



# **CORPORATE CENTRAL CREDIT UNION FINANCIAL SOUNDNESS REPORT**

**October 2023**

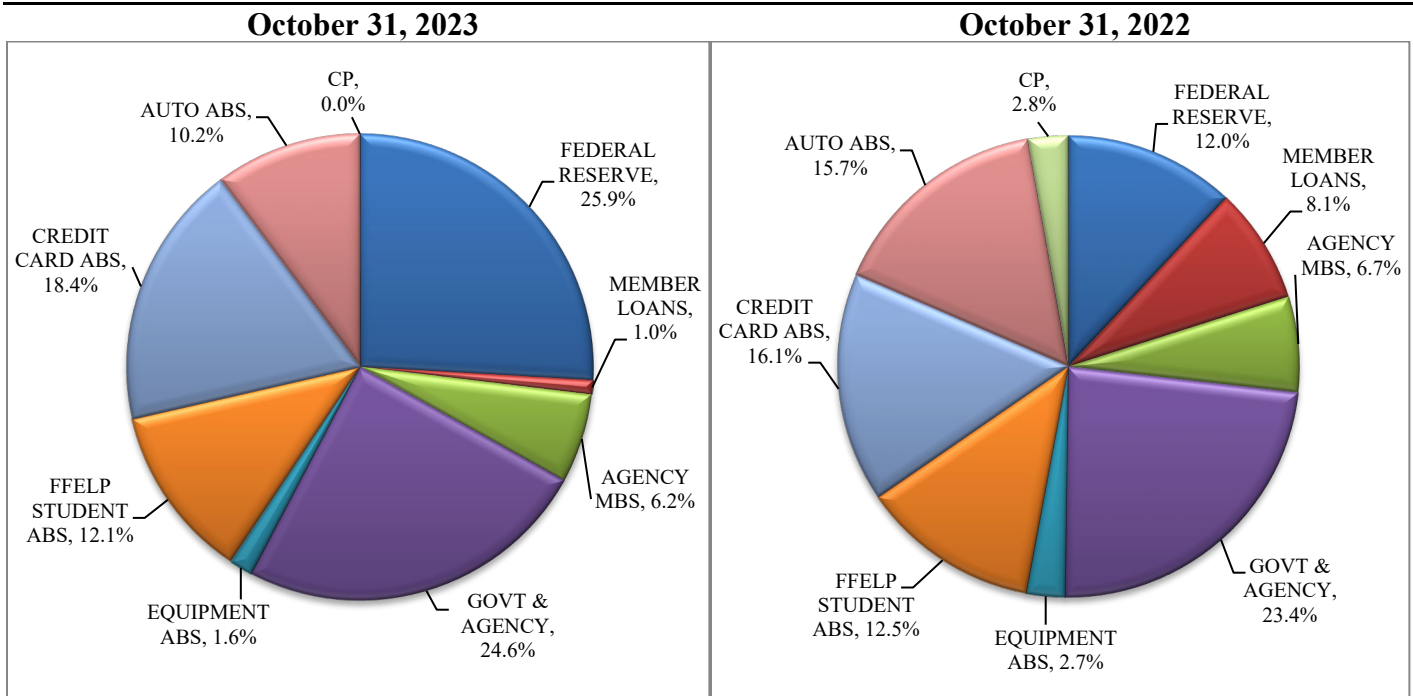
This monthly report is intended to provide transparency regarding Corporate Central Credit Union's key financial measurements. The report is a supplement to the monthly financial statements and other due diligence material that can be found in the Due Diligence Center of our website – [corpcu.com](http://corpcu.com).



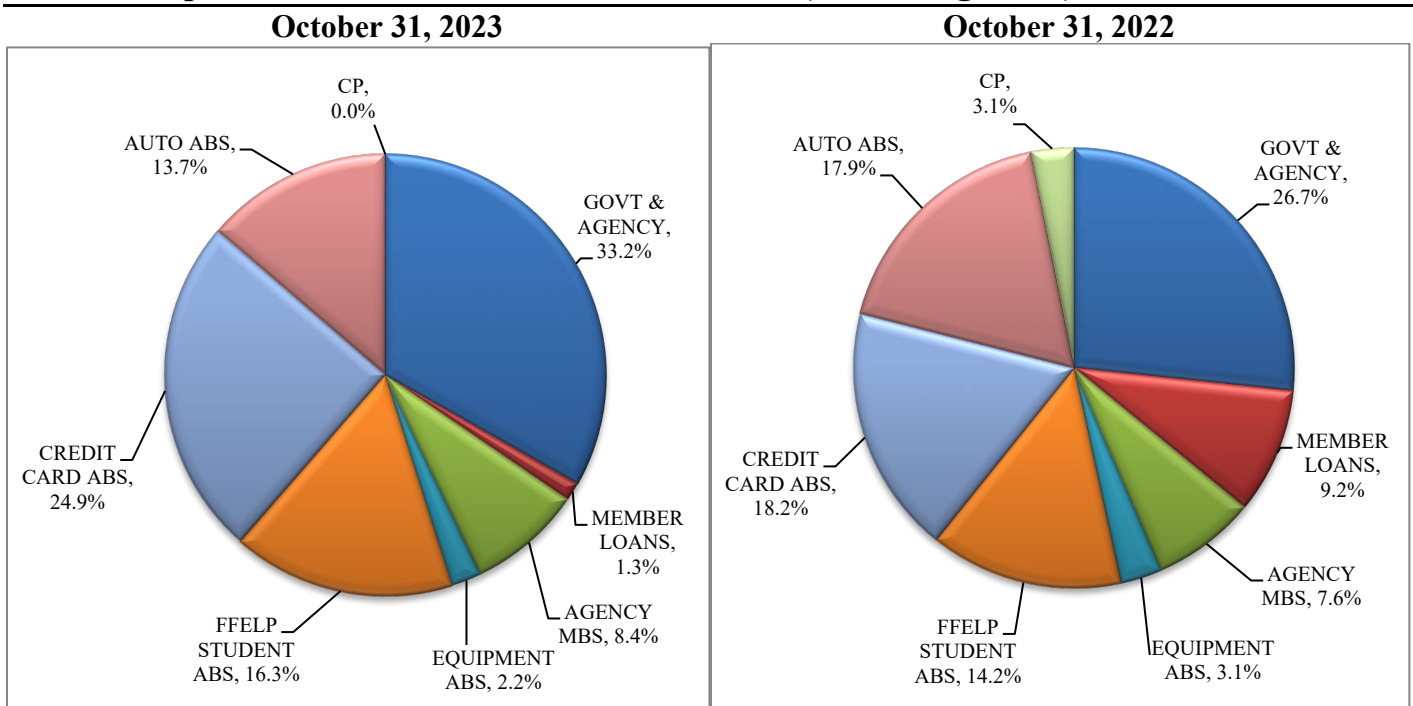
## Diversification

As of October 31, 2023, Corporate Central had 25.9% of the investment and loan portfolio in deposits at the Federal Reserve. Investments in credit card asset-backed securities (ABS) represented 18.4%, FFELP student loan ABS, which are comprised of student loan-backed securities that are at least 97.0% guaranteed by the Department of Education, accounted for 12.1%, auto loan/lease ABS represented 10.2%, and equipment ABS represented 1.6% of the portfolio. Commercial Paper (CP) represented 0%, agency mortgage-backed securities, including agency commercial mortgage-backed securities (MBS) represented 6.2%, government & agency debentures represented 24.6%, member loans comprised 1.0%, and Home Equity ABS accounted for less than 0.01% of the total portfolio.

### Corporate Central's Portfolio Breakdown Year over Year



### Corporate Central's Portfolio Breakdown (Excluding Cash) Year over Year



The risk rating breakdown and unrealized loss of (\$56,225,203) on our investment portfolio can be seen below. Corporate Central classifies all marketable securities holdings as Available-For-Sale (AFS), which means all investments are marked-to-market monthly. Over the past year and a half, market yields have soared higher at the fastest pace in nearly 40 years as the Fed has hiked interest rates. This has resulted in declines in market values and an increase in unrealized losses.

## Marketable Securities as of October 31, 2023

|   | Book Value             | Market Value           | Unrealized G/L        |
|---|------------------------|------------------------|-----------------------|
| U.S. Gov't/Agency                         | \$758,714,502          | \$733,900,220          | (\$24,814,282)        |
| Minimal Amount of Credit Risk             | \$1,040,713,769        | \$1,009,308,590        | (\$31,405,179)        |
| More than a Minimal Amount of Credit Risk | \$163,205              | \$157,463              | (\$5,742)             |
| <b>Totals</b>                             | <b>\$1,799,591,476</b> | <b>\$1,743,366,273</b> | <b>(\$56,225,203)</b> |

## Corporate Central's Capital Position as of October 31, 2023

|                                     | 10/31/2023<br>Capital | Capital<br>Ratios* | Risk-Based<br>Capital** | Regulatory Requirements—Well<br>Capitalized Levels |           |
|-------------------------------------|-----------------------|--------------------|-------------------------|--|-----------|
|                                     |                       |                    |                         | Current  | Benchmark |
| Retained Earnings                   | \$168,303,431         | 5.80%              | 16.16%                  |  | 2.50% RE  |
| Perpetual Contributed Capital (PCC) | \$118,827,226         | 4.10%              | 11.41%                  |  |           |
| Tier 1 (Core) Capital*              | \$287,130,657         | 9.90%              | 27.57%                  | 5% Core &<br>6% (RB)                               |           |
| Tier 2 Capital                      | \$49,381,345          | 1.70%              | 4.74%                   |  |           |
| <b>Total Capital**</b>              | <b>\$336,512,002</b>  | <b>11.60%</b>      | <b>32.31%</b>           | <b>10% (RB)</b>                                    |           |

\*Capital ratios are capital divided by 12-month moving Daily Average Net Assets (DANA).

\*\*Risk-based (RB) capital ratios are capital divided by 12-month average, month-end Risk-Based Assets (RBA).

\*12-Month DANA - \$2,900,653,083

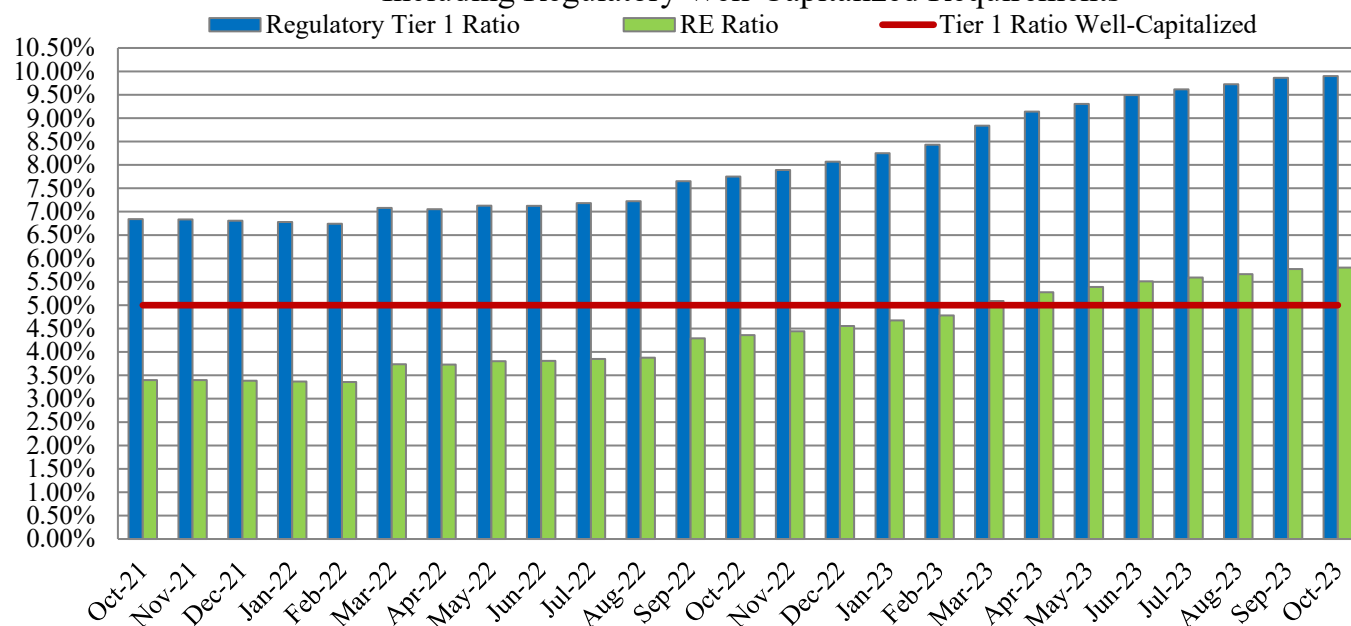
\*\*12-Month Average RBA - \$1,041,431,117

The graph below includes the Tier-1 Capital Ratios and RE Ratios and the regulatory well-capitalized requirements for each measurement.

Corporate Central has had very strong growth in Tier 1 capital over the past few years. Additionally, after exceptionally strong deposit growth in 2020 and 2021, we have seen a reduction in deposit levels since mid-2022 as credit union loan growth has outpaced share growth. This combination of stronger capital levels and lower Daily Average Net Assets has resulted in strong and growing capital ratios. Corporate Central will continue to work hard to ensure that it is solidly positioned in relation to requirements and our members' needs.

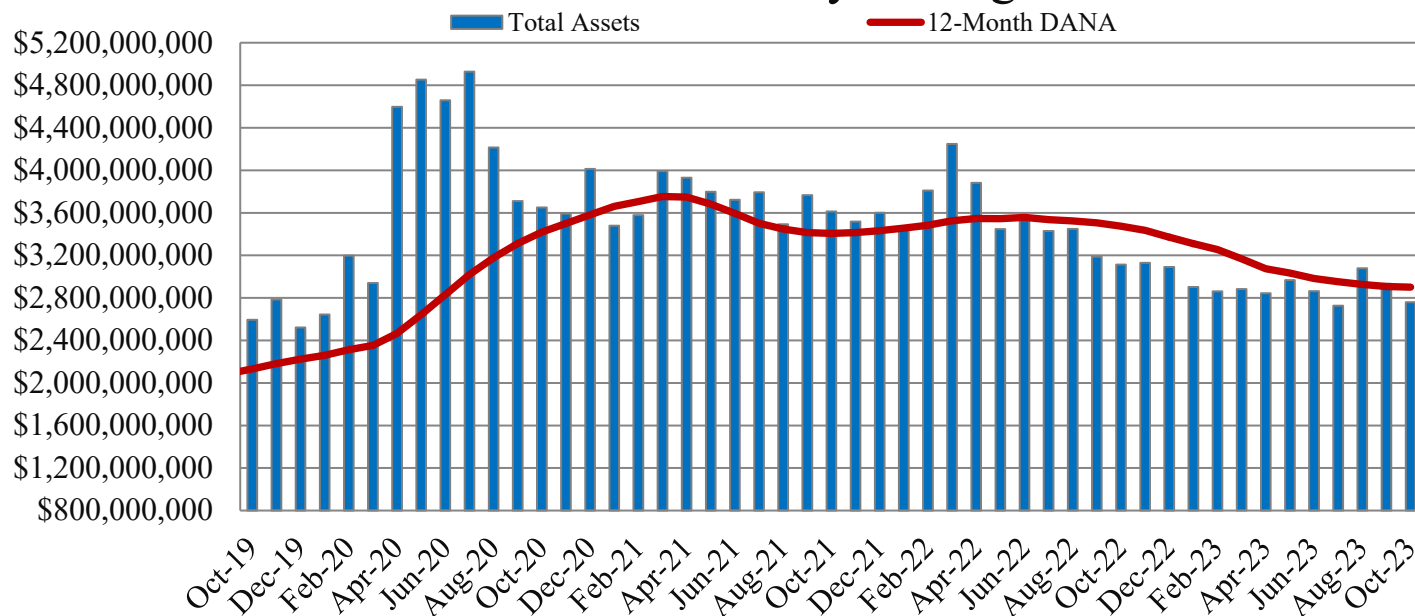
## Tier 1 Capital & Retained Earnings Ratios

Including Regulatory Well-Capitalized Requirements



As mentioned, in addition to growth in retained earnings and PCC, much of the change in the Tier 1 Capital Ratio over the previous few years can be attributed to changes in Corporate Central’s 12-month DANA, which is the denominator in the capital ratio calculations. These changes, as can be seen below, have mainly been the result of membership growth and the changing liquidity cycle driven by the economic and interest rate environment, which has impacted our members’ liquidity levels. After a couple years of extraordinary asset growth, deposits have been trending lower over the past year as credit union lending has strengthened and deposit growth has slowed.

## Total Assets & 12-Month Daily Average Net Assets



Corporate Central’s interest rate risk levels and economic value of capital as measured by Net Economic Value (NEV) and NEV Ratio remain well within regulatory limits as can be seen below.

### Corporate Central’s Net Economic Value (NEV) as of September 30, 2023

|                          | Net Economic Value (NEV)* | % Change | Regulatory Limit | NEV Ratio | Regulatory Minimum |
|--------------------------|---------------------------|----------|------------------|-----------|--------------------|
| <b>+300 Basis Points</b> | \$263,957,039             | -9.63%   | -20.00%          | 9.15%     | 2.00%              |
| <b>Base Case</b>         | \$292,079,463             | 0.00%    | 0.00%            | 9.96%     | 2.00%              |
| <b>-300 Basis Points</b> | \$326,601,713             | 11.82%   | -20.00%          | 10.94%    | 2.00%              |

\*NEV is the fair value (FV) of assets in each scenario minus the FV of liabilities in that scenario and is considered the economic value of capital. Perpetual Contributed Capital (PCC) and Non-perpetual Capital (NCA) are considered capital in the NEV calculation.

Additionally, Corporate Central’s liquidity position remains strong. The majority of available liquidity is in the form of cash and external lines of credit. However, Corporate Central has additional marketable securities that can be used as required.

### Liquidity Sources as of October 31, 2023

|                                 | Total           | Available       |
|---------------------------------|-----------------|-----------------|
| <b>Cash</b>                     | \$637,108,572   | \$637,108,572   |
| <b>Marketable Securities*</b>   | \$288,744,176   | \$259,869,758   |
| <b>External Lines of Credit</b> | \$1,492,394,081 | \$1,117,394,081 |
| <b>Totals</b>                   | \$2,418,246,829 | \$2,014,372,411 |

\*Market value of securities not pledged for other borrowings/lines of credit. Available amount is assumed to be 90% of market value.

View our latest financial information and critical due diligence material on our Due Diligence Center of our website (corpccu.com). Please do not hesitate to contact us with any questions or to request additional information.

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SVP/Chief Financial Officer