Corporate One
FEDERAL CREDIT UNION

Audited Consolidated Financial Statements

2023

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For further information, please contact:

Denise Brown, Executive Vice President and Chief Financial Officer,

866-692-6771 ext. 9367

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A Letter to our Members

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

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

Dear Members:
As we reflect on Corporate One's accomplishments in 2023, it is evident that our vision to grow a thriving cooperative that fosters collaboration, drives innovation, values financial strength, and delivers exceptional service for the benefit of all credit unions has been achieved with commendable success.

With deep appreciation for the unwavering support from our members, the steadfast commitment of our board of directors, and the exceptional contributions of our leadership team, without whom reaching milestones like these would have been unattainable, we are eager to highlight our impactful efforts in elevating and empowering your credit union over the past year.

Outstanding financial performance
For the year ending December 31, 2023, we recognized net income of $58.9 million, which ranks as our third-highest annual net income amount to date. This outstanding financial achievement allowed us to pay more than $12 million in Perpetual Contributed Capital (PCC) dividends to our partner members, marking the highest PCC dividend distribution in our history. Furthermore, we bolstered our retained earnings by $46.9 million, elevating the total to an impressive $316 million. As a gesture of appreciation to our valued members, we also waived approximately $1.6 million in processing fees associated with our payment solutions.

Supporting payments modernization through immediate payments
With a rich legacy of leadership in the payments industry for several decades, Corporate One is dedicated to guiding credit unions toward a prosperous future by advocating for the modernization of their payment offerings. With two new payment rails—the RTP® network and FedNow® Service—that have come to market in the last seven years, it has been an ongoing strategic priority for us to become a leader in the new immediate payments landscape, grow our capabilities and industry knowledge, and finetune our approaches to education and implementation.

Our efforts in this area resulted in several accomplishments in 2023:

- We became a participant on the Federal Reserve's new instant payment rail, the FedNow Service, as well as a Settlement Services Provider. Our FedNow Service capabilities were featured in the FedNow Service Provider Showcase, a resource where credit unions can connect with financial institutions and service providers offering immediate payment solutions.
- We brought a new offering to market, CU Corporate Payments on the RTP network, and we were one of the first senders on this network.
- We helped 18 credit unions and six core processors connect to the RTP network.

We couldn't be more thrilled that the members we connected to the RTP network can now take advantage of all the benefits and use cases offered by real-time payments, and we look forward to extending our connection solution to include the FedNow Service by March 2024 to meet that need as well. We will continue leveraging these successes to drive efficiency and help the credit unions we serve compete and be seen as innovative financial partners by their members.

Growing our Corporate One family and driving value

Last year, we welcomed 18 new members to the Corporate One family. Whether offering access to liquidity and providing competitive investment options or helping evolve a credit union's payments infrastructure, each member received the superior service and expertise for which Corporate One is renowned. In addition to welcoming new members, we continued to invest in several key areas to drive member satisfaction, provide superior service, and support our local communities.

- We assisted credit unions in a rapidly rising interest rate environment with accessing more than $4 billion in funding, including helping credit unions access liquidity through the Bank Term Funding Program.
- We released a new and improved version of Members Only, our online member portal, showcasing a more modern and simplified interface complemented by end-to-end mobile experiences.
- We strengthened security on multiple fronts by substantially upgrading our log-in protocols and fortifying our system and our members' security.
- We contributed approximately $328,000 to industry causes and actively engaged in philanthropic initiatives, such as the Salvation Army's *Angel Tree* and *My Very Own Blanket* programs.
- Our CUSO, Accolade Investment Advisory, leveraged their ALM platform to expand product offerings with budget and liquidity reporting solutions. They also continued to provide timely advice to help credit unions navigate changing economic conditions and the challenging regulatory environment.
- Our CUSO, Lucro Commercial Solutions, expanded its network by adding 12 new credit union partners and successfully launching Loan Split, a new commercial lending participation platform. In addition, Lucro continued to enhance its Digital Business Lending Center with customization options and core integration.

In conclusion, we take great pride in the achievements of the past year and eagerly anticipate surpassing those milestones in the future to serve our members better. With all our strategic initiatives and business objectives, our guiding light is to elevate and empower our member credit unions to drive the financial success of their members. On behalf of everyone at Corporate One, we remain resolute in our mission and extend our heartfelt gratitude for your continuous support.

Sincerely,

Melissa A. Ashley

Melissa A. Ashley
President/CEO

R. Lee Powell

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

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Report from the Supervisory Committee

Corporate One's 2023 financial statements, prepared by management, were audited in accordance with auditing standards generally accepted in the United States of America by Crowe LLP, independent auditors. Crowe's report on Corporate One's financial statements is included in this 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,
Chair
Beacon CU

Janice Hollar,
Board Liaison,
Achieva CU

Lori Klumpp,
L&N FCU

Tasha Kostick,
1st Northern
California CU

Dave Shuey,
Financial Partners FCU

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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, 2023. 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, 2023.

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, 2023, based on criteria established in the *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA).

Based upon its assessment, management has concluded that, as of December 31, 2023, Corporate One's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310 Corporate Credit Union Call Report, is effective based on criteria established in the *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA).

Corporate One'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, 2023, has been audited by Crowe LLP, an independent public accounting firm, as stated in their report dated March 20, 2024.

Melissa A. Ashley

Melissa A. Ashley
President, Chief Executive Officer

Denise Brown
Executive Vice President, Chief Financial Officer

Columbus, Ohio
March 20, 2024

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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, 2023, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA). In our opinion, Corporate One maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in *Internal Control – Integrated Framework* (2013) issued by COSO relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the NCUA.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the 2023 financial statements of Corporate One, and our report dated March 20, 2024, expressed an unmodified opinion.

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

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

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

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

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

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

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

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

Restriction on Use

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

Crowe LLP

Crowe LLP
Columbus, Ohio
March 20, 2024

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, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Corporate One as of December 31, 2023 and 2022, 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, 2023, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 704.15 of the National Credit Union Administration (NCUA) and our report dated March 20, 2024 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.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the Letter to Our Members included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP
Columbus, Ohio
March 20, 2024

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Consolidated Balance Sheets

	December 31,	
	2023	**2022**
ASSETS		
Cash and cash equivalents	$ 1,829,473,384	$ 1,779,190,007
Investments in financial institutions	66,765,800	55,098,300
Available-for-sale securities, at fair value (amortized cost $2,975,640,880 and $3,650,179,548)	2,941,249,398	3,578,884,916
Loans	178,368,608	275,193,509
Accrued interest receivable	26,408,934	19,604,292
Goodwill	3,395,730	3,395,730
Other assets	96,443,523	105,867,078
TOTAL ASSETS	**$ 5,142,105,377**	**$ 5,817,233,832**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Settlement and regular shares	$ 3,897,695,031	$ 3,707,849,588
Share certificates	412,069,000	641,739,446
Borrowed funds	283,000,000	1,000,000,000
Dividends and interest payable	3,097,631	2,545,567
Accounts payable and other liabilities	33,354,300	35,974,453
TOTAL LIABILITIES	**4,629,215,962**	**5,388,109,054**
Members' equity:		
Perpetual contributed capital (PCC)	226,992,520	226,092,520
Retained earnings	316,299,546	269,393,486
Accumulated other comprehensive loss	(30,402,651)	(66,361,228)
TOTAL MEMBERS' EQUITY	**512,889,415**	**429,124,778**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 5,142,105,377**	**$ 5,817,233,832**

See accompanying notes to consolidated financial statements.

13 | Consolidated Statements of Income

	Year ended December 31,	
	2023	**2022**
Interest income:		
Investments and securities	$ 249,444,612	$ 109,791,907
Loans	16,459,331	3,836,100
TOTAL INTEREST INCOME	265,903,943	113,628,007
Dividend and interest expense:		
Share accounts	182,418,084	65,481,521
Other	24,551,047	15,985,414
TOTAL DIVIDEND AND INTEREST EXPENSE	206,969,131	81,466,935
NET INTEREST INCOME	58,934,812	32,161,072
NON-INTEREST INCOME	14,526,987	16,425,117
NET (LOSS) GAIN ON SALE OF SECURITIES	(989,666)	144,125
GAIN ON US CENTRAL ESTATE SETTLEMENT	28,008,370	63,427,029
Operating expenses:		
Salaries and employee benefits	30,149,566	27,858,716
Office operations and occupancy expense	8,522,172	8,895,587
Other operating expenses	2,896,177	3,188,324
TOTAL OPERATING EXPENSES	41,567,915	39,942,627
NET INCOME	**$ 58,912,588**	**$ 72,214,716**

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income (Loss)

	Year ended December 31,	
	2023	**2022**
Net Income	**$ 58,912,588**	**$ 72,214,716**
Other comprehensive income (loss):		
Change in net unrealized gain (loss) on available-for-sale securities	35,913,484	(81,887,871)
Change in net unrealized gain on cashflow hedges	476,537	4,104,523
Reclassification adjustment recognized in earnings for net interest on daily market accounts	(1,421,110)	(314,027)
Reclassification adjustment recognized in earnings for net loss (gain) from sales of securities	989,666	(144,125)
Total other comprehensive income (loss)	35,958,577	(78,241,500)
COMPREHENSIVE INCOME (LOSS)	**$ 94,871,165**	**$ (6,026,784)**

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Changes in Members' Equity

	Perpetual Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
BALANCE AT JANUARY 1, 2022	**$ 224,251,579**	**$ 202,834,909**	**$ 11,880,272**	**$ 438,966,760**
Net income		72,214,716		72,214,716
Other comprehensive loss			(78,241,500)	(78,241,500)
Issuance of PCC	1,840,941			1,840,941
Dividends on PCC		(5,656,139)		(5,656,139)
BALANCE AT DECEMBER 31, 2022	**226,092,520**	**269,393,486**	**(66,361,228)**	**429,124,778**
Net income		58,912,588		58,912,588
Other comprehensive income			35,958,577	35,958,577
Issuance of PCC	900,000			900,000
Dividends on PCC		(12,006,528)		(12,006,528)
BALANCE AT DECEMBER 31, 2023	**$ 226,992,520**	**$ 316,299,546**	**$ (30,402,651)**	**$ 512,889,415**

See accompanying notes to consolidated financial statements.

16 Consolidated Statements of Cash Flows

	Year ended December 31, 2023	2022
Cash flows from operating activities:		
Net income	$ 58,912,588	$ 72,214,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,532,415	1,546,847
Net amortization	2,572,664	4,815,461
Gain on US Central estate settlement	(28,008,370)	(63,427,029)
Net loss (gain) on sales of securities	989,666	(144,125)
Net change in accrued interest receivable	(6,804,642)	(15,939,029)
Net change in dividends and interest payable	552,064	2,158,065
Write down on transfer of assets held for sale		517,058
Other, net	(1,466,996)	19,151,187
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,279,389	20,893,151
Cash flows from investing activities:		
Net change in investments in financial institutions	(12,152,000)	(248,000)
Proceeds from US Central estate settlement	28,008,370	63,427,029
Available-for-sale securities:		
Sales	63,344,946	114,677,115
Maturities and principal pay downs	990,353,558	1,735,977,600
Purchases	(375,300,315)	(481,929,806)
Proceeds from the redemption of CLF Stock		42,619,360
Proceeds from the redemption of FHLB Stock	484,500	
Purchases of FHLB Stock		(41,080,500)
Proceeds from the sale of assets	200,000	
Dividends received from investments in CUSOs	134,400	1,320,000
Net change in loans	96,824,901	(238,805,337)
Net change in NCUSIF share insurance deposit	40,099	91,844
Net purchase of property and equipment	(1,058,366)	(1,980,336)
NET CASH PROVIDED BY INVESTING ACTIVITIES	790,880,093	1,194,068,969
Cash flows from financing activities:		
Net change in borrowed funds	(717,000,000)	1,000,000,000
Net change in shares and deposits	(40,769,577)	(1,611,143,468)
Issuance of perpetual contributed capital	900,000	1,840,941
Dividends on perpetual contributed capital	(12,006,528)	(5,656,139)
NET CASH USED IN FINANCING ACTIVITIES	(768,876,105)	(614,958,666)
Net increase in cash and cash equivalents	50,283,377	600,003,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,779,190,007	1,179,186,553
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,829,473,384**	**$ 1,779,190,007**
Supplemental disclosure:		
Dividends and interest paid	$ 218,423,595	$ 84,965,009
Lease liabilities arising from obtaining right-of-use assets		701,763
Assets transferred to held for sale		3,381,000

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Table dollar amounts in thousands)

(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), which is an inactive CUSO. 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 $441.3 million and $384.8 million at December 31, 2023 and 2022, respectively. Accolade provides investment advisory services, asset/liability management tools and loan analytics to credit unions. During 2023, certain services provided by Sherpa were transitioned to Corporate One and any remaining Sherpa contracts expired with no option for renewal. 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 assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Specifically, management has made assumptions in the amortization/accretion of premiums/discounts on investments subject to prepayment. It is reasonably possible that our estimates could change based on the change in the prepayments currently expected on investments subject to prepayment. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash, amounts due from depository institutions and federal funds sold. Interest income earned on these accounts is included under investments and securities interest income on the accompanying consolidated statements of income. At December 31, 2023 and 2022, the interest income earned from the balances held at the Federal Reserve Bank was $71.7 million and $22.2 million, respectively. Net cash flows are reported on the accompanying consolidated statements of cash flows for loans, shares and certain other items.

To further diversify our liquidity options, we elected to voluntarily hold Reg D reserves to gain access to the Federal Reserve Discount Window. Accordingly, Corporate One was required to maintain cash or deposits with the Federal Reserve Bank. In 2020, the Federal Reserve Board adopted an interim final rule amending Reg D to lower reserve requirement ratios on transaction accounts maintained at depository institutions to zero percent. Subsequent to December 31, 2021, the Federal Reserve Board finalized the rule with no substantive changes. Thus at December 31, 2023 and 2022, 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 $6.2 million and $3.3 million respectively as of December 31, 2023 and 2022. 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) 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, and the Federal Home Loan Bank (FHLB) of Cincinnati stock. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(e) 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.

A debt security is placed on nonaccrual status if credit losses are determined as a result of a triggering event or during our semi-annual credit loss review. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

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.

(f) Allowance for Credit Losses – Available-For-Sale Securities

Management evaluates securities for credit losses at least semi-annually, and more frequently when economic or market conditions warrant such an evaluation. For available-for-sale 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 a write-down through earnings. For debt securities that do not meet the aforementioned criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectiblity of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest income on available-for-sale securities totaled $17.5 million at December 31, 2023, and is considered in our overall estimate of credit losses.

(g) Derivatives

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

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

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

At December 31, 2023, 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, 10 interest rate swaps with notional amounts totaling $213.7 million were designated as fair value hedges of certain fixed-rate assets, and five interest rate swaps with notional amounts totaling $140.0 million were designated as fair value hedges of certain fixed-rate term loans, and all were determined to be effective during all periods presented. At December 31, 2022, one interest rate swap with a notional amount totaling $31.5 million was designated as a cash flow hedge of certain daily overnight market share accounts and was determined to be highly effective during all periods presented. In addition, 11 interest rate swaps with notional amounts totaling $263.7 million were designated as fair value hedges of certain fixed-rate assets, and two interest rate swaps with notional amounts totaling $42.3 million were designated as fair value hedges of certain fixed-rate term certificates, and all were determined to be effective during all periods presented.

(h) Loans

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

(i) Allowance for Credit Losses - Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current economic landscape, including factors such as inflation, interest rates, the housing sector, job data, and manufacturing sector data.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans are grouped into one of the following pools: settlement loans, demand loans, term loans, or warehouse loans. Risk characteristics evaluated for each pool of loans include assigned internal credit grade, line of credit amount compared to outstanding loan balance, specific collateral amounts (if applicable), internal watchlist designation, and other criteria. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation.

Corporate One adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet credit exposures as of January 1, 2023. The adoption of this standard did not have a material effect on Corporate One's operating results or financial condition. Prior to adoption of ASC 326, an allowance for loan losses was 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 included consideration of past loan loss experience, changes in the composition of the loan portfolio, the current financial condition of the member, quality of the collateral and the amount of loans outstanding.

(j) Property and Equipment

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

(k) Leases

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

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

(l) 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, and testing 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 2023, capitalized costs related to internally developed software were $54,600 and $360,000 during 2022. Amortization begins when the software is available for use and uses the straight-line method over the estimated useful life of the software.

(m) 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 is 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.

(n) 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.

(o) Financial Instruments and Concentrations of Credit Risk

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

Corporate One mitigates risks related to these concentrations through 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.

(p) 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 higher rates on their investments and enjoy lower fees on services. Associate members may earn lower rates than Partner members on their investments with Corporate One and pay fees on services with Corporate One according to the Associate member fee schedules. Additionally, certain products and services, such as committed lines of credit and fee-free advised lines of credit, are available to Partner members only.

Perpetual Contributed Capital (PCC) is required for Partner membership in Corporate One. PCC is defined in Part 704.2 as accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings, Paid-In Capital (PIC) and Membership Capital Shares (MCS), both of which are no longer offered. In addition, PCC is not insured by the National Credit Union Share Insurance Fund (NCUSIF) or other share or deposit insurers; and cannot be pledged against borrowings. PCC is classified as equity in the financial statements.

(q) Retained Earnings

Retained earnings represent earnings not distributed as dividends to members.

(r) Comprehensive Income (Loss)

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

(s) Non-interest income

Non-interest income is earned on various services provided to credit unions and their affiliates. These services include payment and depository services and certificate of deposit and securities brokering. In addition to these services provided by the corporate, our wholly owned CUSOs provide business lending solutions, investment advisory services, asset/liability management tools, and loan analytics. Revenue is recognized when the performance obligations related to the transfer of goods or services under the terms of the contract are satisfied. During the fourth quarter of 2023, to express our gratitude to our members, we waived processing fees associated with our payment solutions for a total fee holiday credit of approximately $1.65 million recognized as a component of non-interest income in the accompanying consolidated statements of income.

(t) 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.

(u) Reclassifications

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

(v) Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2023, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2023. Management has performed such analysis through March 20, 2024, the date the financial statements are available to be issued.

(w) US Central Estate Settlement

Corporate One held US Central Member Capital Shares (US Central MCS) and US Central Paid-in-Capital (US Central PIC) that were deemed impaired and expensed in 2009 after US Central was conserved. In March 2021, the NCUA announced that based on the audited 2020 financials of the National Credit Union Share Insurance Fund (NCUSIF), the US Central estate had sufficient cash to provision for all future guaranty obligations and made distributions to capital holders starting in April 2021. Corporate One holds a total of approximately $157.7 million in US Central MCS claim certificates and $43.0 million in PIC. During 2023, we received the remaining 5.0 percent or $7.7 million in MCS settlement distributions and 47.2 percent or $20.3 million in PIC. During 2022, we received 40.1 percent or $63.4 million in MCS settlement distributions. During 2021, we received 54.9 percent or $86.6 million in MCS settlement distributions.

(x) Recent Accounting Pronouncements

On January 1, 2023, Corporate One adopted ASU No. 2016-13 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

Corporate One adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this standard did not have a material effect on Corporate One's operating results or financial condition.

Notes to Consolidated Financial Statements

(3) LOANS

Loans to members at December 31 are summarized as follows:

	2023	2022
Member loans:		
Term	$ 152,625	$ 165,655
Warehouse	4,259	6,700
Demand	20,507	102,321
Settlement	978	518
TOTAL LOANS	**$ 178,369**	**$ 275,194**

An allowance for credit loss was not considered necessary at December 31, 2023, for member loans based on Corporate One's historical loss experience, current conditions and reasonable and supportable forecasts. All member loans are collectively evaluated.

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

(4) LEASES

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

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

	Balance Sheet Classification	2023	2022
Right-of-use asset	Other assets	$ 490,575	$ 415,655
Lease liability	Accounts payable and other liabilities	$ 510,454	$ 421,406
Weighted average remaining lease term		3.9 years	1.5 years
Weighted average discount rate		3.82%	0.97%

Total lease expense for operating leases was $197,200 and $268,300 for the years ended December 31, 2023, and 2022, respectively.

(Table dollar amounts in thousands)

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023, are as follows:

	Operating Leases
2024	$ 135,442
2025	139,434
2026	142,853
2027	133,401
Total undiscounted lease payments	551,130
Less: imputed interest	40,676
NET LEASE LIABILITIES	**$ 510,454**

(5) INVESTMENTS IN FINANCIAL INSTITUTIONS

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

	2023	2022
Federal Home Loan Bank stock	$ 49,654	$ 50,138
Certificates of deposit	17,112	4,960
TOTAL INVESTMENTS IN FINANCIAL INSTITUTIONS	**$ 66,766**	**$ 55,098**

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. 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, 2023 and 2022.

As of December 31, 2023, and 2022, 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, 2023, are summarized as follows:

Year of Maturity	Balance
2024	$ 15,624
2025	1,240
2026	248
TOTAL CERTIFICATES OF DEPOSIT	**$ 17,112**

(Table dollar amounts in thousands)

(6) SECURITIES

The amortized costs and fair values of securities at December 31 are summarized as follows. No allowance for credit loss was recorded at December 31, 2023.

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Asset-backed securities	$ 940,003	$ 598	$ (25,721)	$ 914,880
Small business administration (SBA) securities	849,397	2,794	(1,555)	850,636
Mortgage-related securities - agency	582,813	717	(7,295)	576,235
Corporate debt securities	504,044	37	(4,056)	500,025
Government-sponsored enterprise securities	84,425	372	(40)	84,757
Treasury notes	14,959		(243)	14,716
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 2,975,641**	**$ 4,518**	**$ (38,910)**	**$ 2,941,249**

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

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

Proceeds from the sales of available-for-sale securities were $63.3 million in 2023. Gross losses of $989,666 were recorded on securities during 2023. Proceeds from the sale of available-for-sale securities were $114.7 million in 2022. Gross gains of $144,125 were recorded on securities during 2022.

(Table dollar amounts in thousands)

The expected distributions of securities at December 31, 2023, are reflected in the following table. Because the actual lives of certain mortgage-related securities-agency, certain asset-backed securities, SBA securities and investments in government-sponsored enterprise securities can differ from contractual maturities due to call or prepayment features, these items are presented separately with their related expected weighted average lives (WAL).

	Available-for-Sale		
	Amortized Cost	**Fair Value**	**WAL (in years)**
Securities with contractual maturities:			
Due in one year or less	$ 341,725	$ 340,717	
Due after one year through five years	758,163	742,985	
Due after five years through ten years	24,149	23,586	
Securities with prepayment features:			
SBA securities	849,397	850,636	3.86
Mortgage related securities - agency	582,813	576,235	4.37
Asset-backed securities	419,394	407,090	3.09
TOTAL	**$ 2,975,641**	**$ 2,941,249**	

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

At December 31, 2023, approximately 86 percent of the par value amount, or $2.57 billion, of Corporate One's securities, with a fair market value of $2.55 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 or Prime. Of these $2.57 billion of variable-rate securities, 11.9 percent of the par value amount, or $305.5 million of such securities, with a fair market value of $302.1 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 for which an allowance for credit losses has not been recorded at December 31 are summarized as follows:

2023						
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Asset-backed securities	$ 58,091	$ (2)	$ 802,167	$ (25,719)	$ 860,258	$ (25,721)
Small Business Administration	347,367	(1,123)	46,792	(432)	394,159	(1,555)
Mortgage-related securities - agency	30,966	(280)	438,195	(7,015)	469,161	(7,295)
Corporate debt securities	154,409	(240)	334,579	(3,816)	488,988	(4,056)
Government-sponsored enterprise securities			4,385	(40)	4,385	(40)
Treasury notes			14,716	(243)	14,716	(243)
TOTAL TEMPORARILY IMPAIRED SECURITIES	**$ 590,833**	**$ (1,645)**	**$ 1,640,834**	**$ (37,265)**	**$ 2,231,667**	**$ (38,910)**

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

As of December 31, 2023, the securities we hold issued by the U.S. Government and its Agencies (government-sponsored enterprise securities, treasury notes, mortgage-related securities-agency and small business administration) did not require a valuation allowance because of the implicit guarantee of the principal balances of these securities by the U.S. Government. The corporate bonds and asset-backed securities we hold also did not require a valuation allowance based on management's review. These bonds did not have their unrealized losses recognized into income due to the corresponding factors. Management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and their decline in fair value is largely due to restricted liquidity and other market conditions.

(Table dollar amounts in thousands)

Gross unrealized losses on asset-backed securities represent 66 percent of our gross unrealized losses at December 31, 2023. The amortized costs, fair values, credit grades and WAL of asset-backed securities at December 31, 2023, are summarized as follows:

	Amortized Cost	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Highest Credit Grade	Lowest Credit Grade	WAL
Student loans:							
FFELP*	$ 376,227	$ 364,755	$ 488	$ (11,960)	AAA	B	4.67
Private	28,167	27,660		(507)	AAA	AAA	2.80
Credit cards	144,691	139,135	29	(5,585)	AAA	AAA	3.26
Automobiles	235,163	229,558	81	(5,686)	AAA	AAA	1.83
Other	155,755	153,772		(1,983)	AAA	A	1.59
ASSET-BACKED SECURITIES	**$ 940,003**	**$ 914,880**	**$ 598**	**$ (25,721)**			

*Federal Family Education Loan Program

Of the 66 non-mortgage related asset-backed securities we own that were in an unrealized loss position, 55 of those securities are dual rated A or better. The remaining are dual rated B or better. We continue to receive principal and interest payments on these securities. FFELP student loan asset-backed securities, which constitute our largest gross unrealized losses, continue to benefit from a guarantee from the US Department of Education as to payment of principal and accrued interest of 97 percent or more.

Gross unrealized losses on mortgage-related securities-agency represent 19 percent of our gross unrealized losses at December 31, 2023. Of the 58 mortgage-related securities we own that were in an unrealized loss position, all are government agency insured bonds.

Gross unrealized losses on corporate debt securities represent 10 percent of our gross unrealized losses at December 31, 2023. Of the 22 corporate debt securities we own that were in an unrealized loss position, 12 of those securities are dual rated A or better. The remaining are dual rated BBB or better.

Gross unrealized losses on small business administration securities represent four percent of our gross unrealized losses at December 31, 2023. Of the 50 small business administration securities we own that were in an unrealized loss position, all are agency bonds.

Gross unrealized losses on government-sponsored enterprise securities and treasury notes represent one percent of our gross unrealized losses at December 31, 2023. Of the two government-sponsored enterprise securities and three treasury notes we own that were in unrealized loss positions, all are dual rated AA or better.

(Table dollar amounts in thousands)

(7) NON-MARKETABLE EQUITY INVESTMENTS

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

	2023	2022
Primary Financial Company LLC	$ 3,568	$ 3,477
eDoc Innovations, Inc.	2,825	2,636
Tranzcapture LLC	250	250
TOTAL NON-MARKETABLE EQUITY INVESTMENTS	**$ 6,643**	**$ 6,363**

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 $90,800 and $32,000 in 2023 and 2022, 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, $1.03 million in 2023 and $1.36 million in 2022 on the certificates placed. In December 2021, Primary Financial declared a dividend of $70,000 per share resulting in total cash dividends of $1.12 million paid to Corporate One in the first quarter of 2022.

Corporate One has an approximately 27 percent investment in eDoc Innovations, Inc. (eDoc). eDoc is a corporate CUSO that provides to credit unions e-document management technology as well as technology and services related to check clearing and forward check collection. Corporate One does not have a majority voting interest and does not maintain a controlling interest in eDoc. This investment, therefore, is accounted for using the equity method. Corporate One's portion of eDoc's current period net income or loss, recognized as a component of non-interest income in the accompanying consolidated statements of income, was $323,000 and $310,000 in 2023 and 2022, respectively. In November 2023 and 2022, eDoc declared a dividend of $.35 and $.03 per share, respectively. This resulted in cash dividends of $134,400 and $115,200, paid to Corporate One in December 2023 and November 2022, respectively.

Corporate One has a one percent investment, or ten units, in Tranzcapture LLC (Tranzcapture). Corporate One invested in Tranzcapture during 2018 and the units purchased were assigned from another institution. The Tranzcapture software development CUSO was established in November 2015, due to the need for next generation deposit capture services. This investment is accounted for using the cost method. In December 2022, Tranzcapture declared and paid a dividend of $84,800 to Corporate One. This dividend was recognized as a component of non-interest income in the accompanying consolidated statements of income. No dividend was declared in 2023.

(Table dollar amounts in thousands)

(8) GOODWILL

As a result of a merger with another corporate credit union, Corporate One recorded goodwill of $3.4 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, 2023, Corporate One performed a qualitative assessment to determine if it was more likely than not that goodwill is impaired, meaning the carrying amount of goodwill exceeds its fair value. Based on our review as of December 31, 2023, we do not believe goodwill is impaired.

(9) OTHER ASSETS

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

In 2022, after approval by the board of directors, Corporate One placed an office building and vacant lot located in Florida on the market and reclassified those assets as held for sale. At the date of the reclassification, those assets were recorded at fair value less an estimated cost to sell and depreciation was halted. In 2023, we sold the vacant lot for a gain. Proceeds from the sale of the land were $200,000 less costs to sell and included under investing activities in the accompanying consolidated statements of cash flows and a gain of $91,500 was recognized, and included as a decrease to other operating expenses in the accompanying consolidated statements of income.

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

	2023	2022
Buildings and improvements	$ 5,886	$ 5,610
Assets held for sale	3,290	3,381
Equipment	9,608	9,605
	18,784	18,596
Less: Accumulated depreciation	9,931	9,151
NET PROPERTY AND EQUIPMENT	**$ 8,853**	**$ 9,445**

(Table dollar amounts in thousands)

(10) BORROWED FUNDS

As a member of the FHLB of Cincinnati, Corporate One is eligible to take advantage of the FHLB's numerous credit products and advances. Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. At December 31, 2023 and 2022, Corporate One had securities held in safekeeping at the FHLB with fair values of approximately $1.39 billion and $1.64 billion, respectively, which provided a borrowing capacity of approximately $1.24 billion and $1.57 billion, respectively. At December 31, 2023, a borrowing of $283.0 million was outstanding at an interest rate of 5.38 percent. This borrowing matured in January 2024. At December 31, 2022, a borrowing of $1.0 billion was outstanding at an interest rate of 4.33 percent. This borrowing matured in January 2023.

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, 2023 and 2022, Corporate One had securities held in safekeeping at the Federal Reserve Bank with fair values of approximately $1.05 billion and $1.84 billion, respectively, which provided a borrowing capacity of approximately $985.8 million and $1.22 billion, respectively. At December 31, 2023 and 2022, there were no amounts outstanding on the line of credit with the Federal Reserve Bank.

Corporate One also maintains reverse repurchase agreements with certain parties allowing for additional liquidity of approximately $700 million. These agreements use some of our asset-backed securities as collateral. Corporate One had no amounts outstanding under reverse repurchase agreements at December 31, 2023 or 2022. Average borrowings under reverse repurchase agreements were approximately $222,500 during 2023 and $223,900 during 2022. There was no amount outstanding at any month-end during 2023 or 2022.

We also maintain $230.0 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, 2023 or 2022.

(11) SHARE ACCOUNTS AND MEMBER CAPITAL ACCOUNTS

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

	2023	2022
Settlement and regular shares	$ 3,897,695	$ 3,707,850
Share certificates	412,069	641,739
TOTAL SHARE ACCOUNTS	**$ 4,309,764**	**$ 4,349,589**
PCC	$ 226,993	$ 226,093
TOTAL MEMBER CAPITAL ACCOUNTS	**$ 226,993**	**$ 226,093**

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, 2023 and 2022, insured member accounts totaled $129.6 million and $130.9 million, respectively. Share certificate accounts have specific maturities and dividend rates.

(Table dollar amounts in thousands)

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.

PIC, which is no longer issued, are investments by member credit unions and denote their ownership interest in Corporate One. The member holding the remaining $20,000 of PIC has given notice to de-capitalize. PIC has a 20-year notice period and these shares are scheduled for redemption in 2031.

Total share certificate and PIC accounts by maturity at December 31, 2023, are summarized as follows:

Year of Maturity	Balance
2024	$ 364,937
2025	34,126
2026	12,986
2027 and thereafter	20
TOTAL SHARE CERTIFICATES	**$ 412,069**

Share certificates that meet or exceed the NCUSIF insurance limit of $250,000 at December 31, 2023 and 2022 were $397.6 million and $613.5 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 declared by the board of directors and paid quarterly.

(12) COMMITMENTS AND CONTINGENCIES

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

These financial instruments include committed and advised lines of credit. The contractual amounts of these instruments represent the extent of Corporate One's exposure to credit loss. Corporate One uses the same credit policies in making these commitments and obligations as it does for on-balance-sheet instruments. In extending commitments, Corporate One evaluates each member's creditworthiness on a case-by-case basis. All outstanding commitments are subject to collateral agreements and have termination clauses. At December 31, 2023 and 2022, these financial instruments included outstanding advised lines of credit of approximately $4.4 billion and $4.1 billion, respectively. There were no outstanding committed lines of credit at December 31, 2023 or 2022.

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.

(Table dollar amounts in thousands)

(13) RETIREMENT PLAN

Corporate One sponsors a defined-contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code which covers substantially all employees. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Employees also have the option to contribute a portion of their compensation on a pre- or post-tax basis. Corporate One matches 150 percent of the first three percent employee contribution and 75 percent on the next two. In addition, Corporate One may elect to make discretionary contributions to the Plan. This election requires approval by the Board of Directors. In 2023, the Board voted that it intends to pay in April 2024 an additional four percent one-time discretionary contribution to be awarded to employees. There were no additional discretionary contributions for 2022. Retirement expense was approximately $2,252,000 in 2023 and $1,377,000 in 2022.

Corporate One has provided certain executives with a SERP. The SERP is 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 interest receivable related to these notes was $123,600 and $122,300, at December 31, 2023 and 2022, respectively. Total split dollar loans outstanding at December 31, 2023 and 2022 were $31.8 million and $31.4 million, respectively, and are included in other assets in the accompanying consolidated balance sheets.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The fair value of available-for-sale securities 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. 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 these securities, the fair value is highly sensitive to assumption changes and market volatility.

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, 2023:

	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:				
Asset-backed securities:				
Student loans - FFELP	$ 364,755		$ 364,755	
Student loans - private	27,660		27,660	
Credit cards	139,135		139,135	
Automobiles	229,558		229,558	
Other	153,772		153,772	
SBA securities	850,636		850,636	
Mortgage-related securities - agency	576,235		576,235	
Corporate debt securities	500,025	$ 500,025		
Government-sponsored enterprise securities	84,757		84,757	
Treasury notes	14,716		14,716	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 2,941,249**	**$ 500,025**	**$ 2,441,224**	
Derivative assets - interest rate contracts	19,875		19,875	
TOTAL ASSETS AT FAIR VALUE	**$ 2,961,124**	**$ 500,025**	**$ 2,461,099**	
Derivative liabilities - interest rate contracts	474		474	
TOTAL LIABILITIES AT FAIR VALUE	**$ 474**		**$ 474**	

(Table dollar amounts in thousands)

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

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

(15) REGULATORY CAPITAL AND NET ECONOMIC VALUE REQUIREMENTS

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

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

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

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

(Table dollar amounts in thousands)

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

	2023	2022
Retained Earnings	$ 316,299	$ 269,393
PCC	226,993	226,093
Less: CUSO investments (equity and cost)	(6,643)	(6,363)
Tier 1 Capital	536,649	489,123
Unamortized PIC	20	20
Tier 2 Capital	20	20
TOTAL CAPITAL	**$ 536,669**	**$ 489,143**

As of December 31, 2023, MDANA and MDANRA were $5.02 billion and $1.57 billion, respectively. As of December 31, 2022, MDANA and MDANRA were $6.03 billion and $2.31 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, 2023 and 2022, adjusted MDANA (used for the leverage ratio) was $5.02 billion and $6.03 billion, respectively.

The following summarizes Corporate One's capital ratios as of December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Retained earnings ratio	6.30%	4.47%
Leverage ratio	10.68%	8.11%
Tier 1 risk-based capital ratio	34.20%	21.21%
Total risk-based capital ratio	34.20%	21.21%

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, 2023 and 2022, Corporate One exceeded all the regulatory capital ratio requirements.

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

Throughout 2023 and 2022, we complied with the NEV sensitivity requirement and the NEV ratio requirement.

(Table dollar amounts in thousands)

(16) DERIVATIVES

Corporate One uses derivative instruments to minimize interest rate risk by reducing the NEV volatility. The derivative financial instruments are recorded in the consolidated balance sheet as either an asset or a liability (under other assets or accounts payable and other liabilities) and measured at fair value.

Cash Flow Hedges: Interest rate swaps with notional amounts totaling $31.5 million as of December 31, 2023, and December 31, 2022, were designated as cash flow hedges of a portion of our daily market accounts and determined to be effective during all periods presented. The gain or loss on the derivatives is reported in Other Comprehensive Income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Corporate One expects the hedges to remain effective during the remaining terms of the swaps.

Fair Value Hedges: Interest rate swaps with notional amounts totaling $353.7 million and $306.0 million as of December 31, 2023 and 2022, respectively, were designated as fair value hedges. As of December 31, 2023, $213.7 million were tied to certain fixed-rate assets, and $140.0 million were tied to fixed rate term loans; all were determined to be effective during all periods presented. At December 31, 2022, $263.7 million were tied to certain fixed-rate assets and $42.3 million was tied to a fixed rate term certificate; all were determined to be effective during all periods presented. 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 following table presents the amounts recorded on the balance sheet related to cumulative basis adjustments for fair value hedges as of December 31:

Line Item in the Balance Sheet in Which the Hedged item is included	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	2023	**2022**	**2023**	**2022**
Available-for-sale securities, at fair value	$ 231,030	$ 231,287	$ (15,811)	$ (21,667)
Loans to members	140,000	50,000	400	(471)
Share certificates		(42,297)		(376)

(Table dollar amounts in thousands)

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

	2023		2022	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Included in other assets:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow	$ 31,470	$ 3,989	$ 31,470	$ 4,933
Interest rate swaps – fair value	283,713	15,886	263,713	22,138
TOTAL INCLUDED IN OTHER ASSETS	**$ 315,183**	**$ 19,875**	**$ 295,183**	**$ 27,071**
Included in accounts payable and other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow				
Interest rate swaps – fair value	$ 70,000	$ (474)	$ 42,297	$ (376)
TOTAL INCLUDED IN ACCOUNTS PAYABLE AND OTHER LIABILITIES	**$ 70,000**	**$ (474)**	**$ 42,297**	**$ (376)**

The related interest or expense on fair value hedges is recorded in net interest income for the years ended December 31, 2023 and 2022. The pools of securities, loans, and share certificates that were hedged contributed $8.1 million in 2023 to net interest income and $3.9 million in 2022. The interest rate contracts on the hedged items contributed $8.7 million to net interest income in 2023 and $1.6 million in 2022.

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, 2023, Corporate One holds collateral from US Bank in the amounts of $21.4 million and $1.9 million related to fair value and cash flow hedges, respectively. As of December 31, 2022, Corporate One holds collateral from US Bank in the amounts of $24.7 million and $2.5 million related to fair value and cash flow hedges, respectively.

(Table dollar amounts in thousands)

(17) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2023 and 2022.

	Unrealized Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Balance, December 31, 2021	$ 1,143	$ 10,737	$ 11,880
Other comprehensive income (loss) before reclassification	4,104	(81,887)	(77,783)
Amounts reclassified from accumulated other comprehensive income (loss)	(314)	(144)	(458)
Balance, December 31, 2022	4,933	(71,294)	(66,361)
Other comprehensive income (loss) before reclassification	476	35,913	36,389
Amounts reclassified from accumulated other comprehensive income (loss)	(1,421)	990	(431)
Balance, December 31, 2023	**$ 3,988**	**$ (34,391)**	**$ (30,403)**

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the years ending December 31, 2023 and 2022.

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2023	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) as of December 31, 2022	Affected Line Item in the Consolidated Statements of Income
Reclassification adjustment recognized in earnings for interest on daily market accounts	$ (1,421)	$ (314)	Net interest income
Reclassification adjustment recognized in earnings for net loss (gain) on sales of securities	990	(144)	Net loss (gain) on sales of securities
Total reclassifications for the period	$ (431)	$ (458)	

(Table dollar amounts in thousands)

(18) REVENUE FROM CONTRACTS WITH MEMBERS

All of Corporate One's revenue from contracts with members in the scope of ASC 606 is recognized within non-interest income. The following table presents Corporate One's sources of non-interest income for the 12 months ended December 31, 2023 and 2022. Items outside the scope of ASC 606 are noted as such.

	Year ended December 31,	
	2023	2022
Non-Interest Income		
CUSO income	$ 8,408	$ 8,671
Payment services	3,745	3,465
Brokerage services	1,178	1,716
Digital	160	32
Other*	1,667	1,525
Non-interest income within the scope of other GAAP topics	1,024	1,016
Non-interest income	16,182	16,425
Less: fee holiday credit	(1,655)	
TOTAL NON-INTEREST INCOME	**$ 14,527**	**$ 16,425**

*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. 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 $331,000 and $744,000 included in CUSO income above, of which $1.04 million and $1.64 million represents gross CUSO income and $709,000 and $900,000 represents third-party costs incurred to provide these services for the 12 months ended December 31, 2023 and 2022, respectively. Where our wholly-owned CUSOs act as principals, third-party costs of $824,000 and $737,000 are included in other operating expenses in the accompanying consolidated statements of income for the 12 months ended December 31, 2023 and 2022, respectively.

(Table dollar amounts in thousands)

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, share draft processing fees, immediate payments 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. In certain arrangements, 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. In those arrangements, we recognized net payment services income of $3.61 million and $3.43 million included in payment services income above, of which $6.50 million and $6.30 million represents gross payment services income and $2.89 million and $2.87 million represents third-party costs incurred to provide these services for the 12 months ended December 31, 2023 and 2022, respectively. Where Corporate One acts as a principal, third-party costs of $172,000 and $153,000 are included in other operating expenses in the accompanying consolidated statements of income for the 12 months ended December 31, 2023 and 2022, respectively. Payment service fees are withdrawn from the member's deposit account balance.

Brokerage Services – Corporate One earns fees from investment brokerage services provided to its members by third-party service providers. Corporate One receives commissions from the third-party service providers on a monthly basis based upon member activity for the month. Because Corporate One's performance obligation is satisfied at the service date, the commissions are recognized at that point in time and a receivable is recorded until commissions are received typically the following month. Because Corporate One (i) acts as an agent in arranging the relationship between the member and the third-party service providers and (ii) does not control the services rendered to the members, brokerage service fees are presented net of related costs, including $28,000 and $57,000 in third-party costs incurred to provide these services for the 12 months ended December 31, 2023 and 2022, respectively.

Digital – Corporate One earns fees from providing digital services, including payment solutions, identity verification 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 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. Transaction-based fees, which include services such as loan payments, 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). In certain arrangements, 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. In those arrangements, we recognized net digital income (loss) of $125,000 and ($4,000) included in digital income above, of which $283,000 and $261,000 represents gross digital income and $158,000 and $265,000 represents third-party costs incurred to provide these services for the 12 months ended December 31, 2023 and 2022, respectively. Where Corporate One acts as a principal, third-party costs of $6,000 and $39,000 are included in other operating expenses in the accompanying consolidated statements of income for the 12 months ended December 31, 2023 and 2022, respectively. Digital service fees are withdrawn from the member's deposit account balance.

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 $667,000 and $468,000 in third-party costs incurred to provide these services for the 12 months ended December 31, 2023 and 2022, respectively. Other service fees are withdrawn from the member's deposit account balance.

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