

# Second Quarter 2022 Financial Review



With large amounts of cash and variable rate investments, Tricorp's balance sheet is, on average, about 90% variable rate. As interest rates continue to climb in response to high inflation, so too does our variable rate income. While we are not immune to inflation, we have a greater ability to control our bottom-line net income as rates fluctuate.

Through mid-year, even without the US Central distributions, our net income continues to be ahead of budget and that favorable variance is expected to remain as interest rates continue to rise in response to the inflationary economy.

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 through mid-year is \$1,174,627 which is up 33.98% compared to 2021 when it was \$876,721. Even with the balances in our investment portfolio decreasing over the past year, the increase in interest rates accounts for this growth in income.
- Dividends paid to member credit unions of \$267,415 was up 202.03% compared to the same time period last year (\$88,539).
- We had borrowing interest expense of \$3,389 this year compared to none last year.
- CUSO income for the first half of the year is \$1,821 which is significantly below the same timeframe last year \$118,333. As the high liquidity continues to ebb our CUSO partners are seeing less business.
- The combination of higher liquidity and the recent rate increase has also improved our fee Income even more which is showing a 19.02% increase compared to last year. Other Non-interest Income also showed an increase of 10.53%.
- We finally see a return to normal with expenses like Education/Promotion and Travel as the COVID pandemic subsides. Overall, our year to date Total Operating Expenses are 9.31% higher this year compared to 2021.
- The recovery of losses experienced in 2009, which were caused by the write down of investment values at US Central, continues. This recovery has been shared with our current members so that everyone has recovered 76% of those losses to date. At this time, an eventual full recovery of all previous losses is expected.

## Balance Sheet Highlights

- Total Assets as of June 30, 2022 are \$326 million which is 19.51% lower than a year ago. This decrease was not only welcome but intentional. Since December 2020 we have purposely been moving assets off our Balance Sheet to be more in line with normal asset levels. 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 \$389 million at June 30 is

# Second Quarter 2022 Financial Review



approximately 28.7% lower than the balance of \$546.2 million at 06/30/21. With the excessive inflow of liquidity starting in March 2020, MDANA grew dramatically and hit its peak around January 2021 when it was \$629.3 million. By moving much of our excess liquidity to the Federal Reserve Bank's Excess Balance Accounts, MDANA has been slowly declining since January 2021 and we now feel like our MDANA has reached its new normal range.

- Net Fixed Assets at June 30 is 3.11% lower than it was one year ago. Currently the net book value of Furniture and Equipment is 27.71% of its cost indicating that, on average, those assets have just over a quarter of their estimated economic life remaining.
- The variance in Other Liabilities shows 11.5% growth compared to last year. This 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 \$15,411,525 (106.68%) higher at June 30, 2022 than the balance one year ago which represents our unaudited net income for the year. This includes approximately \$14.5 million of the 2009 US Central recoveries that we have received since June 30, 2021.
- The Unrealized Gain (Loss) on our Available for Sale securities as of June 30 of (\$1,445,537) has dropped significantly in recent months and is well below 2021 when it was an Unrealized Gain of \$1,871,471. While increases in interest rates improves our income it also has a negative impact on our bond values.

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past 12 months from 2.65% to 7.67% as of mid-year. The Capital Ratio at is 11.55% compared to 5.34% last year. A year ago the ratios were starting to climb back up from the bottom of a downward trend caused by the huge influx of liquidity. Currently these ratios are much higher due to the intended decrease in MDANA and recovery of 2009 US Central pass-through losses.
- The NEV ratio as of 06-30-2022 is 13.97% 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 -5.09% to 13.35%. 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 91.00%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet at June 30 is currently 1.97 years which is 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 three months ended March 31, 2022 and 2021 to provide a more complete picture of our financial condition and the results of our operations. This internal data is unaudited.



## Tricorp Federal Credit Union – 2nd Quarter 2022 Financial Review

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
**JUNE 30, 2022 and 2021**

	06/30/22	06/30/21	Change
<b><u>Assets</u></b>			
Loans to Members	20,271	226,301	-91.04%
Cash	52,365,369	110,917,759	-52.79%
Investments	259,329,644	280,782,918	-7.64%
Accrued Interest	258,683	188,759	37.04%
Net Fixed Assets	702,072	724,586	-3.11%
NCUSIF Deposit	202,476	213,306	-5.08%
CUSO Investments	1,778,489	2,165,278	-17.86%
Other Assets	11,494,017	9,977,278	15.20%
<b>Total Assets</b>	<b>326,151,020</b>	<b>405,196,184</b>	<b>-19.51%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	276,247,383	367,923,032	-24.92%
Borrowed Funds	0	0	-
Interest Payable	6	0	-
Accounts Payable	83,573	7,731	981.00%
Accrued Expenses	101,710	98,752	3.00%
Other Liabilities	4,444,313	3,987,151	11.47%
<b>Total Liabilities</b>	<b>280,876,984</b>	<b>372,016,666</b>	<b>-24.50%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	29,858,227	14,446,702	106.68%
Unrealized Gain/(Loss) AFS	(1,445,537)	1,871,471	-177.24%
<b>Total Members' Equity</b>	<b>45,274,035</b>	<b>33,179,518</b>	<b>36.45%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>326,151,020</b>	<b>405,196,184</b>	<b>-19.51%</b>

## Tricorp Federal Credit Union – 2nd Quarter 2022 Financial Review

**TRICORP FCU**  
**Income Statement (Unaudited)**  
**For the Six Months Ended JUNE 30, 2022 and 2021**

	06/30/22	06/30/21	Change
Interest Income from Loans	10,993	376	2822.36%
Interest and Dividend Income from Investments	1,174,627	876,721	33.98%
<b>Total Interest Income</b>	<b>1,185,620</b>	<b>877,097</b>	<b>35.18%</b>
Dividend Expense	267,415	88,539	202.03%
Interest on Borrowed Money	3,389	0	-
<b>Total Interest Expense</b>	<b>270,804</b>	<b>88,539</b>	<b>205.86%</b>
Net Interest Income	914,816	788,558	16.01%
CUSO Equity Method Income	1,821	118,333	-98.46%
Fee Income	739,133	621,012	19.02%
Other Operating Income	100,036	90,508	10.53%
<b>Gross Operating Margin before Operating Expenses</b>	<b>1,755,806</b>	<b>1,618,412</b>	<b>8.49%</b>
Operating Expenses:			
Salaries and Benefits	711,569	650,273	9.43%
Office Occupancy	48,704	44,678	9.01%
Office Operations	110,975	115,110	-3.59%
Travel and Conference	20,730	11,030	87.95%
Educational and Promotional	37,812	31,276	20.90%
Professional and Outside Services	326,238	287,692	13.40%
Other	71,734	74,590	-3.83%
<b>Total Operating Expenses</b>	<b>1,327,761</b>	<b>1,214,649</b>	<b>9.31%</b>
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	4,670,864	2,099,565	122.47%
<b>Net Change to Undivided Earnings</b>	<b>5,098,909</b>	<b>2,503,328</b>	<b>103.69%</b>

## Tricorp Federal Credit Union – 2nd Quarter 2022 Financial Review

### TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 06/30/22

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	17.64%	46,006,715	46,474,701	467,986
Agency Debentures - Floating rate	21.28%	55,500,000	55,842,938	342,938
Agency Debentures - Fixed rate	1.15%	3,000,000	2,702,730	(297,270)
<b>Total U.S. Government Agency</b>	<b>40.08%</b>	<b>104,506,715</b>	<b>105,020,369</b>	<b>513,654</b>
CMO/MBS - Floating Rate	9.86%	25,709,646	25,587,214	(122,432)
CMO/MBS - Fixed Rate	4.54%	11,847,888	10,655,334	(1,192,554)
CMBS - Floating Rate	27.70%	72,231,914	71,765,495	(466,419)
CMBS - Fixed Rate	0.00%	0	0	0
<b>Total CMO's, MBS &amp; CMBS</b>	<b>42.10%</b>	<b>109,789,449</b>	<b>108,008,043</b>	<b>(1,781,406)</b>
FFELPs	1.49%	3,885,378	3,741,032	(144,346)
Variable Rate Credit Card ABS	9.63%	25,106,918	25,167,461	60,542
Fixed Rate Credit Card ABS	0.00%	0	0	0
Variable Rate Auto loan ABS	0.00%	0	0	0
Fixed Rate Auto Loan ABS	2.62%	6,841,332	6,747,350	(93,982)
Variable Rate Equipment loan ABS	0.00%	0	0	0
<b>Total Asset-Backed Securities</b>	<b>13.74%</b>	<b>35,833,629</b>	<b>35,655,843</b>	<b>(177,785)</b>
FHLB Stock	0.09%	229,200	229,200	0
CLF Stock	3.99%	10,416,189	10,416,189	0
Brokered CDs	0.00%	0	0	0
<b>Total Other</b>	<b>4.08%</b>	<b>10,645,389</b>	<b>10,645,389</b>	<b>0</b>
<b>Total Investments</b>	<b>100.00%</b>	<b>260,775,181</b>	<b>259,329,644</b>	<b>(1,445,537)</b>

# Tricorp Federal Credit Union – 2nd Quarter 2022 Financial Review

## TRICORP FCU Key Ratios (Unaudited)

	As of 06/30/22	As of 06/30/21
* Operating Expense Ratio	0.73%	0.53%
* ROA	2.79%	1.09%
*Retained Earnings ratio	7.67%	2.65%
* Capital ratio	11.55%	5.34%
YTD Average Assets	365,521,270	457,364,123
Net Economic Value (NEV)	06/30/22	Reg 704 Min Requirements ***
+ 300 BP Shock		
Actual Dollar Change	43,268,457	36,471,020
% Change	-5.09%	
NEV Ratio	13.35%	2.00%
<b>Base Level Dollar Amount</b>	<b>45,588,775</b>	
<b>Base Level NEV Ratio</b>	<b>13.97%</b>	
- 300 BP Shock		
Actual Dollar Change	45,588,775	36,471,020
% Change	0.00%	
NEV Ratio	13.97%	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.