

# Fourth Quarter 2020 Financial Review



How does one summarize a year like 2020 in one or two short paragraphs? Wildfires, a worldwide pandemic, stock market plunge, global social and economic disruption, quarantining, countries locked down, widespread cancellations of events, travel bans, economic recession, and political unrest. Yet through it all people adapted to the changes, learned new ways of working and communicating and living. By the end of the year we have new COVID-19 vaccines and we have the hope of someday soon achieving a new normal.

Tricorp was very fortunate to be able to continue functioning throughout the past year with no disruption to any of our member services. Our operation lends itself well to working remotely and all of our employees have had the ability to and the experience of working from home periodically for the past 12 years.

With the business closings and financial hardships caused by the pandemic came the response of economic impact or stimulus payments and an abrupt return to members saving again. This brought huge amounts of liquidity into Tricorp causing rapid growth in our average assets and resulting in the decline of our capital ratios. We have responded to this situation and expect to see these ratios turn around and re-grow quickly in 2021.

By the end of 2020 liquidity remains high for all financial institutions but we have taken steps to move much of this excess off of our balance sheet, reducing assets to be more into line with capital and income levels. As always, our balance sheet is well positioned to thrive in any interest rate environment as we can adjust quickly to any changes in interest 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 2020 is \$3,612,148 which is down 53.72% compared to 2019 when it was \$7,804,558. This was caused by the Fed's reduction in rates in March as our volume of investments has actually increased.
- Dividends paid to member credit unions of \$1,184,563 was also down 75.16% compared to the prior year (\$4,769,212).
- There was no interest on borrowed funds this year compared to \$89,918 for 2019.
- CUSO income for 2020 is \$206,784 which compares favorably to last year's \$101,315. This is the result of members having more liquidity to invest.
- Higher liquidity has also improved our fee income which is showing a 21.38% increase compared to last year. Other Non-interest Income however decreased by 22.79%.
- The pandemic has understandably caused certain expenses like Education/Promotion and Travel to decrease while certain office related expenses have increased. Overall operating expenses show a slight decrease of -1.65% compared to 2019.

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## Balance Sheet Highlights

- Total Assets as of December 31, 2020 are \$518 million which is 34.33% higher 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 \$625.1 million at 12/31/20 is approximately 89.9% higher than the balance of \$329.1 million at 12/31/19. MDANA hit bottom around April 2019 when it was \$294.9 million and has been rising quickly since then. This demonstrates significant, rapid growth in the size of our average total assets (MDANA) in the past 12 months.
- Net Fixed Assets at year end is 12.58% lower than it was one year ago. Currently the net book value of Furniture and Equipment is 42.93% of its cost indicating that, on average, those assets are slightly beyond the midpoint of their estimated economic life.
- The variance in Other Liabilities is due primarily to net ACH future dated transactions. The balance in this account is normally very volatile but is mostly offset by a roughly equal dollar variance in other assets.
- Undivided Earnings are \$1,342,260 (12.66%) higher at December 31, 2020 than the balance one year ago which represents our unaudited net income for the 12 months ending December 31, 2020.
- The Unrealized Gain on our Available for Sale securities of \$549,691 compares very favorably to December 2019 when it was an Unrealized Loss of (\$388,037).

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows a significant decrease in the past 12 months to 1.91% by year end due to the rapid growth in MDANA as previously described. The overall Capital Ratio also decreased in the past year due to this continued growth. The Capital Ratio at December 31, 2020 was 4.28% compared to 7.78% at December 31, 2019.
- The NEV ratio as of year-end is 5.67% 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 -7.89%. 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 57.64%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet at December 31 is currently 1.16 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.

Attached you will find condensed financial information as of and for the year ended December 31, 2020 and 2019 to provide a more complete picture of our financial condition and the results of our operations. This data is unaudited.

## Tricorp Federal Credit Union – 4th Quarter 2020 Financial Review

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
**December 31, 2020 and 2019**

	12/31/20	12/31/19	Change
<b><u>Assets</u></b>			
Loans to Members	35,919	1,642,691	-97.81%
Cash	222,321,766	159,004,161	39.82%
Investments	282,958,459	214,532,778	31.90%
Accrued Interest	183,051	450,032	-59.32%
Net Fixed Assets	770,850	881,821	-12.58%
NCUSIF Deposit	210,350	218,162	-3.58%
CUSO Investments	2,046,945	1,840,161	11.24%
Other Assets	9,389,231	6,991,350	34.30%
<b>Total Assets</b>	<b>517,916,571</b>	<b>385,561,155</b>	<b>34.33%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	485,372,800	357,141,423	35.90%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	11,175	23,461	-52.37%
Accrued Expenses	86,752	62,752	38.25%
Other Liabilities	3,091,433	1,259,097	145.53%
<b>Total Liabilities</b>	<b>488,562,161</b>	<b>358,486,732</b>	<b>36.28%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	11,943,374	10,601,114	12.66%
Unrealized Gain/(Loss) AFS	549,691	(388,037)	-241.66%
<b>Total Members' Equity</b>	<b>29,354,410</b>	<b>27,074,423</b>	<b>8.42%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>517,916,571</b>	<b>385,561,155</b>	<b>34.33%</b>

## Tricorp Federal Credit Union - 4th Quarter 2020 Financial Review

### Income Statement For the Year Ended December 31, 2020 and 2019

	12/31/20	12/31/19	Change
Interest Income from Loans	3,164	103,115	-96.93%
Interest and Dividend Income from Investments	3,612,148	7,804,558	-53.72%
<b>Total Interest Income</b>	<b>3,615,311</b>	<b>7,907,673</b>	<b>-54.28%</b>
Dividend Expense	1,184,563	4,769,212	-75.16%
Interest on Borrowed Money	0	89,918	-100.00%
<b>Total Interest Expense</b>	<b>1,184,563</b>	<b>4,859,130</b>	<b>-75.62%</b>
Net Interest Income	2,430,748	3,048,542	-20.27%
CUSO Equity Method Income	206,784	101,315	104.10%
Fee Income	916,363	754,958	21.38%
Other Operating Income	134,589	174,315	-22.79%
<b>Gross Operating Margin before Operating Expenses</b>	<b>3,688,484</b>	<b>4,079,129</b>	<b>-9.58%</b>
Operating Expenses:			
Salaries and Benefits	1,230,777	1,236,678	-0.48%
Office Occupancy	88,490	87,284	1.38%
Office Operations	218,730	201,376	8.62%
Travel and Conference	33,602	73,430	-54.24%
Educational and Promotional	53,017	65,540	-19.11%
Professional and Outside Services	579,536	583,225	-0.63%
Other	142,073	137,977	2.97%
<b>Total Operating Expenses</b>	<b>2,346,224</b>	<b>2,385,510</b>	<b>-1.65%</b>
Gain/(Loss) Investment Sales	0	1,695	100.00%
Net Income Before Extraordinary Income	1,342,260	1,695,314	-20.83%
Extraordinary Income	0	0	-
<b>Net Change to Undivided Earnings</b>	<b>1,342,260</b>	<b>1,695,314</b>	<b>-20.83%</b>

## Tricorp Federal Credit Union – 4th Quarter 2020 Financial Review

### Portfolio Diversification by Investment Issuer 12/31/20

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	17.81%	50,296,799	50,026,457	(270,341)
Agency Debentures - Floating rate	14.34%	40,500,000	40,691,231	191,231
Agency Debentures - Fixed rate	1.06%	3,000,000	2,995,620	(4,380)
Total U.S. Govt. Agency Debentures	33.21%	93,796,799	93,713,308	(83,491)
CMO/MBS - Floating Rate	13.38%	37,772,873	37,911,866	138,994
CMO/MBS - Fixed Rate	3.20%	9,024,756	9,130,593	105,837
CMBS - Floating Rate	17.86%	50,439,880	50,613,922	174,042
CMBS - Fixed Rate	1.24%	3,493,817	3,584,840	91,024
Total CMO/MBS & CMBS	35.67%	100,731,325	101,241,221	509,896
FFELPs	1.77%	4,985,665	4,843,102	(142,563)
Variable Rate Credit Card ABS	19.66%	55,514,688	55,760,603	245,915
Fixed Rate Credit Card ABS	0.92%	2,597,494	2,597,796	302
Variable Rate Auto loan ABS	4.57%	12,908,409	12,927,056	18,647
Fixed Rate Auto Loan ABS	0.17%	489,095	490,078	983
Total Asset-Backed Securities	27.09%	76,495,351	76,618,634	123,284
FHLB Stock	0.08%	227,600	227,600	0
CLF Stock	3.86%	10,909,696	10,909,696	0
Brokered CDs	0.09%	248,000	248,000	0
Total Other	4.03%	11,385,296	11,385,296	0
Total Investments	100.00%	282,408,770	282,958,459	549,689

# Tricorp Federal Credit Union – 4th Quarter 2020 Financial Review

## Statistical Changes In Financial Position

	As of 12/31/20	As of 12/31/19
* Operating Expense Ratio	0.38%	0.72%
* ROA	0.21%	0.52%
* Retained Earnings ratio	1.91%	3.22%
* Capital ratio	4.28%	7.78%
YTD Average Assets	625,107,550	329,136,959
Net Economic Value (NEV)	12/31/20	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	27,040,950	23,485,146
% Change	-7.89%	
NEV Ratio	5.25%	2.00%
<b>Base Level Dollar Amount</b>	<b>29,356,433</b>	
<b>Base Level NEV Ratio</b>	<b>5.67%</b>	
- 300 BP Shock		
Actual Dollar Change	29,356,433	23,485,146
% Change	0.00%	
NEV Ratio	5.67%	2.00%

\* Based on Moving Daily Average Net Assets

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