CorporateOne
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

January 2019

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For further information, please contact:

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Dear Members,

Please find attached to this letter our unaudited financial statements and regulatory ratios for January 2019. Our January 2019 5310 report can be found at http://www.corporateone.coop/About-Us/Due-Diligence.aspx.

As of January 31, 2019, we had total regulatory capital of $307.0 million and a leverage ratio of 10.44 percent, which exceeds the well-capitalized level of five percent for this ratio in NCUA's Regulation 704. Strong regulatory capital levels are important for several reasons. First, this capital protects member shares and certificates. Second, our capital position results in Corporate One exceeding the capital requirements of the NCUA. Strong capital ratios are important for our members when they perform their due diligence of Corporate One. Additionally, we continue to add new members; and new members cite our strong capital position as one of their requirements when looking for a corporate. Third, we believe that one of the fundamental reasons corporates exist is to provide liquidity to their members when they need it. This important function can only be achieved if the corporate's balance sheet can support it. Capital is essential for a corporate that is committed to providing liquidity to its members because the balance sheet is limited by the amount of capital a corporate maintains.

Corporate One maintains a strong liquidity position with a focus on ensuring liquidity is available to our members when they need it. 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 used as collateral at the FHLB, the Federal Reserve and other liquidity partners, resulting in access to approximately $1.7 billion in borrowing capacity.

We have added $10.1 million to our retained earnings over the last 12 months, which now exceeds $92.2 million, resulting in a retained earnings ratio of 3.13 percent. More details regarding these ratios can be found on page eight of this report.

Once again, thanks to the ongoing support of our members, Corporate One continues to perform well financially while providing essential liquidity options and settlement solutions and services to our members/owners. If you have any questions about our financial condition, please feel free to contact me at dbrown@corporateone.coop or 866/692-6771, ext. 9367.

Sincerely,

Denise Brown
Executive Vice President and Chief Financial Officer

Consolidated Balance Sheets (unaudited)

CORPORATE ONE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS

		January 31, 2019		January 31, 2018
Assets				
Cash and cash equivalents	$	545,989,293	$	444,713,880
Investments in financial institutions		50,863,600		43,134,000
Securities available for sale, at fair value		1,793,427,249		2,071,614,851
Loans		110,354,315		106,141,384
Accrued interest receivable		6,110,261		5,060,830
Goodwill		3,401,412		3,401,412
Intangible assets		6,691,032		9,032,837
Other assets		65,404,885		61,453,600
TOTAL ASSETS		2,582,242,047		2,744,552,794
Liabilities and Members' Equity				
Liabilities:				
Settlement and regular shares		1,946,503,604		1,949,242,962
Share certificates		302,810,513		327,175,815
Borrowed funds				74,000,000
Dividends and interest payable		759,950		452,842
Accounts payable and other liabilities		17,061,570		76,984,914
TOTAL LIABILITIES		2,267,135,637		2,427,856,533
Members' equity:				
Perpetual contributed capital		221,249,122		219,449,122
Retained earnings		92,202,829		82,089,819
Accumulated other comprehensive income		1,654,459		15,157,320
TOTAL MEMBERS' EQUITY		315,106,410		316,696,261
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	2,582,242,047	$	2,744,552,794

Consolidated Statements of Income (unaudited)

	Month Ended	
	January 31, 2019	January 31, 2018
Interest Income:		
Investments	$6,319,893	$5,568,582
Loans	252,002	181,950
Total Interest Income	6,571,895	5,750,532
Dividend And Interest Expense:		
Shares	3,563,776	2,224,813
Borrowed funds and other	5,146	895,120
Total Dividend And Interest Expense	3,568,922	3,119,933
Net Interest Income	3,002,973	2,630,599
Net Settlement Income	1,170,092	1,052,102
Salaries and employee benefits	2,191,885	2,002,278
Amortization of intangibles expense	192,215	208,464
Office operations and occupancy expense	695,180	568,827
Other operating expenses	324,199	363,845
Total Operating Expenses	3,403,479	3,143,414
Net Gain on Financial Instruments:		
Gain on sales of securities		138,224
Net Gain on Financial Instruments		138,224
Net Income	$769,586	$677,511

Consolidated Statements of Comprehensive Income (unaudited)

	One Month Ended			
	January 31, 2019		**January 31, 2018**	
Net Income	$	769,586	$	677,511
Other comprehensive income :				
Change in net unrealized gain on available-for-sale securities		5,262,811		5,054,497
Reclassification adjustment recognized in earnings for net gain from sales of securities				(138,224)
Total other comprehensive income		5,262,811		4,916,273
Comprehensive Income	$	6,032,397	$	5,593,784

Consolidated Statement of Changes in Members' Equity for the Month Ended January 31, 2019 (unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance At January 1, 2019	$ 221,249,122	$ 91,809,283	$ (3,608,352)	$ 309,450,053
Net income		769,586		769,586
Other comprehensive income			5,262,811	5,262,811
Dividends on PCC		(376,040)		(376,040)
Balance at January 31, 2019	$ 221,249,122	$ 92,202,829	$ 1,654,459	$ 315,106,410

Capital Ratios and NEV

The NCUA Rules and Regulations, Part 704 provides the rules for governing corporate credit unions. The rules include the capital framework, definitions for various capital instruments, and the capital ratios a corporate credit union must meet. Periodic updates are made to this Rule, and as of December 22, 2017, certain amendments became effective, such as the definitions of retained earnings and Tier 1 capital, as well as the addition of a new definition for a retained earnings ratio.

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 the amount of 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 PCC from federally-insured credit unions exceeding retained earnings by 200 basis points. Prior to these amendments all PCC issued by a corporate was limited.

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. The definitions of the numerators are simplifications, as the regulation contains certain adjustments to each capital calculation.

	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, 2019.

	January 31, 2019
Retained earnings ratio	3.13%
Leverage ratio*	10.44%
Tier 1 risk-based capital ratio	33.89%
Total risk-based capital ratio	33.89%
NEV ratio	12.47%

* 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 10.41% leverage ratio.

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