Corporate One
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

January 2018

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For further information, please contact:

Melissa Ashley, Executive Vice President and Chief Financial Officer, 866/692-6771 ext. 9351 or
Tammy Cantrell, Executive Vice President, Asset/Liability Management, 866/692-6771 ext. 9312.

Dear Members,

Please find attached to this letter our unaudited financial statements and regulatory ratios for January 2018. Our January 2018 5310 report can be found at http://www.corporateone.coop/About-Us/Due-Diligence.aspx.

Corporate One maintains a strong liquidity position with a focus on ensuring liquidity is available to our members when they need it. As a result of our members' increasing loan-to-share ratios, our overall balance sheet has decreased year over year as we recognized a decrease in overnight shares. To ensure we maintain sufficient liquidity to help our members manage their liquidity position, we have structured our balance sheet to handle this type of share-balance fluctuation. Our strategy includes investing in highly liquid securities that can be sold. Throughout 2017, the spreads have tightened across all sectors in which we are invested, which has pushed market values higher. We are now in a net unrealized gain position on our available-for-sale securities of $15 million as compared to a net unrealized loss position a year ago. In January 2018, we recognized a net gain of $138,200 on the sale of approximately $3.5 million worth of securities. The proceeds were used to fund the liquidity needs of our members. In addition, the securities we hold can be used as collateral at the FHLB, the Federal Reserve and other liquidity partners, resulting in approximately $1.76 billion in borrowing capacity.

We have added $11.5 million to our retained earnings over the last 12 months, which now exceeds $82.0 million, resulting in a retained earnings ratio of 2.29 percent. More details regarding these ratios can be found on page eight of this report.

If you have any questions about our financial condition, please feel free to contact me at mashley@corporateone.coop or 866/692-6771, ext. 9351.

Sincerely,

Melissa A. Ashley
Executive Vice President and Chief Financial Officer

Consolidated Balance Sheets (unaudited)

		January 31, 2018		January 31, 2017
Assets				
Cash and cash equivalents	$	444,713,880	$	360,653,541
Investments in financial institutions		43,134,000		31,246,700
Securities available for sale, at fair value		2,071,614,851		2,327,620,068
Loans		106,141,384		136,051,713
Accrued interest receivable		5,060,830		3,140,724
Goodwill		3,401,412		3,401,412
Intangible assets		9,032,837		11,487,337
Other assets		61,453,600		63,080,929
TOTAL ASSETS		2,744,552,794		2,936,682,424
Liabilities and Members' Equity				
Liabilities:				
Settlement and regular shares		1,949,242,962		2,315,453,047
Share certificates		327,175,815		313,651,629
Borrowed funds		74,000,000		24,000,000
Dividends and interest payable		452,842		143,351
Accounts payable and other liabilities		76,984,914		6,328,631
TOTAL LIABILITIES		2,427,856,533		2,659,576,658
Members' equity:				
Perpetual contributed capital		219,449,122		219,173,905
Retained earnings		82,089,819		70,565,737
Accumulated other comprehensive income (loss)		15,157,320		(12,633,876)
TOTAL MEMBERS' EQUITY		316,696,261		277,105,766
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	2,744,552,794	$	2,936,682,424

Consolidated Statements of Income (unaudited)

	One Month Ended	
	January 31, 2018	January 31, 2017
Interest Income:		
Investments	$5,568,352	3,800,905
Loans	181,950	170,475
Total Interest Income	5,750,302	3,971,380
Dividend And Interest Expense:		
Shares	2,224,813	1,088,836
Borrowed funds and other	895,120	394,852
Total Dividend And Interest Expense	3,119,933	1,483,688
Net Interest Income	2,630,369	2,487,692
Net Settlement Income	1,052,332	1,132,137
Salaries and employee benefits	2,002,278	1,932,455
Amortization of intangibles expense	208,464	208,464
Office operations and occupancy expense	568,827	676,807
Other operating expenses	363,845	131,702
Total Operating Expenses	3,143,414	2,949,428
Net Gain on Financial Instruments:		
Gain on sales of securities	138,224	0
Net Gain on Financial Instruments	138,224	
Net Income	677,511	670,401

Consolidated Statements of Comprehensive Income (unaudited)

	One Month Ended			
		January 31, 2018		**January 31, 2017**
Net Income	$	677,511	$	670,401
Other comprehensive income :				
Change in net unrealized gain on available-for-sale securities		5,054,497		5,903,693
Reclassification adjustment recognized in earnings for net gain from sales of securities		(138,224)		-
Total other comprehensive income		4,916,273		5,903,693
Comprehensive Income	$	5,593,784	$	6,574,094

Consolidated Statement of Changes in Members’ Equity for the Month Ended January 31, 2018
(unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance At January 1, 2018	$ 219,441,538	$ 81,598,817	$ 10,241,047	$ 311,281,402
Net income		677,511		677,511
Other comprehensive income			4,916,273	4,916,273
Issuance of PCC	7,584			7,584
Dividends on PCC		(186,509)		(186,509)
Balance at January 31, 2018	$ 219,449,122	$ 82,089,819	$ 15,157,320	$ 316,696,261

Capital Ratios and NEV

In October 2011, the NCUA issued amendments to Part 704, the regulations governing the corporate credit unions. These amendments contained a multi-step, multi-year phase-in with certain definitions changing over time as various requirements are phased in. On November 22, 2017, the NCUA Board issued further amendments to Part 704. Specifically, the amendments revise provisions issued in 2011 on retained earnings and Tier 1 capital. The 2017 amendments include a revision to the definition of retained earnings and Tier 1 capital and the addition of a definition for a retained earnings ratio. The effective date of these amendments was December 22, 2017.

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

The following table presents the ratios, definitions of the numerators and denominators for each of the ratios and the required minimum levels for well capitalized and adequately capitalized designations under the regulation.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Leverage ratio	Tier 1 Capital***	MDANA*	5.00%	4.00%
Tier 1 risk-based capital ratio	Tier 1 Capital***	MDANRA**	6.00%	4.00%
Total risk-based capital ratio	Total Capital***	MDANRA**	10.00%	8.00%
NEV ratio	Fair Value of Assets less Fair Value of Liabilities	Fair Value of Assets	2.00%	2.00%

*Moving Daily Average Net Assets (NCUA Rules and Regulations §704.2 allows for the deductions from Tier 1 capital to also be deducted from MDANA)
**Moving Daily Average Net Risk Weighted Assets
***As defined by the NCUA Rules and Regulations §704.2

The following summarizes Corporate One's capital and NEV ratios as of January 31, 2018.

	January 31, 2018
Retained earnings ratio	2.29%
Leverage ratio*	7.14%
Tier 1 risk-based capital ratio	28.38%
Total risk-based capital ratio	33.24%
NEV ratio	11.63%

* NCUA Rules and Regulations §704.2 allows for the deductions from Tier 1 capital to also be deducted from MDANA for use in the Leverage ratio calculation. However, one such deduction was not built into the 5310 calculation and as a result our current 5310 reports a 7.13% leverage ratio.

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