



Unaudited Financial Statements

December 2023

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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 December 2023. Our December 2023 5310 report can be found at <https://www.corporateone.coop/About/Financials>. Our 2023 annual audit is currently in progress, and we will provide our audited consolidated financial statements and footnotes in the 2023 Annual Report on our public website once complete.

For the year ended December 31, 2023, we recorded \$58.9 million in net income. After paying \$12 million in Perpetual Contributed Capital (PCC) dividends to our partner members, which marks the highest PCC dividend distribution in our history, we added \$46.9 million to retained earnings, which now exceeds \$316 million. During 2023, we received approximately \$28 million in recovery distributions from the U.S. Central Federal Credit Union (US Central) estate. Also, to express our gratitude to our members we waived approximately \$1.6 million in processing fees related to our payment solutions during the fourth quarter of this year.

As of December 31, 2023, we hold total regulatory capital of \$536.6 million, which in addition to retained earnings includes \$227.0 million of Perpetual Contributed Capital (PCC) from our member credit unions. This capital results in a leverage ratio of 10.70 percent, exceeding the NCUA's Regulation 704 well-capitalized level of five percent. Our strong capital levels support our balance sheet and underscore our financial stability.

We recognize that liquidity in the credit union network remains a concern for many credit unions and we stand ready to provide liquidity options to our members as they need them. We consistently monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. We maintain diversified sources of funds, which provide approximately \$3.0 billion in borrowing capacity. Quarterly, we test our ability to access our borrowing facilities to ensure those sources of funds are available when needed. In addition, our securities portfolio contains highly rated securities with readily determined market values that are all classified as available for sale and can be sold or borrowed against to generate liquidity. We maintain robust processes to monitor our top depositors and limit the maximum any one credit union can deposit with us. By diversifying our membership deposit base, we are mitigating the impact of sudden withdrawals by larger depositors. We also assist our members with accessing liquidity through other means, such as non-member brokered CD issuance, and the Central Liquidity Fund. If your credit union needs liquidity, call us.

Thank you to all our members for your ongoing support. 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)

CORPORATE ONE FEDERAL CREDIT UNION CONSOLIDATED BALANCE SHEETS

| Assets | December 31, 2023 | December 31, 2022 |
|--|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 1,829,473,384 | \$ 1,779,190,007 |
| Investments in financial institutions | 66,765,800 | 55,098,300 |
| Securities available for sale, at fair value | 2,941,249,398 | 3,578,884,916 |
| Loans | 178,368,608 | 275,193,509 |
| Accrued interest receivable | 26,408,934 | 19,604,292 |
| Goodwill | 3,395,730 | 3,395,730 |
| Other assets | 96,443,523 | 105,867,078 |
| TOTAL ASSETS | 5,142,105,377 | 5,817,233,832 |
| Liabilities and Members' Equity | | |
| Liabilities: | | |
| Settlement and regular shares | 3,897,695,031 | 3,707,849,588 |
| Share certificates | 412,069,000 | 641,739,446 |
| Borrowed funds | 283,000,000 | 1,000,000,000 |
| Dividends and interest payable | 3,097,631 | 2,545,567 |
| Accounts payable and other liabilities | 33,354,300 | 35,974,453 |
| TOTAL LIABILITIES | 4,629,215,962 | 5,388,109,054 |
| Members' equity: | | |
| Perpetual contributed capital | 226,992,520 | 226,092,520 |
| Retained earnings | 316,299,546 | 269,393,486 |
| Accumulated other comprehensive loss | (30,402,651) | (66,361,228) |
| TOTAL MEMBERS' EQUITY | 512,889,415 | 429,124,778 |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$ 5,142,105,377 | \$ 5,817,233,832 |

Consolidated Statements of Income (unaudited)

| | Year Ended | |
|---|--------------------------|--------------------------|
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Interest Income: | | |
| Investments | \$253,683,109 | \$109,951,268 |
| Loans | 12,220,834 | 3,676,739 |
| Total Interest Income | 265,903,943 | 113,628,007 |
| Dividend And Interest Expense: | | |
| Shares | 182,418,084 | 65,481,521 |
| Borrowed funds and other | 24,551,047 | 15,985,414 |
| Total Dividend And Interest Expense | 206,969,131 | 81,466,935 |
| Net Interest Income | 58,934,812 | 32,161,072 |
| Non-Interest Income | 15,179,498 | 15,495,406 |
| Fee Holiday Credit | (1,654,652) | |
| Non-Interest Income | 13,524,846 | 15,495,406 |
| Salaries and employee benefits | 30,149,566 | 27,858,716 |
| Office operations and occupancy expense | 8,522,172 | 8,895,587 |
| Other operating expenses | 1,894,036 | 2,258,613 |
| Total Operating Expenses | 40,565,774 | 39,012,916 |
| Net (Loss) Gain on Financial Instruments: | | |
| Net (loss) gain on sales of securities | (989,666) | 144,125 |
| Net (Loss) Gain on Financial Instruments | (989,666) | 144,125 |
| Gain on US Central estate settlement | 28,008,370 | 63,427,029 |
| Net Income | \$58,912,588 | \$72,214,716 |

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

| | Year Ended | |
|---|--------------------------|--------------------------|
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Net Income | \$ 58,912,588 | \$ 72,214,716 |
| Other comprehensive income (loss) : | | |
| Change in net unrealized gain (loss) on available-for-sale securities | 35,913,484 | (81,887,871) |
| Change in net unrealized gain on cash flow hedge | 476,537 | 4,104,523 |
| Reclassification adjustment recognized in earnings for net interest on daily market accounts | (1,421,110) | (314,027) |
| Reclassification adjustment recognized in earnings for net loss (gain) on sales of securities | 989,666 | (144,125) |
| Total other comprehensive income (loss) | 35,958,577 | (78,241,500) |
| Comprehensive Income (Loss) | \$ 94,871,165 | \$ (6,026,784) |

Consolidated Statement of Changes in Members' Equity for the Year Ended December 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 | | 58,912,588 | | 58,912,588 |
| Other comprehensive income | | | 35,958,577 | 35,958,577 |
| Issuance of PCC | 900,000 | | | 900,000 |
| Dividends on PCC, net | | (12,006,528) | | (12,006,528) |
| Balance at December 31, 2023 | <u>\$ 226,992,520</u> | <u>\$ 316,299,546</u> | <u>\$ (30,402,651)</u> | <u>\$ 512,889,415</u> |

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.

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 December 31, 2023.

| December 31, 2023 | |
|---------------------------------|--------|
| Retained earnings ratio | 6.30% |
| Leverage ratio* | 10.70% |
| Tier 1 risk-based capital ratio | 34.20% |
| Total risk-based capital ratio | 34.20% |
| NEV ratio | 9.99% |

* 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 calculations, which can result in a slightly different leverage ratio. For December, our 5310 reports an 10.68% leverage ratio.



8700 Orion Place
Columbus, OH 43240-2078

866/MyCorp1

www.corporateone.coop