Corporate One
FEDERAL CREDIT UNION

Where Credit Unions Belong

Unaudited Financial Statements

and Supplemental Financial Information

August 2011

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This section of Corporate One Federal Credit Union's (Corporate One) financial report should be read in conjunction with the Management's Discussion and Analysis and Financial Condition and Results of Operations in the 2010 Annual Report. These financials can be found on Corporate One's public Web site.

Results of Operations and Progress Toward 2011 Budget

After several years, whereby the global financial crisis ravaged the corporate network, Corporate One has weathered these tough times due to diversified investing, fee income from a strong suite of brokerage and correspondent services and conscientious spending. As of August 31, 2011, our Reserves and Undivided Earnings (RUDE) are $38.2 million. This is the cushion that protects our members' capital investments in Corporate One. Throughout this financial crisis we have maintained sufficient RUDE so that our members have not lost any of their capital investments. In other words, our members' capital investments remain 100 percent intact.

A summary of Corporate One's results of operations, and return on average assets (ROA) for the eight months ended August 31, 2011 and 2010, as well as our progress toward our board-approved 2011 budget is included in the following table (in thousands).

		Eight months ended	
	August 31, 2011 Actual	August 31, 2011 Budget	August 31, 2010 Actual
Net interest income	$ 8,309	$ 8,321	$ 12,750
Net settlement income	6,890	6,689	7,661
Operating expenses	(10,998)	(11,610)	(10,375)
Other (loss) gain	(1,215)	(500)	1,327
Net income	$ 2,986	$ 2,900	$ 11,363
DANA for the eight months ended	$ 3,041,094		$ 3,545,823
ROA year to date	0.15%		0.48%

Our earnings for the eight months ended August 31, 2011 were $2.99 million. This approximates our year-to-date budget but is $8.38 million less than the previous year. Net interest income decreased year over year due to lower overall balances in 2011 as compared to 2010. Additionally, we continue to be very prudent from a liquidity perspective with substantial amounts of our portfolio held in cash and cash equivalents. Given the uncertainties that exist within the credit union network and the transition to the new NCUA Regulation 704, we believe it is important to maintain higher levels of liquidity. However, this results in lower overall margins and has also contributed to the lower levels of net interest income year over year. The other major contributor to the decrease in overall net income year over year is due to a decrease in other gains (losses) on our securities portfolio. For the first eight months of 2011, we recorded other than temporary impairment (OTTI) on our private label mortgage securities of $1.3 million. This is an improvement from the $4.2 million of OTTI we recorded during the first eight months of 2010. However, in 2010, we sold certain securities resulting in gains of $5.5 million which more than offset our OTTI charges. This is the primary reason for the decrease in "other (loss) gain" shown in the table above and accounts for $2.5 million of the decrease in net income in 2011 as compared to 2010.

Net interest income and net settlement income approximated budget for the eight months ended August 31, 2011. Operating expenses were approximately $612,000 under budget for the eight months ended August 31, 2011. The positive budget variance is primarily related to the NCUSIF premium assessment that was included in the budget for June but has not been assessed yet.

We evaluate all our securities for OTTI on a quarterly basis. For the year-to-date, our OTTI charges total $1.33 million. We budgeted for $500,000 of OTTI for the first eight months of 2011. Actual OTTI was slightly greater than we had anticipated resulting in the negative budget variance. See Footnote 5 for further discussion regarding these charges.

Capital Position

Throughout the first eight months of 2011, we worked with our existing members to recommit their existing capital instruments by converting them to the new qualifying capital instrument, Perpetual Contributed Capital (PCC). We also raised PCC from new members. Additionally, we asked our members to invest in Non-perpetual Capital Accounts (NCA). In addition to counting toward certain capital ratios, this new capital increased our Net Economic Value (NEV) to a level that allows us to achieve the minimum regulatory NEV ratio of 2.0 percent. The following table summarizes our regulatory capital balances (including the new instruments noted above), average assets and regulatory capital ratio (dollar amounts in thousands).

	August 31, 2011	August 31, 2010
RUDE	$ 38,158	$ 34,797
PCC	134,555	
PIC	1,838	25,682
NCA*	75,780	
MCS**	18,262	117,050
Total regulatory capital	$ 268,593	$ 177,529
12 month rolling DANA	$ 3,054,716	$ 3,533,826
Regulatory capital ratio	8.79%	5.02%

*Net of $6.920 million related to the amortized portion of NCA that cannot be counted as regulatory capital as of August 31, 2011.
**Net of $7.326 million and $3.373 million related to the portion of shares on notice that cannot be counted as regulatory capital as of August 31, 2011 and 2010, respectively.

Our total regulatory capital of $268.6 million, which includes RUDE of $38.2 million, PCC of $134.5 million, NCA of $75.8 million, membership capital shares (MCS) of $18.3 million and paid-in capital (PIC) of $1.8 million, increased approximately $91.1 million, or 51 percent since August 31, 2010. This change in overall capital is primarily due to the results of our member capital re-commitment offering discussed above. The response was overwhelming as the capital offering was even over-subscribed. We now hold more than a quarter of a billion dollars in total regulatory capital.

The following summarizes Corporate One's capital ratios under the new regulation that will become effective in October 2011:

	August 31, 2011	Well Capitalized	Adequately Capitalized
RUDE ratio	1.25%	0.45%	0.45%
Interim leverage ratio	8.66%	5.00%^/7.00%^^	4.00%
Tier 1 risk-based capital ratio	13.09%	6.00%	4.00%
Total risk-based capital ratio	20.54%	10.00%	8.00%

^ Base Plus Expanded Authority Requirement. Under Base Plus, a 20% maximum decline in the Net Economic Value in the stress test required per Reg 704 is permissible.
^^ Part I Expanded Authority. Under Part I, a 28% maximum decline in the Net Economic Value in the stress test required per Reg 704 is permissible.

See Footnote 7 for more information regarding the capital requirements of the new regulation.

Credit Risk Management

We actively manage our balance sheet to ensure it is well diversified. We purchase investments based on high credit ratings, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs), or issued by agencies of the U.S. government, or by U.S. Central, or by other regulated depository institutions. Corporate One's portfolio diversification as of August 31, 2011 is shown in the following table by rating.

The following table represents Corporate One's portfolio diversification as of August 31, 2011 (in thousands).

	Agency	AAA	AA	A	Below A-	U.S. Central Term Deposits	Other	Cash and Cash Equivalents	Total	Net Unrealized Gain(Loss)	Total
U.S. Central *						$ 151,214		$ 48,801	$ 200,015		200,015
Deposits with other financial institutions								1,438,457	1,438,457		1,438,457
Loans to members							$ 7,655		7,655		7,655
Federal Home Loan Bank-Cincinnati							15,702		15,702		15,702
Certificates of deposit							200		200		200
Mortgage-related securities	$ 69,841	$ 4,196	$ 11,759	$ 18,869	$262,766				367,431	$ (82,165)	285,266
Government-sponsored enterprises	79,108								79,108	375	79,483
Asset-backed securities:											
Student loans		133,217	159,515	61,806	243,897				598,435	(74,022)	524,413
Credit cards		203,453		74,863					278,316	3,097	281,413
Auto		8,573	14,869						23,442	139	23,581
Corporate debt			88,117	104,909					193,026	(2,228)	190,798
Total Book Value	148,949	349,439	274,260	260,447	506,663	151,214	23,557	1,487,258	3,201,787	$(154,804)	$ 3,046,983
Net Unrealized losses	355	(7,934)	(10,668)	(15,381)	(121,176)				(154,804)		
Total	$149,304	$ 341,505	$ 263,592	$245,066	$385,487	$ 151,214	$ 23,557	$ 1,487,258	$3,046,983		

*Amounts held at U.S. Central are 100 percent guaranteed by the NCUA through December 31, 2012.

** Securities are classified by the lowest available credit grade.

As evidenced on the previous table, our portfolio remains well diversified. Eighty-three percent of the book value of our portfolio is in cash and cash equivalents, agencies, securities rated "A" or higher and U.S. Central term deposits. Corporate One does not have any investments in structured investment vehicles (SIVs), collateralized debt obligations (CDOs) or commercial mortgage-backed securities.

Corporate One's mortgage-related securities have a book value of approximately $367.4 million at August 31, 2011, which represents only 11 percent of the book value of our total investable portfolio. Of Corporate One's mortgage-related securities, 20 percent of these securities are issued by agencies of the U.S. government or are rated AAA by at least one rating agency. The book value of our subprime mortgages comprise only 2.4 percent of the book value of our total investable portfolio and 5 percent of those are AAA. For the eight months ended August 31, 2011, we received principal repayments on our mortgage-related securities of $64.5 million, of which $40.5 million related to non-agency mortgages.

The following table details the book value of Corporate One's investment in residential mortgage-backed and home-equity asset-backed securities as of August 31, 2011 (in thousands).

Mortgage Related Securities	Agency	AAA	AA	A	Below A-	Total
Prime collateral					$ 1,132	$ 1,132
Near-prime collateral*			$ 1,081	$ 7,203	113,258	121,542
Sub-prime collateral**		$ 4,196	8,531	9,831	55,825	78,383
Agency	$ 69,841					69,841
Insured			2,147	1,835	92,551	96,533
Book value of total mortgage related securities	69,841	4,196	11,759	18,869	262,766	367,431
Net Unrealized losses	(19)	(797)	(1,404)	(3,568)	(76,377)	(82,165)
Fair value of total mortgage related securities	$ 69,822	$ 3,399	$10,355	$ 15,301	$ 186,389	$ 285,266

*Based on the definition used in offering circulars
**Based on 660 or lower FICO Score
*** Securities are classified by the lowest available credit grade.

A portion of Corporate One's securities have insurance coverage to further support the senior classes in the event of deteriorating collateral performance. The insurance coverage provided by the monoline insurers increases the existing credit enhancement provided to the senior class owned by Corporate One. The monoline insurance companies that insure Corporate One bonds are: Syncora Guarantee Inc. (SGI), Financial Guaranty Insurance Company (FGIC), Financial Security Assurance Inc. (FSA), MBIA, Inc. (MBIA) and Ambac Assurance Corporation (AAC). SGI and FGIC stopped paying claims in April 2009 and November 2009, respectively. As a result, Corporate One has recorded OTTI charges on all securities which were dependent upon SGI and FGIC for the payment of future principal and interest claims. Beginning in July 2010, SGI resumed the payment of claims. However, accounting rules do not allow for immediate reversals of prior OTTI taken. Corporate One has placed reliance on FSA and MBIA. These insurers are currently paying principal and interest claims timely and management believes they will continue to pay future claims. However, deterioration of these monoline insurers could result in additional OTTI charges.

Corporate One has 15 bonds that are insured by AAC, a subsidiary company of Ambac Financial Group, Inc. One of the bonds is a student loan asset-backed security and the remaining 14 bonds are mortgage-backed securities. The underlying borrowers are making principal and interest payments, so we only require support from AAC to cover shortfalls. We receive an analysis from a third party consultant on a monthly basis to help us quantify our expected losses on these bonds.

Due to the economic downturn that began in 2007, claims made against AAC for principal shortfalls on insured bonds escalated to a point where its ability to pay on such claims was in question. On March 24, 2010, the Ambac Financial Group, Inc.'s Board of Directors voted to create a segregated account and consented to rehabilitation of that account by the Wisconsin Office of the Commissioner of Insurance (OCI), AAC's primary regulator. Under Wisconsin law, the segregated account is treated as a separate insurer from AAC. All of Corporate One's AAC-insured bonds have been allocated to the segregated account by OCI. OCI has implemented a temporary moratorium on claims payments to segregated account policyholders to provide a measured transition into rehabilitation and to conserve claims-paying resources while the plan of rehabilitation is finalized. Through this plan, the segregated account policies should receive a combination of cash and interest-bearing surplus notes in consideration for claims made. In June 2010, AAC announced that it had commuted substantially all of its CDO exposures at an advantageous price, thereby enhancing AAC's claims-paying ability.

On October 8, 2010, OCI, as the rehabilitator of the segregated account, filed the final plan of rehabilitation of the segregated account. While the overall aspects of this final plan are largely consistent with the one filed in March 2010, the final plan includes detailed financial projections that provide a range of potential outcomes for policyholders. The plan calls for 25 percent of claims to be paid in cash and 75 percent in surplus notes. The detailed financial projections show recoveries on the surplus notes ranging from 100 percent in the best scenario to 45 percent in the most stressful scenario. Therefore, according to OCI's estimates, even in the most stressful scenario the ultimate recovery on policy claims would be 58.75 percent (the result of 100 percent recovery on the 25 percent paid in cash and 45 percent recovery on the 75 percent paid in surplus notes). OCI has made available a copy of the plan and other valuable information regarding the segregated account at http://www.Ambacpolicyholders.com.

During the fourth quarter of 2010, the asset/liability committee (ALCO) of Corporate One hired an outside independent consulting firm to review the OCI's plan and provide an analysis of the claims-paying ability of the segregated account of AAC. The independent consulting firm concluded that the segregated account has the ability to pay 75 percent of policyholder claims. We believe this is a reasonable estimate given the OCI's projections which ranged from 100 percent claims-paying ability on the high end of the range to 58.75 percent on the low end. Accordingly, Corporate One recorded OTTI of $1.5 million related to our AAC-insured bonds. This represents a 25 percent write down of the projected losses on our AAC-insured bonds. However, the ultimate realization of recoveries from AAC is subject to many factors, including minimum capital requirements of AAC, which in turn is a function of the performance of AAC's insured exposures. Further deterioration of AAC or the underlying insured securities could result in additional OTTI charges.

On November 8, 2010, Ambac Financial Group, Inc. filed bankruptcy. Ambac Financial Group, Inc. is a separate legal entity from AAC, the subsidiary company that insures our securities. OCI, as the rehabilitator of the segregated account, retains significant decision-making authority with respect to the segregated account and has the discretion to oversee and approve certain actions taken by AAC in respect of assets and liabilities which remain in AAC. Such decisions will be made by the rehabilitator for the benefit of policyholders and the rehabilitator will not take into account the interests of security holders of Ambac Financial Group, Inc. Therefore, we do not expect there will be any material adverse effects to Corporate One's AAC insured bonds from the bankruptcy of Ambac Financial Group, Inc.

On January 24, 2011, the OCI's motion for confirmation of the final rehabilitation plan was granted and the plan was confirmed by State of Wisconsin's Circuit Court for Dane County (the Court).

On June 1, 2011, the rehabilitator of the segregated account filed a report with the Court, which advises the Court and all interested parties on the current status of the plan of rehabilitation. In addition to providing updates since the date the segregated account was created, the report discloses possible amendments to or modifications of the rehabilitation plan. The rehabilitator currently has no specific timeline or deadline for determining whether to seek amendments to or modifications of the plan.

On July 29, 2011 the rehabilitator of the segregated account acknowledged recent decisions by Ambac Financial Group Inc. (AFGI) to postpone the hearing in the U.S. Bankruptcy Court for the Southern District of New York on the adequacy of its Disclosure Statement until September 8, 2011 and to extend the deadline for solicitation of votes on its Plan of Reorganization until October 25, 2011. This extension was requested to provide more time for negotiations primarily revolving around the allocation of net operating losses (NOLs) between AFGI and AAC. Postponing the bankruptcy court deadlines also provides additional time for the rehabilitator's recently retained advisor, PricewaterhouseCoopers, to better analyze and provide guidance to the rehabilitator regarding certain complex tax issues relevant to the segregated account rehabilitation. The rehabilitator remains vigilant about protecting the interests of segregated account policyholders.

Based on our review of the report, we have not changed our position regarding our reliance on AAC to cover 75 percent of the projected losses on our AAC-insured bonds. We continue to monitor the activities of the rehabilitator of the segregated account. Should the rehabilitator make amendments to the plan of rehabilitation that have an adverse effect on the segregated account or if there is further deterioration of AAC or the underlying insured securities, it could result in additional OTTI charges. We are currently placing reliance on AAC to cover $4.1 million of expected principal shortfalls on our AAC-insured bonds.

The following table (in thousands) details our mortgage and non-mortgage securities by monoline insurer at August 31, 2011:

Monoline Insurer	Amortized Cost	Fair Value	Net Unrealized Losses	Insurer Rating S&P	Insurer Rating Moody's
FGIC	$ 39,349	$ 31,166	$ (8,183)	NR	WR
MBIA	41,388	32,569	(8,819)	B	B3
AAC	28,572	20,226	(8,346)	NR	WR
SGI	6,204	4,045	(2,159)	NR	Ca
FSA	2,147	2,103	(44)	AA	A1
Total	$ 117,660	$ 90,109	$ (27,551)		

The new NCUA Rules and Regulations Part 704 contain new investment prohibitions and other credit and asset liability management requirements. These new requirements became effective January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Part 704.10. Corporate One holds securities that do not meet certain requirements of the new regulation. During this time of transition to the new investment prohibitions, Corporate One is adhering to Part 704.10 and has filed the required Investment Action Plans (IAP) with the NCUA. On March 21, 2011 we received written approval from the NCUA regarding our IAP with respect to these securities.

For securities where we believe not all principal and interest will be received, OTTI charges were recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted cashflows of the securities and their current amortized cost. Since 2008, we have recorded total OTTI, or expected credit losses, of $59.3 million. To date, we have had principal shortfalls of approximately $16.0 million. We have also had cumulative recoveries to date of $579,000 due to sales and/or improved cashflows.

Market/Spread Risk

Spread risk is caused by declines in fair values of securities as a result of widening credit spreads. Credit concerns in mortgages have turned to concerns about liquidity, causing all credit-related securities to experience deterioration in spreads and, hence, in fair values. Approximately 53 percent of Corporate One's mark-to-market adjustment in its available-for-sale portfolio is related to mortgages. However, the remaining amount of our unrealized losses is related to asset classes outside of the mortgage sector, primarily student loans. Every student loan position we hold is graded an A or better by at least one NRSRO. We hold FFELP-backed student loan securities as well as private-issue student loan securities. We believe the unrealized losses in this sector are related to illiquidity in the student loan market, not the creditworthiness of the securities we hold. We believe the fair value of these securities will recover as they approach their maturity or as liquidity returns to this market.

With the massive government programs instituted over the last several years, liquidity is beginning to return to the market. Accordingly, fair values have improved in all of our portfolios. The reduction in the net unrealized losses in our mortgage-related portfolio is also due to the recognition of losses through OTTI charges. The following table summarizes our net unrealized gains (losses) by asset class.

Type	Net unrealized gains (losses) August 31, 2011	Net unrealized gains (losses) August 31, 2010
Mortgage-related	$ (82,165)	$ (101,376)
Student loans	(74,022)	(85,316)
Credit cards	3,097	4,995
Auto	139	637
Corporate debt	(2,228)	(3,618)
Government-sponsored enterprises	375	699
Net unrealized losses on securities	$ (154,804)	$ (183,979)

Overall, we anticipate that actual credit losses from the securities will be manageable from a capital perspective. The fair value is expected to recover as the securities approach maturity or as market volatility stabilizes.

Interest Rate Risk Management

Our primary interest-rate-risk measurement tool is an NEV test. NEV is defined as the fair value of assets less the fair value of liabilities and members' accounts. The purpose of the NEV test is to determine whether Corporate One has sufficient capital to absorb potential changes to the market value of our assets and liabilities given sudden changes in interest rates.

NEV scenarios are performed monthly, testing for sudden and sustained increases or decreases in interest rates of 100, 200 and 300 basis points (bps).

As the credit crisis became a liquidity crisis, the fair values of many of our securities have experienced declines, which put significant downward pressure on our NEV and NEV ratio. Because the NEV incorporates the unrealized losses on our available-for-sale securities, it is losing some of its value as a tool to measure interest rate risk. Currently, the NEV and NEV ratio are more reflective of market/spread risk. Throughout this time, the fundamentals of how we manage interest rate risk have not changed.

As previously discussed in the section titled Market/Spread Risk, we have seen significant improvement in the fair values of our securities since the height of the financial crisis. As such, the improved fair values are seen not only in the reduction of unrealized losses, but also in our NEV. In addition to counting toward certain capital ratios, the new capital raised, as discussed in the section titled Capital Position, increased our NEV to a level that allowed us to surpass the minimum regulatory NEV ratio of 2.0 percent. Accordingly, we exceed the required NEV ratio in both the base case scenario as well as the 300 bps stress scenario.

A summary of Corporate One's NEV calculation as of August 31, 2011 and 2010 is shown below (dollar amounts in thousands).

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base
As of August 31, 2011			
300 bps rise in rates	$ 100,147	3.27%	$ (16,592)
Base scenario	$ 116,739	3.81%	
As of August 31, 2010			
300 b.p. rise in rates	$ (25,517)	-0.86%	$ (10,808)
Base scenario	$ (14,709)	-0.50%	

*300, 200 and 100 bps decline did not apply in the interest rate environment present on August 31, 2011 and 2010.

Liquidity Risk Management

We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. To meet day-to-day member liquidity requirements, we keep a portion of our assets very liquid. In fact, at the end of August 2011, we had approximately $1.49 billion in cash and cash equivalents. This is significant given our total balance sheet of $3.07 billion. In addition, we strive to buy securities with readily determined market values that can be sold or borrowed against to generate liquidity. We also generally match our members' term certificates against assets with similar cashflows and maturities. As a result, when a term certificate matures, there is also an asset maturing at about the same time, producing the necessary liquidity to meet our members' needs. We are able to do this because members have historically held term certificates to maturity.

We also mitigate our liquidity risk by monitoring our top depositors. We have limits on the maximum any one credit union can deposit with us. By striving to diversify our shares and member base, we shield ourselves from the risk of sudden withdrawals by large depositors. In fact, as of August 31, 2011, our single largest depositor represented only 6 percent of our total member shares.

Corporate One is participating in the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP) of the NCUA. Through this program, the NCUA guarantees all shares (excluding PCC, NCA, PIC, MCS and other shares related to NCUA liquidity programs) through December 31, 2012.

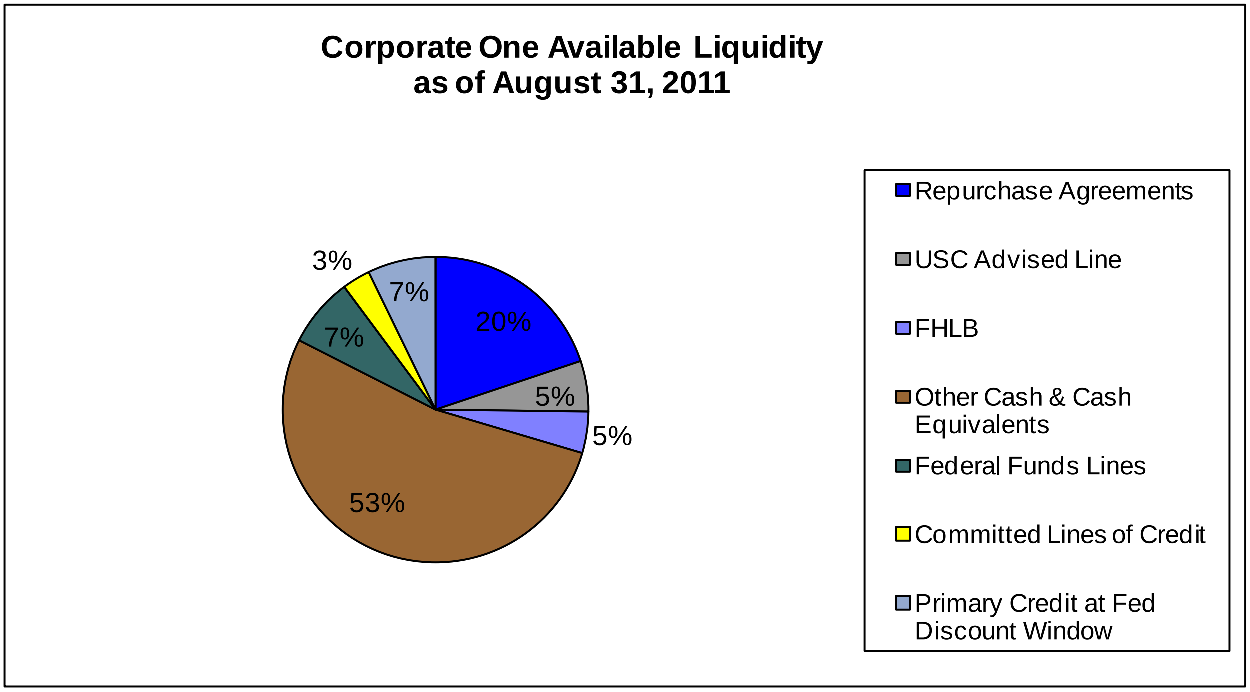
Should we need to borrow to generate liquidity, we have diversified sources of funds and we test these sources often to ensure availability. Corporate One's remaining borrowing capacity (total existing lines less borrowings outstanding) at August 31, 2011 was approximately $1.19 billion. Corporate One currently holds an advised line of credit with U.S. Central. Corporate One may take advances on this line of credit up to $145.0 million based on the amount of eligible collateral available to support such advances. Eligible collateral consists of all shares and certificates with U.S. Central. Eligible collateral and borrowing capacity as of August 31, 2011 was $135.2 million. We also maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $140.6 million. This line of credit is secured by certain investments held in safekeeping at the FHLB. Corporate One's remaining borrowing capacity at the FHLB was approximately $110.6 million at August 31, 2011. In addition, we maintain a reverse repurchase agreement with another party totaling $500.0 million. This agreement is secured using certain of our asset-backed securities as collateral and we have recently tested this source to ensure that it represents a viable liquidity source. Also, we maintain a $75.0 million committed line of credit as well as $55.0 million of federal funds lines with various financial institutions. The committed lines of credit are secured by certain investments; however, the federal funds lines do not require collateral for overnight borrowing.

Also, we have the ability to issue up to $130.0 million of senior unsecured debt obligations guaranteed under the NCUA's Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). On May 20, 2010, the NCUA board extended and modified the TCCULGP. With the change, corporates can issue new TCCULGP guaranteed debt through September 30, 2011; however, new issuances after June 30, 2010, must mature no later than September 30, 2012 to receive the TCCULGP guarantee.

To further strengthen our liquidity position, we elected to voluntarily hold Reg. D reserves in order to gain access to the Federal Reserve discount window. Previously, as a bankers' bank, we were unable to access the Federal Reserve discount window. By changing our status with the Federal Reserve Bank, we have the potential to access the ultimate backstop for liquidity.

During August 2011, we were granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Reserve Bank by collateral that is acceptable for that purpose. Corporate One's borrowing capacity at the Fed Discount Window was approximately $181.3 million at August 31, 2011.

The chart below details our available sources of liquidity.



Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines, committed lines and letter of credit commitments to members of approximately $1.226 billion at August 31, 2011. All outstanding line of credit commitments are collateralized by specific or general pledges of assets by members. Commitments to extend credit to members remain effective as long as there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Since a portion of the commitments is expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Balance Sheets
(unaudited)

	August 31, 2011	August 31, 2010
Assets		
Cash and cash equivalents	$ 1,487,257,811	$ 783,836,977
Investments in financial institutions	167,115,933	517,703,574
Available-for-sale securities, at fair value	1,382,585,461	1,640,237,011
Held-to-maturity securities	2,369,572	2,369,572
Loans to members	7,654,705	5,813,545
Accrued interest receivable	1,846,087	3,453,581
Other assets	17,381,116	16,638,359
TOTAL ASSETS	3,066,210,685	2,970,052,619
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	2,229,221,063	2,082,190,835
Share certificates	673,906,433	835,269,259
Member capital shares	25,588,410	120,422,846
Non-perpetual capital accounts	82,700,000	
Borrowed funds	30,000,000	50,000,000
Dividends and interest payable	2,552,669	3,361,100
Accounts payable and other liabilities	2,494,910	2,308,053
TOTAL LIABILITIES	3,046,463,485	3,093,552,093
Members' equity:		
Paid-in capital	1,837,706	25,681,996
Perpetual contributed capital	134,554,938	
Reserves and undivided earnings	38,158,285	34,797,391
Accumulated other comprehensive loss	(154,803,729)	(183,978,861)
TOTAL MEMBERS' EQUITY	19,747,200	(123,499,474)
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 3,066,210,685	$ 2,970,052,619

See accompanying notes to financial statements.

Statements of Operations
(unaudited)

	Eight Months Ended	
	August 31, 2011	August 31, 2010
Interest Income:		
Investments and securities	$ 18,419,401	$ 31,136,267
Loans	72,221	99,670
Total Interest Income	18,491,622	31,235,937
Dividend And Interest Expense:		
Shares	9,292,416	17,028,450
Borrowed Funds and other	889,991	1,457,889
Total Dividend And Interest Expense	10,182,407	18,486,339
Net Interest Income	8,309,215	12,749,598
Total Settlement Income	11,278,061	12,233,706
Total Settlement Expense	4,387,825	4,572,386
Net Settlement Income	6,890,236	7,661,320
Salaries and employee benefits	6,727,496	6,293,794
Office operations and occupancy expense	3,638,727	3,549,455
Other operating expenses	632,589	531,812
Total Operating Expenses	10,998,812	10,375,061
Net loss on financial instruments:		
Total other-than-temporary impairment losses	(7,784,417)	(23,272,059)
Portion of loss recognized in other comprehensive income	6,451,270	19,114,357
Gain on sales of securities	118,053	5,484,464
Net (Loss) Gain on Financial Instruments	(1,215,094)	1,326,762
Net Income	$ 2,985,545	$ 11,362,619

See accompanying notes to financial statements.

Statement of Changes in Members' Equity For the Period Ended August 31, 2011
(unaudited)

	Paid-In Capital	Perpetual Contributed Capital	Reserves and Undivided Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at January 1, 2011	$25,331,996		$35,431,056	$ (166,350,598)	($105,587,546)
Comprehensive income:					
Net income			2,985,545		2,985,545
Other comprehensive income - Change in net unrealized loss on available-for-sale securities				10,331,775	10,331,775
Reclassification adjustment recognized in earnings for other-than-temporary declines in values of securities				1,333,147	1,333,147
Reclassification adjustment for realized gain from sales of securities				(118,053)	(118,053)
Comprehensive income					14,532,414
Conversion of PIC and MCS to PCC	(23,494,290)	123,828,837			100,334,547
Issuance of PCC, net of issuance costs		10,726,101			10,726,101
Dividends on PIC and PCC			(258,316)		(258,316)
Balance at August 31, 2011	$1,837,706	$134,554,938	$38,158,285	$(154,803,729)	$ 19,747,200

See accompanying notes to financial statements.

Notes to Financial Statements

1. Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions, overnight amounts at U.S. Central and federal funds sold. Corporate One is required to maintain cash or deposits with the Federal Reserve Bank. At August 31, 2011 cash held prior to month-end was sufficient, therefore no reserve was required. The required amount at August 31, 2010 was approximately $155.2 million.

Cash and cash equivalents at August 31, 2011 and 2010 are summarized as follows (in thousands):

	Cash and Cash Equivalents	
	August 31, 2011	August 31, 2010
Cash and due from financial institutions	$ 1,438,427	$ 284,055
Short-term certificate of deposits*		200,000
U.S. Central overnight accounts	48,801	287,315
Federal funds sold	30	12,467
Total cash and cash equivalents	$ 1,487,258	$ 783,837

*Certificates of deposit with maturities of 90 days or less held at U.S. Central at August 31, 2010.

2. Regulatory Pronouncements

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704 in the Federal Register. The final regulation includes most of the same major revisions as the proposed regulation. These revisions include changes to corporate credit unions' capital requirements, investments, asset/liability management, governance and credit union service organization activities. Most of the new investment prohibitions and other credit and asset liability management requirements went into effect January 18, 2011. NCUA recognized that some corporates may hold investments that are in violation of one or more of these new prohibitions and have directed such corporates to follow the investment action plan provisions of NCUA Rules and Regulations Section 704.10. Corporate One does hold securities that do not meet certain requirements of the new regulation. During this time of transition to the new investment prohibitions, Corporate One is adhering to Section 704.10 and has filed the required IAP with the NCUA. On March 21, 2011, we received written approval from the NCUA regarding our IAP with respect to these securities.

The new capital requirements go into effect October 20, 2011 and define new capital instruments and phases out MCS and PIC. It also establishes new capital ratios. See Footnote 7 for additional information.

3. Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the period ended August 31, 2011. In particular, during July 2011, we changed the presentation of member shares to classify them as liabilities instead of equity. These reclassifications had no impact on total assets or net income.

4. Investments in Financial Institutions

Investments in financial institutions at August 31, 2011 and 2010 are summarized as follows (in thousands):

	August 31, 2011		August 31, 2010	
U.S. Central:				
Share certificates	$	138,531	$	414,474
Other shares		12,683		12,328
Federal Home Loan Bank stock		15,702		15,702
Certificates of deposit		200		75,200
Total investments in financial institutions	$	167,116	$	517,704

We invest with U.S. Central in overnight accounts and share certificates. The NCUA established a voluntary guarantee program for uninsured shares, excluding capital investments, of all corporate credit unions through December 31, 2012. U.S. Central is participating in the voluntary guarantee program.

U.S. Central certificates by maturity at August 31, 2011 are summarized as follows (in thousands):

Year of Maturity:		
2011	$	128,636
2012		9,895
Total share certificates	$	138,531

5. Securities

Debt securities are classified as held-to-maturity and carried on the balance sheet at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Available-for-sale securities are carried on the balance sheet at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings, and are reported as a separate component of members' equity. Such securities may be sold in response to changes in interest rates, changes in prepayment risk or other factors.

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at August 31, 2011 and 2010 are as follows (in thousands):

August 31, 2011	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities	$ 362,448	$ 282,896	$ (79,552)
Asset-backed securities	900,194	829,408	(70,786)
Government-sponsored enterprises	79,108	79,483	375
Corporate debt securities	193,026	190,798	(2,228)
Total available-for-sale securities	$ 1,534,776	$ 1,382,585	$ (152,191)

	Amortized Cost	Fair Value	Net Unrecognized Loss
Held-to-maturity securities:			
Mortgage-related securities	$ 2,370	$ 1,818	$ (552)
Total held-to-maturity securities	$ 2,370	$ 1,818	$ (552)

August 31, 2010	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities	$ 475,732	$ 377,338	$ (98,394)
Asset-backed securities	1,139,857	1,060,173	(79,684)
Government-sponsored enterprises	13,021	13,720	699
Corporate debt securities	192,624	189,006	(3,618)
Total available-for-sale securities	$ 1,821,234	$ 1,640,237	$ (180,997)

	Amortized Cost	Fair Value	Net Unrecognized Gain
Held-to-maturity securities:			
Mortgage-related securities	$ 2,370	$ 2,367	$ 3
Total held-to-maturity securities	$ 2,370	$ 2,367	$ 3

Accumulated other comprehensive losses at August 31, 2011 and 2010 were $154.8 million and $184.0 million, respectively. These amounts include net unrealized losses on available-for-sale securities and non-credit losses on available-for-sale and held-to-maturity securities. The non-credit losses on held-to-maturity securities were approximately $2.6 million and $3.0 million at August 31, 2011 and 2010, respectively.

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We are required to use the highest level of valuation available. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that Corporate One has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect Corporate One's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below as of August 31, 2011 (in thousands).

		Fair Value Using		
Available-for-sale securities	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-related securities-agency	$ 69,821		$ 69,821	
Mortgage-related securities-private	213,075		36,784	$ 176,291
Asset-backed securities:				
Student loans-FFELP	336,829		279,254	57,575
Student loans-private	187,585		184,765	2,820
Credit cards	281,413		281,413	
Automobiles	23,581		23,581	
Government-sponsored enterprises	79,483	$ 70,000	9,483	
Corporate debt securities	190,798	190,798		
Total available-for-sale securities	$ 1,382,585	$ 260,798	$ 885,101	$ 236,686

We evaluate all our securities for other-than-temporary impairment (OTTI) on a quarterly basis. During our first and second quarter review, we first evaluated all of our securities in an unrealized loss position to assess whether we have the intent to sell any of the securities or if it is more likely than not that we will be required to sell any of our securities before their anticipated recovery. Neither of these conditions was met for any of our securities. Next, to determine if the declines in fair value below amortized cost represented OTTI, management considered various impairment indicators such as: securities on our internal watchlist, securities that have had ratings downgrades, securities that have been underwater for greater than 12 months and securities that have severe unrealized losses. We also utilize outside services to assist management in performing detailed cash flow analyses to determine if all principal and interest cashflows will be received. The analyses performed required assumptions about the collateral underlying the securities, including default rates, loss severities on defaulted loans and prepayments. It is possible that the underlying loan collateral of these securities may perform at a level worse than our expectations, which may result in adverse changes in cashflows for these securities and potential OTTI write-downs in the future.

For the securities where we believe not all principal and interest will be received, OTTI charges were recorded. The estimated credit losses recognized in the accompanying statements of operations are a calculation of the difference between the discounted cashflows of the securities with OTTI and their current amortized cost. As of August 31, 2011, our year-to-date estimated credit losses total approximately $1.33 million.

The following table (in thousands) details cumulative credit losses on other-than-temporarily impaired debt securities through August 31, 2011.

	Cumulative credit losses on debt securities
Cumulative credit losses on debt securities previously recognized in earnings prior to January 1, 2011	$ (57,526)
Additional credit losses recognized in earnings on debt securities previously determined to be other-than-temporarily impaired	(1,333)
Reduction due to increases in expected cashflows recognized in 2011	130
CUMULATIVE CREDIT LOSSES ON DEBT SECURITIES RECOGNIZED IN EARNINGS FROM DECEMBER 2008 THROUGH August 31, 2011	$ (58,729)

For securities where we believe not all principal and interest will be received, OTTI charges were recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted cashflows of the securities and their current amortized cost. Since 2008, we have recorded total OTTI, or expected credit losses, of $59.3 million. To date, we have had total cumulative principal shortfalls of approximately $16.0 million. We have also had cumulative recoveries to date of $579,000 due to sales and/or improved cashflows.

Certain securities are pledged as collateral to secure our committed line of credit with a financial institution and our ability to borrow at the Fed Discount Window. At August 31, 2011, these pledged securities had a fair value of approximately $90.2 million and $190.8 million, respectively.

6. Borrowed Funds

Borrowed funds as of August 31, 2011 and 2010 are noted below (in thousands).

	August 31, 2011	August 31, 2010
U.S. Central		$ 20,000
FHLB-Cincinnati	$ 30,000	30,000
Total borrowed funds	$ 30,000	$ 50,000

Borrowed funds from U.S. Central and FHLB-Cincinnati are secured by collateral held by each respective institution, consisting of deposits and securities held in their safekeeping. At August 31, 2011, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $146.6 million.

7. Capital Ratios

Corporate One is required by Part 704 of the NCUA Rules and Regulations to maintain a minimum capital ratio (i.e., capital divided by twelve-month rolling moving daily average net assets (MDANA)) based upon Corporate One's investment authority as authorized by the NCUA. The NCUA also requires a corporate credit union to retain certain earnings levels if its retained earnings ratio (reserves and undivided earnings divided by twelve-month rolling MDANA) falls below the required percentage.

Corporate One's actual RUDE, capital and regulatory ratios at August 31, 2011 and 2010 are presented in the following table (dollar amounts in thousands):

	August 31, 2011	August 31, 2010	Regulatory Limits
Regulatory capital	$268,593	$177,529	
Regulatory capital ratio	8.79%	5.02%	5.00%
Reserves and undivided earnings	$ 38,158	$ 34,797	
Retained earnings ratio	1.25%	0.98%	2.00%

As of August 31, 2011 and 2010, Corporate One met the regulatory capital ratio requirement but did not meet the minimum retained earnings ratio. On April 21, 2009, the NCUA issued an order under its authority in Part 704.1(b). That order was then extended on April 29, 2010, permitting an alternative capital level for purposes of regulatory compliance outlined in Part 704. This order, if not previously modified or rescinded by the NCUA Board, will terminate on the date of the one year anniversary of the publication in the Federal Register of the final amendments to Part 704, NCUA's corporate credit union rules. As a result of the order, Corporate One is allowed to use capital levels reported in its November 2008 call report, for purposes of determining regulatory compliance with its capital ratio requirement and earnings retention requirement. At November 30, 2008, regulatory capital totaled $264.8 million which, when divided by 12-month MDANA as of August 31, 2011, resulted in a capital ratio of 8.67 percent compared to the regulatory minimum of 5 percent. Reserves and undivided earnings totaled $123.1 million at November 30, 2008, which, when divided by 12-month MDANA as of August 31, 2011 resulted in a retained earnings ratio of 4.03 percent compared to the regulatory minimum of 2 percent.

On October 20, 2010, the NCUA published the final revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The revisions establish a new capital framework including risk-based capital requirements. The old capital instruments, PIC and MCS, will be phased out and two new capital instruments are established. The new capital instruments are Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA). PCC is defined in Part 704.2 as accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings, PIC and MCS; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. NCA is defined in Part 704.2 as funds contributed by members or nonmembers that: are term certificates with an original minimum term of five years or that have an indefinite term with a minimum withdrawal notice of five years; are available to cover losses that exceed retained earnings, PIC, MCS and PCC; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

The regulation contains a multi-step, multi-year phase in of the new capital requirements. The new requirements generally take effect on October 20, 2011; however, certain definitions change 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 new regulation. The definitions of the numerators are simplifications, as the new regulation contains certain adjustments to each capital calculation.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Retained earnings ratio	RUDE	MDANA	0.45/1.00/2.00%^	
Permanent Leverage ratio	RUDE+PCC	MDANA	5.00%	4.00%
Tier 1 risk-based capital ratio	RUDE+PCC	MDANRA*	6.00%	4.00%
Total risk-based capital ratio	RUDE+PCC+NCA	MDANRA	10.00%	8.00%

^The retained earnings ratio has multi-year requirements per the new rule — 0.45% by third anniversary, 1.00% by sixth anniversary and 2.00% by tenth anniversary.
*Moving Daily Average Net Risk Weighted Assets

To achieve the capital requirements of the new regulation, we plan to: build RUDE through earnings with expense control as a top priority; work with our members to recommit their existing capital to forms that comply with the new rules and regulations (i.e. PCC); encourage new members and existing Associate members to capitalize by further enhancing the "Partner/ owner" pricing of products and services as compared to Associate member pricing; and raise new 4% five-year term NCA.

Corporate One distributed a Confidential Information Memorandum to all of its members asking them to recommit their existing capital instruments by converting it to the new qualifying capital instrument, PCC. Additionally, Corporate One asked its members to invest in NCA. The purpose of the NCA offering was to raise between $50 million to $75 million of new capital in the form of NCA. In addition to counting toward certain capital ratios, this new capital will serve to increase our NEV to a level that will allow us to achieve the minimum regulatory NEV ratio of 2.0 percent. At the end of April and June 2011, we closed our capital offerings and the response was overwhelming, such that the capital offering was even over-subscribed. Corporate One now holds more than a quarter of a billion dollars in total regulatory capital.

As of August 31, 2011 MDANA and MDANRA were $3.05 billion and $1.29 billion, respectively. Due to a successful capital raise, Corporate One exceeds all capital ratios at the "well capitalized" level as outlined in the recently updated regulations governing corporate credit unions, as well as meets all NEV ratios in both base- and stressed-case scenarios. In addition, beginning in October 2013, a corporate credit union is also required to report its ratio of retained earnings or RUDE to its MDANA. If this ratio is less than 0.45 percent, the corporate credit union must submit a retained earnings accumulation plan to the NCUA for approval. As of August 31, 2011, Corporate One exceeds this requirement, as our retained earnings ratio is 1.25 percent. In fact, at this level, our retained earnings ratio exceeds the 1 percent minimum required by the new regulation in October 2016.

The following summarizes Corporate One's capital ratios under the new regulation that will become effective in October 2011.

	August 31, 2011	Well Capitalized	Adequately Capitalized
RUDE ratio	1.25%	0.45%	0.45%
Interim leverage ratio	8.66%	5.00%^/7.00%^^	4.00%
Tier 1 risk-based capital ratio	13.09%	6.00%	4.00%
Total risk-based capital ratio	20.54%	10.00%	8.00%

^ Base Plus Expanded Authority Requirement. Under Base Plus, a 20% maximum decline in the Net Economic Value in the stress test required per Reg 704 is permissible.
^^ Part I Expanded Authority. Under Part I, a 28% maximum decline in the Net Economic Value in the stress test required per Reg 704 is permissible.

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