Corporate One

2021

Financial Report

CorporateOne
FEDERAL CREDIT UNION

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A LETTER TO OUR MEMBERS

Dear Members:
Elevating and empowering credit unions to drive the financial success of the members they serve was our guiding light in 2021. We are pleased to report that Corporate One's performance and progress last year reflected our ability to adapt and prosper despite the challenges faced by our members, peers, communities, and the country due to the ongoing global pandemic and its related effects. We proactively continued to advance our strategic initiatives on behalf of members and strengthened our financial position, driving value for our members by remaining a sound financial partner, innovating to meet consumer demands, and fostering a robust organizational culture.

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

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

Growing financial strength
Coming into 2021 and throughout the year, we knew the extended period of low interest rates would negatively affect income. However, despite lower net interest income from continued margin compression, our diversified income sources and conscientious spending allowed us to distribute $3.4 million in Perpetual Contributed Capital dividends, and we ended the year with $202.8 million in retained earnings and $419.6 million in total regulatory capital. In addition, thanks to the recoveries we received from the U.S. Central Asset Management Estate, 2021 marked our single highest net income year in our history. These recoveries have strengthened our capital position, further solidifying our overall financial strength, while earnings from core operations and our wholly owned credit union service organizations (CUSOs) helped diversify our income.

Innovating for credit union progress
Our strategic initiative to enhance payment solutions for credit unions is laser-focused on real-time payments, especially as the pandemic accelerated consumer demand for digital financial experiences and faster payments. Our innovative work in this area was on full display in 2021 as Corporate One and our CUSO Sherpa Technologies created three new product offerings to assist credit unions with the shift to real-time payments:

- Sherpa's Real-Time Payment Services for connecting to the RTP® network.
- Corporate One's Funding Agent Services for easy cash management on the RTP network.
- RTP receive/send capabilities for Corporate One account holders.

What were brand-new concepts in technology and payments just a short time ago are now areas of expertise across Corporate One and Sherpa. When we speak with credit unions about real-time payments, we speak with knowledge and authority from doing it ourselves and developing solutions for credit unions.

Leveraging our CUSOs

A strategy to more effectively leverage our CUSOs—Accolade Investment Advisory, Lucro Commercial Solutions, and Sherpa Technologies—to do more for credit unions and serve them in new and different ways was successful, improving the balance sheet, supporting revenue and income diversification strategies, and offering new solutions. During 2021, we witnessed the power of this strategy as each CUSO helped credit unions reach new heights:

- Lucro used its Digital Business Lending Center to create an even more successful Paycheck Protection Program than in 2020, generating 4,235 in loans and $12.1 million in revenue for their lending partners.
- Accolade rolled out a CECL (current expected credit loss) solution to help credit unions with the highly anticipated transition to the new methodology of accounting for credit losses and is already successfully helping several credit unions with this solution.
- And, in addition to its Real-Time Payments Service, Sherpa also launched a new unified solution for digital account opening and no-credit impact, pre-qualified digital lending with pilots and early adopters, receiving extremely positive feedback that confirmed an early 2022 full market launch to all credit unions.

Cultivating culture

Ultimately, to serve our members best, we recognize deeply the importance of cultivating a strong organizational culture. Of all the assets Corporate One has, it's our people that drive the true value for our members. With an average staff tenure of 10.5 years, the expertise, dedication to members, and innovative spirit of our people fuels our collective successes. Over the past two years, our employees rose to the occasion by making the transition to work from home and continuing to serve our members well, all the while making significant progress toward achieving our strategic initiatives. During this time, we have more intentionally connected with our employees in various ways and we've had open conversations with our workforce about diversity, equity, and inclusion and the future of work. Through those conversations, we realized we had the opportunity to evolve our corporate mission, vision and values to reflect a more contemporary and comprehensive purpose of our organization. While we didn't make drastic changes, we refined these statements to be more compelling and specific, driving common understanding of Corporate One's purpose, how we will go about achieving it and the core beliefs we value most.

Mission Statement: Elevating and empowering credit unions to drive the financial success of the members they serve.

Vision Statement: Together with our CUSOs, we will grow a thriving cooperative that fosters collaboration, drives innovation, values financial strength, and delivers exceptional service for the benefit of all credit unions.

Values: Do the right thing; Value everyone; Be a team player; Think outside the box; Be your best.

In conclusion, we are optimistic about our future. We are thankful for the guidance and support of our Board of Directors, and we are proud of our Corporate One team for remaining disciplined in working toward our initiatives of the last year but flexing when we needed to respond to change. Our leadership team and staff continue to be highly focused on creating value for our members and we're looking to the future with excitement and anticipation.

Best,

Melissa A. Ashley

Melissa Ashley

R. Lee Powell

Lee Powell

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

Our 2021 financial results reflect our ability to adapt and prosper through the economic challenges faced by our members, peers, communities, and the country. We proactively managed through the continued low interest rate environment and economic volatility while positioning Corporate One in 2022, to advance our strategy and long-term financial performance through investments in technology, digital innovation, marketing, and people.

During 2021, we received settlement distributions related to our interests in the U.S. Central (US Central) Asset Management Estate of $86.6 million. As a result of these distributions, 2021 marks our single highest net income year in our history. After paying $3.4 million in Perpetual Contributed Capital (PCC) dividends, we added $87.7 million to retained earnings, ending the year at $202.8 million. This increase in retained earnings resulted in total regulatory capital of $419.6 million, and all capital ratios remain above well-capitalized levels as defined by the NCUA Rules and Regulations, Part 704.

Even without the US Central distributions, earnings from our core operations were strong, though lower than 2020. This decrease is twofold. First, our net interest income decreased approximately $9.5 million from 2020, which is a result of net interest margin compression—37 basis points in 2021 compared to 62 basis points in 2020. This decrease in net interest income was partially offset by increased income from a nearly 20 percent increase in average interest-earning assets. The increase in average interest-earning assets is a result of continued deposit growth from members related to government stimulus programs that continued into 2021 that increased their liquidity. Second, in 2020, we recognized $7.0 million in net gain on sales of securities. The security sales in 2020 were primarily private label mortgage-backed securities acquired through our 2012 merger with another corporate, and many were deemed purchase credit impaired at acquisition. In 2021, we recognized approximately $394,000 in net gain on sales of securities. The sales in both 2021 and in 2020 were part of our normal course of business and were sold to reposition our investment portfolio into other classes of securities.

Partially offsetting the decrease in net interest income was a 26 percent increase, or $3.8 million, in non-interest income. This increase was driven primarily from our wholly owned credit union service organization (CUSO), Lucro Commercial Solutions, LLC (Lucro). In addition, we helped credit unions invest their excess liquidity in 2021, and as a result, the commissions we earn through our brokerage services increased approximately eight percent as compared to the prior year.

2021 operating expenses approximated 2020 levels. We continued to experience lower expenses in travel and business development due to the pandemic. The decrease in 2021 travel and business development expenses compared to 2020 was partially offset by an increase in staff costs, which were up $760,000, or three percent, primarily reflecting increased salaries and group health insurance.

COVID-19

When the COVID-19 pandemic struck, Corporate One quickly transitioned our team from our physical offices to work-from-home environments. We were able to react quickly because of the commitment to our members, the flexibility of our workforce, and our robust business continuity plans. We believe the hybrid work model, allowing each employee the flexibility to work from a corporate office or from a remote location, empowers staff to increase their productivity, increasing organizational effectiveness.

Amid the pandemic turmoil of 2020 and through 2021, we continued to deliver on our mission of helping credit unions succeed and being a supportive, strategic partner for them so they can remain relevant, competitive financial partners to their own members. As the global race for faster and instant payments presses forward, and as a long-standing credit union payments partner, the goal of Corporate One's Enhanced Payments Solutions strategic initiative is to enable access and create opportunities for credit unions to take advantage of real-time payments. Corporate One became the first corporate credit union certified as a participant on The Clearing House's (TCH) RTP® network, and our wholly owned CUSO, Sherpa Technologies, LLC (Sherpa), became the first CUSO and non-core third-party service provider (TPSP) certified by the network. Sherpa's offering represents an open payment platform and core independent RTP network connectivity method for the credit union industry. As a participating institution on the network that can send and receive transactions, Corporate One offers member credit unions a solution to use the RTP network for payments on their own accounts. Additionally, Corporate One is a certified Funding Agent provider for the RTP network, which enables us to be an easy and efficient outsourcing option for the settlement and funding requirements for real-time payment transactions on the network.

Corporate One is also participating in the pilot program for the Federal Reserve Banks' upcoming instant payments offering, the FedNow℠ Service. As a participant in this pilot program, Corporate One and other financial institutions and processors will help shape the FedNow Service's features and functions, provide input into the overall user experience, and ensure readiness for testing. Corporate One is an experienced, trusted credit union payments partner and being a participant in this important program aligns with our real-time payments strategic goal of enabling future access and creating opportunities for credit unions to take advantage of real-time payments.

Through our CUSOs, we provide focused, expertly designed and delivered solutions to the credit union industry. Our wholly owned CUSO, Sherpa, is well-positioned to continue to pioneer digital leadership by helping credit unions navigate digital transformation and providing delightful member experiences, including real-time payment connections and solutions. This is relevant as digital transformation efforts and digital channels have become increasingly important because of the declining occurrences of in-person engagement and an increasing level of digital engagement from large financial institutions and fintech providers, which has only been accelerated by the pandemic.

Our other wholly owned CUSOs have also worked to support credit unions during these uncertain times. Lucro provided a digital solution that allows credit unions and community lenders to cost-effectively originate small business loans by allowing their clients to participate in the SBA Paycheck Protection Program (PPP) provided through the government stimulus program. In addition, with credit unions' balance sheets remaining at higher levels and their loan to share ratios remaining low, Accolade Investment Advisory, LLC (Accolade), was able to advise their clients on investing strategies that best supported their needs.

While the economic upheaval caused by the COVD-19 pandemic has affected our net interest income, we have not experienced a material adverse impact to our financial position. However, future potential impacts could include labor shortages and disruptions of global supply chains, and the extent to which the COVID-19 pandemic continues to impact our business, financial condition, liquidity, and results of operations will depend on future developments, which are highly uncertain and are difficult to predict. These potential developments include but are not limited to the rate and distribution and administration of vaccines globally, the severity and duration of any resurgence of COVID-19 variants, the actions taken to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

However, we believe that Corporate One and our wholly owned CUSOs are positioned to advance our strategic initiatives and long-term financial performance through investments in technology, digital innovation, and people.

Discussion on Statements of Income

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,				
	2021	**2020**	**2019**	**2018**	**2017**
Net interest income	$ 23,246	$ 32,734	$ 37,223	$ 34,708	$ 30,595
Non-interest income	18,465	14,612	13,657	13,415	13,328
Total operating expenses	37,629	37,911	38,350	37,007	35,066
Other-than-temporary impairment losses on securities					(69)
Net gain on other investments	394	7,037	871	2,131	2,261
CORE EARNINGS	4,476	16,472	13,401	13,247	11,049
Other items*	86,620				2,072
NET INCOME	**$ 91,096**	**$ 16,472**	**$ 13,401**	**$ 13,247**	**$ 13,121**

*US Central capital recovery in 2021; Gain on sale of product line in 2017

Net Interest Income/Average Balance Sheet

Our primary source of revenue is net interest income, which 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 difference between the average yield on earning assets and the average rate paid for interest-bearing liabilities is the net interest spread. In addition, non-interest-bearing sources of funds, such as accounts payable, other liabilities, and retained earnings, also support 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.

In 2021, net interest income was $23.2 million, which is a decrease of $9.5 million from 2020. The decrease in our net interest income was a result of a compressed net interest margin. On December 31, 2021, approximately 86 percent of the par value amount, or $4.32 billion, of Corporate One's securities, with a fair market value of $4.33 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. With the dramatic rate cuts in 2020 and the continued low interest rate environment during 2021, most of our assets repriced down; however, no change occurred on a portion of our liabilities, including those non-interest-bearing liabilities, resulting in a significantly compressed margin. Partially offsetting the effect of this significant margin compression were the sustained high levels of member deposits, which continued to grow in 2021. Our 2021 average balances were approximately $1.0 billion greater than the average balances of 2020.

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)

	2021			2020		
	Average Balance	Interest or Dividends	Average Rate	Average Balance	Interest or Dividends	Average Rate
Interest-Earning Assets:						
Cash and cash equivalents	$ 1,223,767	$ 1,579	0.13%	$ 1,270,695	$ 4,698	0.37%
Other short-term investments	69,126	125	0.18%	300,720	3,199	1.06%
Investment in Financial Institutions	4,140	42	1.01%	6,531	76	1.16%
Loans	37,688	540	1.43%	55,480	927	1.67%
Securities	4,710,600	25,966	0.55%	3,436,682	36,263	1.06%
Other investments	248,945	1,853	0.74%	183,660	2,509	1.37%
TOTAL INTEREST-EARNING ASSETS	**$ 6,294,266**	**$ 30,105**	**0.48%**	**$ 5,253,768**	**$ 47,672**	**0.91%**
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:						
Overnight shares	$ 5,744,974	$ 4,650	0.08%	$ 4,728,679	$ 11,327	0.24%
Term shares	198,327	1,501	0.76%	246,359	3,594	1.46%
Other borrowings	2,341	708	30.24%	1,785	17	0.95%
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	**$ 5,945,642**	6,859	0.12%	**$ 4,976,823**	14,938	0.30%
NET INTEREST INCOME		**$ 23,246**			**$ 32,734**	
NET INTEREST MARGIN			**0.37%**			**0.62%**

Table Three provides a rate and volume analysis that further illustrates changes between 2021 and 2020 in the components of net interest income attributable to dollar volume (changes in volume multiplied by 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)

	2021 versus 2020			
	Volume	**Rate**	**Volume and Rate**	**Total**
Interest-Earning Assets:				
Cash and cash equivalents	$ (174)	$ (3,058)	$ 113	$ (3,119)
Other short-term investments	(2,468)	(2,651)	2,045	(3,074)
Investment in Financial Institutions	(28)	(10)	4	(34)
Loans	(297)	(132)	42	(387)
Securities	13,442	(17,319)	(6,420)	(10,297)
Other investments	891	(1,141)	(406)	(656)
TOTAL INTEREST-EARNING ASSETS	11,366	(24,311)	(4,622)	(17,567)
Interest- and Dividend-Bearing Liabilities and Members' Share Accounts:				
Overnight shares	2,435	(7,500)	(1,612)	(6,677)
Term shares	(701)	(1,729)	337	(2,093)
Other borrowings	5	523	163	691
TOTAL INTEREST- AND DIVIDEND-BEARING LIABILITIES AND MEMBERS' SHARE ACCOUNTS	1,739	(8,706)	(1,112)	(8,079)
INCREASE IN NET INTEREST INCOME	$ 9,627	$ (15,605)	$ (3,510)	$ (9,488)

Non-interest Income

Non-interest income of $18.5 million increased approximately $3.8 million from our 2020 levels of $14.6 million. The growth in non-interest income over 2020 is primarily due to increased revenue from our wholly owned CUSO, Lucro. Lucro, whose purpose is to provide business lending solutions to its credit union partners, was able to quickly supply a digital solution that allowed their partners the ability to quickly and efficiently accept and process Payment Protection Plan (PPP) applications. In addition, as liquidity grew in the credit union network, our members looked to invest their excess liquidity in instruments outside of cash, and, as such, the commission income we earn on the sales of securities and brokered certificates of deposits to members increased over 2020. This increase in non-interest income was partially offset by lower revenues resulting from decreases in share draft volumes.
As financial institutions continue to migrate toward providing digital and faster payment solutions to their customers/members, the volume of share drafts continues to decline. We understand the importance in continuing to offer these critical item processing services to our members and transitioned from a business model that supports this product through fixed operational costs, to an outsourced model, where Corporate One is charged a per item processing fee. Using a variable model reduces overall costs to Corporate One as share draft volumes decline, but still allows Corporate One the ability to provide these services to our members.

Operating Expense

Operating expenses were $37.6 million in 2021, comparable to 2020. Throughout 2021, member-facing activities were held to lower levels as a result of the travel restrictions put into place in an effort to combat the effects of the pandemic. Partially offsetting these lower expenses were increases in salaries and benefits. A portion of the increase in salaries and benefits expense is due to merit adjustments, and the remaining increase is due to the addition of higher-salaried positions needed to support the business as we transition into providing enhanced digital experiences for our members. It is critical that credit unions are ready to embrace the rapidly changing fintech environment, and we continue to work diligently to provide them with valuable insights and solutions so they can more readily do so. Not only are we enhancing our digital/real-time payment solutions for members through our CUSO Sherpa, but we are also investing in our member-facing applications to provide our members the same superior digital experience when they work with us. It is our vision to be a pioneer in payment services (both digital and traditional) for the benefit of our members. In addition, we continued to see increases in our group health insurance costs.

Gain 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 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 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 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).

On March 18, 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 made distributions to USC MCS claim certificate holders in April and August 2021. In total during 2021, we received $86.6 million, which represented 54.9 percent of the USC MCS claim certificates we hold. In March 2022, we received another 21.4 percent of the USC MCS claim certificates, or $33.8 million. The remaining US MCS claim certificates we hold, $37.4 million, will not be recognized into income until received. In addition, there is the potential to recover a portion of the USC PIC, $43.0 million, that was lost.

Regulatory Capital Position

Our total regulatory capital increased $88.4 million since December 31, 2020, to $419.6 million at December 31, 2021. The increase in capital is the result of our 2021 net income increasing retained earnings to over $202.8 million.

Table Four below outlines the components of regulatory capital listed in order 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,				
	2021	**2020**	**2019**	**2018**	**2017**
Retained earnings	$ 202,835	$ 115,092	$ 100,905	$ 91,809	$ 81,599
PIC	20	20	20	20	20
PCC	224,251	223,365	223,365	221,249	219,442
TOTAL REGULATORY CAPITAL ACCOUNT BALANCES	427,106	338,477	324,290	313,078	301,061
Less CUSOs (equity and cost)	(7,506)	(7,236)	(6,955)	(6,688)	(6,238)
TOTAL REGULATORY CAPITAL	$ 419,600	$ 331,241	$ 317,335	$ 306,390	$ 294,823
Unamortized PIC	(20)	(20)	(20)	(20)	(20)
Excluded PCC**					(43,404)
TIER 1 CAPITAL	$ 419,580	$ 331,221	$ 317,315	$ 306,370	$ 251,399

*As per the regulation beginning in October 2016, all corporate credit unions must exclude the portion of PCC equal to the amount of PCC less retained earnings exceeding 2 percent of MDANA. In 2017, the regulation changed and if a corporate credit union's retained earnings ratio is less than 2.5 percent, they must exclude the portion of PCC equal to the amount of PCC from federally insured credit unions less retained earnings exceeding 2 percent of MDANA.

Table Five summarizes Corporate One's regulatory capital ratios as of December 31, 2021, and 2020.

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

	December 31,	
	2021	**2020**
Retained earnings ratio	3.19%	2.16%
Leverage ratio	6.61%	6.22%
Tier 1 risk-based capital ratio	16.87%	17.55%
Total risk-based capital ratio	16.87%	17.56%
MDANA*	$ 6,356	$ 5,336
MDANRA**	$ 2,487	$ 1,887
Adjusted MDANA***	$ 6,348	$ 5,329

*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:

	Regulatory Capital Minimums	
	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%

At the end of 2021 and 2020, all our capital ratios exceed NCUA well-capitalized levels.

Enterprise-wide Risk Management

Corporate One is committed to managing the risks associated with our business activities. We feel so strongly about managing risk that more than 11 years ago, we embarked on an initiative to deploy enterprise risk management (ERM) throughout our entire organization. We believe that ERM is critical not only to managing our risks but also to 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. 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, in conjunction with the Supervisory Committee, the testing of controls over critical processes. 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.

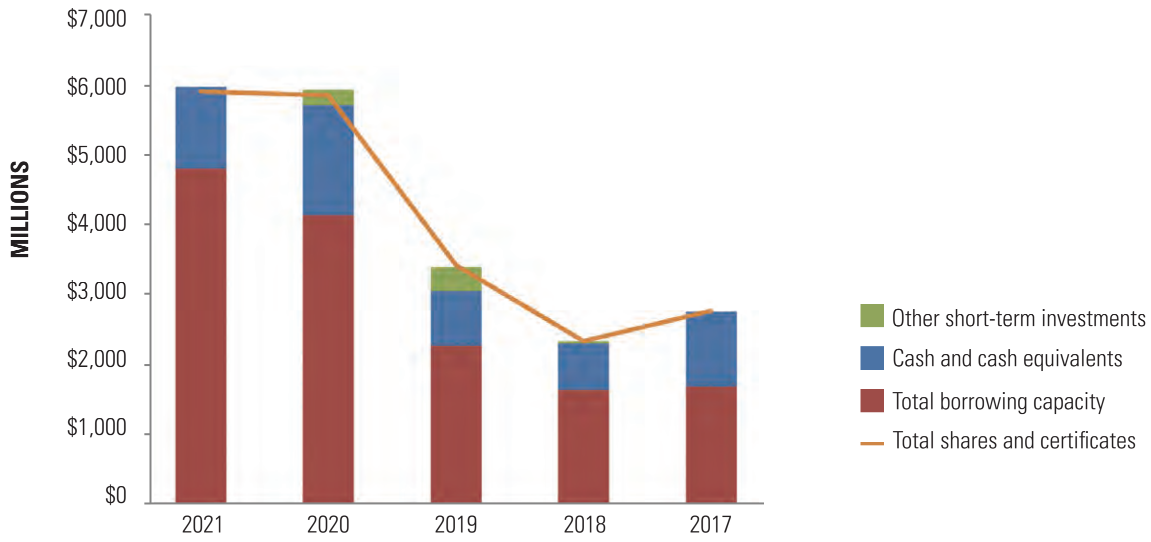
Liquidity Risk Mangement

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 liquidity management strategies 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. 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, 2021, our single largest depositor represented only nine percent of our total member shares.

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

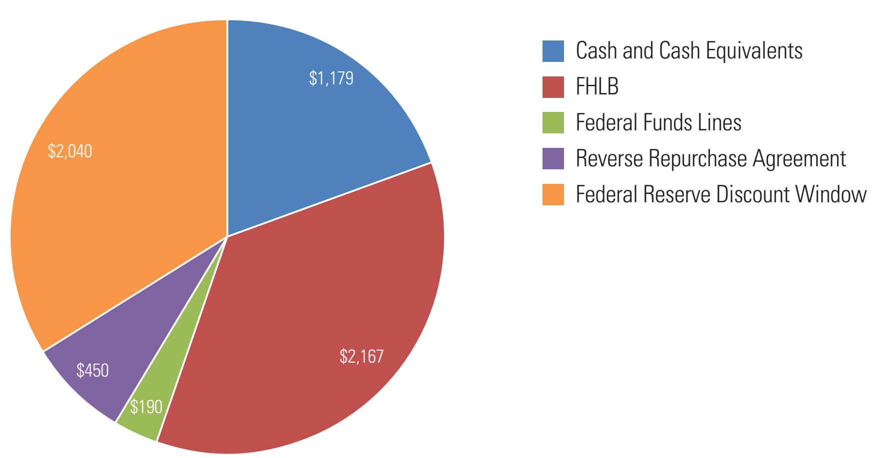
Figure One: Trended data on liquidity sources (Dollar amounts are in millions)



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 to have a place for our members to keep their excess liquidity.

Figure Two shows our diversified liquidity sources.

Figure Two: Sources of Liquidity as of December 31, 2021 (Dollar amounts in millions)



As of December 31, 2021, Corporate One had approximately $6.0 billion in potential liquidity, and of that amount, $1.2 billion is in cash and cash equivalents. We test the reliability of our $4.8 billion of available borrowing sources on a regular basis.

We strive to buy securities with readily determinable market values that may be sold or borrowed against to generate liquidity. Should we need to generate liquidity, we have diversified sources of funds, and we test these sources often to ensure availability. As noted earlier, Corporate One's borrowing capacity on December 31, 2021, was approximately $4.8 billion. We maintain a line of credit with the Federal Home Loan Bank of Cincinnati (FHLB) of approximately $2.2 billion. 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 $450.0 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 $190.0 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 in order to gain access to the Federal Reserve Discount Window. Previously, as a bankers' bank, we were unable to access the Federal Reserve Discount Window. By changing our status with the Federal Reserve Bank, we have the potential to access the ultimate backstop for liquidity.

We have been granted primary credit with the Federal Reserve Bank. Primary credit is available to generally sound 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. Corporate One's borrowing capacity at the Federal Reserve Bank was approximately $2.0 billion at December 31, 2021.

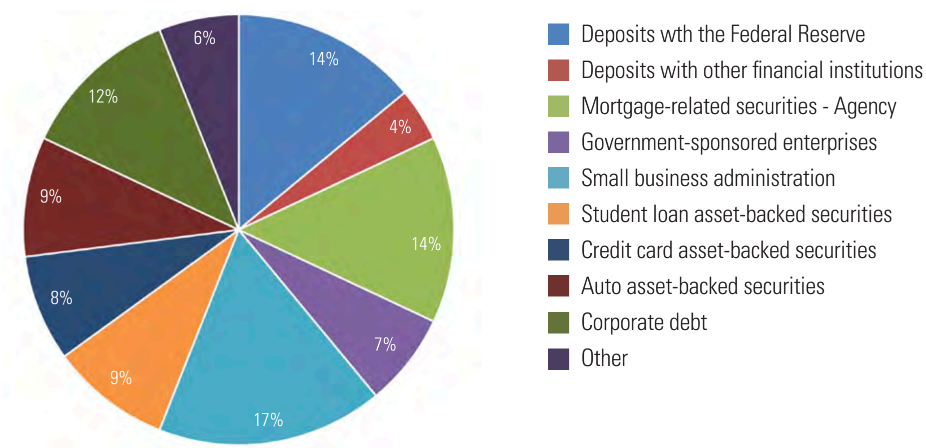
Although Corporate One's on-balance-sheet loan portfolio is small, we have total outstanding advised lines and letter of credit commitments to members of approximately $3.9 billion on December 31, 2021. All outstanding line-of-credit commitments are collateralized by specific or general pledges of assets 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. 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.

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 that 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 assessments of credit 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, 2021, is shown in Figure Three.

On December 31, 2021, 15 percent of the amortized cost of our interest-earning assets is in cash held at the Federal Reserve Bank with another 79 percent of our portfolio invested in cash and investments held at other financial institutions, and in agencies and securities rated "A" or higher by NRSROs. Corporate One does not have any investments in structured investment vehicles (SIVs), collateralized debt obligations (CDOs) or commercial, mortgage-backed securities.

Figure Three: Diversification of interest-earning assets as of December 31, 2021



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, which 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, 2021, and 2020 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, 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%
As of December 31, 2020*				
300 bps rise in rates	$ 314,564	5.03%	$ (41,760)	-11.72%
Base scenario	$ 356,324	5.66%		
200 bps fall in rates	$ 344,153	5.48%	$ (12,171)	-3.42%

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

The increase in our NEV from December 31, 2020, is primarily due to an increase in the fair values of the securities we hold and net income. The NEV ratio, which is a function of both the NEV and the size of our balance sheet, is 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 a variety of financial instruments that closely match the repricing characteristics of the underlying deposit, resulting in minimal mismatch. As of December 31, 2021, 95 percent of our liabilities are overnight shares that reprice daily while only five percent are fixed-rate term deposits. Even the term deposits are short term in nature with the majority maturing in one year or less. As of December 31, 2021, 18 percent of our assets were held in cash, which reprice daily. 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 year-end 2021, 86 percent of the par value amount of our securities were variable-rate securities and reset either daily, monthly, or quarterly, predominantly based upon the Fed Funds Daily, SOFR, LIBOR, or Prime indices. Of these variable-rate securities, eight percent 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 a result of the way we manage our balance sheet, when interest rates move, the value of our floating-rate assets and liabilities does not fluctuate significantly. Movements in interest rates do affect our fixed-rate securities and deposits; however, these represent a very modest portion of our balance sheet. Additionally, the change in value of the fixed-rate deposits generally helps offset the change in value of the fixed-rate securities that occur as a result of changes in interest rates.

Other tools Corporate One uses to mitigate interest rate risk include derivative instruments. These instruments help to minimize interest rate risk by reducing the NEV volatility. As of December 31, 2021, we held interest rate swaps with notional amounts totaling $222.2 million.

With the uncertainty surrounding the future of the LIBOR index, we are actively working to address its eventual cessation. We are managing our existing LIBOR-indexed exposures by ceasing to purchase any LIBOR-indexed security without fallback language. We have identified any LIBOR-indexed securities we hold that do not have appropriate fallback language in their prospectuses, and we have stress-tested those securities. We have quantified the effect of holding those identified securities on our NEV calculations, and based on our stress tests, we would remain in compliance with our regulatory requirements. In addition, we hold Part III Derivative Authority from the NCUA. This authority provides another tool to manage our interest-rate risk to ensure we are able to comply with our regulatory NEV requirements without the need to sell securities at inopportune times.

Operational Risk Management

Corporate One provides a variety of services to our members and is reliant upon our employees and systems to provide these services. Accordingly, Corporate One is exposed to a variety of operational risks, including errors and omissions, business interruptions, improper procedures, third-party performance failures, and cybersecurity threats. These risks are less direct than credit and interest-rate risk, but managing them is critical, particularly in a rapidly changing environment. In the event of a breakdown or improper operation of systems or improper procedures, we could suffer financial loss and other damage, including harm to our reputation.

We continuously strive to strengthen our system of internal controls to ensure compliance with laws, rules, and regulations and to improve the oversight of our operational risk. We developed comprehensive policies and procedures designed to provide a sound and well-controlled operational environment. All critical vendor relationships are reviewed on an annual basis, and a financial analysis of our major business partners is completed. Corporate One also has internal auditors on staff who perform periodic internal audit procedures on the internal controls of Corporate One. The audit staff report on such procedures to Corporate One's Supervisory and ERM Committees and Board of Directors. Additionally, business continuity plans exist and are tested for critical systems, and redundancies are built into the systems as deemed appropriate.

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

Corporate One adheres to a strategy of in-depth defense, a series of defensive mechanisms layered in order 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 on-going 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

REPORT FROM THE SUPERVISORY COMMITTEE

Corporate One's 2021 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 within 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

Donna Johnson,
Coastline FCU

Kathy Martin,
Directions CU

Mark Overfield,
Chair,
Fireland FCU

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, 2021. 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, 2021.

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, 2021, 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 Regulation 704.15 of the National Credit Union Administration (NCUA).

Based upon its assessment, management has concluded that, as of December 31, 2021, 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 Regulation 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, 2021, has been audited by Crowe LLP, an independent public accounting firm, as stated in their report dated March 22, 2022.

Melissa A. Ashley

Melissa A. Ashley
President, Chief Executive Officer

Denise Brown
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 22, 2022

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, 2021, 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 Regulation 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, 2021 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 Regulation 704.15 of the NCUA.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the 2021 financial statements of Corporate One, and our report dated March 22, 2022, 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.

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 Regulation 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 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, 2022

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, 2021 and 2020, and the related consolidated statements of income, comprehensive income, 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, 2021 and 2020, 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, 2021, 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 Regulation 704.15 of the National Credit Union Administration (NCUA), and our report dated March 22, 2022 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, 2022

(Table dollar amounts in thousands)

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,179,186,553	$ 1,592,023,370
Other short-term investments		222,878,041
Investments in financial institutions	56,389,160	68,429,660
Available-for-sale securities, at fair value	5,056,849,509	4,283,275,669
Loans	36,388,172	44,942,561
Accrued interest receivable	3,665,263	3,707,181
Goodwill	3,395,730	3,401,412
Other assets	80,823,175	71,988,575
TOTAL ASSETS	$ 6,416,697,562	$ 6,290,646,469
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	$ 5,652,088,534	$ 5,712,175,174
Share certificates	312,434,465	192,211,852
Dividends and interest payable	387,502	33,078
Accounts payable and other liabilities	12,820,301	29,856,203
TOTAL LIABILITIES	5,977,730,802	5,934,276,307
Members' equity:		
Perpetual contributed capital (PCC)	224,251,579	223,365,281
Retained earnings	202,834,909	115,092,454
Accumulated other comprehensive income	11,880,272	17,912,427
TOTAL MEMBERS' EQUITY	438,966,760	356,370,162
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 6,416,697,562	$ 6,290,646,469

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,	
	2021	2020
Interest income:		
Investments and securities	$ 29,564,278	$ 46,745,149
Loans	540,198	927,442
TOTAL INTEREST INCOME	30,104,476	47,672,591
Dividend and interest expense:		
Share accounts	6,150,557	14,920,655
Other	708,346	17,486
TOTAL DIVIDEND AND INTEREST EXPENSE	6,858,903	14,938,141
NET INTEREST INCOME	23,245,573	32,734,450
NON-INTEREST INCOME	18,464,513	14,611,937
NET GAIN ON INVESTMENTS	394,280	7,036,987
GAIN ON US CENTRAL ESTATE SETTLEMENT	86,620,494	
Operating expenses:		
Salaries and employee benefits	25,673,482	24,916,801
Office operations and occupancy expense	8,173,114	7,655,199
Other operating expenses	3,782,645	5,338,673
TOTAL OPERATING EXPENSES	37,629,241	37,910,673
NET INCOME	$ 91,095,619	$ 16,472,701

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2021	2020
Net Income	$ 91,095,619	$ 16,472,701
Other comprehensive (loss) income:		
Change in net unrealized gain on available-for-sale securities	(6,781,529)	17,087,986
Change in net unrealized gain (loss) on cashflow hedges	1,143,654	(746)
Reclassification adjustment recognized in earnings for net gain from sales of securities	(394,280)	(7,036,987)
Total other comprehensive (loss) income	(6,032,155)	10,050,253
COMPREHENSIVE INCOME	$ 85,063,464	$ 26,522,954

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
BALANCE AT JANUARY 1, 2020	$ 223,365,281	$ 100,905,135	$ 7,862,174	$ 332,132,590
Net income		16,472,701		16,472,701
Other comprehensive income			10,050,253	10,050,253
Dividends on PCC		(2,285,382)		(2,285,382)
BALANCE AT DECEMBER 31, 2020	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 on PCC		(3,353,164)		(3,353,164)
BALANCE AT DECEMBER 31, 2021	$ 224,251,579	$ 202,834,909	$ 11,880,272	$ 438,966,760

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net income	$ 91,095,619	$ 16,472,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,565,075	1,309,269
Net amortization	7,796,994	2,784,303
Gain on US Central estate settlement	(86,620,494)	
Net gain on investments	(394,280)	(7,036,987)
Net change in accrued interest receivable	41,918	3,570,617
Net change in dividends and interest payable	354,424	(226,714)
Other, net	2,371,018	3,259,366
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,210,274	20,132,555
Cash flows from investing activities:		
Net change in investments in financial institutions	12,040,500	(37,224,260)
Proceeds from US Central estate settlement	86,620,494	
Available-for-sale securities:		
Sales	396,748,017	191,292,966
Maturities and principal pay downs	1,018,854,773	1,258,565,636
Purchases	(2,232,105,016)	(3,227,371,945)
Change in other short-term investments	222,886,916	118,558,574
Dividends received from investments in CUSOs	38,400	
Net change in loans	8,554,389	16,842,672
Net change in NCUSIF share insurance deposit	118,947	19,979
Net purchase of property and equipment	(1,617,272)	(2,405,760)
NET CASH USED IN INVESTING ACTIVITIES	(487,859,852)	(1,681,722,138)
Cash flows from financing activities:		
Net change in shares and deposits	61,279,627	2,459,600,489
Issuance of PCC	900,000	
Release of PCC due to liquidation of member credit union	(13,702)	
Dividends on PCC	(3,353,164)	(2,285,382)
NET CASH PROVIDED BY FINANCING ACTIVITIES	58,812,761	2,457,315,107
Net (decrease) increase in cash and cash equivalents	(412,836,817)	795,725,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,592,023,370	796,297,846
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,179,186,553	$ 1,592,023,370
Supplemental disclosure:		
Dividends and interest paid	$ 9,857,643	$ 17,450,238
Due to broker		20,000,000

See accompanying notes to consolidated financial statements.

(Table dollar amounts in thousands)

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 $358.1 million and $368.7 million at December 31, 2021 and 2020, 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 more 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

(Table dollar amounts in thousands)

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. Corporate One has a Business Continuity Plan, including a formal Pandemic Plan. Corporate One is operating in accordance with the Pandemic Plan. However, the extent to which the coronavirus may impact Corporate One's business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions and federal funds sold. 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, 2020, the Federal Reserve Board finalized the rule with no substantive changes. Thus at December 31, 2021 and 2020, 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 $7.0 million as of December 31, 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. As of December 31, 2020, all other short term investments held mature by August 13, 2021. There were no other short term investments as of 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.

(Table dollar amounts in thousands)

(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.

(g) Purchased Credit-Impaired Securities

Corporate One acquired private label mortgage-related securities as a result of a merger, which, at acquisition, there was evidence of deterioration of credit quality since origination. Such purchased credit-impaired securities are accounted for individually. Corporate One estimates the amount and timing of expected cash flows for each security, and the expected cash flows in excess of the amount paid is recorded as interest income over the remaining life of the security (accretable yield). The excess of the securities' contractual principal payments over expected cash flows is not recorded (nonaccretable difference).

Over the life of the securities, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, an other-than-temporary impairment charge is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income using the interest method over the remaining life of the security. During 2021, all remaining purchased credit-imparied securities were sold.

(h) 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. 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 discountinued, subsequent changes in fair value of the derivative are recorded as non-interest

(Table dollar amounts in thousands)

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, 2021, 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, nine interest rate swaps with notional amounts totaling $183.7 million were designated as fair value hedges of certain fixed-rate available-for-sale securities and were determined to be effective during all periods presented. At December 31, 2020, an interest rate swap with a notional amount totaling $5.0 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. There were no fair value hedges for the year ended December 31, 2020.

(i) 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 considered delinquent at December 31, 2021 or 2020.

(j) Property and Equipment

Property and equipment, included in other assets on the consolidated balance sheets, are stated at cost net of accumulated depreciation. 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.

(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 2021, capitalized costs related to internally developed software were $622,000. During 2020, capitalized costs related to internally developed software were $730,000. 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. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

(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.

(Table dollar amounts in thousands)

(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 5. 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.

In 2010, the NCUA published revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, in the Federal Register. The revisions established a capital framework which included risk-based capital requirements. The old capital instruments, Paid-In Capital (PIC) and Membership Capital Shares (MCS), were phased out and two new capital instruments were established. These capital instruments were Perpetual Contributed Capital (PCC) and Non-perpetual Capital Accounts (NCA).

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, PIC and MCS; are 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.

PIC are investments by member credit unions and denote their ownership interest in Corporate One. PIC has no stated maturity date. Notice of intent to de-capitalize by the member is required and once notification is given, the shares are redeemed in 20 years. PIC is not subject to share insurance coverage by the NCUSIF and is available to cover losses that exceed retained earnings. PIC is classified as a liability in the financial statements and is no longer offered. As of October 21, 2011, all PIC not already on notice was automatically put on notice by Corporate One as required by the final revisions to Regulation Part 704. At December 31, 2021 and 2020, there were $20,000 of shares on notice and are included in liabilities under share certificates 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 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,

(Table dollar amounts in thousands)

investment advisory services, asset/liability management tools, loan analytics, and digital services, including payment solutions, and a unified integration platform to enhance a credit union's member experiences through technologies. 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

No reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2021.

(u) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2021. Management has performed such analysis through March 22, 2022, the date the financial statements are available to be issued.

(v) Regulatory Pronouncements

On October 20, 2011, major revisions to NCUA Rules and Regulations, Part 704, the rule governing corporate credit unions, became effective when published in the Federal Register. The major revisions involved corporate credit union capital, investments, asset/ liability management, governance and credit union service organization (CUSO) activities. The regulation established a new capital framework, including risk-based capital requirements; imposed new prompt corrective action requirements; placed various new limits on corporate investments; imposed new asset/liability management controls; amended some corporate governance provisions; and limited a corporate CUSO to categories of services pre-approved by the NCUA. The new capital instruments were defined, a process for phasing out MCS and PIC was set forth, and new capital ratio requirements were established. In 2017, the NCUA issued amendments to Regulation Part 704. Specifically, the amendments established a retained earnings ratio requirement and revised the definitions of retained earnings and Tier 1 capital. These requirements are discussed further in Note 14.

In November 2020, the NCUA issued another amendment that updates, clarifies, and simplifies several provisions of the NCUA's corporate credit union regulation, including: permitting a corporate credit union to make a minimal investment in a CUSO without the CUSO being classified as a corporate CUSO under the NCUA's rules; expanding the categories of senior staff positions at member credit unions eligible to serve on a corporate credit union's board; and amending the minimum experience and independence requirement for a corporate credit union's enterprise risk management expert. These updates had no impact to the consolidated financial statements presented.

(w) 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. On March 18, 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 in April and August 2021. Corporate One holds a total of approximately $158 million in US Central MCS claim certificates and $43 million in PIC. During 2021, we received 54.9 percent or $86.6 million in MCS settlement distributions.

(Table dollar amounts in thousands)

(3) LOANS

Loans to members at December 31 are summarized at right.

An allowance for loan losses (ALL) was not considered necessary at December 31, 2021 or 2020, for member loans based on management's continuing review and evaluation of the loan portfolio. Corporate One incurred no loan losses in either 2021 or 2020 on member loans, and considers no member loans impaired as of, or during the years ended December 31, 2021 and 2020.

	2021	2020
Member loans:		
Term	$ 14,300	$ 14,225
Warehouse	21,288	29,806
Demand	425	847
Settlement	375	65
TOTAL LOANS	$ 36,388	$ 44,943

(4) INVESTMENTS IN FINANCIAL INSTITUTIONS

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

	2021	2020
Federal Home Loan Bank stock	$ 9,058	$ 9,445
Certificates of deposit	4,712	16,365
Central Liquidity Facilty stock	42,619	42,620
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	$ 56,389	$ 68,430

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, 2021 and 2020.

As of December 31, 2021 and 2020, 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, 2021, are summarized as follows:

Year of Maturity	Balance
2022	$ 1,736
2023	1,736
2024	1,240
TOTAL CERTIFICATES OF DEPOSIT	$ 4,712

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 and 2020, 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.

(Table dollar amounts in thousands)

(5) SECURITIES

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

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 enterprises	438,623	650	(373)	438,900
Small business administration (SBA) securities	1,053,636	14,181		1,067,817
Mortgage-related securities	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

2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	$ 474,691	$ 1,878	$ (8)	$ 476,561
Government-sponsored enterprises	493,618	1,339	(25)	494,932
Small business administration (SBA) securities	1,196,895	15,089		1,211,984
Mortgage-related securities	814,915	5,249	(668)	819,496
Asset-backed securities	1,285,244	4,800	(9,741)	1,280,303
TOTAL AVAILABLE-FOR-SALE SECURITIES	$ 4,265,363	$ 28,355	$ (10,442)	$ 4,283,276

Proceeds from the sales 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. Proceeds from the sale of available-for-sale securities were $191.3 million in 2020. Gross gains of $7.4 million and gross losses of $400,000 were recorded on securities during 2020.

U.S. government agency securities are debt obligations issued by government-sponsored enterprises or U.S. government agencies. Government-sponsored enterprises are independent organizations sponsored by the federal government and established with a public purpose. SBA securities consist primarily of securitized loans to small businesses used for the purchase of land, buildings, equipment or new construction. At December 31, 2021, mortgage-related securities consisted of mortgage-backed securities issued by Fannie Mae or Freddie Mac. At December 31, 2020, mortgage-related securities consisted of private-label mortgage-backed securities and 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, 2021, are reflected in the following table. Because the actual lives of certain mortgage-related securities, certain asset-backed securities, SBA securities and investments in government-sponsored enterprises 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	$ 824,225	$ 824,938	
Due after one year through five years	1,441,544	1,441,573	
Due after five years through ten years	180,166	178,890	
Due after ten years	19,750	19,763	
Securities with prepayment features:			
Residential mortgage-backed agency securities	891,858	895,001	5.84
Asset-backed securities	634,934	628,868	3.45
SBA securities	1,053,636	1,067,817	3.32
TOTAL	$ 5,046,113	$ 5,056,850	

Certain securities are pledged as collateral to secure certain lines of credit with financial institutions. See Note 9 for further details.

At December 31, 2021, approximately 86 percent of the par value amount, or $4.32 billion, of Corporate One's securities, with a fair market value of $4.33 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 $4.32 billion of variable-rate securities, 8 percent of the par value amount, or $345.7 million of such securities, with a fair market value of $348.1 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:

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 enterprises	39,668	(332)	$ 4,384	$ (41)	44,052	(373)
Mortgage-related securities	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)

2020	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	$ 15,315	$ (8)			$ 15,315	$ (8)
Government-sponsored enterprises	19,400	(25)			19,400	(25)
Mortgage-related securities	65,577	(245)	$ 5,799	$ (423)	71,376	(668)
Asset-backed securities	172,361	(858)	196,124	(8,883)	368,485	(9,741)
TOTAL TEMPORARILY IMPAIRED SECURITIES	$ 272,653	$ (1,136)	$ 201,923	$ (9,306)	$ 474,576	$ (10,442)

Corporate One believes the declines in fair values of our asset-backed securities are primarily attributable to the deterioration of liquidity and larger risk premiums in the market consistent with the broader credit markets and are not a result of the performance of the underlying collateral or credit quality supporting the 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 2021 and 2020.

(Table dollar amounts in thousands)

Gross unrealized losses on asset-backed securities represent 89 percent of our gross unrealized losses at December 31, 2021. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2021, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	$ 504,231	$ 498,390	$ 1,367	$ (7,208)	AAA	B	5.96
Private	51,151	50,980		(171)	AAA	AAA	3.48
Credit cards	511,989	511,463	606	(1,132)	AAA	AAA	1.16
Automobiles	557,853	557,292	472	(1,033)	AAA	AAA	1.26
Other	302,791	302,664	209	(336)	AAA	A	1.68
ASSET-BACKED SECURITIES	$ 1,928,015	$ 1,920,789	$ 2,654	$ (9,880)			

*Federal Family Education Loan Program

Of the 82 non-mortage related asset-backed securities we own that were in an unrealized loss position, 68 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 agency mortgage-related securities represent one percent of our gross unrealized losses at December 31, 2021. Of the 15 agency mortgage-related available-for-sale securities we own that were in an unrealized loss position, all are government agency insured bonds.

Gross unrealized losses on corporate debt securities represent 6 percent of our gross unrealized losses at December 31, 2021. Of the 14 corporate debt securities we own that were in an unrealized loss position, six of those securities are dual rated A or better. The remaining are dual rated BBB or better.

Gross unrealized losses on government-sponsored enterprises represent 4 percent of our gross unrealized losses at December 31, 2021. Of the two government-sponsored enterprises we own that were in an unrealized loss position, both of those securities 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, 2021 are temporary and that fair values will approximate amortized costs as the securities near maturity. No OTTI charges were recorded during 2021 or 2020.

Purchased Credit Impaired Securities

As a result of a merger with another corporate credit union, we acquired 20 private label mortgage-related securities for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Since acquisition, all securities either matured or were sold and as of December 31, 2021, we hold no purchased credit impaired securities.

(Table dollar amounts in thousands)

(6) 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:

	2021	2020
Primary Financial Company LLC	$ 4,565	$ 4,505
eDoc Innovations, Inc.	2,441	2,231
Tranzcapture LLC	250	250
CULedger LLC	250	250
TOTAL NON-MARKETABLE EQUITY INVESTMENTS	$ 7,506	$ 7,236

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 $60,000 and $133,000 in 2021 and 2020, 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, $1.18 million in 2021 and $1.29 million in 2020 on the certificates placed. In December 2021, Primary Financial declared a dividend of $70,000 per share. The dividend will be paid in the first quarter of 2022 resulting in a total dividend of $1.12 million to Corporate One.

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 income of $248,000 in 2021 and income of $148,000 in 2020. In November 2021, eDoc declared a dividend of $.01 per share. This resulted in a cash dividend of $38,400 paid to Corporate One in November 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.

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 is accounted for using the cost method.

(7) 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, 2021, Corporate One performed a qualitative assessment to determine if it was more likely than not that goodwill is impaired, meaning

(Table dollar amounts in thousands)

the carrying amount of goodwill exceeds its implied fair value. Based on our review as of December 31, 2021, 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, 2021, this asset was fully amortized.

(8) 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 6. Also included in other assets are split dollar loans related to a Supplemental Executive Retirement Plan (SERP), which are discussed in Note 12.

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

	2021	2020
Buildings and improvements	$ 10,264	$ 10,264
Equipment	10,326	8,992
	20,590	19,256
Less: Accumulated depreciation	10,028	8,730
NET PROPERTY AND EQUIPMENT	$ 10,562	$ 10,526

(9) 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, 2021 and 2020, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $2.40 billion and $2.54 billion, respectively, which provided a borrowing capacity of approximately $2.17 billion and $2.28 billion, respectively. At December 31, 2021 and 2020, 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, 2021 and 2020, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately $2.12 billion and $1.34 billion, respectively, which provided a borrowing capacity of approximately $2.04 billion and $1.29 billion, respectively. At December 31, 2021 and 2020, 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 $450 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, 2021 or 2020. Average borrowings under reverse repurchase agreements were approximately $199,300 during 2021 and $159,700 during 2020. There was no amount outstanding at any month-end during 2021 or 2020.

We also maintain $190.0 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, 2021 or 2020.

(Table dollar amounts in thousands)

(10) SHARE ACCOUNTS AND MEMBER CAPITAL ACCOUNTS

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

	2021	2020
Settlement and regular shares	$ 5,652,089	$ 5,712,175
Share certificates	312,434	192,212
TOTAL SHARE ACCOUNTS	$ 5,964,523	$ 5,904,387
PCC	$ 224,252	$ 223,365
TOTAL MEMBER CAPITAL ACCOUNTS	$ 224,252	$ 223,365

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, 2021 and 2020, insured member accounts totaled $140.2 million and $146.5 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.

Total share certificate and PIC accounts by maturity at December 31, 2021 are summarized as follows:

Year of Maturity	Balance
2022	$ 223,208
2023	47,482
2024	25,741
2025	2,997
2026 and thereafter	13,006
TOTAL SHARE CERTIFICATES	$ 312,434

Share certificates that meet or exceed the NCUSIF insurance limit of $250,000 at December 31, 2021 and 2020 were $295.3 million and $174.2 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.

(11) 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, 2021 and 2020, these financial instruments included outstanding advised lines of credit of approximately $3.9 billion and $3.9 billion, respectively. There were no outstanding committed lines of credit at December 31, 2021 or 2020.

(Table dollar amounts in thousands)

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.

(12) 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 2021 or 2020. Retirement expense was approximately $1,123,000 in 2021 and $1,059,000 in 2020.

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, 2021 and 2020 was $121,000 and $160,000, respectively. Total split dollar loans outstanding at December 31, 2021 and 2020 were $31.1 million and $30.7 million, respectively, and are included in other assets in the accompanying consolidated balance sheets.

13) 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.

(Table dollar amounts in thousands)

The fair value of available-for-sale securities other than some residential mortgage-backed or 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.

Corporate One engages independent third-party experts to value our asset-backed securities where pricing is not available from a pricing service and our residential mortgage-backed and home equity asset-backed securities. 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 residential mortgage-backed and 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, 2021, 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, 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 enterprises	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	

(Table dollar amounts in thousands)

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2020:

	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	$ 476,561	$ 476,561		
Government-sponsored enterprises	494,932		$ 494,932	
Mortgage-related securities - agency	811,593		811,593	
Mortgage-related securities - private	7,903		2,566	$ 5,337
SBA securities	1,211,984		1,211,984	
Asset-backed securities:				
Student loans - FFELP	225,159		225,159	
Student loans - private	373		167	206
Credit cards	423,576		423,576	
Automobiles	452,088		452,088	
Other	179,107		179,107	
TOTAL AVAILABLE-FOR-SALE SECURITIES	$ 4,283,276	$ 476,561	$ 3,801,172	$ 5,543
Derivative liabilities - interest rate contracts	1		1	
TOTAL LIABILITIES AT FAIR VALUE	$ 1		$ 1	

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, 2021 and 2020.

	Total Fair Value of Available-for-Sale Securities Priced Using Significant Unobservable Inputs (Level 3)	
	2021	2020
Beginning balance January 1,	$ 5,543	$ 30,970
Changes in fair values of Level 3 securities due to change in price:		
Mortgage-related securities - private		(121)
Student loans - private	1	1
Decreases due to net gain on sales of securities:		
Net gain on sales of securities	(333)	(5,568)
Decreases due to sales, maturities and paydowns:		
Mortgage-related securities - private	(5,005)	(19,734)
Student loans - private	(91)	(95)
Net transfers in and/or (out) of Level 3:		
Mortgage-related securities - private		90
Student loans - private	(115)	
ENDING BALANCE DECEMBER 31,	$ 0	$ 5,543

(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, 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. As of December 31, 2020, one mortgage-related private security with a fair value of $90,000 was transferred out of Level 2 and into Level 3 because observable market data was no longer available.

There were no securities with fair values classified as Level 3 as of December 31, 2021.

The following table presents quantitative information about recurring Level 3 fair value measurements at December 31, 2020:

2020					
	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Mortgage-related securities - private	$ 5,337	Discounted cash flow	Constant prepayment rate Probability of default Loss severity	(0-94) (0-20) (0-49)	8.32 3.98 22.25
Student loans - private	206	Discounted cash flow	Constant prepayment rate Probability of default Loss severity		9.01 1.59 72.02
TOTAL LEVEL 3 SECURITIES	$ 5,543				

As of December 31, 2020, the Level 3 securities consist of 5 private label mortgage-related securities and one private-label student loan. The significant unobservable inputs used in the fair value measurements of these securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

(14) 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

(Table dollar amounts in thousands)

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

	2021	2020
Retained Earnings	$ 202,835	$ 115,092
PCC	224,251	223,365
Less: CUSO investments (equity and cost)	(7,506)	(7,236)
Tier 1 Capital	419,580	331,221
Unamortized PIC	20	20
Tier 2 Capital	20	20
TOTAL REGULATORY CAPITAL	$ 419,600	$ 331,241

As of December 31, 2021, MDANA and MDANRA were $6.36 billion and $2.49 billion, respectively. As of December 31, 2020, MDANA and MDANRA were $5.34 billion and $1.89 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, 2021 and 2020, adjusted MDANA (used for the leverage ratio) was $6.35 billion and $5.33 billion, respectively.

The following summarizes Corporate One's capital ratios as of December 31, 2021 and 2020.

	December 31, 2021	December 31, 2020
Retained earnings ratio	3.19%	2.16%
Leverage ratio	6.61%	6.22%
Tier 1 risk-based capital ratio	16.87%	17.55%
Total risk-based capital ratio	16.87%	17.56%

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, 2021 and 2020, 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 20 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 2021 and 2020, we complied with the NEV sensitivity requirement and the NEV ratio requirement.

(15) 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, 2021 and $5.0 million as of December 31,2020, were designated as cash flow hedges of a portion of our daily market accounts and was 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.

(Table dollar amounts in thousands)

Fair Value Hedges: Interest rate swaps with notional amounts totaling $183.7 million as of December 31, 2021, were designated as fair value hedges of certain fixed-rate available-for-sale securities and were determined to be effective during all periods presented. There were no fair value designated hedges outstanding as of December 31, 2020. 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.

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

	2021		2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow	$ 31,470	$ 1,143		
Interest rate swaps – fair value	158,713	2,633		
TOTAL INCLUDED IN OTHER ASSETS	$ 190,183	$ 3,776		
Included in accounts payable and other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow			$ 5,000	$ (1)
Interest rate swaps – fair value	$ 25,000	$ (12)		
TOTAL INCLUDED IN ACCOUNTS PAYABLE AND OTHER LIABILITIES	$ 25,000	$ (12)	$ 5,000	$ (1)

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, 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. No collateral amounts were required as of December 31, 2020.

(Table dollar amounts in thousands)

(16) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2021 and 2020.

	Unrealized Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Balance, December 31, 2019		$ 7,862	$ 7,862
Other comprehensive income (loss) before reclassification	$ (1)	17,088	17,087
Amounts reclassified from accumulated other comprehensive income (loss)		(7,037)	(7,037)
Balance, December 31, 2020	(1)	17,913	17,912
Other comprehensive income (loss) before reclassification	1,144	(6,782)	(5,638)
Amounts reclassified from accumulated other comprehensive income (loss)		(394)	(394)
Balance, December 31, 2021	$ 1,143	$ 10,737	$ 11,880

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the years ending December 31, 2021 and 2020.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2021	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2020	Affected Line Item in the Consolidated Statements of Income
Reclassification adjustment recognized in earnings for net gain from sales of securities	$ (394)	$ (7,037)	Net gain on sales of securities
TOTAL RECLASSIFICATIONS FOR THE PERIOD	$ (394)	$ (7,037)	

(Table dollar amounts in thousands)

(17) 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, 2021 and 2020. Items outside the scope of ASC 606 are noted as such.

	Year Ended December 31,	
	2021	2020
Non-Interest Income		
CUSO income	$ 11,016	$ 7,183
Payment services	3,410	3,466
Brokerage services	2,018	1,876
Other*	1,155	1,251
Non-interest income within the scope of other GAAP topics	866	836
TOTAL NON-INTEREST INCOME	$ 18,465	$ 14,612

*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 $300,000 and $630,000 included in CUSO income above, of which $1.42 million and $1.66 million represents gross CUSO income and $1.12 million and $1.03 million represents third-party costs incurred to provide these services for the twelve months ended December 31, 2021 and 2020, respectively. Where our wholly-owned CUSOs act as principals, third-party costs of $621,000 and $694,000 are included in other operating expenses in the accompanying consolidated statements of income for the twelve months ended December 31, 2021 and 2020, 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 $2.74 million and $2.54 million in third-party costs were incurred to provide these services for the twelve months ended December 31, 2021 and 2020, respectively. Payment service fees are withdrawn from the member's deposit account balance.

(Table dollar amounts in thousands)

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 $116,000 and $210,000 in third-party costs incurred to provide these services for the twelve months ended December 31, 2021 and 2020, 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 $962,000 and $579,000 in third-party costs incurred to provide these services for the twelve months ended December 31, 2021 and 2020, respectively. Other service fees are withdrawn from the member's deposit account balance.

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