Corporate One
FEDERAL CREDIT UNION

Unaudited Financial Statements

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

Second Quarter 2023

Table of Contents

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

This section of Corporate One Federal Credit Union's (Corporate One) financial report should be read in conjunction with the Management's Discussion and Analysis and Financial Condition and Results of Operations in the 2022 Annual Report. The 2022 Annual Report can be found on Corporate One's public website: www.corporateone.coop/about/financials.

Results of Operations

The following is a summary of Corporate One's results of operations and return on average assets (ROA) for the six months ended June 30, 2023, and 2022 (dollar amounts in thousands).

	Six months ended			
	June 30, 2023		June 30, 2022	
Net interest income	$	27,817	$	12,837
Non-interest income		7,529		7,684
Operating expenses		(19,792)		(19,384)
Other (loss) gain		(443)		144
Gain on US Central estate settlement		16,854		33,765
Net income	$	31,965	$	35,046
DANA for the six months ended	$	5,317,276	$	6,380,432
ROA		1.20%		1.10%

Increases in net interest income over 2022 were a result of rising interest rates. Non-interest income for 2023 was approximately $155,000 less than non-interest income for 2022. We recognized decreased income from our wholly owned CUSOs, as well as decreased commission income related to SimpliCD and security sales. The increase in operating expenses year over year relates to an increase in salaries and employee benefits expenses. The increase in salaries and employee benefits expense over 2022 is a result of investing in people to ensure we can support our member credit unions in the rapidly changing world of technology and immediate payments in the financial services arena. Partially offsetting this increase in salaries and benefits are lower other operating expenses in 2023.

We recorded $32.0 million in net income for the six months ended June 30, 2023. Included in net income was our fifth payment related to recovery distributions from the U.S. Central Federal Credit Union (US Central) Asset Management Estate. In 2009, US Central and four other corporates were conserved by the NCUA. Corporate One held US Central Membership capital shares (USC MCS) and US Central Paid-in capital shares (USC PIC). In 2008 and then again in 2009, we recorded impairment charges on our capital investments in US Central. In May 2009, the NCUA created the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) to accrue the losses from US Central and four other failed corporate credit unions and assess insured credit unions for such losses over time. At that time, claim certificates were issued to all liquidated corporate credit union membership: membership capital account and paid-in capital account holders. Since its inception, the circumstances of the Stabilization Fund significantly improved, and the Stabilization Fund was closed in 2017. All remaining funds, property, and other assets in the Stabilization Fund were transferred to the National Credit Union Share Insurance Fund (NCUSIF).

The NCUA regularly evaluates the US Central estate to determine sufficiency of funds, which would allow for distributions. Beginning in 2021, we received $86.6 million. In 2022, we received further distributions totaling $63.4 million. In the first quarter of 2023, we received the remaining US MCS claim certificates we hold, or $7.8 million. In addition, in the first quarter of 2023, we received 21.1 percent of our USC PIC claim certificates, or $9.1 million. Should additional distributions be made, we will recognize these distributions as income when received.

Capital Position

As of June 30, 2023, our total regulatory capital (as defined by the NCUA) is $516.4 million, which is an increase of approximately $61.4 million since June 30, 2022. This increase in total regulatory capital is due to earnings.

The NCUA Rules and Regulations, Part 704, provides the rules for governing corporate credit unions. The rules include the capital framework, definitions for various capital instruments, and the capital ratios a corporate credit union must meet.

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

	June 30, 2023	June 30, 2022
Retained earnings	$ 295,993	$ 237,325
Paid in Capital (PIC)	20	20
Perpetual Contributed Capital (PCC)	226,993	224,252
Total regulatory capital account balances	523,006	461,597
Less: CUSO equity and cost investments	(6,572)	(6,549)
Total regulatory capital	$ 516,434	$ 455,048
Less: Unamortized PIC	(20)	(20)
Tier 1 Capital	$ 516,414	$ 455,028

The following summarizes Corporate One's capital ratios as of June 30, 2023, and 2022 (dollar amounts in millions):

	June 30, 2023	June 30, 2022
Retained earnings ratio	5.38%	3.70%
Leverage ratio	9.39%	7.10%
Tier 1 risk-based capital ratio	27.72%	17.79%
Total risk-based capital ratio	27.72%	17.79%
MDANA^	$ 5,506	$ 6,408
MDANRA^^	$ 1,863	$ 2,558

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

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

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

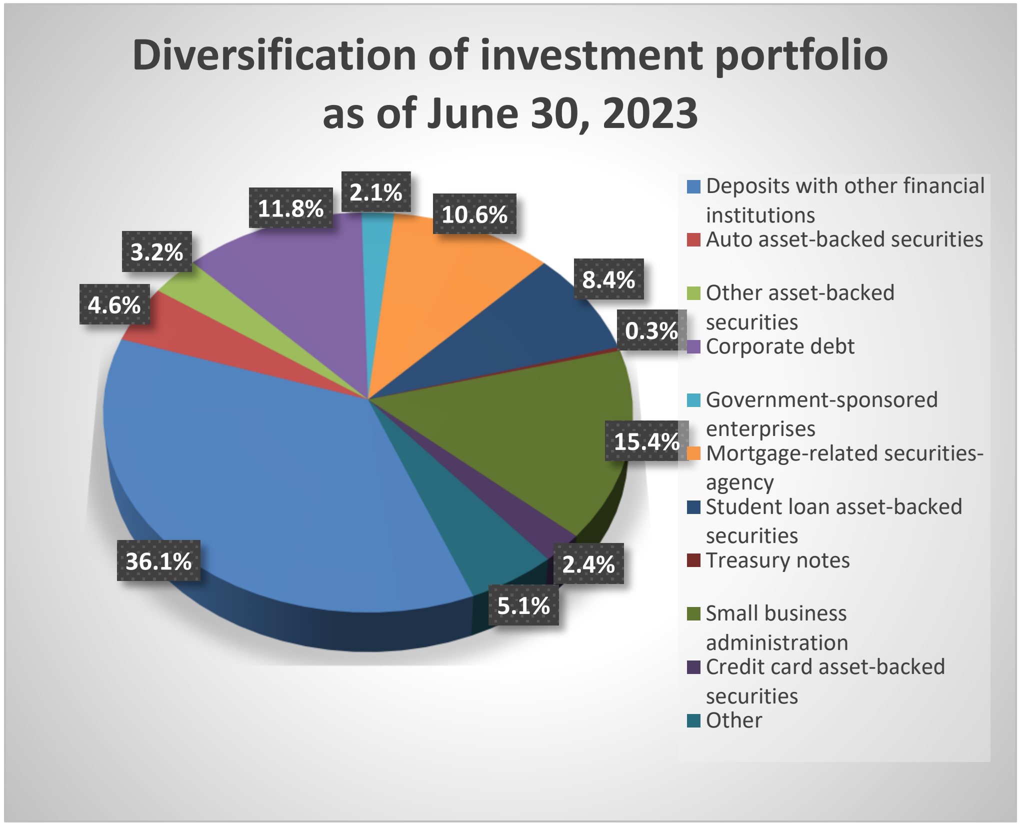
The following summarizes the NCUA requirements for the various capital ratios:

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

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

Credit Risk Management

We actively manage our balance sheet to ensure it is well diversified. We purchase investments based on high credit ratings, as determined by our risk management department and our internal standards, or issued by agencies of the U.S. government, or by other regulated depository institutions. Corporate One's portfolio diversification as of June 30, 2023, is shown in the figure below.



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

Market/Spread Risk

Because we invest in securities, we are also exposed to market risk due to liquidity and credit spreads. Market risk is realized should it become necessary to liquidate a position during a down period in the cycle. We typically classify our securities as available-for-sale, and as of June 30, 2023, we do not have any securities classified as held-to-maturity. The available-for-sale classification allows us the flexibility to sell securities should we require liquidity, find value in other market sectors, or come upon other opportunities. Portfolio diversification helps mitigate market risk, and the diversity in our portfolio allows us to execute trades in various sectors when the need or opportunity arises.

Interest Rate Risk Management

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

NEV scenarios are performed monthly, testing for sudden and sustained increases or decreases in interest rates of 100, 200 and 300 bps. Our NEV ratio remains well above the minimum NCUA requirement of two percent. Overall, our NEV ratio at June 30, 2023, was 8.96 percent in the base case and 8.56 percent in the 300-bps rise in rate stress scenario.

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

A summary of Corporate One’s NEV calculation as of June 30, 2023, and 2022 is shown below (dollar amounts in thousands).

	Net Economic Value	NEV Ratio	Actual Dollar Change from Base	Percentage Change from Base
As of June 30, 2023				
300 bps rise in rates	$ 458,627	8.56%	$ (24,130)	-5.00%
Base scenario	$ 482,757	8.96%		
100 bps decline in rates	$ 487,694	9.04%	$ 4,937	1.02%
200 bps decline in rates	$ 491,797	9.10%	$ 9,040	1.87%
300 bps decline in rates	$ 495,694	9.17%	$ 12,937	2.68%
As of June 30, 2022*				
300 bps rise in rates	$ 414,906	7.73%	$ (23,631)	-5.39%
Base scenario	$ 438,537	8.12%		
100 bps decline in rates	$ 443,347	8.20%	$ 4,810	1.10%
200 bps decline in rates	$ 447,288	8.26%	$ 8,751	2.00%

*300 bps decline did not apply in the interest rate environment present at June 30, 2022.

Liquidity Risk Management

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

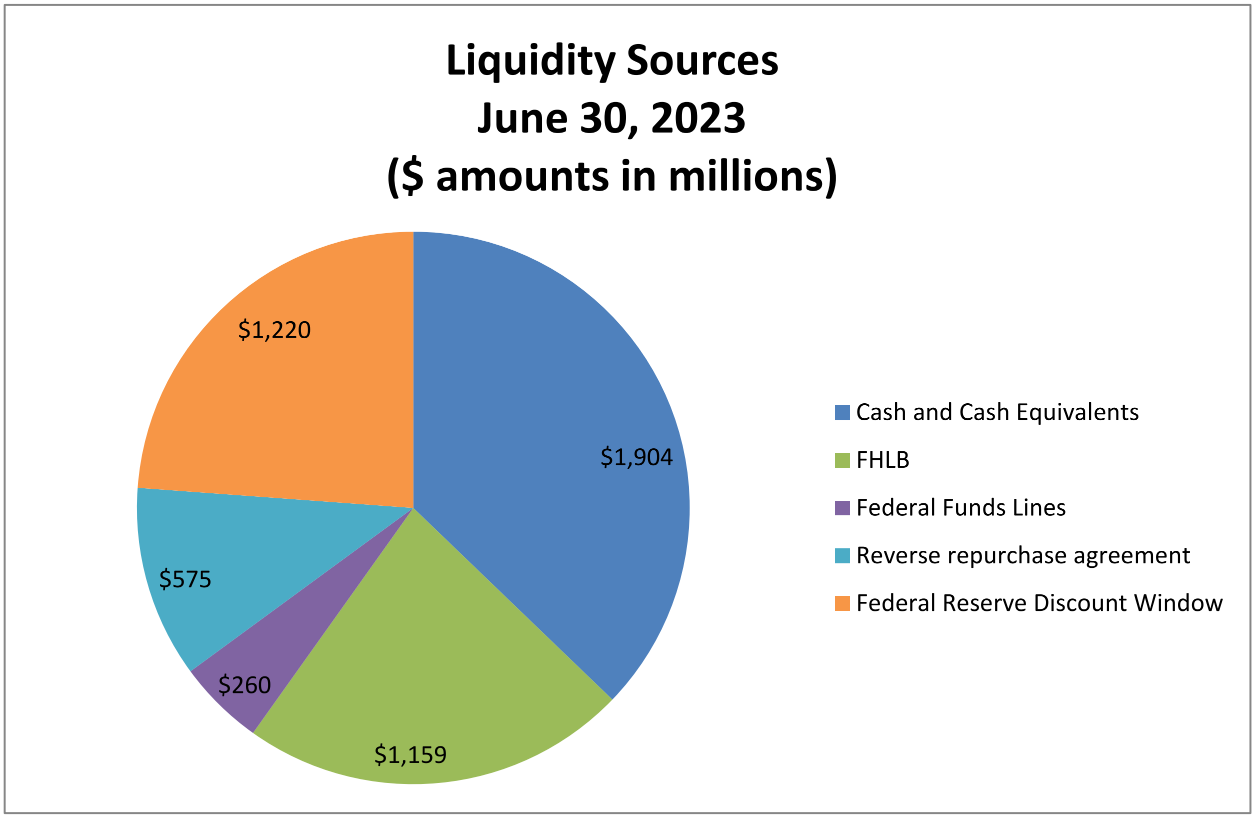
We constantly monitor our members' demands on our liquidity and evaluate the adequacy of our liquidity sources. To meet day-to-day member liquidity requirements, we keep a portion of our assets very liquid. As of June 30, 2023, we had approximately $1.90 billion in cash and cash equivalents. In addition, we strive to buy securities with readily determined market values that can be sold or borrowed against to generate liquidity.

We also mitigate our liquidity risk by monitoring our top depositors. We have limits on the maximum any one credit union may deposit with us. By striving to diversify our shares and member base, we shield ourselves from the risk of sudden withdrawals by large depositors. As of June 30, 2023, our single largest depositor represented seventeen percent of our total member shares.

As of June 30, 2023, we had $237 million in overnight borrowings outstanding. Corporate One's remaining borrowing capacity (total existing lines less borrowings outstanding) at June 30, 2023, was approximately $2.98 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $1.16 billion. This line of credit is secured by certain investments held in safekeeping at the FHLB. As of June 30, 2023, we had $237 million overnight borrowings outstanding with the FHLB. In addition, we maintain a reverse repurchase agreement with another party, totaling $575 million. This agreement is secured using certain of our asset-backed securities as collateral, and we have recently tested this source to ensure that it represents a viable liquidity source. Also, we maintain $260 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing.

We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's (FOMC) target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending reserve bank by collateral that is acceptable for that purpose. Corporate One's borrowing capacity at the Fed Discount Window was approximately $1.22 billion at June 30, 2023.

The chart below details our available sources of liquidity.



Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines and letter of credit commitments to members of approximately $7.32 billion as of June 30, 2023. All outstanding line of credit commitments are collateralized by specific or general pledges of assets by members. Commitments to extend credit to members remain effective, as long as there is no violation of any condition established in the agreement. Advances on these commitments generally require repayment within one year of the advance. Since a portion of the commitments is expected to terminate without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Consolidated Balance Sheets (unaudited)

CORPORATE ONE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS

Assets	**June 30, 2023**	**June 30, 2022**
Cash and cash equivalents	$ 1,903,918,778	$ 708,085,256
Other short term investments		129,878,590
Investments in financial institutions	62,797,800	62,571,660
Securities available for sale, at fair value	3,060,938,964	4,263,560,297
Loans	220,710,901	96,989,507
Accrued interest receivable	27,789,892	6,520,435
Goodwill	3,395,730	3,395,730
Other assets	102,702,510	100,175,308
TOTAL ASSETS	5,382,254,575	5,371,176,783
Liabilities and Members' Equity		
Liabilities:		
Settlement and regular shares	4,245,475,034	4,337,102,851
Share certificates	380,419,011	463,898,714
Borrowed funds	237,000,000	130,000,000
Dividends and interest payable	3,858,111	1,039,976
Accounts payable and other liabilities	38,824,825	30,039,978
TOTAL LIABILITIES	4,905,576,981	4,962,081,519
Members' equity:		
Perpetual contributed capital	226,992,520	224,251,579
Retained earnings	295,992,900	237,324,849
Accumulated other comprehensive loss	(46,307,826)	(52,481,164)
TOTAL MEMBERS' EQUITY	476,677,594	409,095,264
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 5,382,254,575	$ 5,371,176,783

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (unaudited)

	Six Months Ended	
	June 30, 2023	**June 30, 2022**
Interest Income:		
Investments	$125,580,998	$25,242,673
Loans	6,094,228	268,168
Total Interest Income	131,675,226	25,510,841
Dividend And Interest Expense:		
Shares	91,142,232	11,806,659
Borrowed funds and other	12,716,120	866,830
Total Dividend And Interest Expense	103,858,352	12,673,489
Net Interest Income	27,816,874	12,837,352
Non-Interest Income	7,528,833	7,683,753
Salaries and employee benefits	14,673,387	13,828,956
Office operations and occupancy expense	4,157,498	4,340,866
Other operating expenses	961,111	1,213,705
Total Operating Expenses	19,791,996	19,383,527
Net (Loss) Gain on Financial Instruments:		
Net (loss) gain on sales of securities	(442,866)	144,125
Net (Loss) Gain on Financial Instruments	(442,866)	144,125
Gain on US Central estate settlement	16,853,740	33,764,637
Net Income	$31,964,585	$35,046,340

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Income	$ 31,964,585	$ 35,046,340
Other comprehensive income (loss) :		
Change in net unrealized loss (gain) on available-for-sale securities	19,729,514	(66,951,450)
Change in net unrealized (gain) loss on cash flow hedge	(782,432)	2,774,656
Reclassification adjustment recognized in earnings for net interest on daily market accounts	663,454	(40,517)
Reclassification adjustment recognized in earnings for net loss (gain) on sales of securities	442,866	(144,125)
Total other comprehensive income (loss)	20,053,402	(64,361,436)
Comprehensive Income (Loss)	$ 52,017,987	$ (29,315,096)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Members' Equity for the Six Months Ended June 30, 2023 (unaudited)

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance At January 1, 2023	$ 226,092,520	$ 269,393,486	$ (66,361,228)	$ 429,124,778
Net income		31,964,585		31,964,585
Other comprehensive income			20,053,402	20,053,402
Issuance of PCC	900,000			900,000
Dividends on PCC, net		(5,365,171)		(5,365,171)
Balance at June 30, 2023	$ 226,992,520	$ 295,992,900	$ (46,307,826)	$ 476,677,594

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Organization

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

2. Cash and Cash Equivalents

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

3. Other Short-Term Investments

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

4. Investments in Financial Institutions

Investments in financial institutions at June 30, 2023, and 2022 are summarized as follows (in thousands):

	June 30, 2023	June 30, 2022
Federal Home Loan Bank stock	$ 49,654	$ 15,488
Certificates of deposit	13,144	4,464
CLF Stock		42,619
Total investments in financial institutions	$ 62,798	$ 62,571

In 2020, Corporate One contributed capital stock on behalf of our member credit unions with assets under $250 million and became an agent member of the NCUA's Central Liquidity Facility (CLF) Agent Subscription Program. This stock is held in cash at the US Treasury or invested in US Treasuries. As of June 30, 2022, Corporate One held $42.6 million in this facility. This amount is included in investments in financial institutions in the accompanying consolidated balance sheets. As of December 31, 2022, the remaining provisions of the Coronavirus Aid, Relief, and Economic Security Act of 2020 as extended by the Consolidated Appropriations Act of 2021 that allowed corporate credit unions to provide member credit unions no-cost access to the CLF for contingent liquidity through them as agent members of the CLF expired. Thus, as of December 31, 2022, our capital stock was redeemed.

5. Securities

Corporate One holds debt securities classified as available-for-sale. This classification is made when debt securities might be sold before maturity. Available-for-sale securities are carried on the balance sheet at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and are reported as a separate component of members’ equity. Such securities may be sold in response to changes in interest rates, changes in prepayment risk or other factors.

The amortized cost and fair value of available-for-sale securities at June 30, 2023, and 2022 are as follows (in thousands):

	June 30, 2023		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities-agency	$ 561,398	$ 551,529	$ (9,869)
Asset-backed securities	986,510	948,649	(37,861)
Small business administration	813,783	816,867	3,084
Treasury notes	17,905	17,452	(453)
Government-sponsored enterprises	109,425	109,530	105
Corporate debt securities	623,040	616,912	(6,128)
Total available-for-sale securities	$ 3,112,061	$ 3,060,939	$ (51,122)

	June 30, 2022		
	Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Available-for-sale securities:			
Mortgage-related securities-agency	$ 682,178	$ 678,146	$ (4,032)
Asset-backed securities	1,685,117	1,643,037	(43,080)
Small business administration	988,882	995,812	6,930
Treasury notes	14,881	14,915	34
Government-sponsored enterprises	228,625	229,207	582
Corporate debt securities	720,340	702,443	(17,897)
Total available-for-sale securities	$ 4,320,023	$ 4,263,560	$ (56,463)

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

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

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

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

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2023 (in thousands).

Available-for-sale securities	Total Fair Value	Fair Value Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-related securities-agency	$ 551,529		$ 551,529	
Asset-backed securities:				
Student loans-FFELP	394,744		394,744	
Student loans-private	31,708		31,708	
Credit cards	122,208		122,208	
Automobiles	233,096		233,096	
Other	166,893		166,893	
SBA securities	816,867		816,867	
Government-sponsored enterprises	109,530		109,530	
Corporate debt securities	616,912	$ 616,912		
Treasury Notes	17,452		17,452	
Total available-for-sale securities	$ 3,060,939	$ 616,912	$ 2,444,027	

We evaluate all our securities for other-than-temporary impairment (OTTI) on a semi-annual basis. In order to determine if the declines in fair value below amortized cost represented OTTI, management considered various impairment indicators, such as Investment Action Plan (IAP) securities, securities that have had ratings downgrades, securities that have been underwater for greater than 12 months, and securities that have severe unrealized losses. We utilize outside services to assist management in performing detailed cash flow analyses to determine if all principal and interest cash flows will be received. The analyses performed require assumptions about the collateral underlying the securities, including default rates, loss severities on defaulted loans, and prepayments. It is possible that the underlying loan collateral of these securities may perform at a level worse than our expectations, which may result in adverse changes in cash flows for these securities and potential OTTI write-downs in the future. We believe the gross losses on all of these securities are temporary as of June 30, 2023, and that fair values will approximate amortized costs as the securities near maturity.

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

6. Borrowed Funds

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At June 30, 2023, and 2022, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $1.30 billion and $1.91 billion, respectively, which provided a borrowing capacity of approximately $1.16 billion and $1.66 billion, respectively. At June 30, 2023, and 2022, Corporate One had $237 million and $130 million, respectively, in overnight borrowings outstanding with the FHLB. We also maintain $260 million of federal funds lines with various financial institutions. The federal funds lines do not require collateral for overnight borrowing. As of June 30, 2023, and 2022, no overnight borrowings were outstanding on our federal funds lines.

We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the FOMC's target rate for federal funds. All extensions of credit must be secured to the satisfaction of the lending Federal Reserve Bank by collateral that is acceptable for that purpose. At June 30, 2023, and 2022, Corporate One had securities and commercial loans held in safekeeping at the Federal Reserve Bank with fair values of approximately $1.28 million and $1.80 billion, respectively, which provided a borrowing capacity of approximately $1.22 billion and $1.74 billion, respectively. There were no amounts outstanding on the line of credit with the Federal Reserve Bank as of June 30, 2023, and 2022.

7. Capital Ratios

The NCUA Rules and Regulations Part 704 provides the rules for governing corporate credit unions. The rules include the capital framework, definitions for various capital instruments, and the capital ratios a corporate credit union must meet.

The following table presents the ratios, definitions of the numerators and denominators for each of the ratios, and the required minimum levels for well-capitalized and adequately capitalized designations under the regulation. The definitions of the numerators are simplifications, as the regulation contains certain adjustments to each capital calculation.

	Numerator	Denominator	Well capitalized	Adequately capitalized
Leverage ratio	Tier 1 Capital***	MDANA*	5.00%	4.00%
Tier 1 risk-based capital ratio	Tier 1 Capital***	MDANRA**	6.00%	4.00%
Total risk-based capital ratio	Total Capital***	MDANRA**	10.00%	8.00%

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

The following table (in thousands) outlines the components of regulatory capital at June 30:

	2023	2022
Retained earnings	$ 295,993	$ 237,325
Add: PCC	226,993	224,252
Less: CUSO equity and cost investments	(6,572)	(6,549)
Tier 1 Capital	516,414	455,028
Add: Unamortized PIC	20	20
Tier 2 Capital	20	20
TOTAL REGULATORY CAPITAL	$ 516,434	$ 455,048

The following summarizes Corporate One’s capital ratios as of June 30, 2023, and 2022 (dollar amounts in millions):

	June 30, 2023	June 30, 2022
Retained earnings ratio	5.38%	2.22%
Leverage ratio*	9.39%	7.10%
Tier 1 risk-based capital ratio	27.72%	17.79%
Total risk-based capital ratio	27.72%	17.79%
MDANA^	$ 5,500	$ 6,408
MDANRA^^	$ 1,863	$ 2,558

* NCUA Rules and Regulations §704.2 allows for the deductions from Tier 1 capital to also be deducted from MDANA for use in the Leverage ratio calculation. However, one such deduction was not built into the 5310 calculation and as a result our current 5310 reports a 9.38% leverage ratio.
^Moving Daily Average Net Assets
^^Moving Daily Average Net Risk-Weighted Assets

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

8. Derivatives

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

Cash Flow Hedges: An interest rate swap with a notional amount totaling $31.5 million as of June 30, 2023, was designated as a cash flow hedge of certain daily overnight market share accounts and was determined to be highly effective during all periods presented. The gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Corporate One expects the hedge to remain effective during the remaining term of the swap. As of June 30, 2022, there were $31.5 million in cash flow hedges outstanding.

Fair Value Hedges: Fourteen interest rate swaps with notional amounts totaling $334.0 million as of June 30, 2023, were designated as fair value hedges. Ten fixed-rate available-for-sale securities, one transaction tied to term certificates, and three transactions tied to a term loan were determined to be effective during all periods presented. The gain or loss on the derivatives, as well as the offsetting loss or gain on the hedged items attributable to the hedged risk, are recognized in current earnings as fair value changes. Corporate One expects the hedges to remain effective during the remaining term of the swaps. As of June 30, 2022, there were $257.2 million fair value hedges outstanding.

The notional amount and fair value of the derivatives on a gross basis at June 30, 2023, and 2022, are as follows (in thousands):

	June 30, 2023		June 30, 2022	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Included in other assets:				
Derivatives designated as hedging instruments:				
Interest rate swaps – Cash flow	$ 31,470	$ 4,814	$ 31,470	$3,877
Interest rate swaps – Fair value	333,986	22,548	225,737	15,850
Total included in other assets	$ 365,456	$ 27,362	$ 257,207	$ 19,727

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 June 30, 2023, Corporate One held collateral from US Bank in the amounts of $27.86 million and $2.62 million related to fair value and cashflow hedges, respectively. As of June 30, 2022, Corporate One held collateral from US Bank in the amounts of $18.43 million and $2.57 million related to fair value and cashflow hedges, respectively.

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