

# First Quarter 2024 Financial Review



There is no shortage of big news headlines in the first quarter of 2024. The US presidential election, the bull market economy, March Madness, big storms causing widespread damage and power loss, a cargo ship crashing into a bridge, the rapid rise in the use and awareness of Artificial Intelligence (AI), regular reports of security breaches and growing malware attacks, and Bill Belichick looking for a new job just to name a few. Tricorp's own news of long-time president & CEO Steve Roy announcing his retirement, of course, tops all these news stories. While we are excited for this new chapter in Tricorp's future, we will surely miss Steve when he leaves to begin his well-earned retirement later this year.

The rise in interest rates that started in March 2022 was approaching its current level by January 2023 making year over year variances for this current quarter much lower than we have seen in the previous 3 or 4 quarterly reports. Rates are still higher in this first quarter of 2024 than a year ago but the variances are much more reasonable. 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 was \$4,939,129 which is up 45.65% compared to last year when it was \$3,391,098. This increase is still primarily due to the few remaining interest rate increases since the first quarter of 2023.
- Dividends paid to member credit unions of \$3,650,210 was up 58.95% compared to last year's \$2,296,451, due again to rising interest rates but also an increase in member deposits.
- We've had no borrowing interest expense so far this year compared to \$35,929 in the first quarter of last year.
- CUSO income for quarter ended March 31, 2024, is a loss of (\$8,198) which is slightly improved compared to last year's first quarter loss of (\$13,273). Our CUSO partners have been seeing less business, negatively impacting their bottom lines.
- We have seen a year over year growth in the off-balance sheet funds that we manage. The Fee Income we derive from managing those off-balance sheet amounts has also increased. Fee Income for the first quarter now shows a 14.64% increase compared to last year.
- Overall, Total Operating Expenses are 18.77% higher so far this year than in 2023. This difference is partially due to professional fees and travel costs related to the search for a new CEO.
- The recovery of losses experienced in 2009, which were caused by the write down of investment values at US Central, continues. Prior to this year, Tricorp had already recovered 100% of the retained earnings that was lost in 2009, and we had started to recover some of our Paid in Capital investment as well. There have been no additional paid in capital recoveries received in the first quarter this year whereas last year we received \$2,402,802 in combined recoveries. Some small additional recovery of Paid in Capital is still possible this year, but the vast majority of all losses has already been recovered.

## Balance Sheet Highlights

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## Balance Sheet Highlights

- Total Assets as of March 31, 2024, are \$478.5 million which is 20.42% higher than March of 2023. Due to the volatility in the size of our balance sheet we rely on a 12 month Moving Daily Average Net Assets (MDANA) to reflect balance sheet trends more accurately. MDANA of \$321 million on March 31 is approximately 1.99% higher than the balance of \$315 million at 03/31/2023.
- Net Fixed Assets on March 31 is 82.62% higher than it was one year ago. This increase is primarily due to a large investment in a new core data processing system. Currently all our office furniture and fixtures are fully depreciated while our technology assets' book value is at 54% of cost.
- The variance in Other Assets shows a decrease of (\$17.9) million compared to last year at this time. This decrease is largely offset by a similar decrease in Other Liabilities which also shows a (\$17.6) million decrease compared to last year. The conversion to the new core data processing system in July 2023 has eliminated the reporting of future dated warehoused transactions on our books causing this decrease.
- Undivided Earnings are \$3,513,837 or 9.29% higher at 03/31/2024 than the balance one year ago which represents our unaudited net income for the last 12 months. This 12-month income amount includes approximately \$851,400 of the 2009 US Central recoveries that we have received in the 12 months since 3/31/2023.
- The Unrealized Loss on our Available for Sale securities as of March 31, 2024, of (\$2,231,388) has improved since March 2023 when it was (\$3,041,250).

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past 12 months from 12.01% to 12.87%. The Capital Ratio is at 17.64% compared to 16.83% last year.
- The NEV ratio as of 03-31-2024 is 11.70% 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 -4.12% to 11.27%. 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 123.06%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on March 31 is 1.01 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, 2024 and 2023 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 2024 Financial Review

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
**March 31, 2024 and 2023**

	03/31/24	03/31/23	Change
<b><u>Assets</u></b>			
Loans to Members	10,416	2,830,197	-99.63%
Cash	233,908,167	141,069,034	65.81%
Investments	232,704,827	224,413,332	3.69%
Accrued Interest	1,368,902	981,645	39.45%
Net Fixed Assets	1,213,654	664,592	82.62%
NCUSIF Deposit	191,415	205,624	-6.91%
CUSO Investments	1,572,252	1,685,453	-6.72%
Other Assets	7,550,629	25,512,728	-70.40%
<b>Total Assets</b>	<b>478,520,261</b>	<b>397,362,604</b>	<b>20.42%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	422,068,990	327,637,132	28.82%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	83,603	103,824	-19.48%
Accrued Expenses	117,017	103,993	12.52%
Other Liabilities	302,811	17,893,565	-98.31%
<b>Total Liabilities</b>	<b>422,572,422</b>	<b>345,738,514</b>	<b>22.22%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	41,317,832	37,803,995	9.29%
Unrealized Gain/(Loss) AFS	(2,231,338)	(3,041,250)	26.63%
<b>Total Members' Equity</b>	<b>55,947,840</b>	<b>51,624,090</b>	<b>8.38%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>478,520,261</b>	<b>397,362,604</b>	<b>20.42%</b>

## Tricorp Federal Credit Union – 1st Quarter 2024 Financial Review

**TRICORP FCU**  
**Income Statement (Unaudited)**  
**For the Three Months Ended March 31, 2024 and 2023**

	03/31/24	03/31/23	Change
Interest Income from Loans	11,882	73,549	-83.84%
Interest and Dividend Income from Investments	4,939,129	3,391,098	45.65%
<b>Total Interest Income</b>	<b>4,951,011</b>	<b>3,464,647</b>	<b>42.90%</b>
Dividend Expense	3,650,210	2,296,451	58.95%
Interest on Borrowed Money	0	35,929	-100.00%
<b>Total Interest Expense</b>	<b>3,650,210</b>	<b>2,332,380</b>	<b>56.50%</b>
Net Interest Income	1,300,802	1,132,267	14.88%
CUSO Equity Method Income	(8,198)	(13,273)	38.24%
Fee Income	299,536	261,278	14.64%
Other Operating Income	50,664	50,667	0.00%
<b>Gross Operating Margin before Operating Expenses</b>	<b>1,642,804</b>	<b>1,430,938</b>	<b>14.81%</b>
Operating Expenses:			
Salaries and Benefits	405,601	372,020	9.03%
Office Occupancy	21,059	22,218	-5.22%
Office Operations	64,036	51,298	24.83%
Travel and Conference	47,346	29,449	60.77%
Educational and Promotional	16,448	15,759	4.37%
Professional and Outside Services	215,000	165,545	29.87%
Other	49,423	33,206	48.84%
<b>Total Operating Expenses</b>	<b>818,913</b>	<b>689,496</b>	<b>18.77%</b>
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	0	2,402,802	-100.00%
<b>Net Change to Undivided Earnings</b>	<b>823,891</b>	<b>3,144,244</b>	<b>-73.80%</b>

## Tricorp Federal Credit Union – 1st Quarter 2024 Financial Review

### TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 03/31/24

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	13.84%	32,522,905	32,334,354	(188,550)
Agency Debentures - Floating rate	24.87%	58,418,993	58,705,693	286,700
Agency Debentures - Fixed rate	1.28%	3,000,000	2,718,720	(281,280)
	39.99%	93,941,897	93,758,767	(183,130)
CMO/MBS - Floating Rate	7.65%	17,961,243	17,767,460	(193,783)
CMO/MBS - Fixed Rate	8.02%	18,834,605	17,284,462	(1,550,143)
CMBS - Floating Rate	19.31%	45,375,437	44,993,183	(382,254)
	34.98%	82,171,285	80,045,104	(2,126,180)
FFELPs	1.08%	2,537,627	2,484,547	(53,080)
Variable Rate Credit Card ABS	13.75%	32,293,426	32,338,248	44,822
Variable Rate Auto loan ABS	6.39%	15,014,551	15,105,911	91,360
Fixed Rate Auto Loan ABS	3.32%	7,804,080	7,798,951	(5,129)
Total Asset-Backed Securities	24.54%	57,649,683	57,727,656	77,973
FHLB Stock	0.07%	173,300	173,300	0
Brokered CDs	0.43%	1,000,000	1,000,000	0
Total Other	0.50%	1,173,300	1,173,300	0
Total Investments	100.00%	234,936,165	232,704,827	(2,231,338)

# Tricorp Federal Credit Union – 1st Quarter 2024 Financial Review

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

	As of 03/31/24	As of 03/31/23
* Operating Expense Ratio	<b>0.89%</b>	0.88%
* ROA	<b>0.89%</b>	4.03%
*Retained Earnings ratio	<b>12.87%</b>	12.01%
* Capital ratio	<b>17.64%</b>	16.83%
YTD Average Assets	<b>368,823,922</b>	312,092,486
Net Economic Value (NEV)	<b>03/31/24</b>	Reg 704
		Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	<b>53,656,475</b>	44,768,777
% Change	<b>-4.12%</b>	
NEV Ratio	<b>11.27%</b>	2.00%
<b>Base Level Dollar Amount</b>	<b>55,960,971</b>	
<b>Base Level NEV Ratio</b>	<b>11.70%</b>	
- 300 BP Shock		
Actual Dollar Change	<b>57,821,982</b>	44,768,777
% Change	<b>3.33%</b>	
NEV Ratio	<b>12.04%</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.