest receivable	3,864,352					3,864,352
Property and equipment, net	30,438,561					30,438,561
Other assets	58,405,284		458,697	24,180	4,363,922	54,524,239
Total assets	$ 1,485,490,297	$ 103,876	$ 1,922,059	$ 2,411,930	$ 8,318,910	$ 1,481,609,252
Liabilities And Members' Equity						
Liabilities						
Members' share accounts	$ 1,305,367,187				$ 3,954,988	$ 1,301,412,199
Borrowed funds	20,000,000					20,000,000
Accounts payable and accrued liabilities	15,522,116		$ 73,943			15,596,059
Total liabilities	1,340,889,303		73,943		3,954,988	1,337,008,258
Members' equity	144,600,994	$ 103,876	1,848,116	$ 2,411,930	4,363,922	144,600,994
Total liabilities and members' equity	$ 1,485,490,297	$ 103,876	$ 1,922,059	$ 2,411,930	$ 8,318,910	$ 1,481,609,252

DETAILS OF CONSOLIDATED STATEMENT OF INCOME

AmeriCU Credit Union and Subsidiaries
Year ended December 31, 2017

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Services, LLC	AmeriCU Capital Management, LLC	Eliminations	Consolidated
Income:						
Interest on loans	$ 51,255,006					$ 51,255,006
Investment income	3,934,689	$ 572	$ 10,687	$ 13,354	$ 232,866	3,726,436
	55,189,695	572	10,687	13,354	232,866	54,981,442
Interest expense:						
Dividends	9,258,182				24,613	9,233,569
Borrowed funds	157,799					157,799
	9,415,981				24,613	9,391,368
NET INTEREST INCOME	45,773,714	572	10,687	13,354	208,253	45,590,074
Provision for loan losses	7,055,000					7,055,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,718,714	572	10,687	13,354	208,253	38,535,074
Non-interest income:						
Fees, service charges and other income	17,815,168	3,427	1,121,866	1,469,490	5,400	20,404,551
Gain on sales of loans	2,017,289					2,017,289
	19,832,457	3,427	1,121,866	1,469,490	5,400	22,421,840
Non-interest expense:						
Compensation and benefits	25,248,702		959,269	1,043,094		27,251,065
Office occupancy and operations	15,783,395	5,298	183,546	219,936	5,400	16,186,775
Professional services	4,929,011					4,929,011
Membership services, promotions and other	2,452,331					2,452,331
	48,413,439	5,298	1,142,815	1,263,030	5,400	50,819,182
Net income (loss)	$ 10,137,732	$ (1,299)	$ (10,262)	$ 219,814	$ 208,253	$ 10,137,732

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VICE CHAIRMAN

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RECORDING OFFICER

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DIRECTOR

Jennifer Stowell
DIRECTOR

Nicola Fabrizio
DIRECTOR

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Laura Fleck
MEMBER

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AMERICU SERVICES, LLC
AND AMERICU CAPITAL MANAGEMENT, LLC

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Vincent Schoonmaker
CHIEF INFORMATION OFFICER

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EXECUTIVE ASSISTANT

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ASSISTANT VICE PRESIDENT, FACILITIES AND CONSTRUCTION

Benjamin Cassano
CHIEF AUDIT EXECUTIVE

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Ryne Cornacchia
MANAGER, RISK SERVICES

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MANAGER, AUTOMATED DELIVERY SYSTEMS AND SERVICES

Michael Francisco
MANAGER, SECONDARY MARKET

Michele Garcia
VICE PRESIDENT, HUMAN RESOURCES

Alexander Gerson
FINANCIAL CENTER MANAGER, CAMILLUS

Jin Gwak
ASSISTANT VICE PRESIDENT, MEMBER TECHNOLOGY SOLUTIONS

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FINANCIAL CENTER MANAGER, ONONDAGA COMMUNITY COLLEGE

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FINANCIAL CENTER MANAGER, CICERO

Dyana Herrig-O'Neill
VICE PRESIDENT, FINANCIAL CENTER OPERATIONS

Linda A. Hoff
MANAGER, COMPLIANCE OFFICER

Dora Iles
PROJECT MANAGEMENT OFFICER

Jason Lewin
MANAGER, MEMBER TECHNOLOGY INFRASTRUCTURE

Diana Lingel
FINANCIAL CENTER MANAGER, SYRACUSE

Tina Lanier
FINANCIAL CENTER MANAGER, FORT DRUM

Karen E. Lockwood
FINANCIAL CENTER MANAGER, AUBURN

Rebecca Mabry
FINANCIAL CENTER MANAGER, WATERTOWN

Janice Mancuse
TRAINING SUPERVISOR

Michael J. Manuele
ASSISTANT VICE PRESIDENT, FINANCIAL CENTER SERVICES

JoAnne Marco
TECHNICAL SUPPORT SUPERVISOR

Vaune A. Morat
MANAGER, MEMBER SERVICE CENTER

Monica Mosher
FINANCIAL CENTER MANAGER, LIVERPOOL

Linda Murphy
MANAGER, PROCESS IMPROVEMENT

Rindy L. Pallas
MANAGER, ACCOUNTING AND ELECTRONIC SERVICES

Sharron Puglio
MANAGER, LOAN WORK OUT AND RECOVERY

Janette Ranieri
FINANCIAL CENTER MANAGER, ARMORY SQUARE

Tab Rightmyre
MANAGER OF OUTREACH & EDUCATION

Connie Schoff
MANAGER, CORE PROCESSING

Barbara H. Schram, SPHR
MANAGER, HUMAN RESOURCES

Rachel Siderine
FINANCIAL CENTER MANAGER, ONEIDA

Tina Thornton
ASSISTANT VICE PRESIDENT, FINANCIAL CENTER SERVICES

Ellen M. Traub
FINANCIAL CENTER MANAGER, COMMERCIAL DRIVE

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ASSISTANT VICE PRESIDENT, COMMERCIAL & RESIDENTIAL REAL ESTATE CREDIT RISK

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Jennifer Viti
FINANCIAL CENTER MANAGER, NORTH UTICA

Anthony Voce
MANAGER, PAYMENT OPERATIONS

Tim S. Witter
MANAGER, FINANCIAL ANALYSIS AND PLANNING

Harris Weisman
MANAGER, INFORMATION SECURITY

Heather Wilson
FINANCIAL CENTER MANAGER, ROME

Kaleb Wilson
FINANCIAL CENTER MANAGER, CORTLAND

Christopher A. Wood
RELATIONSHIP MANAGER, INDIRECT LENDING

Heather Wood
FINANCIAL CENTER MANAGER, FAYETTEVILLE

19 CONVENIENT FINANCIAL CENTER LOCATIONS

Armory Square Office
200 Walton Street
Syracuse, NY 13202

Auburn Office
295 Grant Avenue
Auburn, NY 13021

Camillus Office
5212 West Genesee Street
Camillus, NY 13031

Cazenovia Office
82 Albany Street
Cazenovia, NY 13035

Cicero Office
6414 State Route 31
Cicero, NY 13039

Commercial Drive Office
4957 Commercial Drive
Yorkville, NY 13495

Cortland Office
3944 NY RT 281 Suite 15
Cortland, NY 13045

Fayetteville Office
5439 N Burdick Street
Fayetteville, NY 13066

Fort Drum Office
10750 Enduring Freedom Drive
Fort Drum, NY 13602

Griffiss Park Office
231 Hill Road
Rome, NY 13441

Herkimer Office
EFK Plaza 326 E. State Street
Herkimer, NY 13350

Liverpool Office
7474 Oswego Road
Liverpool, NY 13090

Lowville Office
7394 Utica Boulevard
Lowville, NY 13367

North Utica Office
224 N Genesee Street
Utica, NY 13502

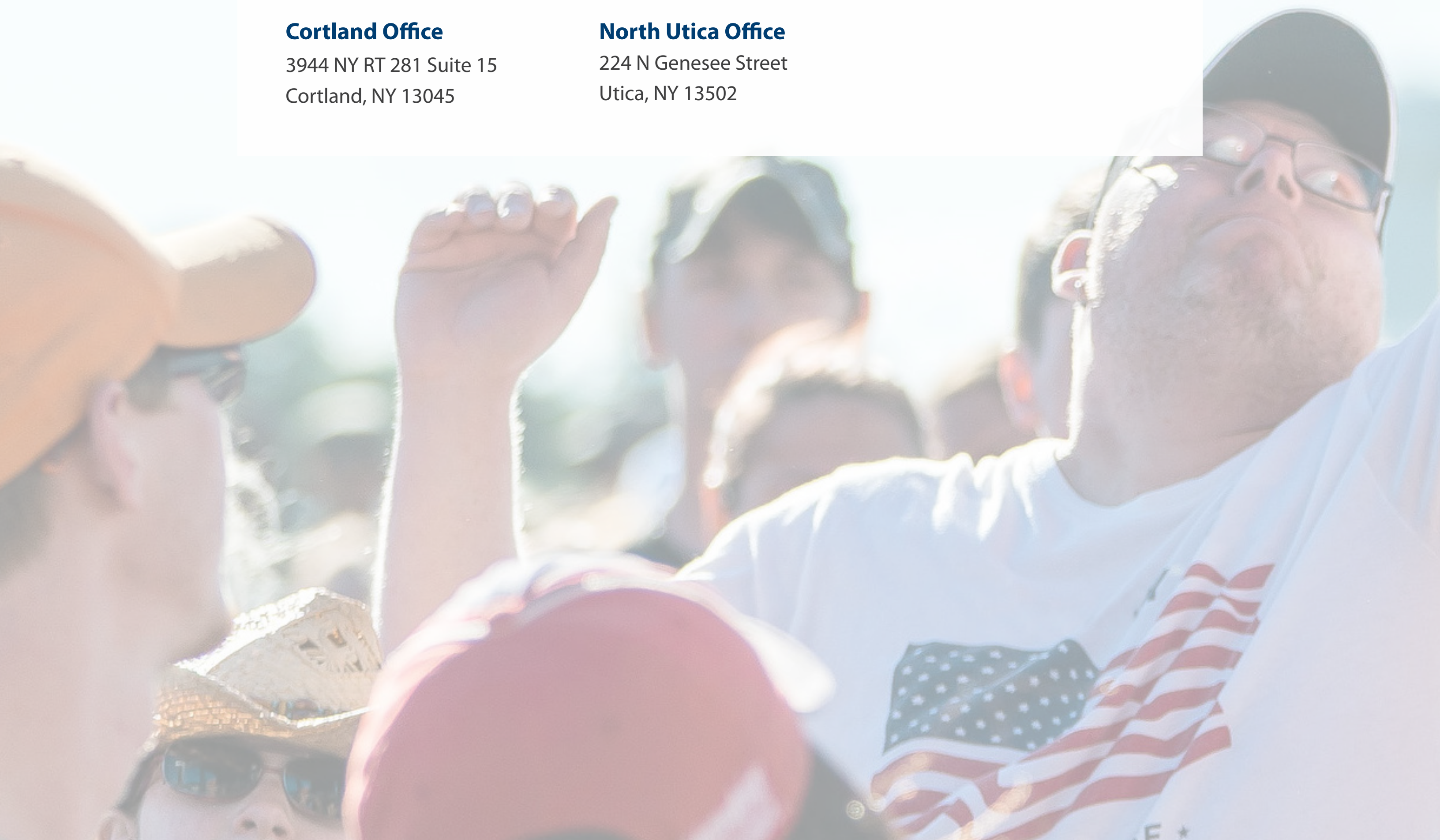
Onondaga Community College Office
Whitney Center for
Applied Technology
4585 W Seneca Street
Syracuse, NY 13215

Oneida Office
280 Genesee Street
Oneida, NY 13421

Rome Office
1916 Black River Boulevard
Rome, NY 13440

Syracuse Office
6303 Thompson Road
Syracuse, NY 13206

Watertown
871 Arsenal Street
Watertown, NY 13601

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NOTES

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