Corporate One
FEDERAL CREDIT UNION

Unaudited Financial Statements

and detailed Management's Discussion and Analysis, unaudited consolidated financial statements, and footnotes

First Quarter 2023

Table of Contents

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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 2022 Annual Report. The 2022 Annual Report can be found on Corporate One's public website: www.corporateone.coop/about/financials.

Results of Operations

The following is a summary of Corporate One's results of operations and return on average assets (ROA) for the three months ended March 31, 2023, and 2022 (dollar amounts in thousands).

	Three months ended			
	March 31, 2023		March 31, 2022	
Net interest income	$	13,041	$	6,307
Non-interest income		3,806		3,703
Operating expenses		(9,746)		(9,590)
Other gain				144
Gain on US Central estate settlement		16,854		33,765
Net income	$	23,955	$	34,329
DANA for the three months ended	$	5,457,317	$	6,544,502
ROA		1.76%		2.10%

Rising interest rates were the primary contributor to higher net interest income year-to-date March 31, 2023, compared to prior year. Non-interest income for 2023 was approximately $100,000 greater than non-interest income for 2022. We recognized increased income from the equity pickup from our partially owned CUSOs, as well as increased commission income related to issuer incentives under our funding services. The increase in operating expenses year over year relates to an increase in salaries and employee benefits expenses. The increase in salaries and employee benefits expense over 2022 is a result of investing in people to ensure we can support our member credit unions in the rapidly changing world of technology and faster payments in the financial services arena. Partially offsetting this increase in salaries and benefits are lower other operating expenses in 2023. In March 2022, with the reclassification of our Tallahassee office building to held for sale, we adjusted the carrying value to the appraised value less the cost to sell.

We recorded $23.9 million in net income for the three months ended March 31, 2023. Included in net income was our fifth payment related to recovery distributions from the U.S. Central Federal Credit Union (US Central) Asset Management Estate. In 2009, US Central and four other corporates were conserved by the NCUA. Corporate One held US Central Membership capital shares (USC MCS) and US Central Paid-in capital shares (USC PIC). In 2008 and then again in 2009, we recorded impairment charges on our capital investments in US Central.
In May 2009, the NCUA created the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) to accrue the losses from US Central and four other failed corporate credit unions and assess insured credit unions for such losses over time. At that time, claim

certificates were issued to all liquidated corporate credit union membership: membership capital account and paid-in capital account holders. Since its inception, the circumstances of the Stabilization Fund significantly improved, and the Stabilization Fund was closed in 2017. All remaining funds, property, and other assets in the Stabilization Fund were transferred to the National Credit Union Share Insurance Fund (NCUSIF).

In the first quarter of 2021, the NCUA announced that based on the audited 2020 financials of the NCUSIF, the US Central estate had sufficient cash to provision for all future guaranty obligations and began making distributions to USC MCS claim certificate holders. During 2021, we received $86.6 million. In 2022, we received further distributions totaling $63.4 million. In the first quarter of 2023, we received the remaining US MCS claim certificates we hold, or $7.8 million. In addition, in the first quarter of 2023, we received 21.1 percent of our USC PIC claim certificates, or $9.1 million. Any future distributions will be recognized as income when received.

Capital Position

As of March 31, 2023, our total regulatory capital (as defined by the NCUA) is $511.3 million, which is an increase of approximately $56.4 million since March 31, 2022. This increase in total regulatory capital is due to earnings.

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.

The table (in thousands) below outlines the components of capital listed in order from lowest to highest priority.

	March 31, 2023	March 31, 2022
Retained earnings	$ 290,815	$ 237,136
Paid in Capital (PIC)	20	20
Perpetual Contributed Capital (PCC)	226,993	224,252
Total regulatory capital account balances	517,828	461,408
Less: CUSO equity and cost investments	(6,475)	(6,463)
Total regulatory capital	$ 511,353	$ 454,945
Less: Unamortized PIC	(20)	(20)
Tier 1 Capital	$ 511,333	$ 454,925

The following summarizes Corporate One's capital ratios as of March 31, 2023, and 2022 (dollar amounts in millions):

	March 31, 2023	March 31, 2022
Retained earnings ratio	5.05%	3.69%
Leverage ratio	8.89%	7.08%
Tier 1 risk-based capital ratio	24.46%	17.83%
Total risk-based capital ratio	24.46%	17.83%
MDANA^	$ 5,754	$ 6,427
MDANRA^^	$ 2,090	$ 2,552

^Moving Daily Average Net Assets
^^Moving Daily Average Net Risk-Weighted Assets

NCUA regulations allow corporate credit unions to include all member Perpetual Contributed Capital (PCC) in the Tier 1 Capital Ratio if the corporate's retained earnings ratio is above 250 basis points. Any required exclusion of PCC is based on a calculation measuring the relationship between PCC, retained earnings and Moving Daily Average Net Assets (MDANA). With Corporate One's current retained earnings ratio well above the 250 basis points level, there was no exclusion of PCC from the Tier 1 Capital Ratio calculation.

Corporate One is focused on maintaining strong capital levels, and as shown in the table above, we exceed all NCUA's required capital ratios (see table below).

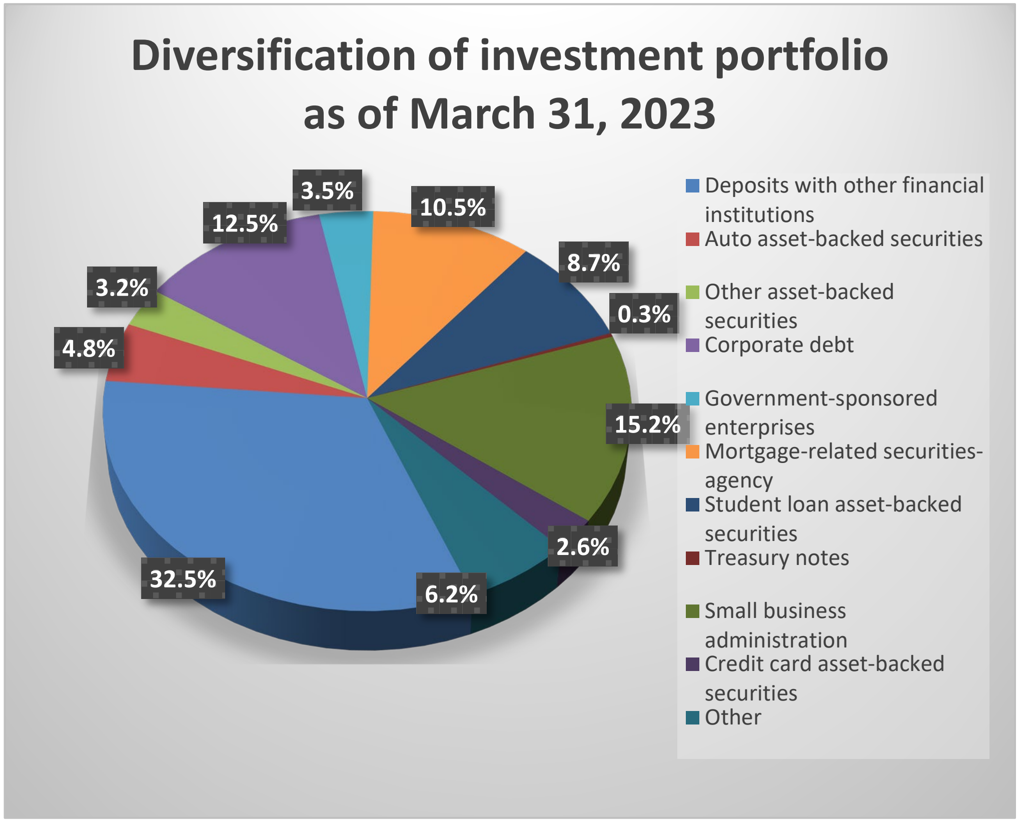
The following summarizes the NCUA requirements for the various capital ratios:

	Well Capitalized	Adequately Capitalized
Leverage ratio	5.00%	4.00%
Tier 1 risk-based capital ratio	6.00%	4.00%
Total risk-based capital ratio	10.00%	8.00%

See Footnote 7 for more information regarding the capital requirements of the 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 determined by our risk management department and our internal standards, or issued by agencies of the U.S. government, or by other regulated depository institutions. Corporate One's portfolio diversification as of March 31, 2023, is shown in the figure below.



Our portfolio remains well diversified. Eighty-nine percent of the amortized cost of our portfolio is in cash and cash equivalents, other short-term investments, agencies, and securities rated “A” or higher, as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs). Of the deposits we hold with other financial institutions, 99 percent is held at the Federal Reserve.

Market/Spread Risk

Because we invest in securities, we are also exposed to market risk due to liquidity and credit spreads. Market risk is realized should it become necessary to liquidate a position during a down period in the cycle. We typically classify our securities as available-for-sale, and as of March 31, 2023, we do not have any securities classified as held-to-maturity. The available-for-sale classification allows us the flexibility to sell securities should we require liquidity, find value in other market sectors, or come upon other opportunities. Portfolio diversification helps mitigate market risk, and the diversity in our portfolio allows us to execute trades in various sectors when the need or opportunity arises.

Interest Rate Risk Management

Our primary interest-rate-risk measurement tool is a NEV test. NEV is defined as the fair value of assets less the fair value of liabilities. 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 bps. Our NEV ratio remains well above the minimum NCUA requirement of two percent. Overall, our NEV ratio at March 31, 2023, was 8.68 percent in the base case and 8.26 percent in the 300-bps stress scenario.

The structure of our balance sheet results in minimal interest-rate risk. When members deposit funds with us, we can invest those funds in a variety of financial instruments that closely match the repricing characteristics of the underlying deposit, resulting in minimal mismatch. This minimal interest rate risk is demonstrated by the low percentage in NEV change between the base scenario and a 300 bps rise-in-rates scenario. Also, this percentage in NEV change is well within the maximum decline of 20 percent required by the NCUA.

A summary of Corporate One’s NEV calculation as of March 31, 2023, and 2022 is shown below (dollar amounts in thousands).

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base	Percentage Change from Base
As of March 31, 2023				
300 bps rise in rates	$ 450,195	8.26%	$ (25,615)	-5.38%
Base scenario	$ 475,810	8.68%		
100 bps decline in rates	$ 482,089	8.78%	$ 6,279	1.32%
200 bps decline in rates	$ 487,955	8.87%	$ 12,145	2.55%
300 bps decline in rates	$ 491,042	8.92%	$ 15,232	3.20%
As of March 31, 2022*				
300 bps rise in rates	$ 445,760	6.86%	$ (23,688)	-5.05%
Base scenario	$ 469,448	7.15%		
100 bps decline in rates	$ 477,840	7.26%	$ 8,392	1.79%
200 bps decline in rates	$ 483,105	7.31%	$ 13,657	2.91%

*300 bps decline did not apply in the interest rate environment present at March 31, 2022.

Liquidity Risk Management

Liquidity risk is one of the most important risks we manage. With every deposit we accept, we understand that we need to appropriately manage our liquidity to ensure our members have access to those funds when needed. Accordingly, we have certain daily management strategies that we employ, as well as more long-term, overarching liquidity strategies.

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, as of March 31, 2023, we had approximately $1.74 billion in cash and cash equivalents. In addition, we strive to buy securities with readily determined market values that can be sold or borrowed against to generate liquidity.

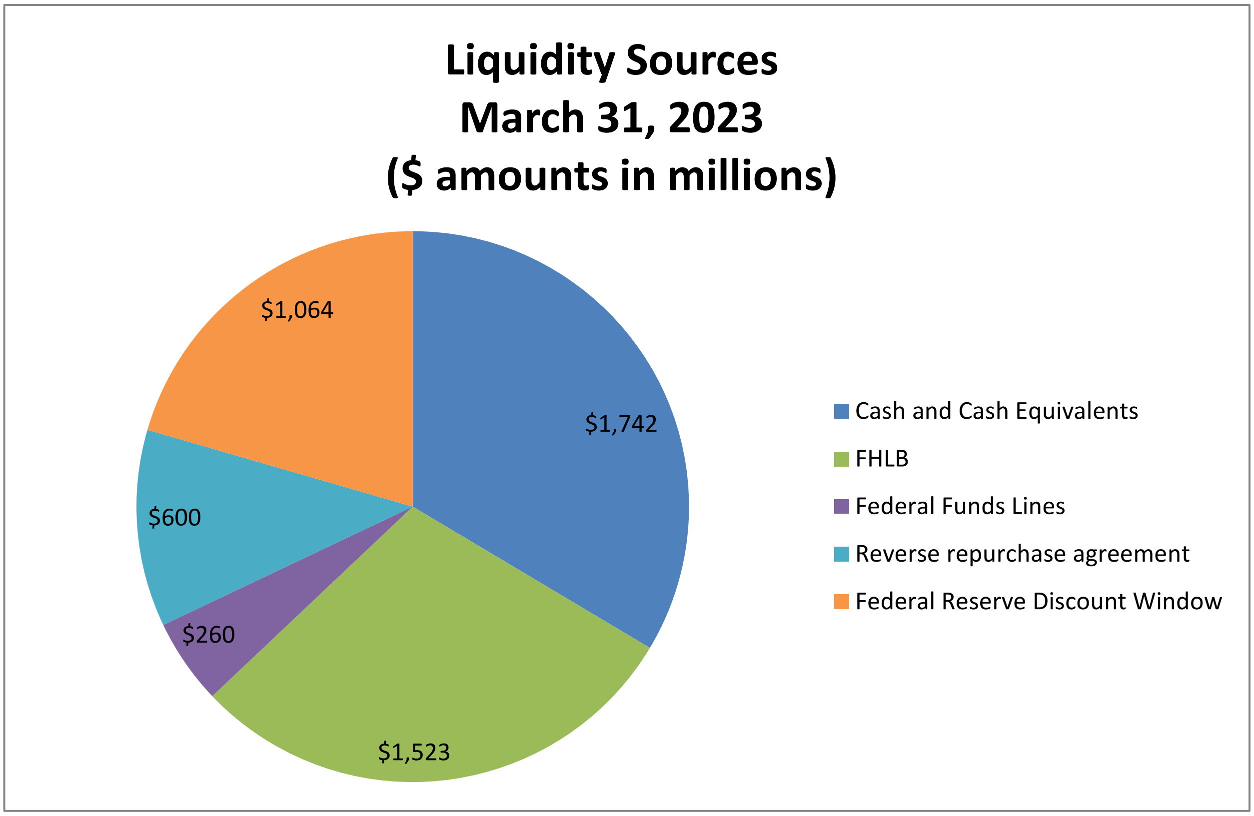
We also mitigate our liquidity risk by monitoring our top depositors. We have limits on the maximum any one credit union may deposit with us. By striving to diversify our shares and member base, we shield ourselves from the risk of sudden withdrawals by large depositors. In fact, as of March 31, 2023, our single largest depositor represented sixteen percent of our total member shares.

As of March 31, 2023, we had $190 million in overnight borrowings outstanding. Corporate One's remaining borrowing capacity (total existing lines less borrowings outstanding) at March 31, 2023, was approximately $3.27 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $1.5 billion. This line of credit is secured by certain investments held in safekeeping at the FHLB. As of March 31, 2023, we had $190 million overnight borrowings outstanding with the FHLB. In addition, we maintain a reverse repurchase agreement with another party, totaling $600 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 $260 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing.

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.

We have been 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 $1.1 billion at March 31, 2023.

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 and letter of credit commitments to members of approximately $4.2 billion as of March 31, 2023. 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.

Consolidated Balance Sheets (unaudited)

CORPORATE ONE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS

Assets	**March 31, 2023**	**March 31, 2022**
Cash and cash equivalents	$ 1,742,416,044	$ 1,649,149,252
Other short term investments		109,953,090
Investments in financial institutions	63,282,300	60,127,260
Securities available for sale, at fair value	3,247,009,485	4,611,958,316
Loans	283,800,079	20,726,212
Accrued interest receivable	26,063,083	4,533,499
Goodwill	3,395,730	3,395,730
Other assets	107,342,516	94,106,338
TOTAL ASSETS	5,473,309,237	6,553,949,697
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	4,264,787,511	5,665,151,125
Share certificates	510,701,143	306,163,749
Borrowed funds	190,000,000	100,000,000
Dividends and interest payable	3,085,320	760,037
Accounts payable and other liabilities	35,271,705	35,870,337
TOTAL LIABILITIES	5,003,845,679	6,107,945,248
Members' equity:		
Perpetual contributed capital	226,992,520	224,251,579
Retained earnings	290,814,970	237,136,146
Accumulated other comprehensive loss	(48,343,932)	(15,383,276)
TOTAL MEMBERS' EQUITY	469,463,558	446,004,449
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 5,473,309,237	$ 6,553,949,697

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest Income:		
Investments	$60,608,590	$8,939,763
Loans	3,163,049	91,754
Total Interest Income	63,771,639	9,031,517
Dividend And Interest Expense:		
Shares	42,072,442	2,399,016
Borrowed funds and other	8,658,680	324,867
Total Dividend And Interest Expense	50,731,122	2,723,883
Net Interest Income	13,040,517	6,307,634
Non-Interest Income	3,806,352	3,702,577
Salaries and employee benefits	7,299,258	6,679,888
Office operations and occupancy expense	2,023,901	2,155,662
Other operating expenses	422,333	754,520
Total Operating Expenses	9,745,492	9,590,070
Net Gain on Financial Instruments:		
Net gain on sales of securities		144,125
Net Gain on Financial Instruments		144,125
Gain on US Central estate settlement	16,853,740	33,764,637
Net Income	$23,955,117	$34,328,903

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net Income	$ 23,955,117	$ 34,328,903
Other comprehensive income (loss) :		
Change in net unrealized loss on available-for-sale securities	18,776,876	(28,946,819)
Change in net unrealized gain on cash flow hedge	(1,069,442)	1,871,581
Reclassification adjustment recognized in earnings for net interest on daily market accounts	309,862	(44,185)
Reclassification adjustment recognized in earnings for net gain on sales of securities		(144,125)
Total other comprehensive income (loss)	18,017,296	(27,263,548)
Comprehensive Income	$ 41,972,413	$ 7,065,355

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Members' Equity for the Three Months Ended March 31, 2023 (unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance At January 1, 2023	$ 226,092,520	$ 269,393,486	$ (66,361,228)	$ 429,124,778
Net income		23,955,117		23,955,117
Other comprehensive income			18,017,296	18,017,296
Issuance of PCC	900,000			900,000
Dividends on PCC, net		(2,533,633)		(2,533,633)
Balance at March 31, 2023	$ 226,992,520	$ 290,814,970	$ (48,343,932)	$ 469,463,558

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Organization

The purpose of Corporate One is to foster and promote the economic well-being, growth, and development of our membership base through fiscally responsible and effective funds management, along with loan, investment, digital, and correspondent services for the ultimate benefit of our credit union members. Corporate One's national field of membership includes state- and federally chartered credit unions and other credit union organizations throughout the United States. Corporate One's Board of Directors is composed of executive management from Corporate One's member credit unions. Corporate One also wholly owns three credit union service organizations (CUSOs): Lucro Commercial Solutions, LLC (Lucro), Sherpa Technologies, LLC (Sherpa) and Accolade Investment Advisory, LLC (Accolade). The consolidated financial statements include the accounts of Corporate One and the three CUSOs. All significant intercompany accounts and transactions have been eliminated.

2. Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions and federal funds sold. To further diversify our liquidity options, we elect to voluntarily hold Reg D reserves in order to gain access to the Federal Reserve Discount Window.

3. Other Short-Term Investments

Other short-term investments are liquid investments expected to be converted into cash within one year. These investments consist of commercial paper issued by A-rated companies that are unsecured, asset backed commercial paper, and government agency fixed notes. All of which pay a fixed rate of interest.

4. Investments in Financial Institutions

Investments in financial institutions at March 31, 2023, and 2022 are summarized as follows (in thousands):

	March 31, 2023	March 31, 2022
Federal Home Loan Bank stock	$ 50,138	$ 13,044
Certificates of deposit	13,144	4,464
CLF Stock		42,619
Total investments in financial institutions	$ 63,282	$ 60,127

In 2020, Corporate One contributed capital stock on behalf of our member credit unions with assets under $250 million and became an agent member of the NCUA's Central Liquidity Facility (CLF) Agent Subscription Program. This stock is held in cash at the US Treasury or invested in US Treasuries. As of March 31, 2022, Corporate One held $42.6 million in this facility. This amount is included in investments in financial institutions in the accompanying consolidated balance sheets. As of December 31, 2022, the remaining provisions of the Coronavirus Aid, Relief, and Economic Security Act of 2020 as extended by the Consolidated Appropriations Act of 2021 that allowed corporate credit unions to provide member credit unions no-cost access to the CLF for contingent liquidity through them as agent members of the CLF expired. Thus, as of December 31, 2022, our capital stock was redeemed.

5. Securities

Corporate One holds debt securities classified as available-for-sale. This classification is made when debt securities 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 at March 31, 2023, and 2022 are as follows (in thousands):

	March 31, 2023		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities-agency	$ 565,216	$ 557,534	$ (7,682)
Asset-backed securities	1,034,133	998,702	(35,431)
Small business administration	818,415	820,599	2,184
Treasury notes	17,863	17,586	(277)
Government-sponsored enterprises	189,425	189,420	(5)
Corporate debt securities	674,475	663,168	(11,307)
Total available-for-sale securities	$ 3,299,527	$ 3,247,009	$ (52,518)

	March 31, 2022		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities-agency	$ 751,151	$ 750,387	$ (764)
Asset-backed securities	1,768,591	1,742,408	(26,183)
Small business administration	1,036,375	1,051,136	14,761
Government-sponsored enterprises	328,624	329,165	541
Corporate debt securities	745,571	738,862	(6,709)
Total available-for-sale securities	$ 4,630,312	$ 4,611,958	$ (18,354)

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. A fair value hierarchy exists in this guidance, 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 March 31, 2023 (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	$ 557,534		$ 557,534	
Asset-backed securities:				
Student loans-FFELP	415,749		415,749	
Student loans-private	34,011		34,011	
Credit cards	132,010		132,010	
Automobiles	248,059		248,059	
Other	168,873		168,873	
SBA securities	820,599		820,599	
Government-sponsored enterprises	189,420		189,420	
Corporate debt securities	663,168	$ 663,168		
Treasury Notes	17,586		17,586	
Total available-for-sale securities	$ 3,247,009	$ 663,168	$ 2,583,841	

We evaluate all our securities for other-than-temporary impairment (OTTI) on a semi-annual basis. In order to determine if the declines in fair value below amortized cost represented OTTI, management considered various impairment indicators, such as Investment Action Plan (IAP) securities, securities that have had ratings downgrades, securities that have been underwater for greater than 12 months, and securities that have severe unrealized losses. We utilize outside services to assist management in performing detailed cash flow analyses to determine if all principal and interest cash flows will be received. The analyses performed require 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 cash flows for these securities and potential OTTI write-downs in the future. We believe the gross losses on all of these securities are temporary as of March 31, 2023, and that fair values will approximate amortized costs as the securities near maturity.

For the securities where we believe not all principal and interest will be received, OTTI charges are recorded. The charges, which represent the estimated credit losses, are determined by calculating the difference between the discounted cash flows of the securities and their current amortized cost. We determined no security was other than temporarily impaired during the first three months of 2023.

6. Borrowed Funds

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At March 31, 2023, and 2022, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $1.62 billion and $2.12 billion, respectively, which provided a borrowing capacity of approximately $1.52 billion and $1.86 billion, respectively. At March 31, 2023, and 2022, Corporate One had $190 million and $100 million, respectively, in overnight borrowings outstanding with the FHLB. We also maintain $260 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing. As of March 31, 2023, and 2022, no overnight borrowings were outstanding on our federal funds lines.

We have been 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 FOMC's target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Federal Reserve Bank by collateral that is acceptable for that purpose. At March 31, 2023, and 2022, Corporate One had securities and commercial loans held in safekeeping at the Federal Reserve Bank with fair values of approximately $1.12 million and $1.95 billion, respectively, which provided a borrowing capacity of approximately $1.06 billion and $1.88 billion, respectively. There were no amounts outstanding on the line of credit with the Federal Reserve Bank as of March 31, 2023, and 2022.

7. Capital Ratios

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.

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%

*MDANA (NCUA Rules and Regulations §704.2 allows for the deductions from Tier 1 capital to also be deducted from Moving)
**Moving Daily Average Net Risk Weighted Assets
***As defined by the NCUA Rules and Regulations §704.2

The following table (in thousands) outlines the components of regulatory capital at March 31:

	2023	2022
Retained earnings	$ 290,815	$ 237,136
Add: PCC	226,993	224,252
Less: CUSO equity and cost investments	(6,475)	(6,463)
Tier 1 Capital	511,333	454,925
Add: Unamortized PIC	20	20
Tier 2 Capital	20	20
TOTAL REGULATORY CAPITAL	$ 511,353	$ 454,945

The following summarizes Corporate One's capital ratios as of March 31, 2023, and 2022 (dollar amounts in millions):

	March 31, 2023	March 31, 2022
Retained earnings ratio	5.05%	3.69%
Leverage ratio*	8.89%	7.08%
Tier 1 risk-based capital ratio	24.46%	17.83%
Total risk-based capital ratio	24.46%	17.83%
MDANA^	$ 5,754	$ 6,427
MDANRA^^	$ 2,090	$ 2,552

* 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 8.88% leverage ratio.
^Moving Daily Average Net Assets
^^Moving Daily Average Net Risk-Weighted Assets

NCUA regulations allow corporate credit unions to include all member PCC in the Tier 1 Capital Ratio if the corporate's retained earnings ratio is above 250 basis points. Any required exclusion of PCC is based on a calculation measuring the relationship between the PCC, retained earnings and MDANA. With Corporate One's current retained earnings ratio well above the 250 basis points level, there was no exclusion of PCC from the Tier 1 Capital Ratio calculation.

8. Derivatives

Corporate One uses derivative instruments primarily to minimize the effects of interest rate volatility on net interest income. The derivative financial instruments are recorded in the Consolidated Balance Sheet as either an asset or a liability (under Other Assets or Accounts Payable and Other Liabilities) and measured at fair value.

Cash Flow Hedges: An interest rate swap with a notional amount totaling $31.5 million as of March 31, 2023, was designated as a cash flow hedge of certain daily overnight market share accounts and was determined to be highly effective during all periods presented. The gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Corporate

One expects the hedge to remain effective during the remaining term of the swap. As of March 31, 2022, there were $31.5 million in cash flow hedges outstanding.

Fair Value Hedges: Thirteen interest rate swaps with notional amounts totaling $306 million as of March 31, 2023, were designated as fair value hedges. Ten fixed-rate available-for-sale securities, two transactions tied to term certificates, and one transaction tied to a term loan were determined to be effective during all periods presented. The gain or loss on the derivatives, as well as the offsetting loss or gain on the hedged items attributable to the hedged risk, are recognized in current earnings as fair value changes. Corporate One expects the hedges to remain effective during the remaining term of the swaps. As of March 31, 2022, there were $213.7 million fair value hedges outstanding.

The notional amount and fair value of the derivatives on a gross basis at March 31, 2023, and 2022, are as follows (in thousands):

	March 31, 2023		March 31, 2022	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Included in other assets:				
Derivatives designated as hedging instruments:				
Interest rate swaps – Cash flow	$ 31,470	$ 4,174	$ 31,470	$2,970
Interest rate swaps – Fair value	306,010	18,249	213,713	12,072
Total included in other assets	$ 337,480	$ 22,423	$ 245,183	$ 15,042

Corporate One’s interest rate swaps are with US Bank. The hedges require collateral when they exceed certain thresholds of the fair value to protect from counterparty default. As of March 31, 2023, Corporate One held collateral from US Bank in the amounts of $23.09 million and $2.38 million related to fair value and cashflow hedges, respectively. As of March 31, 2022, Corporate One held collateral from US Bank in the amounts of $11.93 million and $2.93 million related to fair value and cashflow hedges, respectively.

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