

Infinite Solution Possibilities

INFINITE

CorporateOne
2010 Annual Report

UNION POS

SUBLITES

Infinite Solution Possibilities

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Valuable Solutions



Corporate One knows what provides value to credit unions. We understand that all parts of our organization need to work together seamlessly and strategically to deliver the infinite solution possibilities credit unions need to successfully compete in today's marketplace.

Our turnkey solutions allow easy entry into an array of products that enable credit unions to meet their specific business objectives by growing their bottom line through increased revenue, maximized operating efficiencies and

membership expansion. Included standard with our solutions come many cost saving features, significant back office support and free access to extensive online training. For credit unions, such as Directions Credit Union in Sylvania, OH, our dependable, valuable solutions mean that credit union representatives don't have to spend time managing or researching the intricacies of a transaction; they can do what matters most and focus on their membership.

Credit unions partnering with Corporate One benefit from

the peace of mind that comes from working with a trusted corporate. We have a strong business model that employs conservative investment strategies and enterprise wide risk management, maintains industry compliance standards and is staffed by licensed, accredited personnel throughout all levels of our organization. Our areas of expertise include, but are not limited to asset/liability management, correspondent services, information technology, sales and marketing, member services, finance and human resources.

Infinite Solution Possibilities

Payment Solutions • Liquidity Solutions • Card Solutions • Investment Solutions • Imaging Solutions
Business Service Solutions • Strategic Alliances • Peace of Mind

SOLUTIONS

Barry Shaner, President/CEO
Directions CU, Sylvania, OH
Asset size: \$536.1 million

Proven Solutions



Corporate One ended 2010 in a solid financial position, thanks to our strong business model, which is fueled by profitable correspondent and brokerage services, efficient operations and continued support from our members, like Metro Employees Credit Union in Lexington, KY.

Corporate One is most proud of the fact that our members' capital shares remain intact. Corporate One is in the unique position of being one of only a

handful of corporates to have never impaired our members' capital. In 2010, we further strengthened our corporate with more than \$12 million in net income, which enabled us to grow reserves and undivided earnings (RUDE) significantly to \$35.4 million and post a strong return on assets (ROA) of .36%, making us one of the most profitable corporates.

Additionally, with support from 44 new members in 2010,


Corporate One continues to hold the most total regulatory capital dollars of any corporate credit union in the nation with \$182.9 million as of December 31, 2010.

Throughout last year, we also focused on expense control. One ratio that we monitor closely is the percentage of expenses (excluding the NCUSIF premium assessment) we can cover with fee income. That ratio was just over 80%.

2010 Financial Highlights

- Total regulatory capital: \$182.9 million
- Net income: \$12.1 million
- Reserves and undivided earnings: \$35.4 million
- Return on Assets: .36%
- Coverage ratio: 80.14%
- Total assets under management: \$4.4 billion

SOLUTIONS



Piper Graham, President/CEO
Metro Employees CU, Lexington, KY
Asset size: \$17 million

Visionary Solutions



The vision of Corporate One's board, management team and staff has made us one of the most progressive corporate credit unions in the country. Most recently, the foresight, experience and decisiveness of our people played an instrumental role in Corporate One weathering the economic downturn. And for credit union members, like Ohio University Credit Union in Athens, OH, that means we were able to preserve their capital investment with us.

We at Corporate One remain grounded in the understanding that our members have entrusted us with their members' funds. And to take good care of this trust, risk is something we manage carefully, by:

- Remaining focused on building reserves and undivided earnings. Efficient growth has allowed us to build our reserves to levels that absorbed any losses.
- Using a common sense view of diversification. Corporate One remained a well-diversified corporate, even at the height of the economic crisis.
- Maintaining liquidity. During the crisis, while others borrowed even more, Corporate One removed \$750 million in borrowings from our balance sheet in July 2007 when we saw the beginnings of the market collapse. To this day, a large portion of our assets remain very liquid to ensure we can meet any member demands that may arise.
- Leveraging the power of an active risk management process. Even before the crisis began, we established self-imposed prohibitions on purchasing toxic securities, such as option adjusted mortgages and CDOs, which have resulted in the most significant losses in the corporate network.

Our common sense diversification strategy and conservative philosophy, along with an adherence to solid risk management practices, helped us get through this crisis, remain trusted stewards of our members' funds and position us for a successful future.

Assets Under Management: Average 2010 assets \$3.4 billion

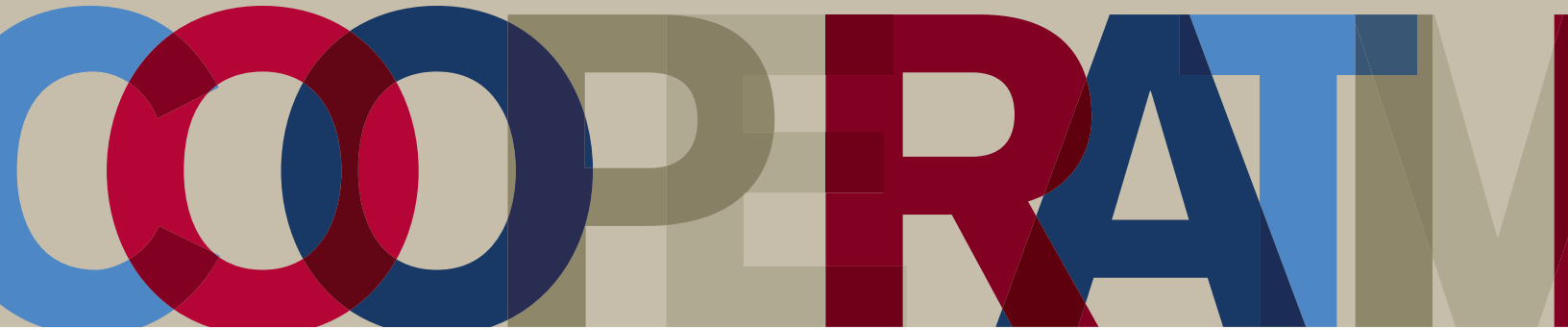
Liquidity Position (as of December 31, 2010):

		Percent of average assets
Average cash and cash equivalents	\$ 1.1 billion	32%
External funding sources	\$ 1.3 billion	38%
Total liquidity sources	\$ 2.4 billion	71%



Phil Meyer, CEO
Ohio University CU, Athens, OH
Asset size: \$250.9 million

Cooperative Solutions



As a corporate credit union, cooperative is at the heart of who we are. It is what makes Corporate One fundamentally different from other financial service providers. We exist for the mutual benefit of our membership, and for those credit union foundations and organizations that work to ensure the long-term success of our movement.

Cooperative is also the spirit in which we work with others in our industry to leverage opportunities for credit unions of all sizes. For example, our partnership with PSCU Financial Services led us down a

path that, through the power of aggregation, has opened doors for small- to mid-sized credit unions looking to offer their members a best-in-class cards service, including credit cards. In the development of Alliance One, we teamed up with our members and traveled down the path of innovation to develop one of the nation's largest selective-surcharge ATM groups. And, in our establishment of Primary Financial Company LLC, collaboration and aggregation of brokered certificates of deposit has created investment opportunities for corporates and credit unions nationwide.

We also serve many credit union service organizations (CUSOs), like the e-document solutions CUSO eDOC Innovations, Inc., helping them provide solutions to meet the business objectives of their member/clients.

We have several notable affiliations that tap industry experts and take advantage of aggregated volumes to provide comprehensive, competitive solutions. Our partnerships are integral to the solutions we develop. And, our understanding of the power of being a cooperative is what makes them possible.

Corporate One Strategic Alliances

- Alaska USA Trust Company
- Alliance One
- Diebold
- eDOC Innovations, Inc.
- Federated Investors, Inc.
- Multi-Bank Securities, Inc.
- Primary Financial Company LLC
- ProfitStars
- PSCU Financial Services
- Sallie Mae®
- VSoft®

ESOLUTIONS



Bret Weekes, CEO
eDOC Innovations, Inc.
Middlebury, VT

Looking Ahead



Looking ahead, Corporate One is confident in our ability to successfully meet our members' needs and to continue serving credit unions. We have a strong business model, providing correspondent payment solutions along with liquidity and investments to credit unions.

We are successful because we have a strong infrastructure, including a well established enterprise wide risk management (EWRM) department and EWRM committee that worked as designed throughout the recent economic crisis. We also have an extensive and skilled team in our information technology department that ensures our members have secure, convenient access to their funds and the critical

payment systems that process their members' transactions. Additionally, we have a history of more than 15 years of independent investing, with licensed investment and registered representatives. As an Office of Supervisory Jurisdiction, we are able to provide access to full-service brokerage services without the cost of a broker/dealer infrastructure.

As proof that our business model is compelling and trusted by credit unions, we currently have the largest pipeline of potential new members in our history and we are one of the only corporate credit unions to experience net growth in membership over the last two years, including new members like Whitewater Regional FCU in Connersville, IN.

More importantly, as we look ahead to operating successfully in a new regulatory environment, Corporate One is in the best position of any corporate credit union to meet the new National Credit Union Administration (NCUA)-mandated capital ratios. As we didn't lose any of our members' capital, Corporate One members do not need to contribute new capital to our organization; they only need to convert their existing capital to the new form of capital, as outlined by the NCUA. Our capital re-commitment has been well-received by our membership, and we are grateful for their continued support, which is the foundation of all of our successes.

New Members in 2010

Adams Co Farm Bureau Cooperative CU, Monroe, IN
Alloy FCU, Alloy, WV
Bar-cons FCU, Columbus, IN
Best Advantage CU, Brillion, WI
Big Spring Education Employees FCU
Big Spring, TX
Bluebonnet CU, Houston, TX
Brown-Forman Employees CU, Louisville, KY
Chocolate Bayou Community FCU, Alvin, TX
Community CU, La Crosse, WI
Countryside FCU, Syracuse, NY
CUSA FCU, Covington, LA
Dubois-Pike FCU, Jasper, IN
Dyersburg CU, Dyersburg, TN
ECCO CU, Pace, FL
Elkhart Postal Employees FCU, Elkhart, IN

Empire State CU, Spring Valley, NY
Evangelical Christian CU, Brea, CA
Frick Tri-County FCU, Uniontown, PA
Grand Heritage FCU, Laporte, IN
Haynes Community FCU, Kokomo, IN
Hometown FCU, Peru, IN
Howard County School Employees FCU,
Kokomo, IN
Independent FCU, Anderson, IN
Indianapolis Post Office CU, Indianapolis, IN
Link FCU, Indianapolis, IN
Norton-Troy Employees CU, Watervliet, NY
NuMark CU, Joliet, IL
Penn Drake CU, Karns City, PA
Pittsford FCU, Mendon, NY
Post Office CU of MD, Inc., Baltimore, MD

Richmond City Employees FCU, Richmond, IN
Richmond State Hospital Employees CU,
Richmond, IN
St. Martin De Porres Parish FCU, Chicago, IL
Santa Barbara County FCU, Santa Barbara, CA
Silver State Schools Family CU, Las Vegas, NV
Sunset Science Park FCU, Portland, OR
Texas DPS CU, Austin, TX
Texoma Educators FCU, Sherman, TX
United Community CU, Galena Park, TX
Webster FCU, Webster, NY
West Penn P&P FCU, Beaver, PA
WGE FCU, Muncie, IN
Wufface FCU, Richmond, IN
Xtend Inc., Grand Rapids, MI

IAHEAD

Renee Zumkeller, Manager
Whitewater Regional FCU
Connersville, IN
Asset size: \$6.2 million

Executive Leadership

EXECUTIVE



The Chairman and President

Gerald Guy, (L) Chairman, CEO, KEMBA Financial CU
Lee Butke, (R) President/CEO

A Letter to our Members

There is no doubt that 2010 was a pivotal year for corporate credit unions and the credit unions we serve. The National Credit Union Administration's (NCUA) revision of Rules and Regulations, Part 704, which govern corporate credit unions, was finalized, taking the lessons from this most recent economic crisis and moving us all forward. We are proud that Corporate One's proven and viable business model not only thrived during this downturn, but also aligns well with the new regulations without breaking stride.

Corporate One is in an excellent position to meet the new capital ratios, as outlined in Reg. 704. Unlike other corporate credit unions whose members' capital was totally or partially impaired, Corporate One was able to protect our members' capital investment with us from any depletions. As a result, Corporate One's members do not need to contribute new capital to our organization to meet the new regulations — we asked them only to re-commit their existing capital to the new form of NCUA-mandated capital, Perpetual Contributed Capital (PCC).

LEADERSHIP

While we are still in the midst of our capital conversion, the process is going well and we are on target to meet the new "well-capitalized" ratios.

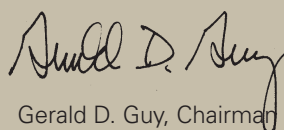
Our strength from the beginning of the crisis, which is still true today, is that Corporate One already had in place many of the risk management controls, strategic operational processes and infrastructure requirements identified in the updated regulation. We maintain an efficient organization that provides profitable, successful financial solutions to our members. We employ conservative, well-diversified investment strategies, which are managed by licensed investment professionals. And, our infrastructure includes a well-established enterprise wide risk management department, a comprehensive information technology division, as well as an experienced and accredited payment solutions staff. Proudly, our people and processes have helped Corporate One weather the economic crisis better than most in our industry, and now we look forward to brighter days on the horizon.

The improving economy and the ongoing support of our membership continue to strengthen our financial condition. Corporate One had a strong 2010, and we ended the year in a positive financial position. With more than \$12 million in net income, we were able to continue building our reserves and undivided earnings, growing our total regulatory capital to \$182.9 million — more than any other corporate credit union. Certainly, Corporate One has a lot of positive momentum and we are confident in our ability to continue serving our members and adding even more credit unions from around the nation to our family. We are excited about what the future holds for us, for our industry, and for our members.

Finally, it is with tremendous pride that we recognize our Board of Directors, Supervisory Committee, senior management and staff for all of their hard work. The experience and dedication of our people has enabled us to continue providing unparalleled service and financial solutions to our credit union members without pause throughout these trying times. And, we are most thankful to our members whose continued support has strengthened us and made us the corporate we are today. We look forward to serving all of our credit union members well into the future.



Lee C. Butke, President



Gerald D. Guy, Chairman

Executive Leadership

EXECUTIVE



Corporate One Board Members

Pictured left to right: Ronald Budzinski, First Trust CU; Robert D. Burrow, Bayer Heritage FCU; Janice L. Thomas, PSE CU; Charles F. Plassenthal, Dayton Firefighters FCU; Sonja Delaney, Midwest Community FCU; John J. Shirilla, Best Reward CU; Phillip R. Buell, Superior FCU; R. Lee Powell, DESCO FCU

LEADERSHIP



Corporate One Senior Management

Pictured left to right: Kurt Lykins, VP and Chief Technology Officer, Tammy Cantrell, SVP, Asset/Liability Management; Robert Coyan, SVP, Marketing and Operations; Melissa Ashley, VP and Chief Financial Officer; Cheri Couture, VP, Human Resources and Administration; Joe Ghammashi, VP and Chief Risk Officer

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

EXECUTIVE SUMMARY

After two very difficult years, whereby the global financial crisis ravaged the corporate network, 2010 was still a good year for Corporate One. With the economy slowly beginning to recover, we experienced some stabilization in our investment portfolio. Unrealized losses on our securities improved by \$89.4 million compared to the end of 2009 and improved a staggering \$337.9 million from December 2008. Although we did record other-than-temporary impairment (OTTI) on certain mortgage-related securities, we were able to absorb these charges in our earnings and report overall net income of \$12.1 million for 2010. Our regulatory capital increased by \$15.2 million in 2010, compared to 2009. This helped boost our capital ratio to 5.39 percent, which is now back above the 5 percent minimum capital ratio required by the National Credit Union Administration (NCUA.) As of December 31, 2010 we had reserves and undivided earnings (RUDE) of \$35.4 million. Our members' capital shares remain 100 percent intact.

In October 2010, the NCUA re-wrote the NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions. Among other things, the revised regulation established a new capital framework including risk-based capital requirements, placed various new limits on corporate governance provisions, and imposed new asset/liability management controls.

Corporate One entered into the global financial crisis with self-imposed restrictions that required us to maintain a diversified balance sheet. We also proactively worked to ensure that we maintained adequate liquidity throughout the crisis. We believe that these were critical factors in helping us maintain positive RUDE during the last two years. With our members' capital shares 100 percent intact, we are in a strong position to comply with NCUA's new capital framework by the October 2011 deadline.

The new regulation focuses on the building of RUDE through earnings. Corporate One has historically been a profitable corporate, with very strong core earnings. We maintain a strong suite of brokerage and correspondent services, which contribute to our earnings while not requiring significant levels of capital. We have been in the brokerage business since 1996 and have built a staff of registered representatives – two principals and five with a Series 7 license. We continually look for ways to assist our members with their investment needs. To that end, we recently announced that we are making two Federated Investors mutual funds available to credit unions. These new investment solutions help credit unions maximize their yield and diversify their portfolios.

In addition to brokerage services, we are also a one-stop shop for correspondent services, providing everything from share draft processing to electronic forward collection to ACH and vault services. These services are valuable to credit unions and help diversify our earnings. We have always placed a strong emphasis on being efficient and controlling our expenses. Our share draft processing and forward collection services are 100 percent electronic; a much more efficient process than paper processing. We also continue to re-invent products to ensure that we are providing these services in the most efficient manner. As a result, in 2010 we maintained our operating expenses at levels near where they were in 2006, while growing our net service fee income and net interest income well over the 2006 levels.

We are confident in our business model and stand ready to meet the needs of our member credit unions. Table One provides selected financial information for the last five years.

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

	As of and for the year ended December 31,				
	2010	2009	2008	2007	2006
Net Interest Income	\$ 18,714	\$ 17,671	\$ 28,029	\$ 21,490	\$ 13,607
Net Service Fee Income	11,394	12,817	12,596	10,524	8,011
Total Operating Expenses	16,167	15,143	19,125	16,819	16,122
CORE EARNINGS BEFORE NET (LOSS) GAIN ON INVESTMENTS AND OTHER ITEMS	13,941	15,345	21,500	15,195	5,496
Net (Loss) Gain on Investments	(1,838)	(57,692)	(94,056)	549	215
NET INCOME (LOSS)	\$ 12,103	\$ (42,347)	\$ (72,556)	\$ 15,744	\$ 5,711
RUDE	\$ 35,431	\$ 23,648	\$ 30,818	\$ 104,171	\$ 89,981
PIC	25,332	25,682	25,682	25,682	25,682
MCS	126,924	119,990	116,278	98,388	86,057
Less: Amortization of shares on notice	(4,781)	(1,625)	(366)		
MCS - regulatory	122,143	118,365	115,912	98,388	86,057
TOTAL REGULATORY CAPITAL	\$ 182,906	\$ 167,695	\$ 172,412	\$ 228,241	\$ 201,720
Average Assets	\$ 3,391,202	\$ 3,852,818	\$ 3,965,896	\$ 3,809,373	\$ 3,373,127
Accumulated Other Comprehensive Loss	\$ (166,351)	\$ (255,743)	\$ (504,247)	\$ (74,137)	\$ (231)
Return on Assets	0.36%	-1.10%	-1.83%	0.41%	0.17%
Regulatory Capital Ratio	5.39%	4.35%	4.35%	5.99%	5.98%

REGULATORY CAPITAL POSITION

Our total regulatory capital of \$182.9 million, which includes RUDE of \$35.4 million, membership capital shares (MCS) of \$122.2 million and paid-in capital (PIC) of \$25.3 million, increased approximately \$15.2 million, or 9 percent since December 31, 2009. The change in overall capital was primarily due to an increase in RUDE of \$11.8 million. This change was due to strong core earnings during 2010 of approximately \$13.9 million, which was partially offset by a net loss on investments of \$1.8 million and PIC dividends of \$300,000. In addition, in 2010, total PIC and MCS increased \$4.3 million due to capital from new members and increased capital from existing members. This increase in member capital was partially reduced in November 2010 when the NCUA redeemed approximately \$900,000 in combined PIC and MCS related to a liquidated credit union.

Our regulatory capital ratio was 5.39 percent at December 31, 2010, which met the regulatory required minimum capital level of 5 percent. However, the NCUA still allows for a waiver, which was granted to all corporates by an order of the NCUA, approved April 21, 2009 and extended

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

on April 29, 2010. This waiver, if not previously modified or rescinded by the NCUA Board, will terminate on the date of the one year anniversary of the publication in the Federal Register of the final amendments to Part 704, NCUA's corporate credit union rule.

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, in the Federal Register. The revisions establish a new capital framework including risk-based capital requirements. The old capital instruments, PIC and MCS, are being phased out and two new capital instruments are being established. The new capital instruments are Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA). PCC is defined in Part 704.2 as accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings, PIC and MCS; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. NCA is defined in Part 704.2 as funds contributed by members or nonmembers that: are term certificates with an original minimum term of five years or that have an indefinite term with a minimum withdrawal notice of five years; are available to cover losses that exceed retained earnings, PIC, MCS and PCC; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

The regulation contains a multi-step, multi-year phase-in of the new capital requirements. The new requirements generally take effect on October 20, 2011; however, certain definitions change over time as various requirements are phased in. The new regulation requires a minimum leverage ratio and tier 1 risk-based capital ratio of 4 percent and a minimum total risk-based capital ratio of 8 percent.

To achieve the capital requirements of the new regulation we plan to: build RUDE through earnings with expense control as a top priority; work with our members to recommit their existing capital to forms that comply with the new rules and regulations (i.e. PCC); encourage new members and existing Associate members to capitalize by further enhancing the "Partner/Owner" pricing of products and services as compared to Associate member pricing; and raise new 4% five-year term NCA.

On December 28, 2010, Corporate One distributed a Confidential Information Memorandum to all of its members asking them to recommit their existing capital instruments by converting them to the new qualifying capital instrument, PCC. Additionally, Corporate One is asking its members to invest in NCA. The purpose of the NCA offering is to raise between \$50.0 million to \$75.0 million of new capital in the form of NCA. In addition to counting toward certain capital ratios, this new capital will serve to increase our net economic value (NEV) to a level that will allow us to achieve the minimum regulatory NEV ratio of 2.0 percent. This offering is expected to close on April 29, 2011, unless sooner terminated or extended by Corporate One's Board of Directors, provided that any extension shall be to a date not later than December 31, 2011.

As of December 31, 2010, moving daily average net assets (MDANA) and moving daily average net risk-weighted assets (MDANRA) were \$3.4 billion and \$1.5 billion, respectively. With total PIC of \$25.3 million and MCS of \$126.9 million, Corporate One could achieve the three main capital requirements in the proposed regulation if the member credit unions support a conversion of their existing capital instruments, PIC and MCS, to PCC. In addition, beginning in October 2013, a corporate credit union is also required to report its ratio of retained earnings, or RUDE, to its MDANA. If this ratio is less than 0.45 percent, the corporate credit union must submit a retained earnings accumulation plan to the NCUA for approval. As of December 31, 2010, Corporate One meets this requirement, as our retained earnings to MDANA ratio is 1.04 percent.

NET INTEREST INCOME

Net interest income was \$18.7 million in 2010, a \$1.0 million increase from 2009. While we are highly focused on providing credit unions with competitive investment products and great member service, we must also ensure that Corporate One remains financially strong. In light of the proposed re-write to NCUA Regulation 704, we proactively worked to reduce our total

assets in 2010. This lower level of assets will benefit us as we work with our membership to meet the capital requirements of the new regulation. In addition, the new regulation requires that a corporate's total investment portfolio has a weighted average life of less than two years. This overall restriction on our investment portfolio will naturally translate to shorter term liabilities and shares. During 2010, we began to experience this transition. Term shares from members decreased from 2009 to 2010, while overnight shares increased year over year. Historically we have earned a higher margin on overnight shares as compared to term shares. With the shift in shares toward a greater percentage of overnight shares, our net interest margin increased from 43 basis points in 2009 to 53 basis points in 2010. This was the primary reason for the increase in net interest income in 2010.

Table Two provides more information on the composition of interest-earning assets, interest- and dividend-bearing liabilities and members' share accounts and their weighted average rates. The resulting net interest margin of Corporate One for 2010 and 2009 is presented for comparison purposes.

Table Two: Components of Net Interest Income

(Dollar amounts are in thousands)

	2010			2009		
	Average Balance	Interest or Dividends	Average Rate	Average Balance	Interest or Dividends	Average Rate
Interest-Earning Assets:						
Time deposits	\$ 259	\$ 12	4.63%	\$ 3,129	\$ 84	2.68%
Asset-backed securities	1,229,116	18,179	1.48%	1,631,826	35,720	2.19%
Government-sponsored enterprises	31,689	681	2.15%	47,388	1,601	3.38%
Mortgage-related securities	507,733	13,008	2.56%	716,341	19,357	2.70%
Cash and cash equivalents	1,071,744	3,489	0.33%	965,341	4,740	0.49%
U.S. Central term deposits	394,551	5,259	1.33%	495,820	11,487	2.32%
Other investments	264,305	2,387	0.90%	214,334	3,456	1.61%
Loans to members	5,455	143	2.62%	16,890	494	2.92%
TOTAL INTEREST-EARNING ASSETS	\$ 3,504,852	\$ 43,158	1.23%	\$ 4,091,069	\$ 76,939	1.88%
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:						
Overnight shares	\$ 2,341,347	\$ 4,951	0.21%	\$ 1,932,965	\$ 5,451	0.28%
Term shares	946,185	16,926	1.79%	1,756,790	46,856	2.67%
Membership capital shares	122,318	376	0.31%	116,868	359	0.31%
Other borrowings	50,891	2,191	4.31%	189,993	6,602	3.47%
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	\$ 3,460,741	\$ 24,444	0.71%	\$ 3,996,616	\$ 59,268	1.48%
NET INTEREST INCOME		\$ 18,714			\$ 17,671	
NET INTEREST MARGIN			0.53%			0.43%

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

Table Three provides a rate and volume analysis that further illustrates changes between 2010 and 2009 in the components of net interest income attributable to dollar volume (changes in volume multiplied by prior year's rate), interest and dividend rates (changes in rates multiplied by the prior year's volume) and the combined impact of dollar volume and interest and dividend rates (changes in volume multiplied by changes in rate).

Table Three: Volume and Rate Variance Analysis

(Dollar amounts are in thousands)

	2010 versus 2009			
	Volume	Rate	Volume and Rate	Total
Interest-Earning Assets:				
Time deposits	\$ (77)	\$ 61	\$ (56)	\$ (72)
Asset-backed securities	(8,815)	(11,583)	2,859	(17,539)
Government-sponsored enterprises	(530)	(583)	193	(920)
Mortgage-related securities	(5,637)	(1,005)	293	(6,349)
Cash and cash equivalents	523	(1,600)	(176)	(1,253)
U.S. Central term deposits	(2,346)	(4,879)	996	(6,229)
Other investments	806	(1,521)	(354)	(1,069)
Loans to members	(334)	(51)	35	(350)
TOTAL INTEREST-EARNING ASSETS	\$ (16,410)	\$ (21,161)	\$ 3,790	\$ (33,781)
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:				
Overnight shares	\$ 1,152	\$ (1,364)	\$ (288)	\$ (500)
Term shares	(21,620)	(15,429)	7,119	(29,930)
Membership capital shares	17			17
Other borrowings	(4,834)	1,578	(1,155)	(4,411)
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	\$ (25,285)	\$ (15,215)	\$ 5,676	\$ (34,824)
INCREASE (DECREASE) IN NET INTEREST INCOME	\$ 8,875	\$ (5,946)	\$ (1,886)	\$ 1,043

In order to attract and maintain share balances, our deposit products have to be competitive, and we differentiate ourselves by assigning our member credit unions to a specific Corporate One investment representative. Our investment representatives are licensed and able to understand the investment needs of our members. They are proactive in calling both members and prospective members to discuss their needs and communicate those needs to our product development team. Our product development team then works to arm our investment representatives with a variety of products to serve our member credit unions. In addition to our on-balance-sheet products, Corporate One is a co-broker of Primary Financial Company LLC (Primary Financial), enabling us to offer SimpliCD. SimpliCD allows credit unions to easily invest substantial amounts of funds in federally insured certificates of deposit. SimpliCD searches for the best rates and offers single transaction settlement. Credit unions may also issue share certificates through Primary Financial, providing them a source of liquidity.

In addition to SimpliCD, our members have access to securities through a branch of Multi-Bank Securities, Inc. (MBS)* housed within Corporate One's office. Through MBS, our members have access to the inventories of multiple broker/dealers' institutional trading desks and receive very competitive pricing on the securities they buy and sell. Beyond the competitive pricing, we differentiate ourselves when it comes to selling securities by listening to credit unions and trying to find securities that fit their needs. Because we are also a credit union, we are keenly aware of the importance of complying with the investment stipulations set forth in the NCUA regulations. Therefore, we don't just sell securities; we strive to find securities that comply with NCUA regulations while meeting the needs of our members.

Since SimpliCD and securities are both off-balance-sheet products, they contribute to service fee income instead of net interest income. However, it is important to mention them in the context of net interest income because these are examples of the investment alternatives we provide our members. We believe it is critical to offer a variety of investment products, enabling our member credit unions to diversify their portfolio and earnings potential.

SERVICE FEES

In addition to providing a wide range of competitive investment products to meet our members' needs, Corporate One also offers a complete line of correspondent and brokerage services.

Table Four below summarizes net service fee income for 2010 and 2009.

Table Four: Net Service Fee Income

(Dollar amounts are in thousands)

	2010	2009	Percentage Change
Brokerage	\$ 3,235	\$ 4,038	-19.9%
ACE	3,045	2,849	6.9%
ATM/Debit	2,280	3,056	-25.4%
Share Drafts	1,167	1,307	-10.7%
ACH	721	667	8.1%
Settlement	700	835	-16.2%
Vault Services & Other	246	65	278.5%
NET SERVICE FEE INCOME	\$ 11,394	\$ 12,817	-11.1%

High liquidity levels at our member credit unions combined with a flight to safety during the recent financial crisis, made the SimpliCD insured certificates a wildly popular investment in 2009. We experienced record sales of SimpliCD certificates in 2009, which boosted our net service fee income from brokerage to record levels. During 2010, we did not experience the same demand for the SimpliCD product, which resulted in lower sales and lower net service fee income. However, net service fee income related to our brokerage services continues to be a significant contributor to our net service fee income.

Volumes continue to hold steady year over year for ACE, our proprietary forward check collection product. We continue to utilize our least-cost-routing technology to drive down our clearing costs. This resulted in an overall increase in net service fee income from ACE.

* All securities are offered through Multi-Bank Securities, Inc. (MBS). The home office of MBS is located at 24280 Woodward Ave, Pleasant Ridge, MI 48069. MBS is registered with the Securities and Exchange Commission (SEC) as a broker-dealer under the Securities Exchange Act of 1934. Member of FINRA and SIPC. Securities offered by MBS are not insured by the FDIC or NCUSIF and may lose value.

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Our ATM/Debit service continues to be an important service for our member credit unions and a significant contributor to our net service fee income. In 2009, we announced an exciting new partnership with the premier credit union service provider for ATM/Debit and credit card solutions, PSCU Financial Services (PSCU). With PSCU, we can now offer our members a stronger ATM/Debit program, as well as a comprehensive suite of card solutions, including credit cards. As more and more consumers utilize electronic payments, we believe that this is a strategically important product. With the stronger program, our direct costs to provide this program have increased. However, we have not passed those costs on to our members and in fact we have decreased our pricing for many of the services provided under this program. This has resulted in a lower overall margin for this product and contributed to the decrease in net service fee income in 2010 compared to 2009. We believe we have positioned this product for growth in future years.

Another significant service we offer our members is share draft services. Net revenue from our share draft services decreased year over year, primarily due to decreases in volumes. As consumers move toward alternative payment methods, the number of checks being written continues to decrease each year. Accordingly, our actual gross revenue from this product decreased from 2009 to 2010. In an effort to mitigate these changes within the payment system, we converted to 100 percent electronic processing in 2009, which allowed us to reduce our direct costs of processing share drafts. With declining volumes, we understand that it is important to focus on the most efficient way to provide this necessary service to our members. Additionally, the conversion to 100 percent electronic processing of share drafts allows Corporate One to provide services to any credit union in the country, significantly expanding our opportunity to generate additional business with this foundational service.

With the trend in payments processing moving toward electronic payments, the volume of ACH activity we process continues to increase. Accordingly, year-over-year net revenue from our ACH services increased.

Settlement services include domestic and international wires, national settlement and Federal Reserve pass-through charges. The decreased volumes in our brokerage services and on-balance-sheet deposit levels also translate into lower volume for our settlement services. These lower volumes are the primary reason for the decrease in net settlement revenue.

Providing cash and coin services is one of the most essential payment services a credit union can provide its members. In 2010, Corporate One partnered with a national provider to ensure our members have the most dependable, secure vault services program available. This program, while not only cost-effective for our members, has allowed for greater efficiencies in our own back-office operations. As such, net service fee income related to our vault services increased 279 percent over 2009.

OPERATING EXPENSES

Total operating expenses were \$16.2 million in 2010, an increase of \$1.0 million or 7 percent relative to 2009. This increase in operating expenses over 2009 is primarily due to NCUSIF assessments charged in 2010. These assessments included a 13 basis points fee on insured share balances for the corporate stabilization and a 12 basis points fee on insured share balances for the Share Insurance Fund. In 2009, due to the legislation, [Helping Families Save Their Homes Act](#) of 2009 ("Helping Families Act") we actually realized a recovery of approximately \$411,000 in expenses related to NCUSIF premiums originally assessed in 2008. Excluding the effects of these assessments, operating expenses increased approximately \$283,000 or 1.8 percent over 2009, primarily related to cost-of-living increases in salary and benefits.

ENTERPRISE WIDE RISK MANAGEMENT

Corporate One is committed to managing the risks associated with our business activities and has maintained a formal risk management department for many years. We feel so strongly about managing risk that over five years ago we embarked on an initiative to deploy enterprise wide risk management (EWRM) throughout our entire organization. We believe that EWRM is critical not only

to managing our risks, but to maximizing our value to our members. To that end, Corporate One has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for EWRM as the structure for the governance of risk. Corporate One utilizes a core process risk assessment methodology to identify, categorize and mitigate its risk.

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

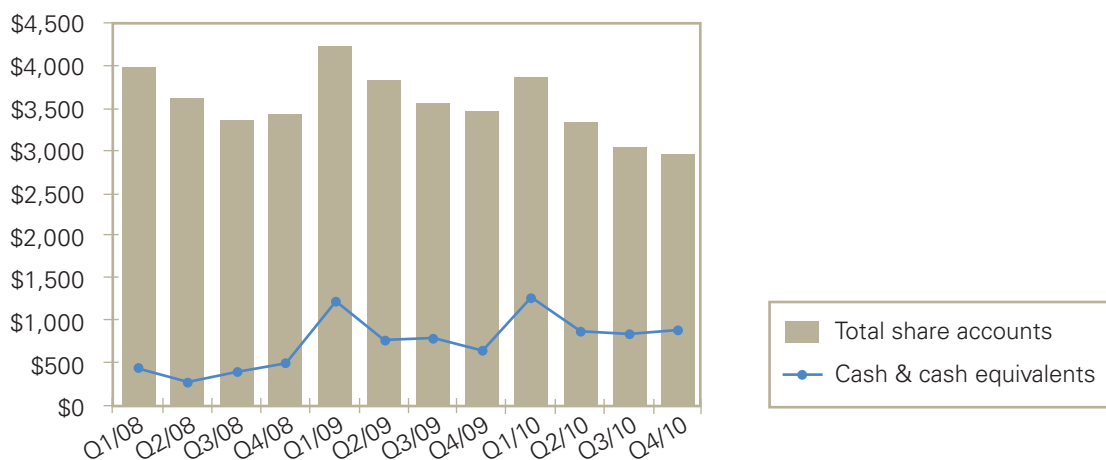
LIQUIDITY RISK MANAGEMENT

Liquidity risk is one of the most important risks that we manage. With every deposit we accept, we understand that we need to appropriately manage our liquidity to ensure our members have access to those funds when needed. Accordingly, we have certain daily liquidity management strategies that we employ, as well as more long-term, overarching liquidity strategies.

We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. To meet day-to-day member liquidity requirements, we keep a portion of our assets very liquid. In fact, as of December 31, 2010, we had approximately \$895.1 million in cash and cash equivalents. This is significant given our total balance sheet of \$2.9 billion and settlement and regular shares of \$2.2 billion. A summary of our cash and cash equivalents in relation to our total share balances is shown on a quarter-end basis in Figure One.

Figure One: Trended Data for Cash and Cash Equivalent Compared to Total Shares

(Dollar amounts are in millions)



Additionally, we generally match our members' term certificates against assets with similar cash flows and maturities. As a result, when a term certificate matures, there is also an asset maturing at about the same time, producing the necessary liquidity to meet our members' needs. We are able to do this because members have historically held term certificates to maturity.

We also mitigate our liquidity risk by monitoring our top depositors. We have limits on the maximum any one credit union may deposit with us. By striving to diversify our shares and member base, we shield ourselves from the risk of sudden withdrawals by large depositors.

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In fact, as of December 31, 2010, our single largest depositor represented only 5 percent of our total member shares.

We also strive to buy securities with readily determined market values that may be sold or borrowed against to generate liquidity. Should we need to borrow to generate liquidity, we have diversified sources of funds and we test these sources often to ensure availability. Additionally, in 2008, to further diversify our liquidity options, we elected to voluntarily hold Reg D reserves in order to gain access to the Federal Reserve Discount Window, the ultimate backstop for liquidity.

Corporate One's borrowing sources and remaining capacity at December 31, 2010 and 2009 are summarized in Table Five below.

Table Five: Borrowing Sources
(Dollar amounts are in thousands)

Source of Liquidity	December 31, 2010			December 31, 2009		
	Total Available	Amount Outstanding	Remaining Available	Total Available	Amount Outstanding	Remaining Available
U.S. Central advised line of credit	\$ 304,655	\$ 20,000	\$ 284,655	\$ 650,000	\$ 20,000	\$ 630,000
Federal Home Loan Bank of Cincinnati	220,497	30,000	190,497	142,300	30,000	112,300
Reverse repurchase agreements with various counterparties	500,000		500,000	553,900		553,900
Committed lines of credit	75,000		75,000	75,000		75,000
Federal funds lines	45,000		45,000	40,000		40,000
Temporary Corporate Credit Union Liquidity Guarantee Program	130,000		130,000	130,000		130,000
TOTAL BORROWING SOURCES	\$ 1,275,152	\$ 50,000	\$ 1,225,152	\$ 1,591,200	\$ 50,000	\$ 1,541,200

At December 31, 2010, we maintained \$1.3 billion of borrowing sources. This is a \$316.0 million decrease from 2009, primarily due to a decrease in our advised line of credit with U.S. Central. This advised line of credit is based on the term deposits we hold at U.S. Central. As our term deposits with U.S. Central have matured, we have reinvested the proceeds in cash and cash equivalents, which is the ultimate form of liquidity.

Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines, committed lines and letter of credit commitments to members of approximately \$1.1 billion at December 31, 2010. All outstanding line of credit commitments are collateralized by specific or general pledges of assets by members. Commitments to extend credit to members remain effective as long as there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Since a portion of the commitments is expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

CREDIT RISK MANAGEMENT

Another material risk that we manage is credit risk. One way we mitigate credit risk is by actively managing our balance sheet to ensure that it is well diversified. We purchase investments based on high credit ratings, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs), or issued by agencies of the U.S. government or by other regulated depository institutions. Corporate One's portfolio diversification as of December 31, 2010 is shown in Table Six by rating. Securities with ratings differing between NRSROs are classified using the highest credit rating.

Table Six: Investment Portfolio Diversification

(Dollar amounts are in thousands)

As of December 31, 2010											
	Agency	AAA	AA	A	Below A-	U.S. Central Term Deposits	Other	Cash and Cash Equivalents	Total Book Value	Net Unrealized Gain (Loss)	Total
U.S. Central*						\$ 328,361		\$ 614,890	\$ 943,251		\$ 943,251
Deposits with other financial institutions								280,241	280,241		280,241
Loans to members							\$ 4,284		4,284		4,284
Federal Home Loan Bank-Cincinnati							65,702		65,702		65,702
Certificates of deposit							200		200		200
Mortgage-related securities	\$ 93,765	\$ 44,108	\$ 26,566	\$ 23,343	\$ 240,878				428,660	\$ (84,722)	343,938
Government-sponsored enterprises	81,288								81,288	529	81,817
Asset-backed securities:											
Student loan		312,344	272,980	52,152					637,476	(84,990)	552,486
Credit card		278,000	79,805	2,109					359,914	3,482	363,396
Auto		11,160	22,944						34,104	559	34,663
Corporate debt			87,872	104,885					192,757	(1,209)	191,548
TOTAL BOOK VALUE	175,053	645,612	490,167	182,489	240,878	328,361	70,186	895,131	3,027,877	\$ (166,351)	\$ 2,861,526
Net unrealized losses	(216)	(21,492)	(58,512)	(17,305)	(68,826)				(166,351)		
TOTAL	\$ 174,837	\$ 624,120	\$ 431,655	\$ 165,184	\$ 172,052	\$ 328,361	\$ 70,186	\$ 895,131	\$ 2,861,526		

* Amounts held at U.S. Central are 100 percent guaranteed by the NCUA through December 31, 2012.

As shown in Table Six, our portfolio remains well diversified. In support of the credit union network, Corporate One continues to invest our excess liquidity in overnight accounts and share certificates at U.S. Central. As a result, we have 31 percent of the book value of our total portfolio invested in U.S. Central, with the majority of this held in overnight accounts at U.S. Central. These accounts are guaranteed in full by the NCUA through December 31, 2012. Additionally, 90 percent of the book value of our portfolio is in cash and cash equivalents, agencies, securities rated "A" or higher and U.S. Central term deposits. Corporate One does not have any investments in structured investment vehicles (SIVs), collateralized debt obligations (CDOs) or commercial mortgage-backed securities.

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Corporate One's mortgage-related securities have a book value of approximately \$428.7 million at December 31, 2010, which represents only 14 percent of the book value of our total investable portfolio. Of Corporate One's mortgage-related securities, 32 percent of these securities are issued by agencies of the U.S. government or are rated AAA by at least one rating agency. The book value of our sub-prime mortgages comprise only 2.6 percent of the book value of our total investable portfolio and 31 percent of those are AAA. During 2010, we received principal repayments on our mortgage-related securities of \$161.4 million, of which \$106.1 million related to non-agency mortgages. Table Seven details the book value of Corporate One's investment in residential mortgage-backed and home equity asset-backed securities as of December 31, 2010.

Table Seven: Mortgage-Related Securities

(Dollar amounts are in thousands)

As of December 31, 2010						
	Agency	AAA	AA	A	Below A-	Total
Prime collateral		\$ 79		\$ 7,196	\$ 5,053	\$ 12,328
Near-prime collateral*		19,155	\$ 10,210	6,147	99,666	135,178
Sub-prime collateral**		23,738	10,712		43,056	77,506
Agency Insured	\$ 93,765	1,136	5,644	10,000	93,103	109,883
TOTAL BOOK VALUE	93,765	44,108	26,566	23,343	240,878	428,660
Net unrealized loss	(746)	(7,093)	(5,617)	(2,440)	(68,826)	(84,722)
TOTAL	\$ 93,019	\$ 37,015	\$ 20,949	\$ 20,903	\$ 172,052	\$ 343,938


*Based on the definition used in offering circulars

**Based on 660 or lower FICO scores

A portion of Corporate One's securities have insurance coverage to further support the senior classes in the event of deteriorating collateral performance. The insurance coverage provided by the monoline insurers increases the existing credit enhancement provided to the senior class owned by Corporate One. The monoline insurance companies that insure Corporate One bonds are: Syncora Guarantee Inc. (SGI), Financial Guaranty Insurance Company (FGIC), Financial Security Assurance Inc. (FSA), MBIA, Inc. (MBIA) and Ambac Assurance Corporation (AAC). SGI and FGIC stopped paying claims in April 2009 and November 2009, respectively. As a result, Corporate One has recorded OTTI charges on all securities that were dependent upon SGI and FGIC for the payment of future principal and interest claims. Beginning in July 2010, SGI resumed the payment of claims; however, accounting rules do not allow for immediate reversals of prior OTTI taken. Corporate One has placed reliance on FSA and MBIA. These insurers are currently paying principal and interest claims timely and management believes they will continue to pay future claims. However, deterioration of these monoline insurers could result in additional OTTI charges.

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

Due to the economic downturn that began in 2007, claims made against AAC for principal shortfalls



on insured bonds escalated to a point where its ability to pay on such claims was in question. On March 24, 2010, the Ambac Financial Group, Inc.'s Board of Directors voted to create a segregated account and consented to rehabilitation of that account by the Wisconsin Office of the Commissioner of Insurance (OCI), AAC's primary regulator. Under Wisconsin law, the segregated account is treated as a separate insurer from AAC. All of Corporate One's AAC-insured bonds have been allocated to the segregated account by OCI. OCI has implemented a temporary moratorium on claims payments to segregated account policyholders to provide a measured transition into rehabilitation and to conserve claims-paying resources while the plan of rehabilitation is finalized. Through this plan, the segregated account policies should receive a combination of cash and interest-bearing surplus notes in consideration for claims made. AAC announced during June 2010 that it had commuted substantially all of its CDO exposures at an advantageous price, thereby enhancing AAC's claims-paying ability.

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

In October 2010, the Asset/Liability Committee (ALCO) of Corporate One hired an outside independent consulting firm to review the OCI's plan and provide an analysis of the claims-paying ability of the segregated account of AAC. The consulting firm concluded that the segregated account has the ability to pay 75 percent of policyholder claims. We believe this is a reasonable estimate given the OCI's projections, which ranged from 100 percent claims-paying ability on the high end of the range to 58.75 percent on the low end. Accordingly, Corporate One recorded OTTI of \$1.5 million related to our AAC-insured bonds. This represents a 25 percent write down of the projected losses on our AAC-insured bonds. However, the ultimate realization of recoveries from AAC is subject to many factors, including minimum capital requirements of AAC, which in turn is a function of the performance of AAC's insured exposures. Further deterioration of AAC or the underlying insured securities could result in additional OTTI charges.

On November 8, 2010, Ambac Financial Group, Inc. filed bankruptcy. Ambac Financial Group, Inc. is a separate legal entity from AAC, the subsidiary company that insures our securities. OCI, as the rehabilitator of the segregated account, retains significant decision-making authority with respect to the segregated account and has the discretion to oversee and approve certain actions taken by AAC in respect of assets and liabilities that remain in AAC. Such decisions will be made by the rehabilitator for the benefit of policyholders and the rehabilitator will not take into account the interests of security holders of Ambac Financial Group, Inc. Therefore, we do not expect there will be any material adverse effects to Corporate One's AAC-insured securities from the bankruptcy of Ambac Financial Group, Inc.

On January 24, 2011, the OCI's motion for confirmation of the final rehabilitation plan was granted and the plan was confirmed by the State of Wisconsin's Circuit Court for Dane County.

The final rehabilitation plan will become effective as soon as certain conditions set forth in the plan have been satisfied. These conditions include, but are not limited to entry of the confirmation order, receipt of a No-Action Letter for the exemption of the registration of the surplus notes from the Securities and Exchange Commission (SEC) and the State securities law administrators, and the signing and delivery of certain other documents important to the plan process. The OCI will publicly announce the effective date of the plan when all conditions are satisfied. Policyholders will have 120 days after the effective date to file claims.

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

Table Eight details our mortgage and non-mortgage securities by monoline insurer at December 31, 2010.

Table Eight: Securities by Monoline Insurer

(Dollar amounts are in thousands)

As of December 31, 2010						
Monoline Insurer	Par Value	Amortized Cost	Fair Value	Net Unrealized Losses	Insurer Rating	
					S&P	Moody's
FGIC	\$ 56,911	\$ 45,588	\$ 35,233	\$ (10,355)	NR	WR
MBIA	27,507	27,507	17,235	(10,272)	B	B3
AAC	28,952	27,815	18,608	(9,207)	R	Caa2
SGI	7,182	6,422	4,191	(2,231)	NR	Ca
FSA	2,578	2,578	2,513	(65)	AAA	Aa3
TOTAL	\$ 123,130	\$ 109,910	\$ 77,780	\$ (32,130)		

For securities where we believe not all principal and interest will be received, OTTI charges were recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted cash flows of the securities and their current amortized cost. Since 2008, we have recorded total OTTI, or expected credit losses, of \$58.0 million. As seen in Figure Two below, the majority of these OTTI charges were recorded in 2009.

Figure Two: OTTI Credit Charges by Year

(Dollar amounts are in millions)

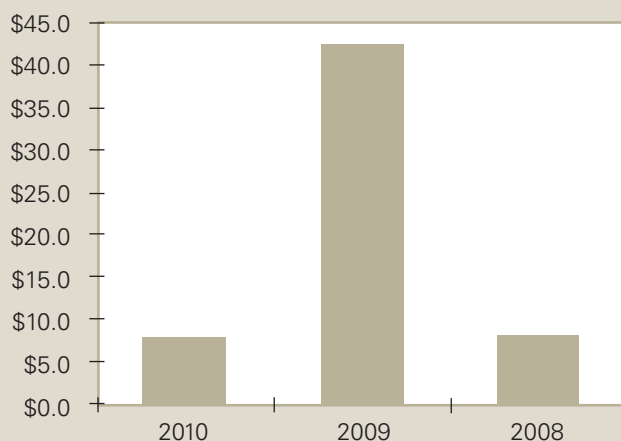
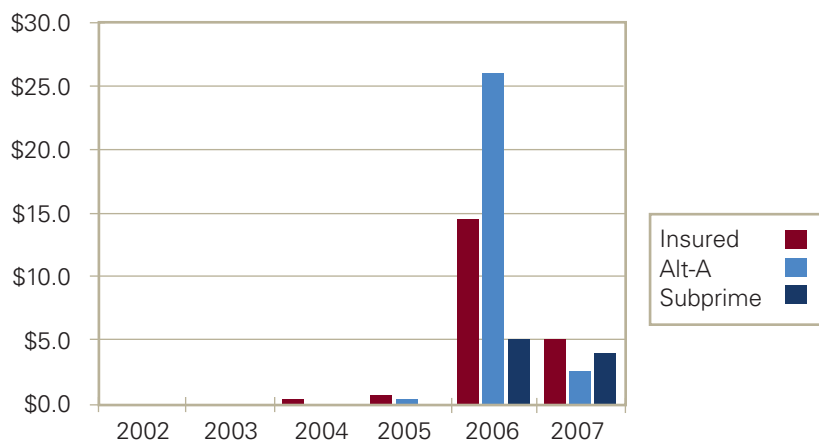


Figure Three shows that the majority of OTTI charges recorded to date arose from the 206 Alt-A vintage. The Alt-A designation for mortgages is a classification where the risk profile falls between prime and subprime. The borrowers behind these mortgages will typically have clean credit histories, but the mortgage itself will generally have some issues that increase its risk profile. These issues include higher loan-to-value and debt-to-income ratios or less than full documentation of the borrower's income.

Figure Three: Total OTTI by Asset Type and Vintage

(Dollar amounts are in millions)



Of the \$11.0 million of principal shortfalls we realized to date, \$10.0 million are of the 2006 vintage. However, the recoveries to date of \$448,000 due to sales and/or improved cash flows are also from the 2006 vintage.

MARKET/SPREAD RISK

Because we invest in securities, we are also exposed to market risk due to liquidity and credit spreads. The severe dislocation in the global credit markets is causing all credit-related securities to experience deterioration in spreads and, hence, in fair values. Approximately 51 percent of Corporate One's mark-to-market adjustment in our available-for-sale portfolio at December 31, 2010 is related to residential mortgage-backed and home equity asset-backed securities. However, the remaining amount of our unrealized losses is related to asset classes outside of the mortgage sector, primarily student loan asset-backed securities. Every student loan position we hold is graded an A or better by at least one NRSRO. We hold Federal Family Education Loan Program (FFELP)-backed student loan securities as well as private-issue student loan securities. We believe the unrealized losses in this sector are related to illiquidity and are not due to a lack of creditworthiness. Contagion continues to be feared in other consumer-related sectors due to the importance of the mortgage sector to the overall economy; however, these asset classes purchased by Corporate One are performing well within our expectations, with some of the subordinate tranches of our senior holdings upgraded by the rating agencies. Given the strong credit quality of our securities and our ability and intent to hold these securities until the anticipated recovery, these fair value adjustments are expected to reverse as the credit markets stabilize or the securities approach their maturity date.

To further demonstrate that market/spread risk is causing all credit-related securities to experience deterioration in fair values, we have included Table Nine which summarizes Corporate One's net unrealized losses by credit rating. As reflected in Table Nine, 13 percent of the unrealized losses are attributable to securities that are issued by government-sponsored enterprises or are rated AAA.

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Table Nine: Net Unrealized Losses by Credit Rating as of December 31, 2010

(Dollar amounts are in thousands)

Rating	Net Unrealized Losses
Government-sponsored enterprises	\$ (216)
AAA	(21,492)
AA	(58,512)
A	(17,305)
Below A-	(68,826)
NET UNREALIZED LOSSES ON SECURITIES	\$ (166,351)

With the massive government programs instituted over the last several years, we did see liquidity begin to return to the market in 2009 and 2010. Accordingly, fair values have improved in all of our portfolios. The reduction in the net unrealized losses in our mortgage-related portfolio is also due to the recognition of losses through OTTI charges. Table Ten summarizes our net unrealized gains (losses) on securities by asset class.

Table Ten: Net Unrealized Gains (Losses) by Asset Class

(Dollar amounts are in thousands)

Asset Class	Net Unrealized Gains (Losses)	
	December 31, 2010	December 31, 2009
Mortgage-related	\$ (84,722)	\$ (138,782)
Student loans	(84,990)	(115,775)
Credit cards	3,482	2,811
Auto	559	(1,024)
Corporate debt	(1,209)	(3,657)
Government-sponsored enterprises	529	684
NET UNREALIZED LOSSES ON SECURITIES	\$ (166,351)	\$ (255,743)

INTEREST RATE RISK MANAGEMENT

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

Our primary interest-rate risk-measurement tool is a NEV test. NEV is defined as the fair value of assets less the fair value of liabilities and members' accounts. The purpose of the NEV test is to determine whether Corporate One has sufficient capital to absorb potential changes to the market value of our assets and liabilities given sudden changes in interest rates.

Due to the spreading of the credit crisis into a liquidity crisis, the fair values of many of our securities have experienced declines. This negative trend has put significant downward pressure on our NEV and NEV ratio. Deflated market values continue to negatively impact our NEV and NEV ratio. Beginning with the April 30, 2008 balance sheet date and continuing through the December 31, 2010 balance sheet date, we have not met the minimum NEV ratio requirements and are currently following the appropriate NCUA regulations as necessary. Because the NEV incorporates the unrealized losses on our available-for-sale securities, it is losing some of its value as a tool to measure interest rate risk. Currently, the NEV and NEV ratio are more reflective of market/spread risk. During this time of deterioration in our NEV, the fundamentals of how we manage interest-rate risk have not changed.

As of December 31, 2010, we have seen significant improvement in the fair values of our securities since the height of the financial crisis. The improved fair values are seen not only in the reduction of unrealized losses, but also in our NEV. In fact, our NEV was positive in the base case scenario in the fourth quarter of 2010, which was the first time our NEV was positive since July 2008.

NEV scenarios are performed monthly, testing for sudden and sustained increases or decreases in interest rates of 100, 200 and 300 basis points (bps). A summary of Corporate One's NEV calculation as of December 31, 2010 and 2009 is shown in Table Eleven.

Table Eleven: Net Economic Value Calculation

(Dollar amounts are in thousands)

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base
As of December 31, 2010 *			
300 bps rise in rates	\$ (3,787)	-0.13%	\$ (12,071)
Base scenario	\$ 8,284	0.29%	
As of December 31, 2009 *			
300 bps rise in rates	\$ (114,934)	-3.51%	\$ (16,250)
Base scenario	\$ (98,684)	-2.98%	

* 300, 200 and 100 bps decline did not apply in the interest rate environment present on December 31, 2010 and 2009.

OPERATIONAL RISK MANAGEMENT

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

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

Report from the Supervisory Committee



Corporate One's 2010 financial statements, prepared by management, were audited in accordance with auditing standards generally accepted in the United States of America by Crowe Horwath LLP, independent auditors. Crowe Horwath's report on Corporate One's financial statements is included within this annual report.

In addition to the annual audit, Schneider Downs & Co., a Public Accounting Firm, has been contracted by the Supervisory Committee to perform internal audits of select processes, controls and systems of Corporate One, and report quarterly on such procedures to the Supervisory Committee.

Based on the annual audit and internal audit procedures, the Supervisory Committee is confident that Corporate One is subjected to a thorough and professional examination process.

SUPERVISORY COMMITTEE

(pictured left to right)

Bill Allender
BMI FCU

Fritz Comes
Directions CU

Jeff Meyer
(Chair)
Three Rivers FCU

R. Lee Powell
(Board Liaison)
DESCO FCU

Report of Independent Auditors

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

We have audited the accompanying balance sheets of Corporate One Federal Credit Union ("Corporate One") as of December 31, 2010 and 2009, and the related statements of operations, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of Corporate One's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 2(i) to the financial statements, Corporate One has reported share accounts as equity in the balance sheets and statements of changes in members' equity that, in our opinion, should be reported as liabilities in order to conform with accounting principles generally accepted in the United States of America. If these share accounts had been presented as liabilities, total liabilities would increase and members' equity would decrease by \$2.9 billion and \$3.4 billion as of December 31, 2010 and 2009, respectively.

In our opinion, except for the effects on the balance sheet and statement of changes in members' equity of reporting share accounts as members' equity, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Corporate One Federal Credit Union as of December 31, 2010 and 2009, 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.

Corporate One has not met certain regulatory requirements as described in Note 12 to the financial statements. During 2010, the National Credit Union Administration ("NCUA") revised NCUA Rules and Regulations, Part 704 to impose additional requirements, including: 1) effective January 18, 2011 prohibitions on certain investments as described in Note 4 to the financial statements and 2) effective on October 20, 2011, a multi-step, multi-year implementation of new capital requirements as described in Note 12 to the financial statements. As of December 31, 2010, Corporate One owned 172 debt securities with an amortized cost of \$1.1 billion and unrealized losses of \$148 million that are prohibited pursuant to the revised NCUA Rules and Regulation, Part 704. On March 11, 2011, the NCUA asserted that NCUA does not intend to require Corporate One to sell any securities before recovery of the securities' amortized cost. As described in Note 12, Corporate One has initiated plans to comply with the new capital requirements.



Crowe Horwath LLP

Columbus, Ohio
March 14, 2011

Balance Sheets

	December 31,	
	2010	2009
Assets		
Cash and cash equivalents	\$ 895,130,835	\$ 663,971,651
Investments in financial institutions	394,262,519	628,498,536
Available-for-sale securities, at fair value	1,566,582,966	1,975,497,702
Held-to-maturity securities (fair value 2010 - \$2,370,191; 2009 - \$2,445,133)	1,265,564	2,133,516
Loans to members	4,284,418	6,865,127
Accrued interest receivable	2,452,336	5,701,886
Other assets	17,102,498	16,463,973
TOTAL ASSETS	\$ 2,881,081,136	\$ 3,299,132,391
Liabilities and Members' Equity		
Liabilities:		
Borrowed funds	\$ 50,000,000	\$ 50,000,000
Dividends and interest payable	1,856,118	7,430,782
Accounts payable and other liabilities	2,169,830	2,480,895
TOTAL LIABILITIES	54,025,948	59,911,677
Members' equity:		
Settlement and regular shares	2,203,542,892	2,010,842,686
Share certificates	602,175,946	1,314,800,500
Membership capital shares	126,923,896	119,989,791
Paid-in capital	25,331,996	25,681,996
Reserves and undivided earnings	35,431,056	23,648,496
Accumulated other comprehensive loss	(166,350,598)	(255,742,755)
TOTAL MEMBERS' EQUITY	2,827,055,188	3,239,220,714
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 2,881,081,136	\$ 3,299,132,391

See accompanying notes to financial statements.

Statements of Operations

	Year ended December 31,	
	2010	2009
Interest income:		
Investments and securities	\$ 43,015,326	\$ 76,445,906
Loans to members	142,965	493,883
TOTAL INTEREST INCOME	43,158,291	76,939,789
Dividend and interest expense:		
Share accounts	22,252,640	52,665,867
Other borrowings	2,191,318	6,602,486
TOTAL DIVIDEND AND INTEREST EXPENSE	24,443,958	59,268,353
NET INTEREST INCOME	18,714,333	17,671,436
SERVICE FEE INCOME, NET	11,393,658	12,816,772
Net loss on investments:		
Total other-than-temporary impairment losses	(38,562,409)	(160,131,041)
Portion of loss recognized in other comprehensive income	31,027,762	117,576,080
Net impairment losses recognized in earnings	(7,534,647)	(42,554,961)
Impairment of capital investment in U.S. Central		(15,102,775)
Net gain (loss) on sales of securities and early certificate redemptions	5,696,214	(34,537)
TOTAL NET LOSS ON INVESTMENTS	(1,838,433)	(57,692,273)
Operating expenses:		
Salaries and employee benefits	9,523,705	9,194,234
Office operations and occupancy expense	5,713,816	5,610,638
Other operating expenses	929,135	338,133
TOTAL OPERATING EXPENSES	16,166,656	15,143,005
NET INCOME (LOSS)	\$ 12,102,902	\$ (42,347,070)

See accompanying notes to financial statements.

Statements of Changes in Members' Equity

	Total Share Accounts	Paid-In Capital	Reserves and Undivided Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
BALANCE AT JANUARY 1, 2009	\$ 3,418,548,813	\$ 25,681,996	\$ 66,316,591	\$ (539,745,590)	\$2,970,801,810
Comprehensive income (loss):					
Net loss			(42,347,070)		(42,347,070)
Other comprehensive income:					
Change in net unrealized loss on available-for-sale securities				241,447,874	241,447,874
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities				42,554,961	42,554,961
COMPREHENSIVE INCOME					241,655,765
NET CHANGE IN TOTAL SHARE ACCOUNTS	27,084,164				27,084,164
DIVIDENDS ON PAID-IN CAPITAL			(321,025)		(321,025)
BALANCE AT DECEMBER 31, 2009	\$ 3,445,632,977	\$ 25,681,996	\$ 23,648,496	\$ (255,742,755)	\$3,239,220,714
Comprehensive income (loss):					
Net income			12,102,902		12,102,902
Other comprehensive income:					
Change in net unrealized loss on available-for-sale securities				87,553,724	87,553,724
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities				7,534,647	7,534,647
Reclassification adjustment recognized in earnings for gain from sales of securities				(5,696,214)	(5,696,214)
COMPREHENSIVE INCOME					101,495,059
NET CHANGE IN TOTAL SHARE ACCOUNTS	(512,440,243)				(512,440,243)
RELEASE OF MEMBERSHIP CAPITAL SHARES AND PAID-IN CAPITAL DUE TO LIQUIDATION OF MEMBER CREDIT UNION	(550,000)	(350,000)			(900,000)
DIVIDENDS ON PAID-IN CAPITAL			(320,342)		(320,342)
BALANCE AT DECEMBER 31, 2010	\$ 2,932,642,734	\$ 25,331,996	\$ 35,431,056	\$ (166,350,598)	\$2,827,055,188

See accompanying notes to financial statements.

Statements of Cash Flows

	Year ended December 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 12,102,902	\$ (42,347,070)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,175,058	1,555,339
Net accretion	(7,288,115)	(8,286,369)
Loss on U.S. Central capital investment		15,102,775
Net loss on financial instruments	7,534,647	42,554,961
Net (gain) loss on sales of securities and early certificate redemptions	(5,696,214)	34,537
Net gain on disposals of assets	(17,499)	(5,815)
Net change in accrued interest receivable	3,249,550	7,670,398
Net change in dividends and interest payable	(5,574,664)	(10,940,605)
Other, net	26,061	(2,256,594)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,511,726	3,081,557
Cash flows from investing activities:		
Net change in investments in financial institutions	234,236,017	(11,189,988)
Available-for-sale securities:		
Sales	168,794,864	
Maturities and principal paydowns	457,866,241	678,061,696
Purchases	(123,991,024)	(94,671,071)
Held-to-maturity securities:		
Maturities and principal paydowns	487,947	666,072
Net change in loans to members	2,580,709	27,009,690
Net change in NCUA share insurance deposit	(71,438)	1,174,801
Net purchase of property and equipment	(612,772)	(614,445)
Proceeds from sale of property and equipment	17,499	5,815
NET CASH PROVIDED BY INVESTING ACTIVITIES	739,308,043	600,442,570
Cash flows from financing activities:		
Net change in borrowed funds		(477,000,000)
Change in shares and deposits	(512,440,243)	27,049,627
Release of membership capital shares and paid-in capital due to liquidation of member credit union	(900,000)	
Dividends on paid-in capital	(320,342)	(321,025)
NET CASH USED IN FINANCING ACTIVITIES	(513,660,585)	(450,271,398)
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,159,184	153,252,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	663,971,651	510,718,922
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 895,130,835	\$ 663,971,651
Supplemental disclosure:		
Dividends on share accounts and interest paid	\$ 30,338,964	\$ 70,529,983

See accompanying notes to financial statements.

Notes to Financial Statements (Table dollar amounts in thousands)

(1) ORGANIZATION

The purpose of Corporate One Federal Credit Union (Corporate One) is to foster and promote the economic well-being, growth and development of our membership base through fiscally responsible and effective funds management, along with loan, investment, and correspondent services for the ultimate benefit of our credit union members. Corporate One's national field of membership includes state- and federally chartered credit unions and other credit union organizations throughout the United States. Corporate One's Board of Directors is composed of executive management from Corporate One's member credit unions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Use of Estimates

The accounting and reporting policies of Corporate One conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry, except as discussed in Note 2(i). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Specifically, management has made assumptions in estimating the fair value of financial instruments, the assessment of other-than-temporary impairment and the amortization/accretion of premiums/discounts on investments subject to prepayment. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

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


To further diversify our liquidity options, we have elected to voluntarily hold Reg D reserves in order to gain access to the Federal Reserve Discount Window. Accordingly, Corporate One is required to maintain cash or deposits with the Federal Reserve Bank. The required amount at December 31, 2010 and 2009 was \$152.0 million and \$72.3 million, respectively.

(c) Investments in Financial Institutions

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

(d) Securities

Debt securities are classified as held-to-maturity and carried on the balance sheet at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Available-for-sale securities are carried on the balance sheet at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings, and are reported as a separate component of members' equity. Such securities may be sold in response to changes in interest rates, changes in prepayment risk or other factors.



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

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

(e) Loans to Members

Loans to members consist of settlement loans, demand loans, certificate-secured loans and term loans. Loans are stated at the current principal amount outstanding. Interest income is accrued on the daily balance outstanding at the borrowing rate. Corporate One evaluates each member's creditworthiness on a case-by-case basis. Loans are generally collateralized by member's share accounts and other member assets.

An allowance for loan losses was not considered necessary at December 31, 2010 and 2009 based on management's continuing review and evaluation of the loan portfolio and its judgment as to the effect of economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, the current financial condition of the borrower, quality of the collateral and the amount of loans outstanding.

Corporate One incurred no loan losses in either 2010 or 2009 and considers no loans impaired as of, or during the years ended December 31, 2010 and 2009.

(f) Property and Equipment

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

(g) Income Taxes

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

(h) Financial Instruments and Concentrations of Credit Risk

Financial instruments that potentially subject Corporate One to concentrations of credit risk consist of federal funds sold, securities purchased under agreements to resell (repurchase), deposits and capital investments at U.S. Central and investment securities. Corporate One invests in and borrows from highly rated domestic banks, and uses nationally recognized broker/dealers in the execution of trades for financial instruments. Exposure to individual counterparties or asset classes may be significant. Corporate One's exposure to U.S. Central is discussed in Note 3 and investment securities in Note 4. Additionally, in providing financial services solely to the credit union industry, Corporate One is dependent upon the viability of that industry and the industry's support of corporate credit unions.

Notes to Financial Statements (Table dollar amounts in thousands)

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

(i) Members' Share Accounts

Members' share accounts are classified as equity to denote the ownership interest of the members. This classification conforms to the regulatory requirements of the National Credit Union Administration (NCUA). GAAP requires savings accounts to be classified as liabilities. The American Institute of Certified Public Accountants published a guide opining that credit unions' savings accounts should be classified as liabilities, which is "consistent with the prevailing practice of mutually owned savings and loan associations and savings banks." We believe that credit unions are fundamentally dissimilar to mutually owned savings and loan associations and savings banks, which, for example, accept deposits from the general public and usually are not democratically controlled by their members.

If members' shares had been presented as liabilities, total liabilities would increase and members' equity would decrease by \$2.9 billion and \$3.4 billion as of December 31, 2010 and 2009, respectively. If Corporate One had classified members' share accounts as liabilities, in accordance with GAAP, members' equity as of December 31, 2010 and 2009 would have been \$(105.6) million and \$(206.4) million, respectively.

The following table summarizes GAAP capital (accumulated deficit) balances.

	2010	2009
Reserves and undivided earnings	\$ 35,431	\$ 23,648
Paid-in capital	25,332	25,682
Accumulated other comprehensive loss	(166,351)	(255,743)
TOTAL GAAP ACCUMULATED DEFICIT	\$ (105,588)	\$ (206,413)

Credit unions transacting business with Corporate One are required to be a Partner member or an Associate member.

Membership capital shares (MCS) are required for Partner membership in Corporate One. Partner members enjoy Corporate One's most favorable rates on their investments and enjoy the lowest fees on settlement services. MCS do not have a stated maturity. Notice of intent to decapitalize by the Partner member is required and once notification is given, the shares will be redeemed in three years. These shares are not subject to share insurance coverage by the National Credit Union Share Insurance Fund (NCUSIF) and, in the event of liquidation of Corporate One, are payable only after satisfaction of all other claims. At December 31, 2010 and 2009, there were \$10.2 million and \$5.3 million of shares on notice, respectively. Of those totals, approximately \$1.1 million at December 31, 2010 and \$1.0 million at December 31, 2009 represent capital of members merging into other credit unions. The impact of NCUA's new Rules and Regulations Part 704 on MCS is discussed in Notes 2(q) and 12.

Corporate One also offers an Associate membership. Associate members are required to maintain a \$5 deposit. They may earn lower rates than Partner members on their investments with Corporate One and pay fees on settlement services with Corporate One according to the Associate member fee schedules.



(j) Paid-In Capital

Paid-In capital (PIC) shares are investments by member credit unions and denote their ownership interest in Corporate One. PIC has no stated maturity date. Notice of intent to decapitalize by the Partner member is required and once notification is given, the shares are redeemed in 20 years. PIC earns dividends that are non-cumulative, is not subject to share insurance coverage by the NCUSIF and, in the event of liquidation of Corporate One, is payable only after satisfaction of all other claims and the repayment of MCS. PIC is classified as equity in the financial statements. At December 31, 2010 and 2009, there was \$375,000 of shares on notice. The impact of NCUA's new Rules and Regulations Part 704 on PIC is discussed in Notes 2(q) and 12.

(k) Reserves and Undivided Earnings

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

(l) Comprehensive Income (Loss)

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

(m) Service Fees

Service fees are earned on various services provided to credit unions and their affiliates. These services include ACH and ATM/Debit programs, depository services, share draft processing, and certificate of deposit and securities brokering. Revenue is recognized in the period in which services are rendered. Gross service fee income for the years ending December 31, 2010 and 2009 was \$18.0 million and \$20.2 million, respectively. Revenues on the accompanying statements of operations are reduced by third-party costs incurred to provide these services. These third-party costs were \$6.6 million and \$7.4 million for the years ended December 31, 2010 and 2009, respectively.

(n) Loss Contingencies

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

(o) Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2010. These reclassifications had no impact on total assets, total liabilities and members' equity or net income (loss).

(p) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2010. Management has performed such analysis through March 14, 2011.

(q) Regulatory Pronouncements

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The major revisions involve corporate credit union capital, investments, asset/ liability management, governance and credit union service organization (CUSO) activities. The new regulation establishes a new capital framework, including risk-based capital requirements; imposes new prompt corrective action requirements; places various new limits on corporate investments; imposes new asset/liability

Notes to Financial Statements (Table dollar amounts in thousands)

management controls; amends some corporate governance provisions; and limits a corporate CUSO to categories of services pre-approved by the NCUA.

Most of the new investment prohibitions and other credit and asset/ liability management requirements were effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Part 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. During this time of transition to the new investment prohibitions, Corporate One is adhering to Part 704.10 and has filed the required investment action plans with the NCUA. As of March 14, 2011, Corporate One has not received communication regarding approval of the investment action plans from the NCUA. However, in a letter dated March 11, 2011, NCUA confirmed that they have permitted Corporate One to hold non-compliant securities under a number of investment action plans. NCUA also stated that as of March 11, 2011, they do not intend to require us to sell any securities.

The new capital requirements go into effect on October 20, 2011. The new regulation defines new capital instruments and phases out MCS and PIC. It also establishes new capital ratios. These requirements are discussed more specifically in Note 12.

(3) INVESTMENTS IN FINANCIAL INSTITUTIONS

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

	2010	2009
U.S. Central:		
Share certificates	\$ 313,902	\$ 599,020
Other shares	14,458	12,278
Federal Home Loan Bank stock	15,702	15,702
Certificates of deposit	50,200	1,499
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	\$ 394,262	\$ 628,499

On January 28, 2009, U.S. Central received a \$1.0 billion capital note from the NCUSIF to be treated as paid-in capital for regulatory purposes. This capital note has priority over any other capital accounts at U.S. Central. On January 29, 2009, the NCUA Board approved the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP), under which the NCUSIF guaranteed member shares in excess of the \$250,000 share insurance already provided. On March 20, 2009, in accordance with the Federal Credit Union Act, the NCUA placed U.S. Central into conservatorship and appointed itself as conservator. On April 21, 2009, the NCUA approved revisions to the TCCUSGP. The revised TCCUSGP extended the share guarantee and allows the NCUA the option for quarterly extensions, as deemed necessary. Certificates issued under the revised TCCUSGP are guaranteed only if they have a maturity of two years or less. Existing certificates issued under the original TCCUSGP guarantee are covered under the original guarantee until the guarantee expires, or the maturity of the certificate, whichever occurs first. During 2010, the revised TCCUSGP was extended by the NCUA to December 31, 2012. Pursuant to a Congressional amendment of the Federal Credit Union Act that established the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) – a separate fund under the

control of the NCUA – in June 2009, the NCUA legally transferred the obligation to pay claims under the TCCUSGP to the TCCUSF.

Under the definitions of MCS and PIC in Part 704.2 of Rules and Regulations of the NCUA (Part 704.2); MCS and PIC are available to cover losses that exceed retained earnings. In May 2009, the NCUA published Letter to Credit Unions 09-CU-10, reinforcing the regulatory requirement in Part 704.2 that PIC and MCS are available to cover losses that exceed retained earnings and stated that when there is an accumulated deficit (retained earnings deficit) at a corporate credit union, PIC and MCS must be depleted to the extent necessary to eliminate the accumulated deficit. Prior to December 31, 2009, Corporate One maintained U.S. Central paid-in capital, paid-in capital II and membership capital shares (USC Capital Shares). As of December 31, 2009, although U.S. Central had not fully depleted our remaining USC Capital Shares, we made a determination that our remaining investment was impaired. Accordingly, in 2009, we recorded impairment charges of \$15.1 million representing the remaining balance of our USC Capital Shares.

U.S. Central certificates by maturity at December 31, 2010 are summarized as follows:

Year of Maturity:	Balance
2011	\$ 207,720
2012	50,761
2013	55,421
TOTAL SHARE CERTIFICATES	\$ 313,902

All U.S. Central share certificates held as of December 31, 2010 are guaranteed by the NCUA and therefore not considered impaired. In January 2011, U.S. Central redeemed all of our certificates that mature after December 31, 2012 at par. Other shares consist of an account in which U.S. Central directs the associated dividends to the National Credit Union Foundation Community Investment Fund (CIF). Funds can be withdrawn from this account after a 90-day notice period.

Corporate One also maintains overnight and federal funds accounts at U.S. Central, which are classified as cash and cash equivalents in the accompanying balance sheets. At December 31, 2010 and 2009, overnight and federal funds at U.S. Central totaled \$614.9 million and \$309.6 million, respectively. These funds are fully guaranteed by NCUA.

All shares and certificates with U.S. Central are pledged under our advised line of credit agreement as further discussed in Note 7.

As a member of the FHLB of Cincinnati, Corporate One is required to own a certain amount of stock based on its level of borrowings and other factors. Corporate One views its investment in the FHLB as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. Based on our review of the financial condition of the FHLB of Cincinnati, Corporate One does not believe that its investment in the FHLB was impaired as of, or for the year ended December 31, 2010.

Certificates of deposit are with domestic banks and the FHLB of Cincinnati. The certificates through the domestic banks are all within the insurance limits as set forth by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2010, these certificates are all due in one year or less.

Notes to Financial Statements (Table dollar amounts in thousands)

(4) SECURITIES

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

2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Government-sponsored enterprises	\$ 81,288	\$ 530	\$ (1)	\$ 81,817
Corporate debt securities	192,757	172	(1,381)	191,548
Mortgage-related securities	423,469	585	(81,381)	342,673
Asset-backed securities	1,031,494	7,056	(88,005)	950,545
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 1,729,008	\$ 8,343	\$ (170,768)	\$ 1,566,583
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity securities:				
Mortgage-related securities	\$ 1,266	\$ 1,104		\$ 2,370
TOTAL HELD-TO-MATURITY SECURITIES	\$ 1,266	\$ 1,104		\$ 2,370
2009				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Government-sponsored enterprises	\$ 15,826	\$ 684		\$ 16,510
Corporate debt securities	192,356		\$ (3,657)	188,699
Mortgage-related securities	582,337	728	(135,651)	447,414
Asset-backed securities	1,436,863	12,460	(126,448)	1,322,875
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 2,227,382	\$ 13,872	\$ (265,756)	\$ 1,975,498
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity securities:				
Mortgage-related securities	\$ 2,134	\$ 311		\$ 2,445
TOTAL HELD-TO-MATURITY SECURITIES	\$ 2,134	\$ 311		\$ 2,445

Proceeds from the sale of available-for-sale securities were \$168.8 million in 2010. Gross gains of \$5.7 million and gross losses of \$6,000 were recorded on securities during 2010. There were no sales of securities during 2009.

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

The expected distributions of securities at December 31, 2010 are reflected in the following table. Because the actual lives of mortgage-related securities, certain asset-backed securities, and investments in government-sponsored entities can differ from contractual maturities due to call or prepayment features, these items are presented separately with their related expected weighted average lives (WAL).

	Available-for-Sale			Held-to-Maturity		
	Amortized Cost	Fair Value	WAL	Amortized Cost	Fair Value	WAL
Securities with contractual maturities:						
Due in one year or less	\$ 92,566	\$ 93,488				
Due after one year through five years	427,265	428,044				
Due after five years through 10 years	102,814	103,385				
Securities with prepayment features:						
Residential mortgage-backed securities:						
Agency	93,765	93,020	3.90			
Non-Agency	329,704	249,653	5.96	\$ 1,266	\$ 2,370	4.14
Asset-backed securities	671,579	587,148	4.69			
Government-sponsored enterprises	11,315	11,845	0.92			
TOTAL	\$ 1,729,008	\$ 1,566,583		\$ 1,266	\$ 2,370	

Certain securities are pledged as collateral to secure certain lines of credit with financial institutions. See Note 7 for further details.

At December 31, 2010, approximately 88 percent of the par value amount, or \$1.6 billion, of Corporate One's securities were variable-rate securities, the majority of which had interest rates that reset monthly or quarterly, predominantly based upon LIBOR. Of these variable-rate securities, 12 percent of the dollar amount, or \$197.6 million of such securities had interest rate caps that were fixed at the time of issuance and the caps range from 7 percent to 18 percent. Approximately 0.4 percent of the dollar amount of variable-rate securities had interest rate caps that fluctuate depending on the resetting of the interest rate on the underlying collateral of the security.

Notes to Financial Statements (Table dollar amounts in thousands)

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

2010						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Government-sponsored enterprises	\$ 69,972	\$ (1)			\$ 69,972	\$ (1)
Corporate debt securities			\$ 158,214	\$ (1,381)	158,214	(1,381)
Mortgage-related securities	17,165	(53)	304,553	(81,328)	321,718	(81,381)
Asset-backed securities	24,888	(5)	624,822	(88,000)	649,710	(88,005)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$ 112,025	\$ (59)	\$ 1,087,589	\$ (170,709)	\$1,199,614	\$ (170,768)
2009						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Corporate debt securities			\$ 188,699	\$ (3,657)	\$ 188,699	\$ (3,657)
Mortgage-related securities			414,754	(135,651)	414,754	(135,651)
Asset-backed securities	\$ 70,387	\$ (1,160)	981,770	(125,288)	1,052,157	(126,448)
TOTAL TEMPORARILY IMPAIRED SECURITIES	\$ 70,387	\$ (1,160)	\$ 1,585,223	\$ (264,596)	\$1,655,610	\$ (265,756)

Corporate One believes the decline in fair values of our government-sponsored enterprise, corporate debt and asset-backed securities are primarily attributable to the deterioration of liquidity and larger risk premiums in the market consistent with the broader credit markets and are not a result of the performance of the underlying collateral or credit quality supporting the securities. Management believes the unrealized losses on the mortgage-related securities are the result of historically high defaults, delinquencies and loss severities on mortgages underlying the mortgage-related securities, as well as the deterioration of liquidity due to an imbalance between the supply and demand for these securities. We expect the fair value to recover as the securities approach their maturity date or as the credit markets stabilize. Corporate One does not intend to sell nor is it more likely than not that we will be required to sell these securities prior to a price recovery or maturity. Accordingly, Corporate One determined that there was no additional other-than-temporary impairment of its securities at December 31, 2010 above the \$7.5 million recorded in the accompanying statements of operations.

Under the NCUA expanded authorities granted to Corporate One in accordance with NCUA Rules and Regulations Part 704, long-term credit ratings for security purchases must be A or higher by Nationally Recognized Statistical Rating Organizations (NRSROs). As of December 31, 2010, Corporate One owned 104 securities, with a total amortized cost of \$240.9 million that had been downgraded below the NCUA minimum-rating requirement. As a result of these credit rating downgrades, Corporate One filed the necessary investment action plans with the NCUA in accordance with Part 704.10 and requested permission to continue to hold the downgraded securities. On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704 in the Federal Register. Most of the new investment prohibitions and other credit and asset liability management requirements were effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Part 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. Corporate One currently holds 172 bonds with a December 31, 2010 amortized cost of approximately \$1.1 billion that require investment action plans under the new regulation. During this time of transition to the new investment prohibitions, Corporate One is adhering to Part 704.10 and has filed the required investment action plans with the NCUA. As of March 14, 2011, Corporate One has not received communication regarding approval of the investment action plans from the NCUA. However, in a letter dated March 11, 2011, NCUA confirmed that they have permitted Corporate One to hold non-compliant securities under a number of investment action plans. NCUA also stated that as of March 11, 2011, they do not intend to require us to sell any securities.

At December 31, 2010, 0.8 percent of our gross unrealized losses is related to corporate debt securities. Our corporate debt holdings represent eight securities, four of which were rated AA and four rated A by NRSROs.

Unrealized losses on asset-backed securities represent 51.5 percent of our gross unrealized losses at December 31, 2010. The amortized costs, fair values and credit grades of asset-backed securities at December 31, 2010 are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest* Credit Grade	Lowest* Credit Grade	WAL
Student loans:							
FFELP [^]	\$ 411,655	\$ 347,546		\$ (64,109)	AAA	B	6.19
Private	225,820	204,940	\$ 2,331	(23,211)	AAA	BB	2.53
Credit cards	359,915	363,397	4,160	(678)	AAA	A	2.77
Automobiles	34,104	34,662	565	(7)	AA	BBB	0.81
ASSET-BACKED SECURITIES	\$ 1,031,494	\$ 950,545	\$ 7,056	\$ (88,005)			

*Credit grades are as of December 31, 2010 and are provided by the same NRSROs used at the time of purchase.

[^]Federal Family Education Loan Program

Of the approximately 110 asset-backed securities we own, that are not mortgage related, 76 of those bonds are dual rated A or better. The remaining 34 had at least one rating of BBB or below. We continue to receive principal and interest payments on these securities. Due to the large unrealized losses in our student loan portfolio, Corporate One hired an independent third party consultant to evaluate the portfolio for estimated credit losses. The consultant reported no credit losses in their base case scenario.

Notes to Financial Statements (Table dollar amounts in thousands)

The remaining 47.7 percent of the gross unrealized losses on available-for-sale securities at December 31, 2010 is related to residential mortgage-backed securities and home equity asset-backed securities. The amortized costs, fair values and credit grades of mortgage-related securities at December 31, 2010 are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest* Credit Grade	Lowest* Credit Grade
Government-sponsored enterprises	\$ 93,765	\$ 93,020	\$ 369	\$ (1,114)		
Private:						
Prime collateral	5,133	5,150	18	(1)	AAA	CCC
Near-prime collateral**	131,036	106,878	97	(24,255)	AAA	D
Sub-prime collateral***	83,651	59,869	2	(23,784)	AAA	C
Insured	109,884	77,756	99	(32,227)	AAA	D
MORTGAGE-RELATED SECURITIES	\$ 423,469	\$ 342,673	\$ 585	\$ (81,381)		

*Credit grades are as of December 31, 2010 and are provided by the same NRSROs used at the time of purchase.

**Based on the definition used on offering circulars


*** Based on 660 or lower FICO score

At December 31, 2010, of the approximately 170 mortgage-related available-for-sale securities we own, 18 were rated D by at least one NRSRO. In addition to these 18, we determined another 38 available-for-sale mortgage-related securities to be other-than-temporarily impaired. Twenty-eight of those bonds are dual rated CCC or below. The remaining 10 had at least one rating of B or above.

A portion of Corporate One's securities have insurance coverage to further support the senior classes in the event of deteriorating collateral performance. The insurance coverage provided by the monoline insurers increases the existing credit enhancement provided to the senior class owned by Corporate One. The monoline insurance companies that insure Corporate One bonds are: Syncora Guarantee Inc. (SGI), Financial Guaranty Insurance Company (FGIC), Financial Security Assurance Inc. (FSA), MBIA, Inc. (MBIA) and Ambac Assurance Corporation (AAC). SGI and FGIC stopped paying claims in April 2009 and November 2009, respectively. As a result, Corporate One has recorded OTTI charges on all securities that were dependent upon SGI and FGIC for the payment of future principal and interest claims. Beginning in July 2010, SGI resumed the payment of claims. However, accounting rules do not allow for immediate reversals of prior OTTI taken. Corporate One has placed reliance on FSA and MBIA. These insurers are currently paying principal and interest claims timely and management believes they will continue to pay future claims. However, deterioration of these monoline insurers could result in additional OTTI charges.

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

Due to the economic downturn that began in 2007, claims made against AAC for principal shortfalls on insured bonds escalated to a point where its ability to pay on such claims was in question. On March 24, 2010, the Ambac Financial Group, Inc.'s Board of Directors voted to create a segregated account and consented to rehabilitation of that account by the Wisconsin Office of the Commissioner of Insurance (OCI), AAC's primary regulator. Under Wisconsin law,



the segregated account is treated as a separate insurer from AAC. All of Corporate One's AAC-insured bonds have been allocated to the segregated account by OCI. OCI has implemented a temporary moratorium on claims payments to segregated account policyholders to provide a measured transition into rehabilitation and to conserve claims-paying resources while the plan of rehabilitation is finalized. Through this plan, the segregated account policies should receive a combination of cash and interest-bearing surplus notes in consideration for claims made. AAC announced during June 2010 that it had commuted substantially all of its collateralized debt obligation (CDO) exposures at an advantageous price, thereby enhancing AAC's claims-paying ability.

On October 8, 2010, OCI, as the rehabilitator of the segregated account, filed the final plan of rehabilitation of the segregated account. While the overall aspects of this final plan are largely consistent with the one filed in March 2010, the final plan includes detailed financial projections that provide a range of potential outcomes for policyholders. The plan calls for 25 percent of claims to be paid in cash and 75 percent in surplus notes. The detailed financial projections show recoveries on the surplus notes ranging from 100 percent in the best scenario to 45 percent in the most stressful scenario. Therefore, according to OCI's estimates, even in the most stressful scenario, the ultimate recovery on policy claims would be 58.75 percent (the result of 100 percent recovery on the 25 percent paid in cash and 45 percent recovery on the 75 percent paid in surplus notes).

In October 2010, the Asset/Liability Committee (ALCO) of Corporate One hired an outside independent consulting firm to review the OCI's plan and provide an analysis of the claims-paying ability of the segregated account of AAC. The consulting firm concluded that the segregated account has the ability to pay 75 percent of policyholder claims. We believe this is a reasonable estimate given the OCI's projections, which ranged from 100 percent claims-paying ability on the high end of the range to 58.75 percent on the low end. Accordingly, Corporate One recorded OTTI of \$1.5 million related to our AAC-insured bonds. This represents a 25 percent write down of the projected credit losses on our AAC-insured bonds. However, the ultimate realization of recoveries from AAC is subject to many factors, including minimum capital requirements of AAC, which in turn is a function of the performance of AAC's insured exposures. Further deterioration of AAC or the underlying insured securities could result in additional OTTI charges.

On November 8, 2010, Ambac Financial Group, Inc. filed bankruptcy. Ambac Financial Group, Inc. is a separate legal entity from AAC, the subsidiary company that insures our securities. OCI, as the rehabilitator of the segregated account, retains significant decision-making authority with respect to the segregated account and has the discretion to oversee and approve certain actions taken by AAC in respect of assets and liabilities that remain in AAC. Such decisions will be made by the rehabilitator for the benefit of policyholders and the rehabilitator will not take into account the interests of security holders of Ambac Financial Group, Inc. Therefore, we do not expect there will be any material adverse effects to Corporate One's AAC-insured securities from the bankruptcy of Ambac Financial Group, Inc.

On January 24, 2011, the OCI's motion for confirmation of the final rehabilitation plan was granted and the plan was confirmed by the State of Wisconsin's Circuit Court for Dane County.

The final rehabilitation plan will become effective as soon as certain conditions set forth in the plan have been satisfied. These conditions include, but are not limited to entry of the confirmation order, receipt of a No-Action Letter for the exemption of the registration of the surplus notes from the Securities and Exchange Commission (SEC) and the State securities law administrators, and the signing and delivery of certain other documents important to the plan process. The OCI will publicly announce the effective date of the plan when all conditions are satisfied. Policyholders will have 120 days after the effective date to file claims.

Notes to Financial Statements (Table dollar amounts in thousands)

The following table details our exposure to each monoline insurer for mortgage and non-mortgage securities at December 31, 2010:

Monoline Insurer	Par Value	Amortized Cost	Fair Value	Insurer Rating	
				S&P	Moody's
FGIC	\$ 56,911	\$ 45,588	\$ 35,233	NR	WR
MBIA	27,507	27,507	17,235	B	B3
AAC	28,952	27,815	18,608	R	Caa2
SGI	7,182	6,422	4,191	NR	Ca
FSA	2,578	2,578	2,513	AAA	Aa3
TOTAL	\$ 123,130	\$ 109,910	\$ 77,780		

In order to determine if the declines in fair value below amortized cost represented OTTI, management considered various impairment indicators such as: securities on our internal watchlist, securities that have had ratings downgrades, securities that have been underwater for greater than 12 months and securities that have severe unrealized losses. We also utilize outside services to assist management in performing detailed cash flow analyses to determine if all principal and interest cash flows will be received. The analyses performed required assumptions about the collateral underlying the securities, including default rates, loss severities on defaulted loans and prepayments. It is possible that the underlying loan collateral of these securities may perform at a level worse than our expectations, which may result in adverse changes in cash flows for these securities and potential OTTI writedowns in the future.

For the securities where we believe not all principal and interest will be received, OTTI charges were recorded. As of December 31, 2010, we had 58 mortgage-related securities (56 available-for-sale and two held-to-maturity securities) that were considered other-than-temporarily impaired. These securities had a total par value of approximately \$224.4 million at December 31, 2010. The estimated credit losses of \$7.5 million, during the year ended December 31, 2010, recognized in the accompanying statements of operations, are a calculation of the difference between the discounted cashflows of the securities with OTTI and their current amortized cost.

Total other-than-temporary impairment recognized in accumulated other comprehensive income was approximately \$28.8 million and \$2.2 million for available-for-sale securities and held-to-maturity securities for December 31, 2010.

In 2009, we had 50 mortgage-related securities that were considered other-than-temporarily impaired. These securities had a par value at December 31, 2009 of approximately \$247.5 million. OTTI charges, during the year ended December 31, 2009, equal to the difference between the discounted cashflows and their current amortized cost, totaled \$42.6 million.

Total other-than-temporary impairment recognized in accumulated other comprehensive income was approximately \$111.0 million and \$6.6 million for available-for-sale securities and held-to-maturity securities for December 31, 2009.

The following table details losses, both net impairment losses recognized in earnings and accumulated other comprehensive income (loss), as of and for the years ended December 31, 2010 and 2009.

	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2010	Accumulated Other Comprehensive Income (Loss) as of December 31, 2010	Net Impairment Losses Recognized in Earnings for the Year Ended December 31, 2009	Accumulated Other Comprehensive Income (Loss) as of December 31, 2009
Available-for-sale securities:				
Corporate debt securities		\$ (1,209)		\$ (3,657)
Mortgage-related securities – other-than-temporarily impaired	\$ 7,221	(50,565)	\$ 40,610	(60,689)
Mortgage-related securities – temporarily impaired		(30,231)		(74,234)
Government-sponsored enterprises		529		684
Asset-backed securities		(80,949)		(113,988)
TOTAL AVAILABLE-FOR-SALE SECURITIES	7,221	(162,425)	40,610	(251,884)
Held-to-maturity securities:				
Mortgage-related securities – other-than-temporarily impaired	313	(3,926)	1,945	(3,859)
TOTAL HELD-TO-MATURITY SECURITIES	313	(3,926)	1,945	(3,859)
TOTAL	\$ 7,534	\$ (166,351)	\$ 42,555	\$ (255,743)

Through December 31, 2009, we had total cumulative principal shortfalls of approximately \$1.4 million on 11 securities. In 2010, we had an additional \$9.6 million in principal shortfalls resulting in total cumulative principal shortfalls of \$11.0 million on 22 securities through December 31, 2010. Of these 22 securities, seven are insured by FGIC and four are insured by AAC. We had anticipated these principal shortfalls and had taken OTTI charges on these securities previously.

Notes to Financial Statements (Table dollar amounts in thousands)

The following table details cumulative credit losses on other-than-temporarily impaired debt securities for the periods ended December 31, 2010 and 2009.

	Cumulative Credit Losses on Debt Securities	
	2010	2009
Cumulative credit losses on debt securities previously recognized in earnings at January 1,	\$ (50,342)	\$ (7,885)
Credit losses recognized in earnings on debt securities not previously determined to be other-than-temporarily impaired	(2,693)	(30,156)
Additional credit losses recognized in earnings on debt securities previously determined to be other-than-temporarily impaired	(4,841)	(12,399)
Reductions due to sales of securities	205	
Reduction due to increases in expected cash flows	145	98
CUMULATIVE CREDIT LOSSES ON DEBT SECURITIES PREVIOUSLY RECOGNIZED IN EARNINGS AT DECEMBER 31,	\$ (57,526)	\$ (50,342)

(5) EQUITY INVESTMENTS

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

	2010	2009
Primary Financial Company LLC	\$ 1,666	\$ 1,230
Processing Alliance LLC	83	88
eDoc Innovations, Inc.	2,059	2,069
TOTAL EQUITY INVESTMENTS	\$ 3,808	\$ 3,387

Corporate One has a 6.72 percent investment in Primary Financial Company LLC (Primary Financial). This investment meets the criteria outlined in FASB ASC 272-10-05-05-3, Limited Liability Entities, and is accounted for using the equity method. Corporate One's portion of Primary Financial's current period net income or loss, recognized as a component of service fee income in the accompanying statements of operations, was \$436,000 and \$610,000 in 2010 and 2009 respectively.

Corporate One is a co-broker of Primary Financial and, as such, earns a spread on certificates placed by Corporate One. Corporate One recognized income of \$768,000 in 2010 and \$1.3 million in 2009 on the certificates placed by Corporate One. Corporate One also earns additional spreads on certificates it places, as well as royalties on certificates placed by other co-brokers. These additional spreads and royalties represent additional consideration related to Corporate One's sale of Primary Financial in 2003. In February 2010, because of certain other rights exercised, Corporate One no longer earns royalties on certificates placed by other co-brokers.

Corporate One will continue to receive royalty payments for all placements originated before March 2010. Corporate One recognized \$110,000 in 2010 and \$844,000 in 2009, related to royalties on certificates placed by other co-brokers. The additional spread earned on certificates Corporate One placed were \$384,000 in 2010 and \$640,000 in 2009. These additional spreads continue through 2015. All such spreads and royalties are included as a component of net service fee income in the accompanying statements of operations.

Corporate One performs accounting and marketing services for Primary Financial under a support services contract. The contract is a one-year contract with provisions for automatic annual renewals. Corporate One recognized, as a component of service fee income in the accompanying statements of operations, \$185,600 in 2010 and \$178,500 in 2009 related to this agreement.

Corporate One owns 50 percent of Processing Alliance LLC (Processing Alliance). Corporate One does not have a majority voting interest and does not maintain a controlling interest in Processing Alliance. This investment, therefore, is accounted for using the equity method. This company was formed in December 2006 to provide forward cash collection services as well as other services to credit unions. Corporate One's portion of Processing Alliance's current period net loss, recognized as a component of net service fee income in the accompanying statements of operations, was a loss of \$5,200 and \$4,700 in 2010 and 2009, respectively.

Corporate One has an approximately 28 percent investment in eDoc Innovations, Inc. (eDoc). Corporate One does not have a majority voting interest and does not maintain a controlling interest in eDoc. This investment, therefore, is accounted for using the equity method. eDoc is a leading provider of electronic document management technology. Corporate One's portion of eDoc's current period net income, recognized as a component of net service fee income in the accompanying statements of operations, was \$500 in 2010 and \$53,200 in 2009. In January 2010, eDoc paid a dividend of \$10,460 to Corporate One.

(6) OTHER ASSETS

Included in other assets is a deposit with the NCUA for share insurance, accounts receivable, prepaid accounts and net property and equipment. Equity investments are also included in other assets and are discussed in Note 5.

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

	2010	2009
Buildings and improvements	\$ 4,503	\$ 4,482
Equipment	12,906	14,206
	17,409	18,688
Less: Accumulated depreciation	12,178	12,877
NET PROPERTY AND EQUIPMENT	\$ 5,231	\$ 5,811

Notes to Financial Statements (Table dollar amounts in thousands)

(7) BORROWED FUNDS

Throughout 2010, Corporate One had a commitment from a financial institution enabling Corporate One to borrow funds under a revolving line of credit. At December 31, 2010, Corporate One had a committed line totaling \$75.0 million and no amount was outstanding on this line of credit. The interest rate on this line is indexed off of money market rates, primarily LIBOR, plus a margin of up to 150 basis points (bps). As collateral for this line of credit, Corporate One has pledged securities to this financial institution that have a fair value of approximately \$92.7 million.

Corporate One has the ability to issue up to \$130.0 million of senior unsecured debt obligations guaranteed under the NCUA's Temporary Corporate Credit Union Liquidity Guarantee Program. At December 31, 2010 and 2009, no amount was outstanding under this program. As of December 31, 2010, the fee to participate varied based on the maturity of the debt guaranteed ranging from 10 to 35 bps per annum assessed on the outstanding balance.

In addition, Corporate One has an advised line of credit with U.S. Central that, by its nature, may be withdrawn by U.S. Central. Corporate One may take advances on this line of credit up to \$650.0 million based on the amount of eligible collateral available to support such advances. Eligible collateral consists of all shares and certificates with U.S. Central. As such, all of Corporate One's shares and certificates with U.S. Central have been pledged under this line of credit agreement. For overnight borrowings on this line, the interest rate is variable and is established by U.S. Central on a daily basis. Fixed-rate term borrowings are also available under this line of credit.

Corporate One also maintains reverse repurchase agreements with certain parties allowing for additional liquidity of approximately \$500.0 million. These agreements use some of our asset-backed securities as collateral. Corporate One had no outstanding reverse repurchase agreements at December 31, 2010 or 2009. Average borrowings under reverse repurchase agreements were approximately \$295,000 during 2010 and \$6.0 million during 2009. There was no amount outstanding at any month-end during 2010. The highest month-end balance during 2009 was \$31.7 million.

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At December 31, 2010 and 2009, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately \$252.4 million and \$170.2 million, respectively, which provided a borrowing capacity of \$220.5 million and \$142.3 million, respectively.

The following table provides a summary of our outstanding borrowings at December 31.

	2010		2009	
	Balance	Rate	Balance	Rate
FHLB:				
Due in one year or less	\$ 10,000	4.39%		
Due after one year through five years	20,000	3.99%	\$ 30,000	3.99-4.39%
U.S. Central:				
Due after one year through five years	20,000	4.45-4.99%	20,000	4.45-4.99%
TOTAL BORROWED FUNDS	\$ 50,000		\$ 50,000	

During January 2011, Corporate One prepaid the entire \$20.0 million of borrowings, at par, from U.S. Central.

(8) SHARE ACCOUNTS AND PAID-IN CAPITAL (PIC)

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

	2010		2009	
	Balance	Rate	Balance	Rate
Settlement and regular shares	\$ 2,203,543	0.18%	\$ 2,010,843	0.21%
Share certificates	602,176	1.53%	1,314,800	2.20%
MCS	126,924	0.31%	119,990	0.31%
TOTAL SHARE ACCOUNTS	\$ 2,932,643		\$ 3,445,633	
PIC	\$ 25,332	1.25%	\$ 25,682	1.25%

Settlement and regular share accounts are available to members on demand and pay dividends either daily or monthly. Share certificate accounts have specific maturities and dividend rates. Dividend payments on share certificate accounts vary according to the type of share certificate issued and the length of maturity. Share certificates can be redeemed by members prior to maturity at fair value, as determined by Corporate One. Share certificates of \$100,000 or more were \$600.7 million and \$1.3 billion at year-end 2010 and 2009. In 2010, one of Corporate One's member credit unions was liquidated by the NCUA. As such, \$550,000 of MCS and \$350,000 of PIC that was invested in Corporate One by this credit union was released to the NCUA.

In 2009, certain member credit unions requested to redeem Corporate One certificates prior to their contractual maturity. The total value of the certificates redeemed in 2009 was approximately \$6.0 million. We redeemed the certificates at fair value, resulting in gross losses of \$34,500.

Total share certificate accounts by maturity at December 31, 2010 are summarized as follows:

Year of Maturity	Balance
2011	\$ 319,053
2012	265,199
2013	17,924
TOTAL SHARE CERTIFICATES	\$ 602,176

Eligible accounts of members are insured by the NCUSIF up to \$250,000 per member. As of December 31, 2010, insured member accounts totaled \$126,174,328.

On January 29, 2009, the NCUA Board approved the TCCUSGP, under which the NCUSIF guaranteed Corporate One's member shares in excess of the \$250,000 share insurance already provided. Pursuant to a Congressional amendment of the Federal Credit Union Act that established the TCCUSF – a separate fund under the control of the NCUA – in June 2009, the NCUA legally transferred the obligation to pay claims under the TCCUSGP to the TCCUSF. During 2010, the TCCUSGP was extended by the NCUA to December 31, 2012. The maximum maturity for shares subject to the guarantee is two years.

(9) COMMITMENTS AND CONTINGENCIES

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

These financial instruments include committed and advised lines of credit. The contractual amounts of these instruments represent the extent of Corporate One's exposure to credit loss. Corporate One uses the same credit policies in making these commitments and obligations as it does for on-balance-sheet instruments. In extending commitments, Corporate One evaluates each member's creditworthiness on a case-by-case basis. All outstanding commitments are subject to collateral agreements and have termination clauses. At December 31, 2010 and 2009, these financial instruments included outstanding advised lines of credit of approximately \$1.1 billion. Outstanding committed lines of credit at December 31, 2010 and 2009 were approximately \$15.0 million and \$16.0 million, respectively.

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

(10) RETIREMENT PLAN

Corporate One sponsors a defined-contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code which covers substantially all employees. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Employees also have the option to contribute a portion of their compensation on a pre- or post-tax basis. Corporate One matches 150 percent of the first 3 percent employee contribution and 75 percent on the next 2 percent employee contribution. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. Beginning in the second quarter of 2009 and continuing through 2010, the Board of Directors suspended all discretionary contributions. Retirement expense, which includes both the employee match contributions and discretionary contributions, was approximately \$378,000 in 2010 and \$451,000 in 2009.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- Investments in financial institutions are based on discounted cash flow analyses using current market rates, except FHLB stock. It was not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

- The fair values for securities are generally determined by discounting the future cash flows using rates currently available for similar securities, or based on quoted market prices or dealer quotations, if available.
- The estimated fair value of loans is determined by discounting future cash flows using interest rates currently being offered to members for loans with similar terms.
- The fair value of borrowed funds is based on discounted cash flow analyses using current market rates.
- The fair values approximate carrying values for share accounts payable on demand at the balance sheet date. The fair value of fixed-maturity share accounts is estimated by discounting the future cash flows using the rates currently offered for share accounts of similar remaining maturities.

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

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	\$ 895,131	\$ 895,131	\$ 663,972	\$ 663,972
Investments in financial institutions	394,263	395,420	628,499	632,318
Available-for-sale securities	1,566,583	1,566,583	1,975,498	1,975,498
Held-to-maturity securities	1,266	2,370	2,134	2,445
Loans to members	4,284	4,302	6,865	6,865
Accrued interest receivable	2,452	2,452	5,702	5,702
NCUSIF deposit	1,273	1,273	1,345	1,345
Liabilities and members' equity:				
Borrowed funds	\$ 50,000	\$ 53,907	\$ 50,000	\$ 53,319
Dividends and interest payable	1,856	1,856	7,431	7,431
Share accounts	2,932,643	2,938,010	3,445,633	3,458,108

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy exists in this guidance, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that Corporate One has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect Corporate One's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The guidance requires that the highest level of valuation available be used. This statement describes inactive markets as characterized by few transactions for the asset, prices that are not current, prices that vary substantially, or some combination thereof, and while an entity should not assume

Notes to Financial Statements (Table dollar amounts in thousands)

a market is inactive; it should also not assume the prices available are from active markets. The determination of market participation requires a significant amount of judgment by management.

The fair value of available-for-sale securities other than residential mortgage-backed or home equity asset-backed securities are determined by obtaining quoted prices from brokers or pricing services, or market listings as of the last day of the year. For securities where there is limited trading due to current market conditions, we believe the pricing services likely utilized matrix pricing to determine the price. Matrix pricing is a mathematical technique used widely in the industry to value debt securities without relying on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. We have classified the pricing for such securities as Level 2. For asset-backed securities where pricing is not available from a pricing service, management utilizes internal models for pricing these securities. For these securities, the fair values are highly sensitive to assumption changes and market volatility and are therefore classified as Level 3.

Corporate One engages an independent third-party expert to value our residential mortgage-backed and home equity asset-backed securities. The third-party expert uses their internal models for pricing these securities. Information such as historical and current performance of the underlying collateral, deferral/default rates, collateral coverage ratios, cash flow projections, and liquidity and credit premiums required by a market participant, are utilized in determining individual security valuations. For residential mortgage-backed and home equity asset-backed securities where we see limited trading due to current market conditions, we classify the pricing for such securities as Level 3. For these securities, the fair value is highly sensitive to assumption changes and market volatility.

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2010.

	Fair Value Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	\$ 191,548	\$ 191,548		
Government-sponsored enterprises	81,817	69,972	\$ 11,845	
Mortgage-related securities - agency	93,020		93,020	
Mortgage-related securities - private	249,653		42,122	\$ 207,531
Asset-backed securities:				
Student loans - FFELP	346,120		290,842	55,278
Student loans - private	206,365		203,130	3,235
Credit cards	363,397		363,397	
Automobiles	34,663		34,664	
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 1,566,583	\$ 261,520	\$ 1,039,020	\$ 266,044

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2009.

	Fair Value Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	\$ 188,699	\$ 188,699		
Government-sponsored enterprises	16,510		\$ 16,510	
Mortgage-related securities - agency	141,071		141,071	
Mortgage-related securities - private	306,344		53,853	\$ 252,491
Asset-backed securities:				
Student loans - FFELP	378,431		278,706	99,725
Student loans - private	253,844		223,600	30,244
Credit cards	607,649		601,633	6,016
Automobiles	82,950		61,751	21,199
TOTAL AVAILABLE-FOR-SALE SECURITIES	\$ 1,975,498	\$ 188,699	\$ 1,377,124	\$ 409,675

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2010 and 2009.

	Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)	
	2010	2009
Beginning balance January 1,	\$ 409,675	
Changes in fair values of Level 3 securities:		
Mortgage-related securities - private	(33,680)	
Student loans - FFELP	2,622	
Student loans - private	(4,356)	
Decreases due to sales or maturities:		
Mortgage-related securities - private	(11,280)	
Credit cards	(6,016)	
Transfers in and/or (out) of Level 3:		
Mortgage-related securities - private		\$ 252,491
Student loans - FFELP	(47,069)	99,725
Student loans - private	(22,653)	30,244
Credit cards		6,016
Automobiles	(21,199)	21,199
ENDING BALANCE DECEMBER 31,	\$ 266,044	\$ 409,675

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In accordance with accounting guidance effective in 2009, we classified the fair value of those securities where there was a lack of observable market data as Level 3. During 2010, market activity began to increase, and as of December 31, 2010, certain securities were transferred out of Level 3 and into Level 2 because observable market data for these investments once again became available. Corporate One's policy is to recognize transfers as of the end of the reporting period. As a result, the fair value for these securities was transferred on December 31, 2010.

There were no transfers between Level 1 and Level 2 during 2010.

(12) REGULATORY CAPITAL AND NET ECONOMIC VALUE REQUIREMENTS


The NCUA periodically examines Corporate One's operations as part of its legally prescribed oversight of credit unions. Based on its examination, the NCUA can direct Corporate One to change operations and management, adjust historical financial statements and make other changes in accordance with their findings. Additionally, the NCUA requires that corporate credit unions maintain a minimum capital ratio (capital divided by 12 month rolling moving daily average net assets (MDANA)) based upon the corporate's investment authority as authorized by the NCUA. The NCUA defines capital as reserves and undivided earnings, PIC and MCS less the amortized portion of PIC and MCS on notice. The NCUA also requires a corporate credit union to retain certain earnings levels if its retained earnings ratio (reserves and undivided earnings divided by 12 month MDANA) falls below the required percentage.

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

	2010	2009
Retained earnings	\$ 35,431	\$ 23,648
PIC	25,332	25,682
MCS	126,924	119,990
TOTAL	187,687	169,320
Less: Amortized PIC and MCS on notice	(4,781)	(1,625)
REGULATORY CAPITAL	\$ 182,906	\$ 167,695

Corporate One's actual reserves and undivided earnings, capital and regulatory ratios at December 31 are presented in the following table:

	2010	2009	Regulatory Minimum
Regulatory capital	\$ 182,906	\$ 167,695	
Regulatory capital ratio	5.39%	4.35%	5.00%
Reserves and undivided earnings	\$ 35,431	\$ 23,648	
Retained earnings ratio	1.04%	0.61%	2.00%



As of December 31, 2010, Corporate One met the regulatory capital ratio requirement but did not meet the minimum retained earnings ratio. As of December 31, 2009, Corporate One did not meet either ratio. This is primarily due to impairment losses related to Corporate One's investment in U.S. Central (see additional discussion in Note 3) and securities (see additional discussion in Note 4).

There are a number of remedies available to a corporate credit union should its regulatory ratios fall below the required minimum. However, despite such remedies, the NCUA could restrict the corporate's ability to, among other things, accept additional deposits, open new accounts, make loans or pay dividends. In April 2009, the NCUA issued an order under its authority in Part 704.1(b), permitting an alternative capital level for purposes of regulatory compliance outlined in Part 704. The order will remain in effect until modified or rescinded by the NCUA Board or until the effective date of the final rulemaking for Part 704. As a result of the order, Corporate One is allowed to use capital levels reported in its November 2008 call report for purposes of determining regulatory compliance with its capital ratio requirement and earnings retention requirement. At November 30, 2008, regulatory capital totaled \$264.8 million which, when divided by 12-month MDANA as of December 31, 2010, resulted in a capital ratio of 7.81 percent compared to the regulatory minimum of 5 percent. Reserves and undivided earnings totaled \$123.1 million at November 30, 2008, which, when divided by 12-month MDANA as of December 31, 2010 resulted in a retained earnings ratio of 3.63 percent compared to the regulatory minimum of 2.00 percent.

Corporate One's net economic value (NEV) sensitivity is limited by Part 704 of NCUA Rules and Regulations to a 28 percent change from base and an NEV ratio greater than the minimum regulatory ratio of 2.0 percent. If Corporate One fails to meet its NEV requirements for 30 calendar days, a detailed, written action plan that sets forth the time needed and means by which it intends to correct the violation must be submitted to the NCUA. In addition, discretionary actions by the NCUA are possible that could have a material effect on Corporate One's financial position and operations.

Due to the effects of the declines in fair values of our available-for-sale securities (see additional discussion in Note 4), Corporate One did not comply with the NEV sensitivity requirement or the NEV ratio requirement during all of 2010 and 2009. Corporate One submitted the required plan to the NCUA and the plan was approved by the NCUA.

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The revisions establish a new capital framework including risk-based capital requirements. The old capital instruments, PIC and MCS, are being phased out and two new capital instruments are established. The new capital instruments are Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA). PCC is defined in Part 704.2 as accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings, PIC and MCS; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. NCA is defined in Part 704.2 as funds contributed by members or nonmembers that: are term certificates with an original minimum term of five years or that have an indefinite term with a minimum withdrawal notice of five years; are available to cover losses that exceed retained earnings, PIC, MCS and PCC; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

The regulation contains a multi-step, multi-year phase in of the new capital requirements. The new requirements generally take effect on October 20, 2011; however, certain definitions change over time as various requirements are phased in. The following table presents the ratios, definitions of the numerators and denominators for each of the ratios and the required minimum levels for well capitalized and adequately capitalized designations under the new regulation. The definitions of the numerators are simplifications, as the new regulation contains certain

Notes to Financial Statements (Table dollar amounts in thousands)

adjustments to each capital calculation. A corporate that does not meet the minimum required ratios for being adequately capitalized will be subject to the prompt corrective action (PCA) provisions of the new NCUA Rules and Regulations, Part 704.4. A corporate subject to PCA is required to file a capital restoration plan with the NCUA. In addition, there are certain mandatory and discretionary supervisory actions that may apply such as restrictions of capital distributions, restrictions on asset growth, prior approval from the NCUA of certain expansion proposals, and dismissal of directors or senior executive officers.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Retained earnings ratio	RUDE	MDANA	0.45/1.00/2.00% ^	
Leverage ratio	RUDE+PCC	MDANA	5.00%	4.00%
Tier 1 risk-based capital ratio	RUDE+PCC	MDANRA*	6.00%	4.00%
Total risk-based capital ratio	RUDE+PCC+NCA	MDANRA	10.00%	8.00%

^The retained earnings ratio has multi-year requirements per the new rule - 0.45% by third anniversary, 1.00% by sixth anniversary and 2.00% by tenth anniversary.

*Moving Daily Average Net Risk Weighted Assets

To achieve the capital requirements of the new regulation, we plan to: build RUDE through earnings with expense control as a top priority; work with our members to recommit their existing capital to forms that comply with the new rules and regulations (i.e. PCC); encourage new members and existing Associate members to capitalize by further enhancing the "Partner/owner" pricing of products and services as compared to Associate member pricing; and raise new 4% five-year term NCA.

On December 28, 2010, Corporate One distributed a Confidential Information Memorandum to all of its members asking them to recommit their existing capital instruments by converting them to the new qualifying capital instrument, PCC. Additionally, Corporate One is asking its members to invest in NCA. The purpose of the NCA offering is to raise between \$50 million to \$75 million of new capital in the form of NCA. In addition to counting toward certain capital ratios, this new capital will serve to increase our NEV to a level that will allow us to achieve the minimum regulatory NEV ratio of 2.0 percent. This offering is expected to close on April 29, 2011, unless sooner terminated or extended by Corporate One's Board of Directors, provided that any extension shall be to a date not later than December 31, 2011.

As of December 31, 2010, MDANA and MDANRA were \$3.4 billion and \$1.5 billion, respectively. With total PIC of \$25.3 million and MCS of \$126.9 million, Corporate One could achieve the three main capital requirements in the proposed regulation if the member credit unions support a conversion of their existing capital instruments, PIC and MCS, to PCC. In addition, beginning in October 2013, a corporate credit union is also required to report its ratio of retained earnings or RUDE to its MDANA. If this ratio is less than 0.45 percent, the corporate credit union must submit a retained earnings accumulation plan to the NCUA for approval. As of December 31, 2010, Corporate One meets this requirement, as our retained earnings ratio is 1.04 percent.



8700 Orion Place
Columbus, Ohio 43240-2078

P.O. Box 2770
Columbus, Ohio 43216-2770

866/MyCorp1
www.corporateone.coop