Corporate One
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

November 2017

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For further information, please contact:

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

Dear Members,

Please find attached to this letter our unaudited financial statements and regulatory ratios for November 2017. We will provide our detailed Management's Discussion and Analysis, unaudited consolidated financial statements and footnotes on a quarterly basis.

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. During 2017, we've sold approximately $485.0 million worth of securities. These securities were sold at favorable prices, resulting in a net gain of $2.26 million. 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 access to approximately $1.71 billion in borrowing capacity.

In April 2017, we entered into an asset-purchase agreement to transition our servicing responsibility and ownership of certain debit and credit card contracts to PSCU Incorporated (PSCU). PSCU, as the nation's largest CUSO, is well suited to handle the ever-growing complexities of credit and debit card programs. We made a business decision out of a recognition that, in order to appropriately support the credit unions on the program, these member credit unions needed to have direct access to the entire PSCU service and support team. It was a big decision to take a step back from being the front-line servicer of our PSCU cards solution, but we believe this move will truly benefit the members involved in a positive way and position them well for growth and success in their credit and debit card program. The asset purchase agreement resulted in a gain of approximately $2.1 million, which was recognized in April 2017.

As a result of strong performance and the gain on sales discussed above, we have added $11.34 million to our retained earnings over the last twelve months, which now exceeds $80.4 million, resulting in a retained earnings to Moving Daily Average Net Assets (MDANA) ratio of 2.28 percent, exceeding the NCUA requirement of .45 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)

	November 30, 2017	November 30, 2016
Assets		
Cash and cash equivalents	$ 743,266,749	$ 531,409,055
Investments in financial institutions	43,134,000	35,969,700
Available-for-sale securities, at fair value	1,796,992,070	2,228,964,573
Loans	108,280,360	124,702,438
Accrued interest receivable	4,769,057	2,678,282
Goodwill	3,401,412	3,401,412
Intangible assets	9,449,766	11,904,266
Other assets	62,952,337	59,213,197
TOTAL ASSETS	2,772,245,751	2,998,242,923
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	2,090,884,252	2,473,731,518
Share certificates	313,890,355	236,799,988
Borrowed funds	50,000,000	15,000,000
Dividends and interest payable	412,148	194,127
Accounts payable and other liabilities	5,984,373	5,389,751
TOTAL LIABILITIES	2,461,171,128	2,731,115,384
Members' equity:		
Perpetual contributed capital	219,173,910	219,173,905
Retained earnings	80,460,474	69,116,664
Accumulated other comprehensive income (loss)	11,440,239	(21,163,030)
TOTAL MEMBERS' EQUITY	311,074,623	267,127,539
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 2,772,245,751	$ 2,998,242,923

Consolidated Statements of Income (unaudited)

	Eleven Months Ended November 30, 2017	Eleven Months Ended November 30, 2016
Interest Income:		
Investments and securities	$ 49,533,129	$ 36,090,345
Loans	2,011,331	2,053,189
Total Interest Income	51,544,460	38,143,534
Dividend And Interest Expense:		
Shares	18,622,128	10,261,790
Borrowed Funds and other	5,281,663	1,546,356
Total Dividend And Interest Expense	23,903,791	11,808,146
Net Interest Income	27,640,669	26,335,388
Total Settlement Income	18,096,287	20,754,290
Total Settlement Expense	5,860,346	8,018,026
Net Settlement Income	12,235,941	12,736,264
Salaries and employee benefits	19,818,177	18,946,738
Amortization of intangibles expense	2,246,036	2,541,870
Office operations and occupancy expense	7,028,089	7,430,364
Other operating expenses	3,284,453	2,432,822
Total Operating Expenses	32,376,755	31,351,794
Net Gain on Financial Instruments		
Total other-than-temporary impairment losses		(404,296)
Portion of loss recognized in other comprehensive income		233,591
Gain on sales of securities	2,261,144	1,169,386
Net Gain on Financial Instruments	2,261,144	998,681
Gain on sale of product line	2,072,329	
Net Income	$ 11,833,328	$ 8,718,539

Consolidated Statements of Comprehensive Income (unaudited)

	Eleven Months Ended	
	November 30, 2017	**November 30, 2016**
Net Income	$ 11,833,328	$ 8,718,539
Other comprehensive income:		
Change in net unrealized gain on available-for-sale securities	32,238,952	19,256,261
Reclassification adjustment recognized in earnings For other-than-temporary declines in value of securities		170,705
Reclassification adjustment recognized in earnings for net gain from sales of securities	(2,261,144)	(1,169,386)
Total other comprehensive income	29,977,808	18,257,580
Comprehensive Income	$ 41,811,136	$ 26,976,119

Consolidated Statement of Changes in Members' Equity for the Eleven Months Ended November 30, 2017 (unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at January 1, 2017	$219,173,905	$ 69,988,474	$ (18,537,569)	$ 270,624,810
Net income		11,833,328		11,833,328
Other comprehensive income			29,977,808	29,977,808
Issuance of PCC	5			5
Dividends on PCC		(1,361,328)		(1,361,328)
Balance at November 30, 2017	$219,173,910	$ 80,460,474	$ 11,440,239	$ 311,074,623

Capital Ratios and NEV

New capital requirements went into effect on October 20, 2011. These requirements contain a multi-step, multi-year phase-in with certain definitions changing 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 regulation. Beginning in October 2016, the amount of Perpetual Contributed Capital (PCC) included in Tier 1 Capital was limited. This limitation is both a function of retained earnings and MDANA. These limitations resulted in leverage and Tier 1 risk-based capital ratios lower than previous levels but still above well capitalized levels.

On November 22, 2017, the NCUA Board issued amendments to Part 704, the regulations governing corporate credit unions. Specifically, the amendments revise provisions on retained earnings and Tier 1 capital. Amendments to Part 704 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 will be December 22, 2017.

The 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 Tier1 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 adds a requirement for corporates to achieve an eventual 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; which will increase our leverage ratio as of the effective date of the amendment.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Retained earnings/MDANA	Retained earnings	MDANA*	0.45%	0.45%
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
**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 November 30, 2017.

	November 30, 2017
Retained earnings/MDANA	2.28%
Leverage ratio	6.44%
Tier 1 risk-based capital ratio	24.30%
Total risk-based capital ratio	31.40%
NEV ratio	11.21%

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