

# First Quarter 2023 Financial Review



What a difference a few percentage points can make. With our balance sheet assets being over 90% variable rate, this current report to our members shows just how affected Tricorp is by changes in interest rates. For most of the first quarter of 2022, the Federal Reserve was paying .15% on reserve balances. We started 2023 at 4.40% and have seen two more interest rate increases by March 31, 2023, bringing the rate up to 4.90%. As a result, you will see some eye-popping variance numbers when comparing interest-based income and expenses from the first three months of 2022 to this same timeframe in 2023.

Happily, for Tricorp, the rates have been going in an upward direction which means improved income. 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 the first quarter of 2023 was \$3,391,098 which is up 694.90% compared to the same period in 2022 when it was \$426,605. This increase is primarily due to the ongoing rapid interest rate increases.
- Dividends paid to member credit unions of \$2,296,451 was up 3,905.66% compared to last year's \$57,330, also due to rising interest rates.
- We had borrowing interest expense of \$35,929 this quarter compared to no borrowing in the first quarter of last year. The rapid tightening of liquidity in the Credit Union system has again brought on the need to borrow at times. This is normal for Tricorp.
- CUSO income for the first three months is a loss of (\$13,273) which is below last year's smaller loss of (\$1,826). As high liquidity balances drain, our CUSO partners are seeing less business, negatively impacting their bottom lines.
- With our members having less liquidity, the Fee Income we derive from those off-balance sheet amounts also shrinks. Fee Income now shows a (28.51%) decrease compared to last year. Other Non-interest Income however increased by 10.18%.
- Overall, our first quarter Total Operating Expenses are 6.32% higher this year compared to 2022. This difference is primarily due to the timing of some large annual conference expenses that were recorded earlier in 2023 than in 2022.
- The recovery of losses experienced in 2009, which were caused by the write down of investment values at US Central, continues. Tricorp has now recovered 100% of the retained earnings that was lost in 2009, and we have started to recover some of our Paid in Capital investment as well. This combined recovery in the first quarter of 2023 was \$2,402,802. Some additional recovery of Paid in Capital is still expected later this year.

## Balance Sheet Highlights

Total Assets as of March 31, 2023 are \$397 million which is 2.08% higher than in 2022. Since December 2020 we have purposely been moving excess liquidity 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



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Assets (MDANA) to more accurately reflect balance sheet trends. MDANA of \$315 million at March 31 is approximately 24% lower than the balance of \$414 million at 03/31/2022. We now feel like our MDANA has reached its new normal range.

- Net Fixed Assets on March 31 is 6.40% lower than it was one year ago. Currently all our office furniture and fixtures are fully depreciated while our technology equipment's book value is at 79.89% of cost. This indicates that, on average, those technology assets have been kept current.
- The variance in Other Assets shows \$14.6 million of growth compared to last year at this time which is offset largely by growth in Other Liabilities which also shows \$15.7 million of growth compared to last year. This is due primarily to net ACH future dated transactions which affect both sides of the Balance Sheet. The balances in these accounts are normally very volatile and were somewhat larger than normal this month.
- Undivided Earnings are \$8,243,246 or 27.89% higher at 03/31/2023 than the balance one year ago which represents our unaudited net income for the last 12 months. This includes approximately \$5.88 million of the 2009 US Central recoveries that we have received since March 31, 2022.
- The Unrealized Loss on our Available for Sale securities as of March 31 of (\$3,041,250) is well below March 2022 when it was (\$598,633). While increases in interest rates improves our income it also has a negative impact on our bond values. The unrealized loss was even higher and has improved by \$1.19 million in the first quarter of this year.

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past 12 months from 7.14% to 12.01% as of March 31, 2023. The Capital Ratio at is 16.83% compared to 10.78% last March. A year ago the ratios were significantly improved by removing excess liquidity assets from our books. Currently these ratios are even higher due to the intended decrease in MDANA and the additional recoveries of 2009 US Central pass-through losses adding to our retained earnings.
- The NEV ratio as of 03-31-2023 is 12.99% 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 -4.26% to 12.51%. 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 107.4876%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet at March 31 is currently 1.32 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, 2023 and 2022 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 – 1st Quarter 2023 Financial Review

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
**March 31, 2023 and 2022**

	03/31/23	03/31/22	Change
<b><u>Assets</u></b>			
Loans to Members	2,830,197	5,084	55571.44%
Cash	141,069,034	119,602,607	17.95%
Investments	224,413,332	255,891,240	-12.30%
Accrued Interest	981,645	192,457	410.06%
Net Fixed Assets	664,592	710,037	-6.40%
NCUSIF Deposit	205,624	208,282	-1.28%
CUSO Investments	1,685,453	1,774,842	-5.04%
Other Assets	25,512,728	10,863,871	134.84%
<b>Total Assets</b>	<b>397,362,604</b>	<b>389,248,420</b>	<b>2.08%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	327,637,132	341,062,479	-3.94%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	103,824	88,694	17.06%
Accrued Expenses	103,993	99,045	4.99%
Other Liabilities	17,893,565	2,174,740	722.79%
<b>Total Liabilities</b>	<b>345,738,514</b>	<b>343,424,958</b>	<b>0.67%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	37,803,995	29,560,749	27.89%
Unrealized Gain/(Loss) AFS	(3,041,250)	(598,633)	-408.03%
<b>Total Members' Equity</b>	<b>51,624,090</b>	<b>45,823,462</b>	<b>12.66%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>397,362,604</b>	<b>389,248,420</b>	<b>2.08%</b>

## Tricorp Federal Credit Union – 1st Quarter 2023 Financial Review

**TRICORP FCU**  
**Income Statement (Unaudited)**  
**For the Three Months Ended March 31, 2023 and 2023**

	03/31/23	03/31/22	Change
Interest Income from Loans	73,549	125	58673.60%
Interest and Dividend Income from Investments	3,391,098	426,605	694.90%
<b>Total Interest Income</b>	<b>3,464,647</b>	<b>426,731</b>	<b>711.90%</b>
Dividend Expense	2,296,451	57,330	3905.66%
Interest on Borrowed Money	35,929	0	-
<b>Total Interest Expense</b>	<b>2,332,380</b>	<b>57,330</b>	<b>3968.33%</b>
Net Interest Income	1,132,267	369,400	206.51%
CUSO Equity Method Income	(13,273)	(1,826)	-626.89%
Fee Income	261,278	365,492	-28.51%
Other Operating Income	50,667	45,987	10.18%
<b>Gross Operating Margin before Operating Expenses</b>	<b>1,430,938</b>	<b>779,054</b>	<b>83.68%</b>
Operating Expenses:			
Salaries and Benefits	372,020	357,562	4.04%
Office Occupancy	22,218	22,187	0.14%
Office Operations	51,298	55,213	-7.09%
Travel and Conference	29,449	3,755	684.19%
Educational and Promotional	15,759	14,510	8.61%
Professional and Outside Services	165,545	161,024	2.81%
Other	33,206	34,236	-3.01%
<b>Total Operating Expenses</b>	<b>689,496</b>	<b>648,486</b>	<b>6.32%</b>
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	2,402,802	4,670,864	-48.56%
<b>Net Change to Undivided Earnings</b>	<b>3,144,244</b>	<b>4,801,431</b>	<b>-34.51%</b>

## Tricorp Federal Credit Union – 1st Quarter 2023 Financial Review

### TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 03/31/23

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	16.56%	37,665,212	37,525,769	(139,443)
Agency Debentures - Floating rate	25.68%	58,408,576	58,539,951	131,375
Agency Debentures - Fixed rate	1.32%	3,000,000	2,652,930	(347,070)
<b>Total U.S. Government Agency</b>	<b>43.56%</b>	<b>99,073,788</b>	<b>98,718,650</b>	<b>(355,139)</b>
CMO/MBS - Floating Rate	9.58%	21,795,981	21,512,838	(283,143)
CMO/MBS - Fixed Rate	4.63%	10,534,323	8,968,654	(1,565,670)
CMBS - Floating Rate	25.43%	57,850,398	57,295,189	(555,209)
CMBS - Fixed Rate	2.19%	4,977,281	4,934,900	(42,381)
<b>Total CMO's, MBS &amp; CMBS</b>	<b>41.84%</b>	<b>95,157,984</b>	<b>92,711,581</b>	<b>(2,446,403)</b>
FFELPs	1.39%	3,170,031	3,065,255	(104,776)
Variable Rate Credit Card ABS	9.71%	22,091,865	22,064,658	(27,207)
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	3.40%	7,731,714	7,623,988	(107,725)
Variable Rate Equipment loan ABS	0.00%	0	0	0
<b>Total Asset-Backed Securities</b>	<b>14.51%</b>	<b>32,993,610</b>	<b>32,753,902</b>	<b>(239,708)</b>
FHLB Stock	0.10%	229,200	229,200	0
Brokered CDs	0.00%	0	0	0
<b>Total Other</b>	<b>0.10%</b>	<b>229,200</b>	<b>229,200</b>	<b>0</b>
<b>Total Investments</b>	<b>100.00%</b>	<b>227,454,582</b>	<b>224,413,332</b>	<b>(3,041,250)</b>

# Tricorp Federal Credit Union – 1st Quarter 2023 Financial Review

## TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 03/31/23	As of 03/31/22
* Operating Expense Ratio	<b>0.88%</b>	0.66%
* ROA	<b>4.03%</b>	4.90%
*Retained Earnings ratio	<b>12.01%</b>	7.14%
* Capital ratio	<b>16.83%</b>	10.78%
YTD Average Assets	<b>312,092,486</b>	391,776,920
Net Economic Value (NEV)	<b>03/31/23</b>	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	<b>49,436,452</b>	41,315,153
% Change	<b>-4.26%</b>	
NEV Ratio	<b>12.51%</b>	2.00%
<b>Base Level Dollar Amount</b>	<b>51,643,941</b>	
<b>Base Level NEV Ratio</b>	<b>12.99%</b>	
- 300 BP Shock		
Actual Dollar Change	<b>54,061,784</b>	41,315,153
% Change	<b>4.70%</b>	
NEV Ratio	<b>13.52%</b>	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.