CorporateOne
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

February 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 February 2018. Our February 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. Starting in 2017 and continuing into 2018, the spreads have tightened across all sectors in which we are invested; these tighter spreads have resulted in higher market values. We are now in a net unrealized gain position on our available-for-sale securities of $14.4 million as compared to a net unrealized loss position a year ago. In 2018, we recognized a net gain of $150,800 on the sale of approximately $12.5 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 $1.62 billion in borrowing capacity.

We have added $11.5 million to our retained earnings over the last 12 months, which now exceeds $82.6 million, resulting in a retained earnings ratio of 2.35 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)

Assets	February 28, 2018	February 28, 2017
Cash and cash equivalents	$ 1,143,467,099	$ 951,603,935
Investments in financial institutions	43,134,000	31,030,700
Securities available for sale, at fair value	2,043,885,675	2,286,540,094
Loans	78,743,953	127,287,874
Accrued interest receivable	5,783,466	3,121,731
Goodwill	3,401,412	3,401,412
Intangible assets	8,844,547	11,299,047
Other assets	61,543,339	62,321,733
TOTAL ASSETS	3,388,803,491	3,476,606,526
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	2,593,598,002	2,902,319,975
Share certificates	396,860,389	261,502,245
Borrowed funds	74,000,000	26,000,000
Dividends and interest payable	652,920	214,597
Accounts payable and other liabilities	6,227,215	6,675,474
TOTAL LIABILITIES	3,071,338,526	3,196,712,291
Members' equity:		
Perpetual contributed capital	220,349,122	219,173,905
Retained earnings	82,690,023	71,226,609
Accumulated other comprehensive income (loss)	14,425,820	(10,506,279)
TOTAL MEMBERS' EQUITY	317,464,965	279,894,235
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 3,388,803,491	$ 3,476,606,526

Consolidated Statements of Income (unaudited)

CORPORATE ONE FEDERAL CREDIT UNION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Two Months Ended	
	February 28, 2018	**February 28, 2017**
Interest Income:		
Investments	$10,442,261	7,633,598
Loans	307,020	318,413
Total Interest Income	10,749,281	7,952,011
Dividend And Interest Expense:		
Shares	4,466,443	2,218,676
Borrowed funds and other	1,050,281	738,171
Total Dividend And Interest Expense	5,516,724	2,956,847
Net Interest Income	5,232,557	4,995,164
Net Settlement Income	2,040,641	2,198,367
Salaries and employee benefits	3,671,374	3,567,272
Amortization of intangibles expense	396,755	396,755
Office operations and occupancy expense	1,171,622	1,395,088
Other operating expenses	737,725	419,017
Total Operating Expenses	5,977,476	5,778,132
Net Gain on Financial Instruments:		
Gain on sales of securities	150,824	
Net Gain on Financial Instruments	150,824	
Net Income	1,446,546	1,415,399

Consolidated Statements of Comprehensive Income (unaudited)

	Two Months Ended			
	February 28, 2018		**February 28, 2017**	
Net Income	$	1,446,546	$	1,415,399
Other comprehensive income :				
Change in net unrealized gain on available-for-sale securities		4,335,597		8,031,290
Reclassification adjustment recognized in earnings for net gain from sales of securities		(150,824)		
Total other comprehensive income		4,184,773		8,031,290
Comprehensive Income	$	5,631,319	$	9,446,689

Consolidated Statement of Changes in Members' Equity for the Two Months Ended February 28, 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		1,446,546		1,446,546
Other comprehensive income			4,184,773	4,184,773
Issuance of PCC	907,584			907,584
Dividends on PCC		(355,340)		(355,340)
Balance at February 28, 2018	$ 220,349,122	$ 82,690,023	$ 14,425,820	$ 317,464,965

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 Perpetual Contributed Capital (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 increased 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 February 28, 2018.

	February 28, 2018
Retained earnings ratio	2.35%
Leverage ratio*	7.28%
Tier 1 risk-based capital ratio	28.98%
Total risk-based capital ratio	34.12%
NEV ratio	9.63%

* 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 7.27% leverage ratio.

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