Corporate One
FEDERAL CREDIT UNION

Corporate One Financial Report

2022

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A Letter to Our Members

Melissa A. Ashley, CEO/President
R. Lee Powell, Jr., Chairman

Melissa A. Ashley
CEO/President
Corporate One
Federal Credit Union

R. Lee Powell, Jr.
Chairman
CEO/President
Desco FCU

Dear Members:
In 2022, the economy shifted quickly from one flush with liquidity and near-zero interest rates to one with tightening liquidity and a rapidly rising interest rate environment as the Federal Reserve fought to mitigate inflation. Thanks to the ongoing support of our members and the strategic management of our organization by a dedicated board of directors and management team, we are pleased to report that Corporate One successfully navigated these changes in the economy for the benefit of our members and recorded another strong year of financial performance. Most importantly, we continued to grow in meaningful ways that are critical to our organization's future success and that of our members.

Robust financial strength
Strong financial performance in 2022 made it possible for Corporate One to issue the highest overall Perpetual Contributed Capital (PCC) dividend distribution to PCC member owners in its history, with total annual PCC dividends of more than $5.6 million. We recognized net income of $72.2 million for 2022, which ranks as our second-highest annual net income amount to date. These earnings are due, in part, to recoveries from U.S. Central Asset Management Estate, as well as increased net interest income from rate increases.

Corporate One ended the year with $489.1 million in total regulatory capital; of that, $269.4 million was retained earnings, which exceeds members' PCC balances of $226.1 million. All capital ratios continue to remain above well-capitalized levels as defined by the NCUA.

Further, ensuring we have liquidity for our members when they need it is one of the most important functions we have as a corporate partner, and we need to have the balance sheet to support it. We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources, and we maintain significant cash reserves and substantial borrowing capacity. Thanks to our strong liquidity position, we were well poised to navigate the rapidly changing economic environment to fund increased loan demands and meet members' liquidity needs seamlessly in 2022.

Relevant member offerings

Knowing that implementing immediate payments is crucial for credit unions to remain relevant and competitive, we continued to make investments in 2022 to evolve our payments expertise and capabilities. In addition to the three real-time payment solutions we already offer, we are poised to provide settlement services on the upcoming Fed-NowSM Service, which we're excitedly anticipating. Once the FedNow Service launches, we'll soon have solutions like those we already have on the RTP® network so credit unions can connect, settle and manage cash, and make payments for their organizations on these new immediate payment rails.

Our work in developing these solutions and providing comprehensive education on immediate payments is unique to Corporate One. We've demonstrated capabilities and efforts that no other corporate credit union has presently shown. In addition, we serve on two of The Clearing House's RTP committees, and Corporate One is proud to provide the cooperative perspective of financial services because we are committed to helping credit unions realize the opportunities of immediate payments.

Reliability of our CUSOs

Our two wholly owned CUSOs—Accolade Investment Advisory and Lucro Commercial Solutions—are essential components of our brand and contribute to our financial results. We consider them vital not only to our present and future success but also the success of our members. Their 2022 achievements include the following:

- Accolade launched their digital solution that estimates a credit union's reserve under the current expected credit loss (CECL) methodology and now has 67 credit unions using the platform. In addition, their team has continued to provide timely education and advice with content that focuses on relevant topics, such as rate hikes and liquidity and deposit strategies, solidifying Accolade's reputation as an industry expert.
- Lucro welcomed 17 new partners to their Digital Business Lending Center (DBLC) and seven traditional partners. In addition, several of Lucro's credit union partners received no findings from their NCUA exams last year, and product surveys continue to demonstrate strong partner satisfaction. Lucro continues to invest in technology advancements to enhance the DBLC with core connectivity, and they have been collaborating with Corporate One to utilize our data orchestration hub to enable this connectivity.

Remaining a valuable partner

Corporate One's ongoing mission is to be a strategic corporate partner, and we've found that one of the best ways we can do this is not by guessing what you want or how we can provide value but by delivering what you want based on your feedback through our annual membership survey. Key areas that we've invested in to serve members better, including the 28 new members that joined us in 2022, and that drive member satisfaction include the following:

- Making it easy for you to do business with us. Like you, we are embracing digital to streamline business. In 2022, we launched a new and improved Member$MART, our member account management system, and we continue to enhance MyCorp1 Manager, which is now used by nearly all members for user administration.
- Providing superior support. Our staff prides itself on providing superior member service. Our Member Experience Team supported members through more than 58,500 engagements last year, which is an all-time high. We continually invest in ongoing professional development for our employees, and in turn, our employees collaborate to develop comprehensive training and education for users, solve problems quickly for members when they arise, and optimize product offerings.

In conclusion, on behalf of everyone at Corporate One, including our dedicated board of directors, we want to thank you for supporting your corporate partner and our Corporate One family. We're grateful for our many achievements of the past year, and we look forward to the future. We remain committed to being your best partner, supporting and helping you provide value to your respective memberships as we further strengthen and advance credit unions within the larger financial industry.

Sincerely,

Melissa A. Ashley

Melissa A. Ashley
President/CEO

R. Lee Powell, Jr.

R. Lee Powell, Jr.
Chairman

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

Executive Summary

In 2022, we recognized net income for the year of $72.2 million, which ranked as our second-highest annual net income figure to date after 2021's record-breaking net income of $91.1 million. The decrease in net income from 2021 is due to $23.2 million less in settlement distributions related to our interests in the U.S. Central (US Central) Asset Management Estate. After paying $5.7 million in Perpetual Contributed Capital (PCC) dividends, our highest level to date, we added $66.6 million to retained earnings, ending the year at $269.4 million. This increase in retained earnings resulted in total regulatory capital of $489.1 million, and all capital ratios remained above well-capitalized levels as defined by the NCUA Rules and Regulations, Part 704.

A strong regulatory capital level is important for several reasons. First, this capital protects member shares and certificates. Second, our capital position results in Corporate One exceeding the capital requirements of NCUA. Third, one of the fundamental reasons corporates exist is to provide liquidity to their members when they need it. This important function can only be achieved if the corporate's balance sheet can support it. As a liquidity provider, it is evident why adequate capital is essential.

Our 2022 earnings before any US Central settlement distributions were $8.8 million, almost double our earnings before any US Central settlement distributions in 2021. In 2022, we recognized higher net interest income over 2021, a result of net interest margin expansion—53 basis points in 2022 compared to 37 basis points in 2021. We recognized increased net interest income despite a decrease of $254.7 million in average interest-earning assets. The decrease in average interest-earning assets results from the tightening of liquidity in the credit union network after seeing unprecedented deposit growth from members related to government stimulus programs in 2020 and 2021.

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

Table One provides selected financial information for the last five years.

Table One: Selected Financial Information (Dollar amounts are in thousands)

	For the year ending December 31,				
	2022	2021	2020	2019	2018
Net interest income	$ 32,161	$ 23,246	$ 32,734	$ 37,223	$ 34,708
Non-interest income	16,386	18,583	14,612	13,657	13,415
Total operating expenses	39,903	37,747	37,911	38,350	37,007
Net gain on other investments	144	394	7,037	871	2,131
CORE EARNINGS	8,788	4,476	16,472	13,401	13,247
Gain on US Central estate settlement	63,427	86,620			
NET INCOME	**$ 72,215**	**$ 91,096**	**$ 16,472**	**$ 13,401**	**$ 13,247**

DISCUSSION ON STATEMENTS OF INCOME

Net Interest Income/Average Balance Sheet

It is crucial for us to structure our balance sheet in a way that enables us to consistently offer attractive dividend rates to our members while simultaneously increasing our capital. Accordingly, we have constructed our balance sheet by carefully combining financial instruments that fall within our risk appetite for interest rate, liquidity, and credit. By managing our balance sheet using this philosophy, net interest income increases in a rising rate environment. As evidence of this, even though our average interest-earning assets decreased $254.7 million from 2021, and dividend- and interest-bearing liabilities decreased $360.0 million, we recorded $32.2 million in net interest income in our 2022 financials, reflecting an increase of $8.9 million or a 38 percent increase over 2021. This increase was driven by the Federal Reserve increasing rates seven times in 2022.

Net interest income is the difference between interest income from earning assets (primarily debt securities, cash, other short-term investments, and member loans) and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Earning asset balances and related funding sources, as well as changes in the levels of interest rates, impact net interest income. The net interest spread is the difference between the average yield on earning assets and the average rate paid for interest-bearing liabilities. In addition, non-interest-bearing sources of funds, such as accounts payable, other liabilities, and retained earnings, also support interest-earning assets. The impact of these sources of funds is captured in the net interest margin, which is calculated as net interest income divided by average interest earning assets.

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

Table Two provides more information on the composition of interest-earning assets, interest- and dividend-bearing liabilities and members' share accounts, and their weighted average rates.

Table Two: Components of Net Interest Income (Dollar amounts are in thousands)

	2022			2021		
	Average Balance	Interest or Dividends	Average Rate	Average Balance	Interest or Dividends	Average Rate
Interest-Earning Assets:						
Cash and cash equivalents	$ 1,429,900	$ 24,669	1.73%	$ 1,223,767	$ 1,579	0.13%
Other short-term investments	73,382	737	1.00%	69,126	125	0.18%
Investment in financial institutions	4,047	45	1.11%	4,140	42	1.01%
Loans	108,101	3,695	3.42%	37,688	540	1.43%
Securities	4,103,630	75,613	1.84%	4,710,600	25,535	0.54%
Other investments	320,494	6,492	2.03%	248,945	1,795	0.72%
TOTAL INTEREST-EARNING ASSETS	**$ 6,039,554**	**$ 111,251**	**1.84%**	**$ 6,294,266**	**$ 29,616**	**0.47%**
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:						
Overnight shares	$ 4,624,014	$ 57,533	1.24%	$ 5,744,974	$ 4,831	0.08%
Term shares	440,047	6,856	1.56%	198,327	1,501	0.76%
Other borrowings	521,594	14,701	2.82%	2,341	39	1.67%
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	**$ 5,585,655**	**79,090**	**1.42%**	**$ 5,945,642**	**6,371**	**0.11%**
NET INTEREST INCOME		**$ 32,161**			**$ 23,245**	
NET INTEREST MARGIN			**0.53%**			**0.37%**

In 2022, we saw a drastic change in the economic environment. The economy moved quickly from a credit union network flush with liquidity and the Federal Reserve holding interest rates near zero to a rapidly rising interest rate environment and increased liquidity needs of our member credit unions. As a result, we proactively held a greater percentage of our interest-earning assets in cash and cash equivalents and other short-term investments as compared to 2021 to ensure we would be positioned to help our members with liquidity when needed.

Table Three provides a rate and volume analysis that further illustrates changes between 2022 and 2021 in the components of net interest income attributable to dollar volume (changes in volume multiplied by the prior year's rate), interest and dividend rates (changes in rates multiplied by the prior year's volume), and the combined impact of dollar volume and interest and dividend rates (changes in volume multiplied by changes in rate).

Table Three: Volume and Rate Variance Analysis (Dollar amounts are in thousands)

	2022 versus 2021			
	Volume	**Rate**	**Volume and Rate**	**Total**
Interest-Earning Assets:				
Cash and cash equivalents	$ 266	$ 19,534	$ 3,290	$ 23,090
Other short-term investments	8	569	35	612
Investment in financial institutions	(1)	4		3
Loans	1,009	748	1,398	3,155
Securities	(3,290)	61,262	(7,894)	50,078
Other investments	516	3,248	933	4,697
TOTAL INTEREST-EARNING ASSETS	**(1,492)**	**85,365**	**(2,238)**	**81,635**
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:				
Overnight shares	(943)	66,649	(13,004)	52,702
Term shares	1,829	1,590	1,936	5,355
Other borrowings	8,651	27	5,984	14,662
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	**9,537**	**68,266**	**(5,084)**	**72,719**
INCREASE IN NET INTEREST INCOME	**$ (11,029)**	**$ 17,099**	**$ 2,846**	**$ 8,916**

Non-interest Income

Non-interest income of $16.4 million decreased by approximately $2.2 million from our 2021 levels of $18.6 million. The primary reason for the decrease in non-interest income compared to 2021 is reduced revenue from our wholly owned CUSO, Lucro Commercial Solutions (Lucro). Lucro's primary objective is to provide business lending solutions to its credit union partners. In response to the Coronavirus Aid, Relief and Economic Security (CARES) Act, Lucro quickly developed a digital solution that enabled its partners to accept and process Payment Protection Plan (PPP) applications swiftly and efficiently. As a result, the revenue earned by Lucro from the services they provided to their members related to the PPP, which was available to small businesses from April 2020 to May 2021, was substantially recognized in 2020 and 2021. Minimal revenue was recognized in 2022 as eligible PPP borrowers finalized the process of providing the government with loan forgiveness paperwork. Additionally, as liquidity decreased in the credit union network, our members had less excess liquidity to invest in instruments outside of cash. As a result, commission income earned on sales of securities and brokered certificates of deposits to members decreased compared to 2021.

Furthermore, we have seen a reduction in share draft processing as financial institutions strive to implement immediate payment solutions. We have invested significantly in systems and processes and are ready to provide our members with immediate payment solutions.

Operating Expenses

In 2022, our operating expenses totaled $39.9 million, representing a $2.1 million increase from 2021. Salaries and benefits expenses increased by approximately 8.5 percent, which was partly due to merit and market adjustments. We also faced higher group health insurance costs and added higher-salaried positions to support our transition into providing enhanced digital experiences for our members. Credit unions must be ready to embrace the rapidly changing fintech environment. We continue to work diligently to provide them with valuable insights and solutions so they can more readily do so.

We are enhancing our digital payment solutions, as well as investing in our member-facing applications to provide our members with an exceptional digital experience. Our vision is to become a leader in digital and traditional payment services for our members' benefit. As we worked toward achieving this goal, we incurred increased consulting expenses and depreciation expenses on internally developed software created to support these solutions and applications.

We increased our face-to-face outreach with our members and remote workforce during 2022. This resulted in increased business travel expenses over 2021. Further, we had certain one-time expenses in 2022 of approximately $800,000, including reclassifying our Tallahassee property to a held-for-sale asset and expensing our ownership interest in a CUSO for which we held a minority interest. We also made a significant donation to the Southeastern Credit Union Foundation to support credit unions impacted by Hurricane Ian.

Gains on US Central Estate Settlement

Events in 2008 culminated in the conservatorships in early 2009 of US Central and four other corporates. Corporate One held US Central Membership capital shares (USC MCS) and US Central Paid-in capital shares (USC PIC). In 2008 and 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 this time, claim certificates were issued to all liquidated corporate credit union membership: capital account and paid-in capital account holders. Since its inception, the circumstances of the Stabilization Fund have 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 in both March and September for a total of $63.4 million or approximately 40.2 percent of the USC MCS claim certificates. The total amount received in both years represents 95.1 percent of the USC MCS claim certificates or $150.0 million. Any remaining US MCS claim certificates we hold, $7.7 million, will not be recognized as income until received. In addition to the remaining USC MCS, there is the potential to recover a portion of the USC PIC, $43.0 million, that was lost.

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Regulatory Capital Position

Our total regulatory capital increased by $69.5 million from December 31, 2021, to $489.1 million at December 31, 2022. The increase in capital resulted from our 2022 net income, increasing retained earnings to $269.4 million.

Table Four below outlines the components of regulatory capital, listed from lowest to highest priority, for the last five years.

Table Four: Regulatory Capital (Dollar amounts are in thousands)

	For the year ended December 31,				
	2022	**2021**	**2020**	**2019**	**2018**
Retained earnings	$ 269,393	$ 202,835	$ 115,092	$ 100,905	$ 91,809
Paid in capital	20	20	20	20	20
PCC	226,093	224,251	223,365	223,365	221,249
TOTAL REGULATORY CAPITAL ACCOUNT BALANCES	495,506	427,106	338,477	324,290	313,078
Less CUSOs (equity and cost)	(6,363)	(7,506)	(7,236)	(6,955)	(6,688)
TOTAL REGULATORY CAPITAL	**$ 489,143**	**$ 419,600**	**$ 331,241**	**$ 317,335**	**$ 306,390**
Unamortized paid in capital	(20)	(20)	(20)	(20)	(20)
TIER 1 CAPITAL	**$ 489,123**	**$ 419,580**	**$ 331,221**	**$ 317,315**	**$ 306,370**

Table Five summarizes Corporate One's regulatory capital ratios as of December 31, 2022, and 2021.

Table Five: Regulatory Capital Ratios (Dollar amounts are in millions)

	December 31,	
	2022	**2021**
Retained earnings ratio	4.47%	3.19%
Leverage ratio	8.11%	6.60%
Tier 1 risk-based capital ratio	21.21%	16.87%
Total risk-based capital ratio	21.21%	16.87%
MDANA*	$ 6,028	$ 6,356
MDANRA**	$ 2,306	$ 2,487
Adjusted MDANA***	$ 6,021	$ 6,348

*Moving Daily Average Net Assets
**Moving Daily Average Net Risk-Weighted Assets
***Adjusted 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 for use in the Leverage ratio calculation.

Table Six summarizes the NCUA requirements for the various ratios:

Table 6: Capital Ratios

	Regulatory Capital Minimums		
	Well capitalized	Adequately capitalized	Expanded Authority Required Levels*
Leverage ratio	5.00%	4.00%	6.00%/7.00%/8.00%
Tier 1 risk-based capital ratios	6.00%	4.00%	6.00%
Total risk-based capital ratio	10.00%	8.00%	10.00%

* Part I Authority allows a NEV change from base of 20%/28%/35% if a corporate credit union maintains a 2% Retained Earnings (RE) ratio and a 6% Leverage ratio, a 2.5% RE ratio and a 7% Leverage ratio, or a 3% RE ratio and an 8% Leverage ratio, respectively.

At the end of 2022 and 2021, all our capital ratios exceed NCUA well-capitalized levels.

Enterprise-Wide Risk Management
As a corporate credit union, we understand the importance of maintaining a financially secure institution where our members can rest assured that we have created controls to mitigate those risks inherent in financial institutions, specifically interest rates, liquidity, and credit risks.

Corporate One is committed to managing the risks associated with our business activities. We feel so strongly about managing risk that more than 12 years ago, we embarked on an initiative to deploy enterprise risk management (ERM) throughout our entire organization. We believe that ERM is critical to managing our risks and maximizing our value to our members. To that end, Corporate One has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for ERM as the structure for the governance of risk. In addition, Corporate One utilizes a core process risk assessment methodology to identify, categorize, and mitigate its risks.

We have established an ERM Committee comprised of members of our Board of Directors, our Supervisory Committee, and our senior management. The ERM Committee is responsible for reviewing completed risk assessments and coordinating the testing of controls over critical processes in conjunction with the Supervisory Committee. These committees are also responsible for reporting the residual risks of Corporate One's activities to the Board of Directors. The risks an organization takes should be balanced by the rewards. The Board of Directors ultimately uses the information from Corporate One's ERM Committee to determine if those residual risks are balanced by rewards or if the risks are too great and should be mitigated.

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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 can access those funds when needed. Accordingly, we have specific daily liquidity management strategies we employ and more long-term, overarching liquidity strategies.

We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. We mitigate our liquidity risk by monitoring our top depositors, limiting 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 December 31, 2022, our single largest depositor represented 17 percent of our total member shares. To help manage deposit levels, Corporate One became an agent for the Federal Reserve Excess Balance Account (EBA) sweep accounts. The EBA sweep account functionality permits Corporate One to sweep excess balances to the Federal Reserve as opposed to maintaining those balances on our balance sheet, providing us the flexibility needed to effectively manage the size of our balance sheet while allowing us to continue offering a place for our members to keep their excess liquidity.

Figure One shows our available liquidity compared to our total shares and certificates over the last five years.

Figure One: Trended data on liquidity sources (Dollar amounts are in millions)

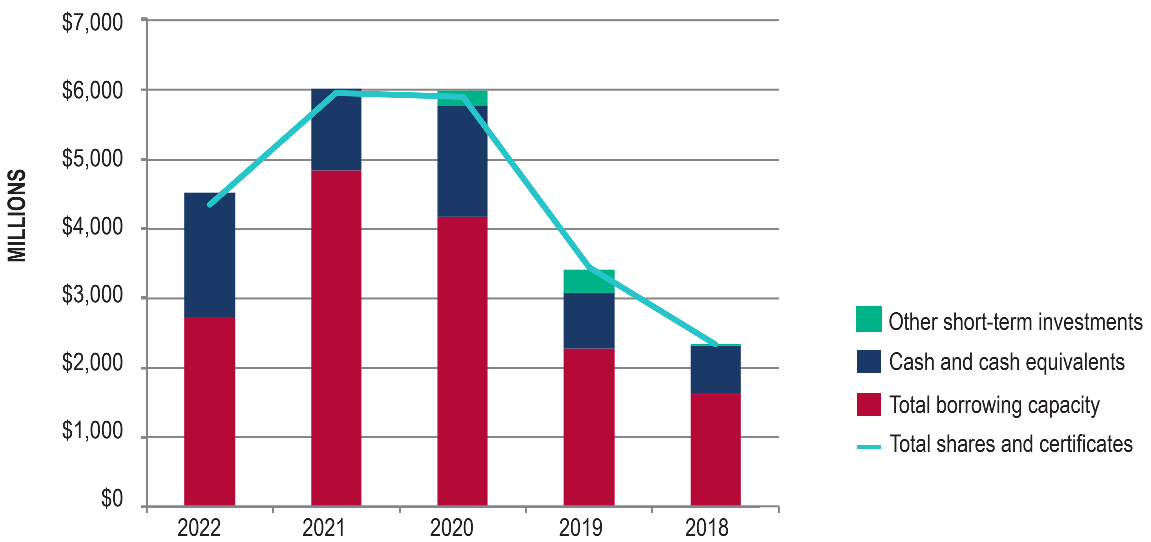
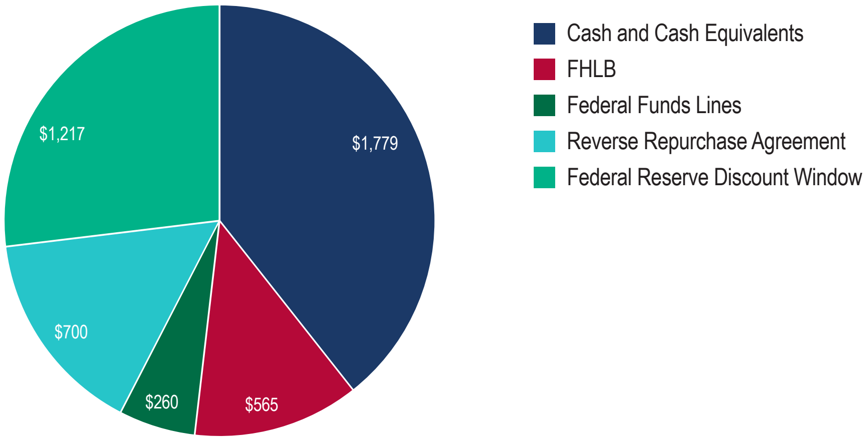


Figure Two shows our diversified liquidity sources.

Figure Two: Sources of Liquidity as of December 31, 2022 (Dollar amounts in millions)



As of December 31, 2022, Corporate One had approximately $4.5 billion in potential liquidity, and of that amount, $1.8 billion is in cash and cash equivalents.

We strive to buy highly rated securities with readily determinable market values that are all classified as available for sale and can be sold or borrowed against to generate liquidity. Should we need to generate liquidity, we have diversified sources of funds and test these sources often to ensure availability. Corporate One's remaining borrowing capacity (total existing lines less borrowings outstanding) on December 31, 2022, was approximately $2.7 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $1.6 billion, of which $600,000 was available on December 31, 2022. This line of credit is secured by certain investments held in safekeeping at the FHLB. In addition, we maintain a reverse repurchase agreement with another party, totaling $700.0 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 $260.0 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 have elected to voluntarily hold Reg D reserves 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 deposit 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 Federal Reserve Bank by collateral that is acceptable for that purpose. As of December 31, 2022, our remaining borrowing capacity at the Federal Reserve Bank was approximately $1.2 billion. We test the reliability of our $3.7 billion of exiting borrowing lines regularly.

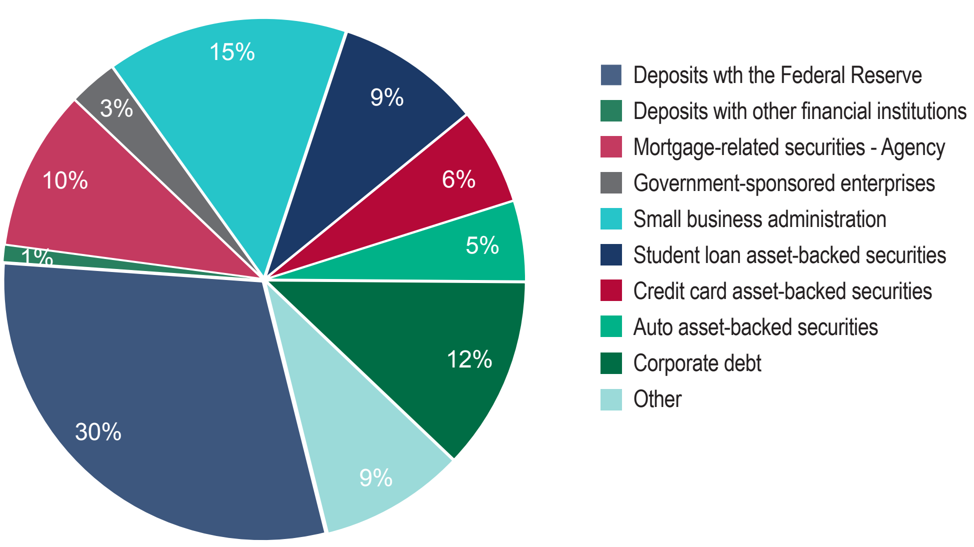
Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines and letter of credit commitments to members of approximately $4.1 billion on December 31, 2022. All outstanding line-of-credit commitments are collateralized by specific or general pledges of assets by members. Commitments to extend credit to members remain effective if there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Because some commitments are expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Credit Risk Management

Another material risk we manage is credit risk. One way we mitigate credit risk is by actively managing our balance sheet to ensure it is well diversified. We also perform extensive pre-purchase and ongoing credit analysis and only purchase investments of high-credit quality as determined by our credit risk department. Our internal credit assessments include, among other things, reviews of the issuer's financial stability, the trust structure, underlying collateral performance, credit enhancements, and credit ratings as assigned by Nationally Recognized Statistical Rating Organizations (NRSROs).

Corporate One's portfolio diversification as of December 31, 2022, is shown in Figure Three.

Figure Three: Diversification of interest-earning assets as of December 31, 2022



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On December 31, 2022, 30 percent of the amortized cost of our interest-earning assets was in cash held at the Federal Reserve Bank with another 61 percent of our portfolio invested in cash and investments held at other financial institutions, in other short-term investments, and in agencies and securities rated "A" or higher by NRSROs. Corporate One has no investments in structured investment vehicles (SIVs), collateralized debt obligations (CDOs), or commercial, mortgage-backed securities.

Market 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 December 31, 2022, 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 Net Economic Value (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 basis points. A summary of Corporate One's NEV calculation as of December 31, 2022, and December 31, 2021, is shown in Table Seven.

Table Seven: Net Economic Value Calculation (Dollar amounts are in thousands)

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base	Percentage Change from Base
As of December 31, 2022				
300 bps rise in rates	$ 418,846	7.23%	$ (19,340)	-4.41%
Base scenario	$ 438,186	7.52%		
300 bps fall in rates	$ 450,737	7.71%	$ 12,551	2.86%
As of December 31, 2021*				
300 bps rise in rates	$ 420,528	6.61%	$ (30,083)	-6.68%
Base scenario	$ 450,611	7.01%		
200 bps fall in rates	$ 424,723	6.62%	$ (25,888)	-5.75%

* 300 bps decline did not apply in the interest rate environment.

The decrease in our NEV from December 31, 2021, is primarily due to the current market value of our securities. As a result of the current economic conditions, we have seen spreads tighten and the market value of our securities has decreased. This decrease in value is not a result of increased credit risk but of market volatility. Our NEV ratio increased year over year and is a function of both the NEV and the size of our balance sheet measured using period-end balances. Corporate One maintains an NEV ratio well above the minimum two percent NEV ratio required by the NCUA.

To mitigate interest-rate risk, when members deposit funds with us, we can invest those funds in various financial instruments that closely match the repricing characteristics of the underlying deposit, resulting in minimal mismatch. As of December 31, 2022, 88 percent of our liabilities are overnight shares and borrowings that reprice daily with only 12 percent being fixed-rate term deposits. Even the fixed-rate term deposits are short-term in nature with the majority maturing in one year or less. As of December 31, 2022, 31 percent of our assets were held in cash, which reprices daily, and other short-term investments. The rest of our assets were mostly held in debt securities, such as corporate debt, asset-backed, mortgage-related, and small business administration securities. At December 31, 2022, approximately 86 percent of the par value amount, or $3.16 billion, of Corporate One's securities, with a fair market value of $3.11 billion, were variable-rate securities; the majority of these had interest rates that reset daily, monthly or quarterly, based upon either Fed Funds Daily, Secured Overnight Financing Rate (SOFR), London Interbank Offered Rate (LIBOR) or Prime. Of these $3.16 billion of variable-rate securities, nine percent of the par value amount, or $275.4 million of such securities, with a fair market value of $270.5 million, had interest rate caps that were fixed at the time of issuance, and the caps range from 5.4 percent to 10.3 percent.

As noted above, we hold certain variable-rate securities with interest rates that reset based upon LIBOR. The planned cessation date for LIBOR remains set on June 30, 2023. All our LIBOR-based securities have been converted to an alternative rate either through changes within a security's prospectus or through the Adjustable Interest Rate Act as part of the Consolidated Appropriations Act of 2022, which was published in its final form in the Federal Register in December 2022.

Our balance-sheet management strategy ensures that the value of our floating-rate assets and liabilities does not fluctuate significantly when interest rates move. However, changes in interest rates can affect the value of our fixed-rate securities and deposits, representing a relatively small portion of our balance sheet. Nevertheless, the change in the value of our fixed-rate deposits generally offsets the change in the value of our fixed-rate securities that results from interest rate changes. In addition, we hold Part III Derivative Authority from the NCUA. This authority provides another tool to manage our interest-rate risk, reducing NEV volatility by allowing us to use derivative instruments. As of December 31, 2022, we held interest rate swaps with notional amounts totaling $337.5 million.

Operational Risk Management

Corporate One depends on its employees and systems to offer a variety of services to members. As a result, we are exposed to various operational risks, including errors and omissions, business interruptions, improper procedures, third-party performance failures, and cybersecurity threats. These risks are less direct than credit, interest-rate, and liquidity risk, but managing them is critical, especially in a rapidly changing environment. If systems break down or procedures are not followed, Corporate One could suffer financial losses, as well as reputational damage.

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

To ensure compliance with laws, rules, and regulations, and to improve the oversight of operational risk, Corporate One is continuously working to strengthen its system of internal controls. We developed comprehensive policies and procedures that are designed to create a well-controlled operational environment. We review all vendor relationships annually and conduct a financial analysis of our major business partners. Corporate One also employs internal auditors who perform periodic internal audit procedures on our internal controls. The audit staff reports on these procedures to Corporate One's Supervisory and ERM Committees and Board of Directors. Additionally, we maintain business continuity plans and test them for critical systems. Also, redundancies are built into systems as deemed appropriate.

Corporate One operates within a comprehensive, written Information Security Program that includes administrative, technical and physical safeguards. The objective is to meet the responsibilities under NCUA Rules and Regulations, Part 748, in the establishment and function of the Information Security Program. This program incorporates our information technology framework to ensure that security goals are addressed and met. We are committed to protecting our employees, partners, members, and ourselves from intentional or unintentional damaging acts.

Corporate One adheres to a strategy of in-depth defense, a series of defensive mechanisms layered to protect our data and information. If one mechanism fails, another takes over immediately to thwart an attack. This multi-layered approach with intentional redundancies increases our overall information security stance and addresses many different attack vectors. In addition, we have implemented current best practices to prevent attackers from gaining access to our network and systems. These include:

- Regular security awareness and ongoing training for our employees
- Regular network and vulnerability scans
- Solid and timely patch management (including third-party software)
- Disabling unnecessary and vulnerable services and following system hardening guidance
- Enforcement of strong password requirements and implementation of two-factor authentication
- Centralized security logging and alerting
- Use of both local and cloud-based data loss prevention tools
- Regular third-party security assessments and penetration tests of our computing environment
- Regular disaster recovery and business continuity testing

18 | Report from the Supervisory Committee

Corporate One's 2022 financial statements, prepared by management, were audited in accordance with auditing standards generally accepted in the United States of America by Crowe LLP, independent auditors. Crowe's report on Corporate One's financial statements is included in this annual report.

In addition to the annual audit, Corporate One employs internal audit staff who perform internal audits of select processes, controls and systems of Corporate One and report quarterly on such procedures to the Supervisory Committee.

Based on the annual audit and internal audit procedures, the Supervisory Committee is confident that Corporate One is subjected to a thorough and professional examination process.

Dustin Cuttriss,
Beacon CU

Janice Hollar,
Board Liaison,
Achieva CU

Lori Klumpp,
L&N FCU

Tasha Kostick,
1st Northern
California CU

Mark Overfield,
Chair,
Fireland FCU

19 Management Report

Statement of Management's Responsibilities
The management of Corporate One Federal Credit Union (Corporate One) is responsible for preparing Corporate One's annual financial statements in accordance with generally accepted accounting principles, for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, and for complying with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Management's Assessment of Compliance with Safety and Soundness Laws and Regulations
The management of Corporate One has assessed Corporate One's compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2022. Based upon its assessment, management has concluded that Corporate One complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2022.

Management's Assessment of Internal Control over Financial Reporting
Corporate One's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes (i.e., NCUA-5310 Corporate Credit Union Call Report). Corporate One's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate One; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and for regulatory reporting purposes, and that receipts and expenditures of Corporate One are being made only in accordance with authorizations of management and directors of Corporate One; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Corporate One's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override.

Management assessed the effectiveness of Corporate One's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, as of December 31, 2022, based on criteria established in the *Internal Control–Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA).

Based upon its assessment, management has concluded that, as of December 31, 2022, Corporate One's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, is effective based on criteria established in the *Internal Control–Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA).

The Credit Union's effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2022, has been audited by Crowe LLP, an independent public accounting firm, as stated in their report dated March 22, 2023.

Melissa A. Ashley

Melissa A. Ashley
President, Chief Executive Officer

Denise Brown
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 22, 2023

21 Independent Auditor's Report

Supervisory Committee and Board of Directors
Corporate One Federal Credit Union
Columbus, Ohio

Opinion on Internal Control Over Financial Reporting

We have audited Corporate One Federal Credit Union's (Corporate One) internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control–Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA). In our opinion, Corporate One maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control–Integrated Framework* (2013) issued by COSO relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the NCUA.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the 2022 financial statements of Corporate One, and our report dated March 22, 2023, expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of Corporate One and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report - Management's Assessment of Internal Control over Financial Reporting

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA, our audit of Corporate One's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the NCUA 5310 – Corporate One Credit Union Call Report. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Restriction on Use

This report is intended solely for the information and use of management, the Supervisory Committee, Board of Directors, others within the organization, and the National Credit Union Administration and is not intended to be and should not be used by anyone other than these specified parties.

Crowe LLP

Crowe LLP
Columbus, Ohio
March 22, 2023

Independent Auditor's Report

Supervisory Committee and Board of Directors
Corporate One Federal Credit Union
Columbus, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Corporate One Federal Credit Union (Corporate One), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Corporate One as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Corporate One's internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control–Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA) and our report dated March 22, 2023, expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Corporate One and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Corporate One's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Corporate One's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP
Columbus, Ohio
March 22, 2023

Consolidated Balance Sheets

	December 31,	
	2022	**2021**
ASSETS		
Cash and cash equivalents	$ 1,779,190,007	$ 1,179,186,553
Investments in financial institutions	55,098,300	56,389,160
Available-for-sale securities, at fair value	3,578,884,916	5,056,849,509
Loans	275,193,509	36,388,172
Accrued interest receivable	19,604,292	3,665,263
Goodwill	3,395,730	3,395,730
Other assets	105,867,078	80,823,175
TOTAL ASSETS	**$ 5,817,233,832**	**$ 6,416,697,562**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	$ 3,707,849,588	$ 5,652,088,534
Share certificates	641,739,446	312,434,465
Borrowed funds	1,000,000,000	
Dividends and interest payable	2,545,567	387,502
Accounts payable and other liabilities	35,974,453	12,820,301
TOTAL LIABILITIES	**5,388,109,054**	**5,977,730,802**
Members' equity:		
Perpetual contributed capital (PCC)	226,092,520	224,251,579
Retained earnings	269,393,486	202,834,909
Accumulated other comprehensive (loss) income	(66,361,228)	11,880,272
TOTAL MEMBERS' EQUITY	**429,124,778**	**438,966,760**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 5,817,233,832**	**$ 6,416,697,562**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended December 31,	
	2022	**2021**
Interest income:		
Investments and securities	$ 109,951,268	$ 29,564,278
Loans	3,676,739	540,198
TOTAL INTEREST INCOME	113,628,007	30,104,476
Dividend and interest expense:		
Share accounts	65,481,521	6,150,557
Other	15,985,414	708,346
TOTAL DIVIDEND AND INTEREST EXPENSE	81,466,935	6,858,903
NET INTEREST INCOME	32,161,072	23,245,573
NON-INTEREST INCOME	16,386,064	18,582,763
NET GAIN ON SALE OF SECURITIES	144,125	394,280
GAIN ON US CENTRAL ESTATE SETTLEMENT	63,427,029	86,620,494
Operating expenses:		
Salaries and employee benefits	27,858,716	25,673,482
Office operations and occupancy expense	8,895,587	8,173,114
Other operating expenses	3,149,271	3,900,895
TOTAL OPERATING EXPENSES	39,903,574	37,747,491
NET INCOME	**$ 72,214,716**	**$ 91,095,619**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

	Year ended December 31,	
	2022	**2021**
Net Income	**$ 72,214,716**	**$ 91,095,619**
Other comprehensive loss:		
Change in net unrealized loss on available-for-sale securities	(81,887,871)	(6,781,529)
Change in net unrealized gain on cashflow hedges	4,104,523	962,481
Reclassification adjustment recognized in earnings for interest on daily market accounts	(314,027)	181,173
Reclassification adjustment recognized in earnings for net gain from sales of securities	(144,125)	(394,280)
Total other comprehensive loss	(78,241,500)	(6,032,155)
COMPREHENSIVE (LOSS) INCOME	**$ (6,026,784)**	**$ 85,063,464**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Members' Equity

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
BALANCE AT JANUARY 1, 2021	**$ 223,365,281**	**$ 115,092,454**	**$ 17,912,427**	**$ 356,370,162**
Net income		91,095,619		91,095,619
Other comprehensive loss			(6,032,155)	(6,032,155)
Release of PCC due to liquidation of member credit union	(13,702)			(13,702)
Issuance of PCC	900,000			900,000
Dividends		(3,353,164)		(3,353,164)
BALANCE AT DECEMBER 31, 2021	**224,251,579**	**202,834,909**	**11,880,272**	**438,966,760**
Net income		72,214,716		72,214,716
Other comprehensive loss			(78,241,500)	(78,241,500)
Issuance of PCC	1,840,941			1,840,941
Dividends on PCC		(5,656,139)		(5,656,139)
BALANCE AT DECEMBER 31, 2022	**$ 226,092,520**	**$ 269,393,486**	**$ (66,361,228)**	**$ 429,124,778**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 72,214,716	$ 91,095,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,546,847	1,565,075
Net amortization	4,815,461	7,796,994
Gain on US Central estate settlement	(63,427,029)	(86,620,494)
Net gain on sales of securities	(144,125)	(394,280)
Net change in accrued interest receivable	(15,939,029)	41,918
Net change in dividends and interest payable	2,158,065	354,424
Write down on transfer of assets held for sale	517,058	
Other, net	19,151,187	2,371,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,893,151	16,210,274
Cash flows from investing activities:		
Net change in investments in financial institutions	(248,000)	11,653,000
Proceeds from US Central estate settlement	63,427,029	86,620,494
Available-for-sale securities:		
Sales	114,677,115	396,748,017
Maturities and principal pay downs	1,735,977,600	1,018,854,773
Purchases	(481,929,806)	(2,232,105,016)
Change in other short-term investments		222,886,916
Proceeds from the redemption of CLF Stock	42,619,360	
Proceeds from the redemption of FHLB Stock		387,500
Purchases of FHLB Stock	(41,080,500)	
Dividends received from investments in CUSOs	1,320,000	38,400
Net change in loans	(238,805,337)	8,554,389
Net change in NCUSIF share insurance deposit	91,844	118,947
Net purchase of property and equipment	(1,980,336)	(1,617,272)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,194,068,969	(487,859,852)
Cash flows from financing activities:		
Net change in borrowed funds	1,000,000,000	
Net change in shares and deposits	(1,611,143,468)	61,279,627
Issuance of perpetual contributed capital	1,840,941	900,000
Release of PCC due to liquidation of member credit union		(13,702)
Dividends on perpetual contributed capital	(5,656,139)	(3,353,164)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(614,958,666)	58,812,761
Net increase (decrease) in cash and cash equivalents	600,003,454	(412,836,817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,179,186,553	1,592,023,370
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,779,190,007**	**$ 1,179,186,553**
Supplemental disclosure:		
Dividends and interest paid	$ 84,965,009	$ 9,857,643
Lease liabilities arising from obtaining right-of-use assets	701,763	
Assets transferred to held for sale	3,381,000	

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) ORGANIZATION

The purpose of Corporate One Federal Credit Union (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), Accolade Investment Advisory, LLC (Accolade) and Sherpa Technologies, LLC (Sherpa). Lucro's purpose is to provide business lending solutions to its credit union customers. The primary source of income for Lucro is provided through fees earned for the underwriting, servicing and documenting of business loans. Lucro services loans for other credit unions which are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced by Lucro approximated $384.8 million and $358.1 million at December 31, 2022 and 2021, respectively. Accolade provides investment advisory services, asset/liability management tools and loan analytics to credit unions and Sherpa's purpose is to provide a suite of digital services, payments solutions and a unified integration platform to enhance a credit union's member experiences. The consolidated financial statements include the accounts of Corporate One and the three CUSOs. All significant intercompany accounts and transactions have been eliminated.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the significant accounting policies Corporate One follows in preparing and presenting our consolidated financial statements.

(a) Use of Estimates

The accounting and reporting policies of Corporate One conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Specifically, management has made assumptions in the amortization/accretion of premiums/discounts on investments subject to prepayment. It is reasonably possible that our estimates could change based on the change in the prepayments currently expected on investments subject to prepayment. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions and federal funds sold. Interest income earned on these accounts is included under investments and securities interest income on the accompanying consolidated statements of income. At December 31, 2022 and 2021, the interest income earned from the balances held at the Federal Reserve Bank was $22.2 million and $1.3 million, respectively. Net cash flows are reported on the accompanying consolidated statements of cash flows for loans, shares and certain other items.

To further diversify our liquidity options, we elected to voluntarily hold Reg D reserves in order to gain access to the Federal Reserve Discount Window. Accordingly, Corporate One was required to maintain cash or deposits with the Federal Reserve Bank. In 2020, the Federal Reserve Board adopted an interim final rule amending Reg D to lower reserve requirement ratios on transaction accounts maintained at depository institutions to zero percent. Subsequent to December 31, 2021, the Federal Reserve Board finalized the rule with no substantive changes. Thus at December 31, 2022 and 2021, no reserve was required.

(c) Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

Corporate One, as agent, entered into an EBA agreement with participating member credit unions and the FRB during 2021, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in Corporate One's consolidated balance sheet. These balances totaled $3.3 million and $7.0 million respectively as of December 31, 2022 and 2021. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. Corporate One, as agent, is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

(d) 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. There were no other short-term investments as of December 31, 2022 or December 31, 2021.

(e) Investments in Financial Institutions

Investments in financial institutions are carried at cost and reviewed for impairment. These investments consist of interest-bearing term deposits at federally insured depository institutions, Central Liquidity Facility (CLF) stock and Federal Home Loan Bank (FHLB) of Cincinnati stock. FHLB stock and CLF stock are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(f) 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 not classified as held to maturity or trading are classified as available for sale. 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.

Amortization of premiums and accretion of discounts are recorded as adjustments to interest income from securities using the interest method. Realized gains and losses on the sale of available-for-sale securities are credited or charged to earnings when realized based on the specific-identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) at least semi-annually, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(g) Derivatives

Corporate One has agreements in place with several approved counterparties for the purpose of effecting derivative transactions. A derivative contract is a financial instrument whose value depends on, or is derived from, the value of an underlying asset, reference rate or index.

Corporate One uses derivative instruments to minimize interest rate risk by reducing the net economic value (NEV) volatility. At the inception of a derivative contract, Corporate One designates the derivative as either a cash flow hedge or a fair value hedge. For a cash flow hedge, the designated hedge is recorded on the balance sheet at fair value with the gain or loss on the derivative recorded in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. The unrealized gain or loss is reflected under other assets or accounts payable and other liabilities and accumulated other comprehensive income (loss). For a fair value hedge, the designated hedge is recorded on the balance sheet at fair value and the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, is recognized in current earnings as a fair value change. Related interest income or expense is reflected in the consolidated statements of income under net interest income.

Corporate One shall discontinue hedge accounting prospectively for an existing hedge if the derivative expires or is sold, terminated, or exercised, if the designation of the cash flow or fair value hedges are removed, if the hedged item is no longer probable or if the hedging relationship fails to be highly effective. When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

At December 31, 2022, one interest rate swap with a notional amount totaling $31.5 million 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. In addition, eleven interest rate swaps with notional amounts totaling $263.7 million were designated as fair value hedges of certain fixed-rate assets and two interest rate swaps with notional amounts totaling $42.3 million were designated as fair value hedges of certain fixed-rate term certificates and all were determined to be effective during all periods presented. At December 31, 2021, an interest rate swap with a notional amount totaling $31.5 million 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. In addition, nine interest rate swaps with notional amounts totaling $183.7 million were designated as fair value hedges of certain fixed-rate assets and were determined to be effective during all periods presented.

(h) Loans

Member loans are divided into four classes: settlement, demand, term and warehouse loans. Loans are stated at the current principal amount outstanding. Interest income is accrued on the daily balance outstanding at the borrowing rate. Corporate One evaluates each member's creditworthiness on a case-by-case basis.

An allowance for loan losses is based on management's continuing review and evaluation of the loan portfolio and its judgment as to the effect of economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, the current financial condition of the borrower, quality of the collateral and the amount of loans outstanding. No loans were delinquent at December 31, 2022 or 2021.

(i) Property and Equipment

Property and equipment, included in other assets on the consolidated balance sheets, are stated at cost net of accumulated depreciation. Amounts in property and equipment may include items classified as held-for-sale, which are carried at lower of cost or fair value, less costs to sell. Depreciation is computed using the straight-line method and is based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

(j) Leases

Leases are classified as operating or finance leases at the lease commencement date. Corporate One leases certain office space and equipment. Corporate One records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon the incremental borrowing rate that could be obtained for a similar loan as of the date of commencement or renewal. Corporate One does not record leases on the consolidated balance sheets that are classified as short term (less than one year). The right-of-use asset is recorded under other assets and the lease liability is recorded under accounts payable and other liabilities in the consolidated balance sheets.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in office operations and occupancy expense in the consolidated statements of income. Variable lease expense includes rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease.

(k) Internal Use Software

Corporate One capitalizes certain costs for software that is internally developed for use in the business. Development costs generally include salaries and benefits of employees or consultants involved in the development, coding, testing and related project management of software intended for internal use. Costs are capitalized when the development stage begins until the software is substantially complete and ready for its intended use. During 2022, capitalized costs related to internally developed software were $360,000 and $622,000 during 2021. Amortization begins when the software is available for use and uses the straight-line method over the estimated useful life of the software.

(l) Goodwill

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that an impairment test should be performed. Corporate One has selected December 31 as the date to perform the annual impairment test.

(m) Income Taxes

Corporate One is exempt from federal and state income tax pursuant to Section 501(c)(1) of the Internal Revenue Code and Section 122 of the Federal Credit Union Act, respectively.

(n) Financial Instruments and Concentrations of Credit Risk

Financial instruments that potentially subject Corporate One to concentrations of credit risk consist of federal funds sold, securities purchased under agreements to resell (repurchase) and investment securities. Corporate One invests in and borrows from highly rated domestic banks and uses nationally recognized broker/dealers in the execution of trades for financial instruments. Exposure to individual counterparties or asset classes may be significant. Corporate One's exposure to investment securities is discussed in Note 6. Additionally, in providing financial services solely to the credit union industry, Corporate One is dependent upon the viability of that industry and the industry's support of corporate credit unions.

Corporate One mitigates risks related to these concentrations through thorough evaluation of credit quality of the assets it purchases and the creditworthiness of its business partners. Counterparty risk is managed by ensuring that market counterparties are institutions of high credit quality and appropriate levels of collateral are maintained, if necessary.

(o) Members' Capital Share Accounts

Credit unions transacting business with Corporate One are required to be a Partner member or an Associate member. Partner members enjoy Corporate One's most favorable rates on their investments and enjoy the lowest fees on services. Associate members may earn lower rates than Partner members on their investments with Corporate One and pay fees on services with Corporate One according to the

Associate member fee schedules. Additionally, certain products and services, such as committed lines of credit and fee-free advised lines of credit, are available to Partner members only.

Perpetual Contributed Capital (PCC) is required for Partner membership in Corporate One. 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, Paid-In Capital (PIC) and Membership Capital Shares (MCS), both of which are no longer offered. In addition, PCC is not insured by the National Credit Union Share Insurance Fund (NCUSIF) or other share or deposit insurers; and cannot be pledged against borrowings. PCC is classified as equity in the financial statements.

(p) Retained Earnings

Retained earnings represent earnings not distributed as dividends to members.

(q) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities and unrealized gains and losses on cash flow hedges.

(r) Non-interest income

Non-interest income is earned on various services provided to credit unions and their affiliates. These services include payment and depository services and certificate of deposit and securities brokering. In addition to these services provided by the corporate, our wholly owned CUSOs provide business lending solutions, investment advisory services, asset/liability management tools, loan analytics, and digital services, including payment solutions. Revenue is recognized when the performance obligations related to the transfer of goods or services under the terms of the contract are satisfied.

(s) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there currently are such matters that will have a material effect on the financial statements.

(t) Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. These reclassifications had no effect on prior years total assets, total liabilities and members' equity, or net income.

(u) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2022. Management has performed such analysis through March 22, 2023, the date the financial statements are available to be issued.

In March 2023, banking regulators closed Silicon Valley Bank (SVB) and Signature Bank. Corporate One had no investments in either of these banks. The closure of these financial institutions raised questions regarding liquidity and interest rate risk management at financial institutions. Corporate One is limited by regulation in its ability to take on interest rate risk and as of December 31, 2022, is well under the regulatory limit. See Note 15 for details regarding Corporate One's net economic value ratios which are a measure of our interest rate risk sensitivity. Further, Corporate One maintains diversified sources of external funds which provide ample borrowing capacity if needed. See Note 10 for further discussions on Corporate One's liquidity sources. As of the date these financial statements were available to be issued, this event did not result in an adjustment to the December 31, 2022, consolidated financial statements.

(Table dollar amounts in thousands)

(v) US Central Estate Settlement

Corporate One held Member Capital Shares (MCS) and Paid-in-Capital (PIC) with US Central and fully wrote off the amounts in 2009 after US Central was conserved. In March 2021, the NCUA announced that based on the audited 2020 financials of the National Credit Union Share Insurance Fund (NCUSIF), the US Central estate had sufficient cash to provision for all future guaranty obligations and made distributions to capital holders starting in April 2021. Corporate One holds a total of approximately $158.0 million in US Central MCS claim certificates and $43.0 million in PIC. During 2022, we received 40.1 percent or $63.4 million in MCS settlement distributions. During 2021, we received 54.9 percent or $86.6 million in MCS settlement distributions.

(w) Recent Accounting Pronouncements

On January 1, 2022, Corporate One adopted ASU No. 2016-02 "Leases (Topic 842)" and subsequent amendments thereto, which requires Corporate One to recognize most leases on the balance sheet. The standard was adopted under a modified retrospective approach as of the date of adoption and we elected to apply the "package of practical expedients," listed below:

- No re-evaluation of embedded leases
- No reassessment of lease classification
- No reassessment of initial direct costs

Adoption of the leasing standard resulted in the recognition of an operating right-of-use asset and an operating lease liability of $701,763 as of January 1, 2022. These amounts were determined based on the present value of remaining lease payments, discounted using an incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the accompanying consolidated statements of income. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosure about Corporate One's leasing activities are presented in Note 4.

(3) LOANS

Loans to members at December 31 are summarized at right:

	2022	2021
Member loans:		
Term	$ 165,655	$ 14,300
Warehouse	6,700	21,288
Demand	102,321	425
Settlement	518	375
TOTAL LOANS	**$ 275,194**	**$ 36,388**

An allowance for loan losses (ALL) was not considered necessary at December 31, 2022 or 2021, for member loans based on management's continuing review and evaluation of the loan portfolio. Corporate One incurred no loan losses in either 2022 or 2021 on member loans, and considers no member loans impaired as of, or during the years ended December 31, 2022 and 2021.

(Table dollar amounts in thousands)

(4) LEASES

Corporate one adopted the new lease accounting guidance, ASC Topic 842, Leases, as of January 1, 2022. Corporate One enters leases in the normal course of business primarily for office space and office equipment. Corporate One's leases are operating leases and have remaining terms of 1 to 4 years, some of which include renewal or options to extend the lease for up to 6 years.

Corporate One's operating lease information at December 31 is as follows:

	BALANCE SHEET CLASSIFICATION	2022
Right-of-use asset	Other assets	$ 415,655
Lease liability	Accounts payable and other liabilities	$ 421,406
Weighted average remaining lease term		1.5 years
Weighted average discount rate		0.97%

Total rent expense for operating leases was $263,600 for the year ended December 31, 2022.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022, are as follows:

	OPERATING LEASES
2023	$ 294,412
2024	126,618
2025	2,124
2026	1,416
Total undiscounted lease payments	424,570
Less: imputed interest	3,164
NET LEASE LIABILITIES	**$ 421,406**

(5) INVESTMENTS IN FINANCIAL INSTITUTIONS

Investments in financial institutions at December 31 are summarized as follows:

	2022	2021
Federal Home Loan Bank stock	$ 50,138	$ 9,058
Certificates of deposit	4,960	4,712
Central Liquidity Facility stock		42,619
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	**$ 55,098**	**$ 56,389**

As a member of the FHLB of Cincinnati, Corporate One is required to own a certain amount of stock based on its level of borrowings and other factors. Corporate One views its investment in the FHLB as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. Based on our review of the financial condition of the FHLB of Cincinnati, Corporate One does not believe that its investment in the FHLB was impaired as of or for the years ended December 31, 2022 and 2021.

(Table dollar amounts in thousands)

As of December 31, 2022 and 2021, certificates of deposit are all with domestic credit unions or banks. The certificates through the domestic banks and credit unions are all within the insurance limits as set forth by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF).

Certificates of deposit by maturity at December 31, 2022, are summarized as follows:

Year of Maturity	Balance
2023	$ 2,480
2024	2,480
TOTAL CERTIFICATES OF DEPOSIT	**$ 4,960**

In May 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. The CLF was created to improve the general financial stability of credit unions experiencing unusual or unexpected liquidity shortfalls. This stock is held in cash at the US Treasury or invested in US Treasuries. As of December 31, 2021, Corporate One held $42.6 million in this facility. Based on its restricted nature, no ready market exists for this investment, and it has no quoted market value. 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.

(Table dollar amounts in thousands)

(6) SECURITIES

The amortized costs and fair values of securities at December 31 are summarized as follows:

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	$ 702,099	$ 26	$ (12,238)	$ 689,887
Government-sponsored enterprise securities	189,425	370	(610)	189,185
Treasury note	17,822		(406)	17,416
Small business administration (SBA) securities	853,855	1,733	(1,290)	854,298
Mortgage-related securities - agency	595,474	62	(12,517)	583,019
Asset-backed securities	1,291,505	36	(46,461)	1,245,080
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 3,650,180**	**$ 2,227**	**$ (73,522)**	**$ 3,578,885**

2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	$ 733,981	$ 1,068	$ (706)	$ 734,343
Government-sponsored enterprise securities	438,623	650	(373)	438,900
Small business administration (SBA) securities	1,053,636	14,181		1,067,817
Mortgage-related securities - agency	891,858	3,264	(121)	895,001
Asset-backed securities	1,928,015	2,654	(9,880)	1,920,789
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 5,046,113**	**$ 21,817**	**$ (11,080)**	**$ 5,056,850**

Proceeds from the sales of available-for-sale securities were $114.7 million in 2022. Gross gains of $144,125 were recorded on securities during 2022. Proceeds from the sale of available-for-sale securities were $396.7 million in 2021. Gross gains of $769,200 and gross losses of $374,900 were recorded on securities during 2021.

Government-sponsored enterprise securities are debt obligations issued by independent organizations sponsored by the federal government and established with a public purpose. Treasury notes are U.S. government debt securities with a fixed interest rate. SBA securities consist primarily of securitized loans to small businesses used for the purchase of land, buildings, equipment or new construction. Mortgage-related securities-agency consisted of mortgage-backed securities issued by Fannie Mae or Freddie Mac. Asset-backed securities consist primarily of securitized credit card, student loan and automobile receivables.

(Table dollar amounts in thousands)

The expected distributions of securities at December 31, 2022, are reflected in the following table. Because the actual lives of certain mortgage-related securities-agency, certain asset-backed securities, SBA securities and investments in government-sponsored enterprise securities can differ from contractual maturities due to call or prepayment features, these items are presented separately with their related expected weighted average lives (WAL).

	Available-for-Sale		
	Amortized Cost	**Fair Value**	**WAL (in years)**
Securities with contractual maturities:			
Due in one year or less	$ 511,116	$ 509,471	
Due after one year through five years	1,046,176	1,019,089	
Due after five years through ten years	113,443	105,394	
Securities with prepayment features:			
Mortgage related securities - agency	595,474	583,019	6.24
Asset-backed securities	530,116	507,614	3.83
SBA securities	853,855	854,298	3.16
TOTAL	**$ 3,650,180**	**$ 3,578,885**	

Certain securities are pledged as collateral to secure certain lines of credit with financial institutions. See Note 10 for further details.

At December 31, 2022, approximately 86 percent of the par value amount, or $3.16 billion, of Corporate One's securities, with a fair market value of $3.11 billion, were variable-rate securities, the majority of which had interest rates that reset daily, monthly or quarterly, based upon either Fed Funds Daily, SOFR, LIBOR or Prime. Of these $3.16 billion of variable-rate securities, 9 percent of the par value amount, or $275.4 million of such securities, with a fair market value of $270.5 million, had interest rate caps that were fixed at the time of issuance and the caps range from 5.4 percent to 10.3 percent.

(Table dollar amounts in thousands)

The gross unrealized losses on investment securities that have been in loss positions less than 12 months and longer than 12 months at December 31 are summarized as follows:

2022	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Corporate debt securities	$ 632,916	$ (11,215)	$ 33,048	$ (1,023)	$ 665,964	$ (12,238)
Government-sponsored enterprise securities	28,815	(610)			28,815	(610)
Treasury notes	17,416	(406)			17,416	(406)
Mortgage-related securities - agency	563,964	(12,432)	3,773	(85)	567,737	(12,517)
Small Business Administration	363,544	(1,290)			363,544	(1,290)
Asset-backed securities	1,105,827	(32,497)	110,156	(13,964)	1,215,983	(46,461)
TOTAL TEMPORARILY IMPAIRED SECURITIES	**$ 2,712,482**	**$ (58,450)**	**$ 146,977**	**$ (15,072)**	**$ 2,859,459**	**$ (73,522)**

2021	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Corporate debt securities	$ 272,138	$ (706)			$ 272,138	$ (706)
Government-sponsored enterprise securities	39,668	(332)	$ 4,384	$ (41)	44,052	(373)
Mortgage-related securities - agency	164,383	(116)	961	(5)	165,344	(121)
Asset-backed securities	1,026,081	(3,369)	234,645	(6,511)	1,260,726	(9,880)
TOTAL TEMPORARILY IMPAIRED SECURITIES	**$ 1,502,270**	**$ (4,523)**	**$ 239,990**	**$ (6,557)**	**$ 1,742,260**	**$ (11,080)**

Corporate One believes the declines in fair values of our securities are primarily attributable to geopolitical conflict that began in the first quarter of 2022. The conflict caused a widening of spreads in nearly all asset classes. This widening of spreads led to the deterioration of liquidity and larger risk premiums in the market consistent with the broader credit markets and is not a result of the performance of the underlying collateral or credit quality supporting these securities. We expect the fair value to recover as the securities approach their maturity date. Corporate One does not intend to sell nor is it more likely than not that we will be required to sell these securities prior to a price recovery or maturity. Accordingly, Corporate One determined that there was no other-than-temporary impairment of its securities during 2022 and 2021.

(Table dollar amounts in thousands)

Gross unrealized losses on asset-backed securities represent 63 percent of our gross unrealized losses at December 31, 2022. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2022, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	$ 453,671	$ 433,290	$ 22	$ (20,403)	AAA	B	5.70
Private	37,739	36,471		(1,268)	AAA	AAA	3.09
Credit cards	322,227	313,875	14	(8,366)	AAA	AAA	1.94
Automobiles	284,646	271,605		(13,041)	AAA	AAA	2.30
Other	193,222	189,839		(3,383)	AAA	A	2.08
ASSET-BACKED SECURITIES	**$ 1,291,505**	**$ 1,245,080**	**$ 36**	**$ (46,461)**			

*Federal Family Education Loan Program

Of the 89 non-mortgage-related asset-backed securities we own that were in an unrealized loss position, 75 of those securities are dual rated A or better. The remaining are dual rated B or better. We continue to receive principal and interest payments on these securities. FFELP student loan asset-backed securities, which constitute our largest gross unrealized losses, continue to benefit from a guarantee from the US Department of Education as to payment of principal and accrued interest of 97 percent or more.

Gross unrealized losses on mortgage-related securities-agency represent 17 percent of our gross unrealized losses at December 31, 2022. Of the 56 mortgage-related securities we own that were in an unrealized loss position, all are government agency insured bonds.

Gross unrealized losses on corporate debt securities represent 17 percent of our gross unrealized losses at December 31, 2022. Of the 31 corporate debt securities we own that were in an unrealized loss position, 21 of those securities are dual rated A or better. The remaining are dual rated BBB or better.

Gross unrealized losses on small business administration securities represent two percent of our gross unrealized losses at December 31, 2022. Of the 32 small business administration securities we own that were in an unrealized loss position, all are agency bonds.

Gross unrealized losses on government-sponsored enterprise securities and treasury notes represent one percent of our gross unrealized losses at December 31, 2022. Of the two government-sponsored enterprise securities and three treasury notes we own that were in unrealized loss positions, all are dual rated AA or better.

In order to determine if the declines in fair value below amortized cost represented OTTI, management considered various impairment indicators such as: securities that have had ratings downgrades, securities that have been underwater for greater than 12 months and securities that have severe unrealized losses. We may also 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 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 cash flows for these securities and potential OTTI writedowns in the future. We believe the gross losses on all of these securities as of December 31, 2022 are temporary and that fair values will approximate amortized costs as the securities near maturity. No OTTI charges were recorded during 2022 or 2021.

(Table dollar amounts in thousands)

(7) NON-MARKETABLE EQUITY INVESTMENTS

Investments in non-marketable equity securities, which are included in other assets in the accompanying balance sheets, at December 31, are summarized as follows:

	2022	2021
Primary Financial Company LLC	$ 3,477	$ 4,565
eDoc Innovations, Inc.	2,636	2,441
Tranzcapture LLC	250	250
CULedger LLC		250
TOTAL NON-MARKETABLE EQUITY INVESTMENTS	**$ 6,363**	**$ 7,506**

Corporate One has a 21 percent investment in Primary Financial Company LLC (Primary Financial). Primary Financial is a corporate CUSO and brokers non-negotiable and negotiable certificates of deposit. This investment is accounted for using the equity method. Corporate One's portion of Primary Financial's current period net income or loss, recognized as a component of non-interest income in the accompanying consolidated statements of income, was $32,000 and $60,000 in 2022 and 2021, respectively. Corporate One is also a co-broker of Primary Financial and, as such, earns a spread on certificates placed. Corporate One recognized as a component of non-interest income in the accompanying consolidated statements of income, $1.36 million in 2022 and $1.18 million in 2021 on the certificates placed. In December 2021, Primary Financial declared a dividend of $70,000 per share resulting in total cash dividends of $1.12 million paid to Corporate One in the first quarter of 2022.

Corporate One has an approximately 27 percent investment in eDoc Innovations, Inc. (eDoc). eDoc is a corporate CUSO that provides to credit unions e-document management technology as well as technology and services related to check clearing and forward check collection. Corporate One does not have a majority voting interest and does not maintain a controlling interest in eDoc. This investment, therefore, is accounted for using the equity method. Corporate One's portion of eDoc's current period net income or loss, recognized as a component of non-interest income in the accompanying consolidated statements of income, was $310,000 and $248,000 in 2022 and 2021, respectively. In November 2022 and 2021, eDoc declared a dividend of $.03 and $.01 per share, respectively. This resulted in cash dividends of $115,200 and $38,400, respectively paid to Corporate One in November 2022 and 2021.

Corporate One has a one percent investment, or ten units, in Tranzcapture LLC (Tranzcapture). Corporate One invested in Tranzcapture during 2018 and the units purchased were assigned from another institution. The Tranzcapture software development CUSO was established in November 2015, due to the need for next generation deposit capture services. This investment is accounted for using the cost method. In December 2022, Tranzcapture declared and paid a dividend of $84,800 to Corporate One. This dividend was recognized as a component of non-interest income in the accompanying consolidated statements of income.

(Table dollar amounts in thousands)

Sherpa, a wholly-owned subsidiary of Corporate One, purchased one unit ownership in CULedger, LLC (CULedger) during 2018. CULedger is focused on the development of distributed ledger technology. This investment was accounted for using the cost method. In June 2022, Sherpa's Board of Directors agreed to sell its investment in CULedger to Corporate One at its original cost. Corporate One expensed this investment in 2022 under other operating expenses in the accompanying consolidated statements of income.

(8) GOODWILL AND INTANGIBLE ASSETS

As a result of a merger with another corporate credit union, Corporate One recorded goodwill of $3.4 million and intangible assets of $29.2 million.

The goodwill is attributable to the expanded membership base, the acquisition of staff with specialized corporate credit union knowledge, the increased deposit base and the anticipated economic value of the securities acquired. Goodwill is not amortized but is evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At December 31, 2022, Corporate One performed a qualitative assessment to determine if it was more likely than not that goodwill is impaired, meaning the carrying amount of goodwill exceeds its fair value. Based on our review as of December 31, 2022, we do not believe goodwill is impaired.

The intangible assets of $29.2 million resulted from the value of core deposits and member relationships. As of December 31, 2022 and 2021, this asset was fully amortized.

(9) OTHER ASSETS

Included in other assets is a deposit with the NCUSIF for share insurance, accounts receivable, prepaid accounts, and net property and equipment. Both marketable and non-marketable equity investments are also included in other assets. Non-marketable equity investments are discussed in Note 7. Derivative financial instruments recorded as an asset and measured at fair value are included in other assets and discussed in Note 16. Also included in other assets are split dollar loans related to a Supplemental Executive Retirement Plan (SERP), which are discussed in Note 13.

In 2022, after approval by the board of directors, Corporate One placed the office building and land owned in Florida on the market and reclassified those assets as held for sale. With the reclassification, those assets were recorded at fair value less the cost to sell and depreciation has been stopped.

Property and equipment, valued at cost less accumulated depreciation, at December 31 are summarized as follows:

	2022	2021
Buildings and improvements	$ 5,610	$ 10,264
Assets held for sale	3,381	
Equipment	9,605	10,326
	18,596	20,590
Less: Accumulated depreciation	9,151	10,028
NET PROPERTY AND EQUIPMENT	**$ 9,445**	**$ 10,562**

(Table dollar amounts in thousands)

(10) 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 December 31, 2022 and 2021, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $1.64 billion and $2.40 billion, respectively, which provided a borrowing capacity of approximately $1.57 billion and $2.17 billion, respectively. At December 31, 2022 a borrowing of $1.0 billion was outstanding at an interest rate of 4.33 percent. This borrowing matured in January 2023. At December 31, 2021, there were no borrowings outstanding.

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 Federal Reserve Bank by collateral that is acceptable for that purpose. At December 31, 2022 and 2021, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately $1.84 billion and $2.12 billion, respectively, which provided a borrowing capacity of approximately $1.22 billion and $2.04 billion, respectively. At December 31, 2022 and 2021, there were no amounts outstanding on the line of credit with the Federal Reserve Bank.

Corporate One also maintains reverse repurchase agreements with certain parties allowing for additional liquidity of approximately $700 million. These agreements use some of our asset-backed securities as collateral. Corporate One had no amounts outstanding under reverse repurchase agreements at December 31, 2022 or 2021. Average borrowings under reverse repurchase agreements were approximately $223,900 during 2022 and $199,300 during 2021. There was no amount outstanding at any month-end during 2022 or 2021.

We also maintain $260.0 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing. No amount was outstanding at December 31, 2022 or 2021.

(11) SHARE ACCOUNTS AND MEMBER CAPITAL ACCOUNTS

Balances of share accounts and member capital accounts at December 31 are summarized as follows:

	2022	2021
Settlement and regular shares	$ 3,707,850	$ 5,652,089
Share certificates	641,739	312,434
TOTAL SHARE ACCOUNTS	**$ 4,349,589**	**$ 5,964,523**
PCC	$ 226,093	$ 224,252
TOTAL MEMBER CAPITAL ACCOUNTS	**$ 226,093**	**$ 224,252**

Settlement and regular share accounts are available to members on demand and pay dividends either daily or monthly. Eligible accounts of members are insured by the NCUSIF up to $250,000 per member. As of December 31, 2022 and 2021, insured member accounts totaled $130.9 million and $140.2 million, respectively. Share certificate accounts have specific maturities and dividend rates. Dividend payments on share certificate accounts vary according to the type of share certificate issued and the length of maturity. Share certificates can be redeemed by members prior to maturity at fair value, as determined by Corporate One.

(Table dollar amounts in thousands)

PIC, which is no longer issued, are investments by member credit unions and denote their ownership interest in Corporate One. The member holding the remaining $20,000 of PIC has given notice to de-capitalize, and the shares are scheduled for redemption in 20 years.

Total share certificate and PIC accounts by maturity at December 31, 2022 are summarized as follows:

Year of Maturity	Balance
2023	$ 538,967
2024	56,388
2025	33,378
2026	12,986
2027 and thereafter	20
TOTAL SHARE CERTIFICATES	**$ 641,739**

Share certificates that meet or exceed the NCUSIF insurance limit of $250,000 at December 31, 2022 and 2021 were $613.5 million and $295.3 million, respectively.

Corporate One offers PCC to Associate members or new members who want to become Partner members of Corporate One. Dividends on PCC are paid quarterly.

(12) COMMITMENTS AND CONTINGENCIES

Corporate One is a party to various financial instruments with off-balance-sheet risk that are used in the normal course of business to meet the financing needs of our members and to manage our exposure to market risks. These financial instruments involve, to varying degrees, elements of credit risk that are not recognized in the balance sheets.

These financial instruments include committed and advised lines of credit. The contractual amounts of these instruments represent the extent of Corporate One's exposure to credit loss. Corporate One uses the same credit policies in making these commitments and obligations as it does for on-balance-sheet instruments. In extending commitments, Corporate One evaluates each member's creditworthiness on a case-by-case basis. All outstanding commitments are subject to collateral agreements and have termination clauses. At December 31, 2022 and 2021, these financial instruments included outstanding advised lines of credit of approximately $4.1 billion and $3.9 billion, respectively. There were no outstanding committed lines of credit at December 31, 2022 or 2021.

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 are expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

(13) RETIREMENT PLAN

Corporate One sponsors a defined-contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code which covers substantially all employees. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Employees also have the option to contribute a portion of their compensation on a pre- or post-tax basis. Corporate One matches 150 percent of the first three percent employee contribution and 75 percent on the next two. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. There was no additional discretionary contributions for 2022 or 2021. Retirement expense was approximately $1,377,000 in 2022 and $1,123,000 in 2021.

Corporate One has provided certain executives with a SERP. The SERP is being funded via life insurance policies issued by Massachusetts Mutual Life Insurance Company, Lafayette Life Insurance Company and Penn Mutual Life Insurance Company, and split dollar loan agreements have been entered into with each of the executives covered under the SERP. As part of the split dollar loan agreements, the executives have assigned the policies to Corporate One as collateral. This assignment secures repayment of any advances and accrued interest for policy premiums and any other advances under any agreement. The premiums on these policies are funded through annuities purchased by Corporate One through Massachusetts Mutual Life Insurance Company and Integrity Life Insurance Company. During 2020, additional executives were added to this plan and the split dollar loan agreements held by the original executives were amended for additional policy coverage as well as modifications to certain terms and the interest rate. The loans were modified and have a 1.01 percent fixed interest rate, with interest accrued monthly and capitalized as part of the total loan balance annually. Total capitalized accrued interest for the years ending December 31, 2022 and 2021 was $121,000 each year. Total split dollar loans outstanding at December 31, 2022 and 2021 were $31.4 million and $31.1 million, respectively, and are included in other assets in the accompanying consolidated balance sheets.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

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. 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.

The guidance requires that the highest level of valuation available be used. This standard describes inactive markets as characterized by few transactions for the asset, prices that are not current, prices that vary substantially, or some combination thereof, and while an entity should not assume a market is inactive; it should also not assume the prices available are from active markets. The determination of market participation requires a significant amount of judgment by management.

The fair value of available-for-sale securities other than some private student loan asset-backed securities are determined by obtaining quoted prices from brokers or pricing services, or market listings as of the last day of the year. For securities where there is limited trading due to current market conditions, pricing services utilized matrix pricing to determine the price. Matrix pricing is a mathematical technique used widely in the industry to value debt securities without relying on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. We have classified the pricing for such securities as Level 2.

(Table dollar amounts in thousands)

Corporate One engages independent third-party experts to value our asset-backed securities where pricing is not available from a pricing service. These third-party experts use their internal models for pricing these securities. Information such as historical and current performance of the underlying collateral, deferral/default rates, collateral coverage ratios, cash flow projections, and liquidity and credit premiums required by a market participant, are utilized in determining individual security valuations. For private student loan asset-backed securities where we see limited trading due to current market conditions, we classify the pricing for such securities as Level 3. For these securities, the fair value is highly sensitive to assumption changes and market volatility. At December 31, 2022, Corporate One held no securities classified as Level 3.

The fair values of derivatives are based on valuation models using observable market data as of the measurement date. Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair value of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. We have classified the pricing for such derivatives as Level 2.

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2022:

	Total Fair Value	Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	$ 689,887	$ 689,887		
Government-sponsored enterprise securities	189,185		$ 189,185	
Treasury notes	17,416		17,416	
Mortgage-related securities - agency	583,019		583,019	
SBA securities	854,298		854,298	
Asset-backed securities:				
Student loans - FFELP	433,290		433,290	
Student loans - private	36,471		36,471	
Credit cards	313,875		313,875	
Automobiles	271,605		271,605	
Other	189,839		189,839	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 3,578,885**	**$ 689,887**	**$ 2,888,998**	
Derivative assets - interest rate contracts	27,071		27,071	
TOTAL ASSETS AT FAIR VALUE	**$ 3,605,956**	**$ 689,887**	**$ 2,916,069**	
Derivative liabilities - interest rate contracts	376		376	
TOTAL LIABILITIES AT FAIR VALUE	**$ 376**		$ 376	

(Table dollar amounts in thousands)

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2021:

	Total Fair Value	Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
Corporate debt securities	$ 734,343	$ 734,343		
Government-sponsored enterprise securities	438,900		$ 438,900	
Mortgage-related securities - agency	895,001		895,001	
SBA securities	1,067,817		1,067,817	
Asset-backed securities:				
Student loans - FFELP	498,390		498,390	
Student loans - private	50,980		50,980	
Credit cards	511,463		511,463	
Automobiles	557,292		557,292	
Other	302,664		302,664	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 5,056,850**	**$ 734,343**	**$ 4,322,507**	
Derivative assets - interest rate contracts	3,776		3,776	
TOTAL ASSETS AT FAIR VALUE	**$ 5,060,626**	**$ 734,343**	**$ 4,326,283**	
Derivative liabilities - interest rate contracts	12		12	
TOTAL LIABILITIES AT FAIR VALUE	**$ 12**		**$ 12**	

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021.

	Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)	
	2022	**2021**
Beginning balance January 1,		$ 5,543
Changes in fair values of Level 3 securities due to change in price:		
Student loans - private		1
Decreases due to net gain on sales of securities:		
Net gain on sales of securities		(333)
Decreases due to sales, maturities and paydowns:		
Mortgage-related securities - private		(5,005)
Student loans - private		(91)
Net transfers in and/or (out) of Level 3:		
Student loans - private		(115)
ENDING BALANCE DECEMBER 31,		**$ 0**

(Table dollar amounts in thousands)

We classify the fair value of those securities where there is a lack of observable market data as Level 3. As of December 31, 2022, there were no securities classified as Level 3. As of December 31, 2021, one student loan private security with a fair value of $115,000 was transferred out of Level 3 and into Level 2 because observable market data was available.

(15) REGULATORY CAPITAL AND NET ECONOMIC VALUE REQUIREMENTS

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%

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

The following table outlines the components of regulatory capital at December 31:

	2022	2021
Retained Earnings	$ 269,393	$ 202,835
PCC	226,093	224,251
Less: CUSO investments (equity and cost)	(6,363)	(7,506)
Tier 1 Capital	489,123	419,580
Unamortized PIC	20	20
Tier 2 Capital	20	20
TOTAL CAPITAL	**$ 489,143**	**$ 419,600**

As of December 31, 2022, MDANA and MDANRA were $6.03 billion and $2.31 billion, respectively. As of December 31, 2021, MDANA and MDANRA were $6.36 billion and $2.49 billion, respectively. NCUA Rules and Regulations Part 704 allows for the deductions from Tier 1 capital to also be deducted from MDANA for use in the leverage ratio capital. At December 31, 2022 and 2021, adjusted MDANA (used for the leverage ratio) was $6.03 billion and $6.35 billion, respectively.

(Table dollar amounts in thousands)

The following summarizes Corporate One's capital ratios as of December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Retained earnings ratio	4.47%	3.19%
Leverage ratio	8.11%	6.60%
Tier 1 risk-based capital ratio	21.21%	16.87%
Total risk-based capital ratio	21.21%	16.87%

There are a number of remedies available to a corporate credit union should its regulatory ratios fall below the required minimum. However, despite such remedies, the NCUA could restrict the corporate's ability to, among other things, accept additional deposits, open new accounts, make loans or pay dividends. As of December 31, 2022 and 2021, Corporate One exceeded all the regulatory capital ratio requirements.

Corporate One's NEV sensitivity is limited by Part 704 of NCUA rules and regulations to a 28 percent change from base and an NEV ratio greater than the minimum regulatory ratio of 2.0 percent. If Corporate One fails to meet its NEV requirements for 30 calendar days, a detailed, written action plan that sets forth the time needed and means by which it intends to correct the violation must be submitted to the NCUA. In addition, discretionary actions by the NCUA are possible that could have a material effect on Corporate One's financial position and operations.

Throughout 2022 and 2021, we complied with the NEV sensitivity requirement and the NEV ratio requirement.

(16) DERIVATIVES

Corporate One uses derivative instruments to minimize interest rate risk by reducing the NEV volatility. 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: Interest rate swaps with notional amounts totaling $31.5 million as of December 31, 2022 and $31.5 million as of December 31,2021, were designated as cash flow hedges of a portion of our daily market accounts and determined to be effective during all periods presented. The gain or loss on the derivatives 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 hedges to remain effective during the remaining terms of the swaps.

Fair Value Hedges: Interest rate swaps with notional amounts totaling $306.0 million and $183.7 million as of December 31, 2022, and December 31,2021, respectively, were designated as fair value hedges. As of December 31, 2022, $263.7 million were tied to certain fixed-rate assets, and $42.3 million was tied to a fixed rate term certificate; all were determined to be effective during all periods presented. At December 31, 2021, $183.7 million were tied to certain fixed-rate assets. 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.

(Table dollar amounts in thousands)

The following table presents the amounts recorded on the balance sheet related to cumulative basis adjustments for fair value hedges as of December 31:

Line Item in the Balance Sheet in Which the Hedged item is included	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Items	
	2022	**2021**	**2022**	**2021**
Available-for-sale securities, at fair value	$ 231,287	$ 201,579	$ (21,667)	$ (2,621)
Loans to members	50,000		(471)	
Share certificates	(42,297)		(376)	

The notional amount and fair value of the derivatives on a gross basis at December 31, are as follows:

	2022		2021	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Included in other assets:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow	$ 31,470	$ 4,933	$ 31,470	$ 1,143
Interest rate swaps – fair value	263,713	22,138	158,713	2,633
TOTAL INCLUDED IN OTHER ASSETS	**$ 295,183**	**$ 27,071**	**$ 190,183**	**$ 3,776**
Included in accounts payable and other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow				
Interest rate swaps – fair value	$ 42,297	$ (376)	$ 25,000	$ (12)
TOTAL INCLUDED IN ACCOUNTS PAYABLE AND OTHER LIABILITIES	**$ 42,297**	**$ (376)**	**$ 25,000**	**$ (12)**

(Table dollar amounts in thousands)

Total amounts of income and expense line items presented in the income statement in which effects of fair value or cash flow hedges are recorded December 31, 2022 and 2021 are as follows:

	Location and Amount of Gain or Loss Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	2022		2021	
	Interest Income (Expense)	Other Income (Expense)	Interest Income (Expense)	Other Income (Expense)
The effects of fair value and cash flow hedging:				
Gain (loss) on fair value hedging relationships:				
Hedged Items	$ 4,019	$ (258)	$ 1,393	$ (295)
Interest rate contracts designated as hedging instruments	1,554		(431)	
Gain (loss) on cash flow hedging relationships:				
Amount reclassified from accumulated other comprehensive income or loss into income	314		(181)	

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 December 31, 2022, Corporate One holds collateral from US Bank in the amounts of $24.7 million and $2.5 million related to fair value and cash flow hedges, respectively. As of December 31, 2021, Corporate One holds collateral from US Bank in the amounts of $2.48 million and $1.08 million related to fair value and cash flow hedges, respectively.

(17) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2022 and 2021.

	Unrealized Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Balance, December 31, 2020	$ (1)	$ 17,913	$ 17,912
Other comprehensive income (loss) before reclassification	963	(6,782)	(5,819)
Amounts reclassified from accumulated other comprehensive income (loss)	181	(394)	(213)
Balance, December 31, 2021	1,143	10,737	11,880
Other comprehensive income (loss) before reclassification	4,104	(81,887)	(77,783)
Amounts reclassified from accumulated other comprehensive income (loss)	(314)	(144)	(458)
Balance, December 31, 2022	**$ 4,933**	**$ (71,294)**	**$ (66,361)**

(Table dollar amounts in thousands)

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the years ending December 31, 2022 and 2021.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2022	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2021	Affected Line Item in the Consolidated Statements of Income
Reclassification adjustment recognized in earnings for interest on daily market accounts	$ (314)	$ 181	Net interest income
Reclassification adjustment recognized in earnings for net gain on sales of securities	(144)	(394)	Net gain on sales of securities
Total reclassifications for the period	$ (458)	$ (213)	

(18) REVENUE FROM CONTRACTS WITH MEMBERS

All of Corporate One's revenue from contracts with members in the scope of ASC 606 is recognized within non-interest income. The following table presents Corporate One's sources of non-interest income for the twelve months ended December 31, 2022 and 2021. Items outside the scope of ASC 606 are noted as such.

	Year ended December 31,	
	2022	2021
Non-Interest Income		
CUSO income	$ 8,694	$ 11,134
Payment services	3,548	3,410
Brokerage services	1,716	2,018
Other*	1,412	1,155
Non-interest income within the scope of other GAAP topic	1,016	866
TOTAL NON-INTEREST INCOME	**$ 16,386**	**$ 18,583**

*The Other category includes vault and securities safekeeping services and miscellaneous member fees.

A description of Corporate One's revenue streams accounted for under ASC 606 follows:

CUSO Income – Corporate One's wholly-owned CUSOs earn fees from providing business lending solutions, investment advisory services, asset/liability management tools and loan analytics, and digital services, including payment solutions, and a unified integration platform to enhance a credit union's member experiences through technologies. These fees are primarily earned upon the delivery of a product or access to a system or consultant over a period of time. The services performed over time are typically billed monthly but may be billed quarterly or annually and the income is recognized over the period of time the performance obligation is fulfilled. Account servicing fees, which relate primarily to monthly access to a system, are earned over the course of a month, representing the period over which the performance obligation is satisfied. In certain arrangements, our wholly-owned CUSOs (i) act as an agent in arranging the relationship between the member and the third-party service provider and (ii) do not control the services rendered to the members in certain arrangements. In those arrangements, we recognized net CUSO income of $700,000 and $300,000 included in CUSO income above, of which $1.91 million and $1.42 million represents gross CUSO income and $1.21 million and $1.12 million represents third-party costs incurred to provide these services for the twelve months ended December 31, 2022 and 2021, respectively. Where our wholly-owned CUSOs act as principals, third-party costs of $891,000 and $739,000 are included in other operating expenses in the accompanying consolidated statements of income for the twelve months ended December 31, 2022 and 2021, respectively.

Payment Services – Corporate One earns fees from payment services provided to its members for transaction-based and account maintenance services. A portion of these services are performed by third-party service providers. Transaction-based fees, which include services such as ACH fees, remote deposit capture fees, sharedraft processing fees and wire transfer fees, are recognized at the time the transaction is executed as that is the point in time Corporate One fulfills the member's request (via a third-party provider). Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which Corporate One (via third-party providers) satisfies the performance obligation. Because Corporate One (i) acts as an agent in arranging the relationship between the member and the third-party service providers and (ii) does not control the services rendered to the members, payment services fees are presented net of related costs, of which $2.86 million and $2.74 million in third-party costs were incurred to provide these services for the twelve months ended December 31, 2022 and 2021, respectively. Payment service fees are withdrawn from the member's deposit account balance.

Brokerage Services – Corporate One earns fees from investment brokerage services provided to its members by third-party service providers. Corporate One receives commissions from the third-party service providers on a monthly basis based upon member activity for the month. Because Corporate One's performance obligation is satisfied at the service date, the commissions are recognized at that point in time and a receivable is recorded until commissions are received typically the following month. Because Corporate One (i) acts as an agent in arranging the relationship between the member and the third-party service providers and (ii) does not control the services rendered to the members, brokerage service fees are presented net of related costs, including $57,000 and $116,000 in third-party costs incurred to provide these services for the twelve months ended December 31, 2022 and 2021, respectively.

Other – Corporate One earns fees from other revenue streams for transaction-based and account maintenance services provided to its members by third-party service providers. Transaction-based fees, which include services such as vault cash ordering and depositing and securities safekeeping, are recognized at the time the transaction is executed as that is the point in time Corporate One fulfills the member's request (via third-party providers). Account maintenance fees, which relate primarily to monthly maintenance and access fees, are earned over the course of the month, representing the period over which Corporate One (via third-party providers) satisfies the performance obligation. Because Corporate One (i) acts as an agent in arranging the relationship between the member and the third-party service providers and (ii) does not control the services rendered to the members, these fees are presented net of related costs, including $468,000 and $962,000 in third-party costs incurred to provide these services for the twelve months ended December 31, 2022 and 2021, respectively. Other service fees are withdrawn from the member's deposit account balance.

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