

# Third Quarter 2018 Financial Review



As the economy continues to improve so has our financial position and the results of our operations. While we are experiencing the same seasonal liquidity challenges that we see every year at this time, Net Income is nevertheless, 27.40% greater than at September 30 of last year. Our balance sheet is still well positioned to take advantage of the interest rate environment as it continues to climb. This certainly helps to strengthen our retained earnings and make regular increases to members' share rates. We continue to focus on operating in a safe and sound manner while providing our members with solutions to meet their needs.

## Income Statement Highlights

- Income from investments for the first nine months was \$4,530,049 which is up 53.83% compared to the same time period in 2017 (\$2,944,766).
- Dividends paid to member credit unions year to date (\$2,330,603) was also up 147.51% compared to the prior year (\$941,605).
- Fee Income in the first nine months is slightly less than a year ago, showing a 3.85% decrease. Other Income is much greater this year offsetting CUSO income (loss) which has decreased significantly compared to last year.
- Operating expenses through September 30 are slightly below 2017 netting to a decrease of 2.51%.
- There were some security gains in the first 9 months of 2017, \$20,356 with no corresponding security sales this year.

## Balance Sheet Highlights

- Total Assets as of September 30, 2018 are \$282 million which is 3.44% lower than a year ago. Due to the volatility in the size of our balance sheet we rely on a 12 month Moving Daily Average Net Assets (MDANA) to more accurately reflect balance sheet trends. MDANA of \$301.9 million at 09/30/18 is approximately 4.94% less than the balance of \$317.6 million as of 09/30/17 when it was on its way down from its peak around March 2017. This indicates an overall decrease in the average size of our total assets in the past 12 months. We have noticed this balance steadily decline since March of 2017 as our member credit unions have had strong loan growth. MDANA has been relatively level since March 2018.

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- There were no borrowings as of September 30, 2018 or 2017.
- Undivided Earnings are \$1,214,373 (16.22%) higher at June 30, 2018 than the balance one year ago.
- The Unrealized Loss on our Available for Sale securities has increased in the past year. The balance sheet reflects an increase of (\$497,157) since 09/30/17 when it was close to zero.

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio showed strong growth in the past 12 months reaching 2.88% versus 2.36% a year ago. The Overall Capital ratio increased from 7.05% to 7.89% during the same time period.
- The NEV ratio as of September 30 is 8.54% with a regulatory minimum requirement of 2.00%. In a scenario that projects a rate increase of 300 basis points (3.0%) our NEV changes by -4.22%. The maximum regulatory decrease based on our level of authority is -20.00%.
- Tricorp currently has Tier 1 and Total Risk Based Capital ratios of 51.54%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet at September 30 is currently 1.88 years which is well below the regulatory maximum of 2 years.

We sincerely appreciate your continued support and business. Tricorp's Board and Staff are committed to providing products, services and member service that enable you to serve your members well. We look forward to continuing to work with you our members in a trusted partnership.

Following this narrative you will find condensed financial information as of and for the nine months ended September 30, 2018 and 2017 to provide a more complete picture of our financial condition and the results of our operations. This data is unaudited.

## Tricorp Federal Credit Union – 3rd Quarter 2018 Financial Review

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
**September 30, 2018 and 2017**

	09/30/18	09/30/17	Change
<b><u>Assets</u></b>			
Loans to Members	10,533,507	1,037,346	915.43%
Cash	68,619,610	78,586,087	-12.68%
Investments	194,155,558	203,946,143	-4.80%
Accrued Interest	394,905	296,534	33.17%
Fixed Assets	521,001	601,401	-13.37%
NCUSIF Deposit	212,747	226,112	-5.91%
CUSO Investments	1,741,326	1,965,187	-11.39%
Other Assets	5,652,638	5,222,213	8.24%
<b>Total Assets</b>	<b>281,831,291</b>	<b>291,881,022</b>	<b>-3.44%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	256,767,069	266,563,619	-3.68%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	3,333	0	-
Accrued Expenses	60,705	51,600	17.64%
Other Liabilities	(37,597)	945,237	-103.98%
<b>Total Liabilities</b>	<b>256,793,509</b>	<b>267,560,456</b>	<b>-4.02%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	8,699,189	7,484,816	16.22%
Unrealized Gain/(Loss) AFS	(522,753)	(25,596)	1942.34%
<b>Total Members' Equity</b>	<b>25,037,782</b>	<b>24,320,566</b>	<b>2.95%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>281,831,291</b>	<b>291,881,022</b>	<b>-3.44%</b>

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### Income Statement For the Six Months Ended September 30, 2018 and 2017

	09/30/18	09/30/17	Change
Interest Income from Loans	128,854	43,648	195.21%
Interest and Dividend Income from Investments	4,530,049	2,944,766	53.83%
<b>Total Interest Income</b>	<b>4,658,903</b>	<b>2,988,414</b>	<b>55.90%</b>
Dividend Expense	2,330,603	941,605	147.51%
Interest on Borrowed Money	233,807	145,628	60.55%
<b>Total Interest Expense</b>	<b>2,564,410</b>	<b>1,087,232</b>	<b>135.87%</b>
Net Interest Income	2,094,493	1,901,182	10.17%
CUSO Equity Method Income	(8,582)	49,475	-117.35%
Fee Income	538,910	560,495	-3.85%
Other Operating Income	153,823	70,954	116.79%
<b>Gross Operating Margin before Operating Expenses</b>	<b>2,778,645</b>	<b>2,582,105</b>	<b>7.61%</b>
Operating Expenses:			
Salaries and Benefits	870,903	877,148	-0.71%
Office Occupancy	59,635	56,572	5.41%
Office Operations	166,528	191,928	-13.23%
Travel and Conference	59,132	52,634	12.34%
Educational and Promotional	61,581	60,230	2.24%
Professional and Outside Services	437,280	469,074	-6.78%
Others	94,515	87,107	8.51%
<b>Total Operating Expenses</b>	<b>1,749,575</b>	<b>1,794,694</b>	<b>-2.51%</b>
Gain/(Loss) Investment Sales	0	20,356	100.00%
Net Income Before Extraordinary Income	1,029,069	807,768	27.40%
Extraordinary Income	0	0	-
<b>Net Change to Undivided Earnings</b>	<b>1,029,069</b>	<b>807,768</b>	<b>27.40%</b>

## Tricorp Federal Credit Union – 3rd Quarter 2018 Financial Review

### Portfolio Diversification by Investment Issuer 09/30/18

<u>Issuer</u>	<u>Percent</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	21.71%	42,261,475	42,007,904	(253,571)
Agency Debentures - Floating rate	11.56%	22,500,000	22,420,965	(79,035)
Total U.S. Government Agency	33.27%	64,761,475	64,428,869	(332,606)
CMO/MBS - Floating Rate	13.62%	26,520,259	26,496,866	(23,394)
CMO/MBS - Fixed Rate	3.58%	6,968,775	6,722,591	(246,184)
CMBS - Floating Rate	6.36%	12,381,081	12,402,529	21,448
Total CMO's, MBS & CMBS	23.56%	45,870,115	45,621,985	(248,131)
SPSAC 1998-2 A1	0.00%	0	7,769	7,769
FFELPs	5.49%	10,689,780	10,616,242	(73,538)
Variable Rate Credit Card ABS	25.81%	50,252,878	50,333,561	80,684
Variable Rate Auto loan ABS	8.48%	16,506,488	16,547,772	41,284
Fixed Rate Auto Loan ABS	2.35%	4,570,775	4,572,560	1,785
Total Asset-Backed Securities	42.13%	82,019,921	82,077,905	57,984
FHLB Stock	0.79%	1,530,800	1,530,800	0
Brokered CDs	0.25%	496,000	496,000	0
Total Other	1.04%	2,026,800	2,026,800	0
<b>Total Investments</b>	<b>100.00%</b>	<b>194,678,312</b>	<b>194,155,559</b>	<b>(522,753)</b>

# Tricorp Federal Credit Union – 3rd Quarter 2018 Financial Review

## Statistical Changes In Financial Position

	As of 09/30/18	As of 09/30/17
* Operating Expense Ratio	<b>0.76%</b>	0.75%
* ROA	<b>0.45%</b>	0.34%
*Retained Earnings ratio	<b>2.88%</b>	2.36%
* Capital ratio	<b>7.89%</b>	7.05%
YTD Average Assets	<b>308,288,705</b>	320,377,312
Net Economic Value (NEV)	<b>09/30/18</b>	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	<b>23,976,418</b>	20,025,871
% Change	<b>-4.22%</b>	
NEV Ratio	<b>8.54%</b>	2.00%
<b>Base Level Dollar Amount</b>	<b>25,032,339</b>	
<b>Base Level NEV Ratio</b>	<b>8.88%</b>	
- 300 BP Shock		
Actual Dollar Change	<b>25,367,642</b>	20,025,871
% Change	<b>1.34%</b>	
NEV Ratio	<b>8.99%</b>	2.00%

\* Based on Moving Daily Average Net Assets

\*\*\* NEV cannot decrease more than twenty percent in any rate shock scenerio.  
Minimum amount is based on current year levels.