

# Fourth Quarter 2023 Financial Review



In 1975, Tricorp was founded as League Central of Maine Federal Credit Union and was issued its certificate of insurance on December 23, 1975. The charter underwent several amendments over the years including a name change to Tricorp Federal Credit Union on June 7, 1988. Acknowledging 1976 as our first year of operations, year number 48 has just come to an end for Tricorp. Each year is unique in some way, and this year was marked notably by the mid-year core system conversion, approaching the end of the recovery of losses from the 2009 US Central pass-through investment losses, and preparation for FedNOW's faster payments service.

The rise in interest rates over the past two years has improved our net income while liquidity seems to have stayed slightly elevated throughout much of the year. Similar to what we saw in the past three quarterly reports, you will see some large year over year variances in the attached financial statements caused primarily by higher interest rates this year compared to 2022. 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 2023 was \$15,083,084 which is up 181.27% compared to the same timeframe in 2022 when it was \$5,362,548. This increase is primarily due to the ongoing interest rate increases.
- Dividends paid to member credit unions of \$10,889,112 was up 348.71% compared to last year's \$2,426,776, also due to rising interest rates.
- We had borrowing interest expense of \$88,116 this year compared to \$79,226 last year. Given the rise in interest rates this would indicate less borrowing.
- CUSO income for all of 2023 is a loss of (\$123,707) which is greater than last year's loss of (\$77,942). Our CUSO partners are seeing less business, negatively impacting their bottom lines.
- We have seen a year over year decline in the off-balance sheet funds that we manage. The Fee Income we derive from managing those off-balance sheet amounts has also shrunk. Fee Income now shows a (19.53%) decrease compared to last year. Other Non-interest Income however increased by 4.09%.
- Overall, Total Operating Expenses are 11.77% higher this year than in 2022. This difference is partially due to increases in things such as salaries, travel, marketing and professional fees.
- 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. The year-to-date combined recovery in 2023 is \$3,254,202. Some small additional recovery of Paid in Capital is still possible next year but the vast majority of all losses has now been recovered.

## Balance Sheet Highlights

Total Assets as of December 31, 2023 are \$361 million which is 7.23% higher than in 2022. 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 \$307 million at December 31 is approximately 8.32% lower than the balance of \$335 million at

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12/31/2022. We now feel like our MDANA has reached its new normal range as it has remained fairly steady for the last 9 months

- Net Fixed Assets on December 31 is 92.84% 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 55% of cost.
- The variance in Other Assets shows a decrease of (\$17.3) million compared to last year at this time. This decrease is largely offset by a similar decrease in Other Liabilities which also shows a (\$14.2) million decrease compared to last year. The conversion to the new core data processing system in July has eliminated the reporting of future dated warehoused transactions on our books causing this decrease.
- Undivided Earnings are \$5,834,191 or 16.83% higher at 12/31/2023 than the balance one year ago which represents our unaudited net income for the last 12 months. This 12 month income amount includes approximately \$3.25 million of the 2009 US Central recoveries that we have received this year.
- The Unrealized Loss on our Available for Sale securities as of December 31, 2023 of (\$2,576,288) has improved since December 2022 when it was (\$4,233,499).

## Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past 12 months from 10.36% to 13.20% as of year end. The Capital Ratio is at 18.18% compared to 14.89% last year. This rapid increase is due to the significant recoveries of 2009 US Central losses and the managed reduction of our MDANA accomplished by removing excess liquidity, caused by the pandemic, from our balance sheet.
- The NEV ratio as of 12-31-2023 is 15.19% 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 -4.03% to 14.67%. 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 118.87%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet at December 31 is currently 1.34 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 year ended December 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 – 4th Quarter 2023 Financial Review

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

	12/31/23	12/31/22	Change
<b><u>Assets</u></b>			
Loans to Members	289,851	3,940,120	-92.64%
Cash	132,642,475	75,129,071	76.55%
Investments	216,242,704	229,162,810	-5.64%
Accrued Interest	1,064,093	779,839	36.45%
Net Fixed Assets	1,197,359	620,912	92.84%
NCUSIF Deposit	191,415	205,624	-6.91%
CUSO Investments	1,575,019	1,698,726	-7.28%
Other Assets	7,402,099	24,747,077	-70.09%
<b>Total Assets</b>	<b>360,605,016</b>	<b>336,284,179</b>	<b>7.23%</b>
<b><u>Liabilities</u></b>			
Members' Shares and Deposits			
Overnight Deposits	303,120,311	272,081,451	11.41%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	91,008	85,726	6.16%
Accrued Expenses	114,017	102,493	11.24%
Other Liabilities	2,500,681	16,726,914	-85.05%
<b>Total Liabilities</b>	<b>305,826,017</b>	<b>288,996,582</b>	<b>5.82%</b>
<b><u>Members' Equity</u></b>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	40,493,942	34,659,751	16.83%
Unrealized Gain/(Loss) AFS	(2,576,288)	(4,233,499)	39.15%
<b>Total Members' Equity</b>	<b>54,778,999</b>	<b>47,287,597</b>	<b>15.84%</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>360,605,016</b>	<b>336,284,179</b>	<b>7.23%</b>

## Tricorp Federal Credit Union – 4th Quarter 2023 Financial Review

**TRICORP FCU**  
**Income Statement (Unaudited)**  
**For the Year Ended December 31, 2023 and 2022**

	12/31/23	12/31/22	Change
Interest Income from Loans	324,072	133,066	143.54%
Interest and Dividend Income from Investments	15,083,084	5,362,548	181.27%
<b>Total Interest Income</b>	<b>15,407,156</b>	<b>5,495,614</b>	<b>180.35%</b>
Dividend Expense	10,889,112	2,426,776	348.71%
Interest on Borrowed Money	88,116	79,226	11.22%
<b>Total Interest Expense</b>	<b>10,977,228</b>	<b>2,506,002</b>	<b>338.04%</b>
Net Interest Income	4,429,928	2,989,611	48.18%
CUSO Equity Method Income	(123,707)	(77,942)	-58.72%
Fee Income	1,061,668	1,319,288	-19.53%
Other Operating Income	204,299	196,274	4.09%
<b>Gross Operating Margin before Operating Expenses</b>	<b>5,572,187</b>	<b>4,427,232</b>	<b>25.86%</b>
Operating Expenses:			
Salaries and Benefits	1,578,574	1,459,550	8.15%
Office Occupancy	101,143	104,454	-3.17%
Office Operations	221,691	219,088	1.19%
Travel and Conference	71,524	44,355	61.25%
Educational and Promotional	101,438	62,302	62.82%
Professional and Outside Services	776,504	647,487	19.93%
Other	141,324	139,798	1.09%
<b>Total Operating Expenses</b>	<b>2,992,199</b>	<b>2,677,034</b>	<b>11.77%</b>
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	3,254,202	8,150,235	-60.07%
<b>Net Change to Undivided Earnings</b>	<b>5,834,191</b>	<b>9,900,433</b>	<b>-41.07%</b>

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## TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 12/31/23

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	15.83%	34,629,261	34,473,371	(155,890)
Agency Debentures - Floating rate	26.70%	58,416,322	58,582,658	166,336
Agency Debentures - Fixed rate	1.37%	3,000,000	2,716,920	(283,080)
Total U.S. Government Agency	43.89%	96,045,583	95,772,949	(272,634)
CMO/MBS - Floating Rate	8.61%	18,831,407	18,639,184	(192,223)
CMO/MBS - Fixed Rate	4.29%	9,395,872	7,887,947	(1,507,925)
CMBS - Floating Rate	21.76%	47,620,242	47,086,867	(533,375)
CMBS - Fixed Rate	0.05%	100,133	99,750	(384)
Total CMO's, MBS & CMBS	34.71%	75,947,654	73,713,748	(2,233,906)
FFELPs	1.26%	2,752,001	2,664,090	(87,910)
Variable Rate Credit Card ABS	12.39%	27,101,128	27,118,844	17,716
Fixed Rate Credit Card ABS	0.00%	0	0	0
Variable Rate Auto loan ABS	3.66%	8,013,741	8,055,840	42,099
Fixed Rate Auto Loan ABS	3.56%	7,785,585	7,743,932	(41,653)
Variable Rate Equipment loan ABS	0.00%	0	0	0
Total Asset-Backed Securities	20.86%	45,652,454	45,582,706	(69,748)
FHLB Stock	0.08%	173,300	173,300	0
Brokered CDs	0.46%	1,000,000	1,000,000	0
Total Other	0.54%	1,173,300	1,173,300	0
Total Investments	100.00%	218,818,992	216,242,704	(2,576,288)

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

	As of 12/31/23	As of 12/31/22
* Operating Expense Ratio	<b>0.98%</b>	0.80%
* ROA	<b>1.90%</b>	2.96%
*Retained Earnings ratio	<b>13.20%</b>	10.36%
* Capital ratio	<b>18.18%</b>	14.89%
YTD Average Assets	<b>306,807,103</b>	334,643,774
Net Economic Value (NEV)	<b>12/31/23</b>	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	<b>52,581,377</b>	43,831,685
% Change	<b>-4.03%</b>	
NEV Ratio	<b>14.67%</b>	2.00%
<b>Base Level Dollar Amount</b>	<b>54,789,606</b>	
<b>Base Level NEV Ratio</b>	<b>15.19%</b>	
- 300 BP Shock		
Actual Dollar Change	<b>56,571,838</b>	43,831,685
% Change	<b>3.25%</b>	
NEV Ratio	<b>15.61%</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.