Corporate One
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

May 2019

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For further information, please contact:

Denise Brown, Executive Vice President, Chief Financial Officer, 866/692-6771 ext. 9367 or
Tammy Cantrell, Executive Vice President, Chief Product Strategist, 866/692-6771 ext. 9312.

Dear Members,

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

As of May 31, 2019, we had total regulatory capital of $311.7 million and a leverage ratio of 10.35 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.

The increase in our May 2019 balance sheet from May 2018 is primarily related to the day of the week in which the month ends. Our cash balances and member settlement shares as of May 31, 2019, were $1.14 billion and $3.11 billion, respectively, as compared to balances as of May 31, 2018, of $597 million and $2.09 billion. The last business day of the month in May 2019 was a Friday as compared to a Thursday in May 2018. We typically see large inflows of cash on Fridays with outflows the following mid-week. As such, these accounts on our balance sheet can fluctuate by as much as $700 million in a week. In addition, we are finally starting to see a slight decrease in credit union's loan-to-share ratios, leaving members with a little more investable cash. Large fluctuations in members' liquidity needs is a primary reason 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 $2.3 billion in borrowing capacity.

We have added $9.8 million to our retained earnings over the last 12 months, which now exceeds $96.1 million, resulting in a retained earnings ratio of 3.19 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, Chief Financial Officer

Consolidated Balance Sheets (unaudited)

Assets		May 31, 2019		May 31, 2018
Cash and cash equivalents	$	1,142,701,899	$	596,522,196
Other short term investments		209,276,889		89,516,911
Investments in financial institutions		44,162,200		43,134,000
Securities available for sale, at fair value		2,219,817,944		1,942,828,428
Loans		71,432,732		80,765,722
Accrued interest receivable		8,348,061		6,583,000
Goodwill		3,401,412		3,401,412
Intangible assets		5,946,972		8,225,879
Other assets		60,801,408		57,212,263
TOTAL ASSETS		3,765,889,517		2,828,189,811
Liabilities and Members' Equity				
Liabilities:				
Settlement and regular shares		3,117,827,084		2,086,747,161
Share certificates		298,596,743		414,095,048
Dividends and interest payable		973,109		761,900
Accounts payable and other liabilities		21,353,737		6,703,076
TOTAL LIABILITIES		3,438,750,673		2,508,307,185
Members' equity:				
Perpetual contributed capital		222,149,122		220,349,122
Retained earnings		96,133,925		86,320,455
Accumulated other comprehensive income		8,855,797		13,213,049
TOTAL MEMBERS' EQUITY		327,138,844		319,882,626
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	3,765,889,517	$	2,828,189,811

Consolidated Statements of Income (unaudited)

	Five Months Ended May 31, 2019	Five Months Ended May 31, 2018
Interest Income:		
Investments	$38,846,971	$28,454,246
Loans	903,656	704,118
Total Interest Income	39,750,627	29,158,364
Dividend And Interest Expense:		
Shares	22,676,921	13,720,681
Borrowed funds and other	664,946	1,163,741
Total Dividend And Interest Expense	23,341,867	14,884,422
Net Interest Income	16,408,760	14,273,942
Net Settlement Income	5,641,238	5,505,274
Salaries and employee benefits	9,989,332	9,335,079
Amortization of intangibles expense	936,275	1,015,423
Office operations and occupancy expense	3,507,167	2,956,702
Other operating expenses	1,422,188	1,732,903
Total Operating Expenses	15,854,962	15,040,107
Net (Loss) Gain on Financial Instruments:		
(Loss) Gain on sales of securities	(36,982)	985,783
Net Gain (Loss) on Financial Instruments	(36,982)	985,783
Net Income	$6,158,054	$5,724,892

Consolidated Statements of Comprehensive Income (unaudited)

	Five Months Ended	
	May 31, 2019	**May 31, 2018**
Net Income	$ 6,158,054	$ 5,724,892
Other comprehensive income :		
Change in net unrealized gain on available-for-sale securities	12,427,167	3,957,785
Reclassification adjustment recognized in earnings for net loss (gain) from sales of securities	36,982	(985,783)
Total other comprehensive income	12,464,149	2,972,002
Comprehensive Income	$ 18,622,203	$ 8,696,894

Consolidated Statement of Changes in Members' Equity for the Four Months Ended May 31, 2019 (unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
Balance At January 1, 2019	$ 221,249,122	$ 91,809,283	$ (3,608,352)	$ 309,450,053
Net income		6,158,054		6,158,054
Other comprehensive income			12,464,149	12,464,149
Issuance of PCC	900,000			900,000
Dividends on PCC		(1,833,412)		(1,833,412)
Balance at May 31, 2019	$ 222,149,122	$ 96,133,925	$ 8,855,797	$ 327,138,844

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 May 31, 2019.

	May 31, 2019
Retained earnings ratio	3.19%
Leverage ratio*	10.35%
Tier 1 risk-based capital ratio	33.36%
Total risk-based capital ratio	33.37%
NEV ratio	8.72%

* 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 10.33% leverage ratio.

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