2023 Annual Report

Tricorp Federal Credit Union

"The greatest leader is not necessarily the one who does the greatest things. He is the one who gets the people to do the greatest things."

~ Ronald Reagan

“It’s not what you look at that matters, it’s what you see.”
~ Henry David Thoreau

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Chairman and President's Message

We are pleased to report that your corporate credit union had an excellent year in 2023 and further improved its already strong financial position. We had several important initiatives that we completed in 2023 including the completion of the return of the charged offs resulting from the mortgage crisis in 2009 in which we were able to return all the charge off amounts to our members making them whole.

Our already strong capital position improved substantially with the combination of net operating income and the distributions from the U.S. Central estate. Net operating income was $2,579,999 and the distribution income was an additional $3,254,202. Rising interest rates enabled us to pay $10,889,112 in dividends, an increase of 348% over the previous year. Through the combination of all these factors, our capital ratios are well above regulatory requirements and our credit and interest rate risk remain exceptionally low supporting a safe and sound balance sheet.

Another major initiative for 2023 was to conduct a search to replace Steve Roy our President/CEO who as you all know will be retiring on September 20, 2024. The Board engaged the services of Smith and Wilkinson and worked diligently to ensure the right candidate was chosen and we are incredibly pleased that Billy LaFavor has been hired to replace Steve. Billy brings to Tricorp a long history of working with Tricorp Management and ALCO to build and maintain the investment portfolio. Billy is very familiar with Tricorp and the corporate credit union system having worked with Tricorp and other corporate credit unions for over 22 years. The Board is very confident that Billy is the right person to lead Tricorp into the foreseeable future and continue to build on the success of your corporate credit union.

As we look ahead to 2024, it will be one dedicated to the transition of the CEO position. Steve and Billy will be working together side by side for several months to ensure a smooth, successful transition. The Tricorp Team is also preparing to assist its members with their settlement needs for faster payments whether it be FedNow or the RTP network. They are actively engaged with the Federal Reserve and the Clearing House to be prepared for when credit unions start to utilize either service. Information Technology is another key area of focus for Tricorp as it continually works with its IT partners to identify all the ways possible to protect our members' data. We dedicate a significant amount of time and resources each year to stay compliant and vigilant against the ongoing concerns around cyber security.

For all that Tricorp has achieved, it would not be possible without the extraordinary efforts of the Tricorp Team and the Board of Directors and Committee members. We want to express our sincere gratitude and appreciation to all of them for their tenacity, professionalism, and their dedication to doing all that they can do to make Tricorp the absolute best by working together to serve our member credit unions by maintaining the credit union philosophy of "people helping people".

As always, we want to extend a heartfelt thank you to all of you for your membership, your business, and the trust that you have placed in us. We fully appreciate that we need to continue to work hard to maintain your trust and to demonstrate that our approach to service and financial integrity are an integral part of what we stand for. We are so proud of what we have accomplished together and look forward to continuing to serve you in the years to come.

Ryan G. Poulin
Chairman, Board of Directors

Stephen A. Roy
President/CEO

A Special Thank You

As you all know by now, 2024 will be my last year as the President and Chief Executive Officer after over 29 years in that position and after a total of 42 years with Tricorp Federal Credit Union. I am extremely honored to have led Tricorp for the past twenty-nine years, and I'm proud of the role Tricorp has played in serving its members through all of the challenges and changes that have taken place during my 42 years of service. My single greatest goal over all these years has been to provide the products and services that our members need to serve their members and to support them by providing member service that is the best it can be. I believe that we have done that but certainly it is because of the great teamwork that I have been a part of from the beginning. I am so grateful to all of the directors and committee members that have shown great attention and dedication to the success of Tricorp. I have also been very fortunate to have great teammates working with me. All of them past and present have shown great dedication and focus to doing their best for our members. Most importantly, the reason for it all is for of our members for whom it has been so great of an honor to work for and serve. I have been so blessed to forge so many wonderful relationships over my career and it is very heartwarming to look back and realize how special it has all been.

In the transition of the CEO role, I am extremely pleased that Billy LaFavor will be assuming that role. As I look ahead, I could not be more confident in our position, our strategy, and our products and services along with the great people that make up the Tricorp team. I could also not be more confident that Billy is the right leader to drive Tricorp's success in its next chapter. I know that he will continue to build on the things that have made us successful to date. With the support of our talented team of employees and Board and Committee members and with the continuing support of our members, Tricorp will continue its legacy of living the credit union philosophy of "people helping people."

I would like to take this opportunity to thank you, our members, for your loyalty and support during my tenure with Tricorp and especially the 29 years as CEO. I also want to thank our League partners and all the organizations that we have partnered with to serve our members. I am extremely proud of what Tricorp has accomplished over all of its history. It has been a fantastic and blessed journey that I am not sure if I can fully state in words. Please know that all of you are very special to me and I am grateful beyond words for all that Tricorp has been for me and my family. With all the sincerity and humbleness that I can express, I say a very heartful thank you!

Stephen A. Roy
President/CEO

"Leadership consists of nothing but taking responsibility for everything that goes wrong and giving your subordinates credit for everything that goes well."

~ Dwight D. Eisenhower

Report of the Supervisory Committee

In accordance with NCUA regulations, the annual audit of Tricorp Federal Credit Union was conducted by a Certified Public Accounting firm. The CPA firm of Wipfli, LLP performed the audit under the direction and control of the Supervisory Committee. The audited financial statements are included in this annual report.

On the basis of Wipfli's audit, the National Credit Union Administration examination process, the internal auditor's findings, and the committee's own observations, we conclude that Tricorp Federal Credit Union is financially and operationally safe and sound.

The Committee would like to commend the Board of Directors, Management and Staff in their effort and level of commitment put forth in positioning Tricorp for the future, for success and for our members.

Respectfully submitted,

Brian Hughes, *Chairman*

Cathy Bond

Kevin Joler

Jonathan Oglebay

Brett Smith

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader."

~ John Quincy Adams

Executive Compensation Disclosure

In accordance with NCUA Regulation 704.19, it is a requirement to annually disclose in dollar terms the compensation for Tricorp's top three employees for 2023. Compensation is defined as all salaries, fees, wages, bonuses, severance payments, current year contributions to employee benefit plans (for example, medical, dental, life insurance, and disability), current year contributions to deferred compensation plans, and other allowances (for example the personal use of an automobile or other assets owned by Tricorp). The total 2023 compensation for the top three employees is as follows: President/CEO $359,991, the Chief Financial Officer $172,046 and the Director of Operations $172,251. Tricorp utilizes the Compease program from HRN Performance Solutions to determine its pay ranges and as the basis for periodic salary adjustments. Compease provides comparative information based on all corporate credit unions and the Northeast region.

"Leaders are like eagles… they don't flock, you'll find them one at a time."

~ Knute Rockne

To the Board of Directors and Supervisory Committee of
Tricorp Federal Credit Union

Statement of Management's Responsibilities

The management of Tricorp Federal Credit Union (the "Credit Union") is responsible for preparing the Credit Union's annual financial statements in accordance with generally accepted accounting principles; for designing, implementing, and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2023.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of the Credit Union has assessed the Credit Union's compliance with the Federal laws and regulations pertaining to NCUA Regulations during the year that ended on December 31, 2023. Based upon its assessment, management has concluded that the Credit Union complied with the NCUA Regulations during the year that ended on December 31, 2023.

Management's Assessment of Internal Control over Financial Reporting

The Credit Union's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2023.

The Credit Union's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Credit Union; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Credit Union are being made only in accordance with authorizations of management and directors of the Credit Union; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Credit Union's assets that could have a material effect on the financial statements. Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2023, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Based upon its assessment, management has concluded that, as of December 31, 2023, the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report is effective, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

The Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2023, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. As of December 31, 2023, has been audited by Wipfli LLP, an independent public accounting firm, as stated in their report dated April 1, 2024.

Stephen A. Roy	Michael E. McLoud
Stephen A. Roy	Michael E. McLoud
CEO	CFO
April 1, 2024	April 1, 2024
Date	*Date*

Supervisory Committee and Board of Directors
Tricorp Federal Credit Union
Westbrook, Maine

Opinion on Internal Control Over Financial Reporting

We have audited Tricorp Federal Credit Union's (the "Credit Union") internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with instructions to the National Credit Union Administration (NCUA) 5310 – Corporate Credit Union Call Report ("Call Report"), as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by COSO in 2013.

We also have audited, in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the financial statements of the Credit Union, and our report dated April 1, 2024, expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An institution's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA regulations, our audit of the Credit Union's internal control over financial reporting included controls over the preparation of financial statements in accordance with GAAP and with the Call Report instructions.

An institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the institution; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the institution are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the institution's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Wipfli LLP

Wipfli LLP
South Portland, Maine
April 1, 2024

Supervisory Committee and Board of Directors
Tricorp Federal Credit Union

Opinion

We have audited the financial statements of Tricorp Federal Credit Union (the "Credit Union"), which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

We also have audited, in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the Credit Union's internal controls over financial reporting, including controls over the preparation of regulatory financial statements in accordance with instructions to the National Credit Union Administration (NCUA) 5310 – Corporate Credit Union Call Report ("Call Report"), as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and our report dated April 1, 2024, expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP
South Portland, Maine
April 1, 2024

Years Ended December 31,	2023	2022
ASSETS		
Assets		
Cash - Federal Reserve Bank	**$ 126,584,035**	$ 68,470,814
Cash - money market accounts	**5,490,131**	5,212,138
Cash - other institutions	**568,309**	1,446,120
Cash - Certificates of deposit	**1,000,000**	–
National Credit Union Share Insurance Fund capitalization	**191,415**	205,624
Loans, net	**289,851**	3,940,121
Investments		
Debt securities available for sale *(amortized costs of $218,026,625 and $233,542,721 at December 31, 2023 and 2022, respectively)*	**215,450,336**	229,309,222
Other investments - Credit Union Service Organization	**1,575,019**	1,698,726
Accrued interest receivable	**1,064,093**	779,839
Deferred and prepaid expenses	**245,303**	256,430
Premises and equipment, net	**1,197,359**	620,911
Federal Home Loan Bank stock, at cost	**173,300**	1,063,500
Other assets	**6,775,865**	23,280,735
Total Assets	**$ 360,605,016**	$ 336,284,180

LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	**$ 2,705,706**	$ 16,915,133
Deposits	**303,120,311**	272,081,450
Total Liabilities	**305,826,017**	288,996,583
Members' Equity		
Perpetual Contributed Capital	**16,861,345**	16,861,345
Undivided earnings	**40,493,942**	34,659,751
Unrealized gain (loss) on securities available for sale, net	**(2,576,288)**	(4,233,499)
Total Members' Equity	**54,778,999**	47,287,597
Total Liabilities and Members' Equity	**$ 360,605,016**	$ 336,284,180

See accompanying notes to financial statements.

For the years ended December 31,	2023	2022
Interest Income		
Investment income	**$ 15,083,084**	$ 5,362,548
Interest on loans	**324,072**	133,066
Total Interest Income	**15,407,156**	5,495,614
Cost of Funds		
Dividends on members' share accounts	**10,889,112**	2,426,776
Interest on borrowed funds	**88,116**	79,226
Total Cost of Funds	**10,977,228**	2,506,002
Net Interest Income	**4,429,928**	2,989,612
Noninterest Income		
Fee income	**1,061,668**	1,319,288
Other income (loss)	**204,299**	196,274
Net gain (loss) on investment in CUSO	**(123,707)**	(77,942)
U.S. Central distribution	**3,254,202**	8,150,235
Total Noninterest Income	**4,396,462**	9,587,855
Operating Expenses		
Salaries and wages	**1,123,210**	986,162
Payroll taxes	**76,075**	70,952
Data processing and audit services	**326,749**	331,770
Employee benefits	**379,289**	402,436
Education and promotional	**101,438**	62,302
Travel and conference	**71,524**	44,355
Depreciation	**137,376**	116,969
Bank charges and fees	**42,991**	64,499
Communications	**25,046**	26,045
Office operations	**29,874**	25,494
Insurance	**79,066**	83,573
Professional and outside services	**472,680**	319,827
Information systems	**3,373**	14,452
Operating and examination fees	**23,876**	24,839
Building maintenance	**44,658**	53,268
Miscellaneous	**31,733**	25,609
Annual meeting	**10,800**	12,241
Property taxes	**12,441**	12,242
Total Noninterest Expense	**2,992,199**	2,677,035
Net income	**$ 5,834,191**	$ 9,900,432

See accompanying notes to financial statements.

Statements of Comprehensive Income

For the years ended December 31,	2023	2022
Net Income	**$ 5,834,191**	$ 9,900,432
Other Comprehensive Income (Losses):		
Changes in unrealized gains (losses) on debt securities available for sale (AFS)	**1,657,211**	(5,613,684)
Total Comprehensive Income	**$ 7,491,402**	$ 4,286,748

Statements of Changes in Members' Equity

Years Ended December 31, 2023 and 2022	Perpetual Contributed Capital	Undivided Earnings	Accumulated Other Comprehensive Income	Total
Balances at January 1, 2022	$ 16,861,345	$ 24,759,319	$ 1,380,185	$ 43,000,849
Comprehensive Income	–	9,900,432	(5,613,684)	4,286,748
Balances at December 31, 2022	16,861,345	34,659,751	(4,233,499)	47,287,597
Comprehensive Income	**–**	**5,834,191**	**1,657,211**	**7,491,402**
Balances at December 31, 2023	**$ 16,861,345**	**$ 40,493,942**	**$ (2,576,288)**	**$ 54,778,999**

See accompanying notes to financial statements.

For the years ended December 31,	2023	2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	**$ 5,834,191**	$ 9,900,432
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	**137,376**	116,969
Amortization of investment premium (discount), net	**21,397**	250,820
Net (gain) loss on investments in Credit Union Service Organizations	**123,707**	77,942
Accrued interest receivable	**(284,254)**	(624,104)
Deferred and prepaid expense	**11,127**	26,138
Other assets	**16,504,870**	(13,635,910)
Accounts payable and accrued expenses	**(14,209,427)**	12,701,210
Total adjustments	**2,304,796**	(1,086,935)
Net cash provided by operating activities	**8,138,987**	8,813,497
Cash flows from investing activities:		
Net (increase) decrease in loans	**3,650,270**	(3,940,121)
Purchases of securities available for sale	**(19,962,019)**	(43,156,911)
Proceeds from sales, calls, and maturities of securities available for sale	**35,456,719**	79,566,768
Distributions from Credit Union Service Organizations	**-**	420,000
Purchase of FHLB stock	**-**	(781,900)
Proceeds from sale of FHLB stock	**890,200**	-
Net proceeds from redemption of Central Liquidity Facility stock	**-**	10,416,189
National Credit Union Share Insurance Fund capitalization	**14,209**	2,658
Capital expenditures	**(713,824)**	(74,481)
Net cash used in investing activities	**19,335,555**	42,452,202
Cash flows from financing activities:		
Net change in members' share accounts	**31,038,861**	(125,692,222)
Net cash provided by (used in) financing activities	**31,038,861**	(125,692,222)
Net increase (decrease) in cash and cash equivalents	**58,513,403**	(74,425,523)
Cash and cash equivalents at beginning of year	**75,129,072**	149,555,595
Cash and cash equivalents at end of year	**$ 133,642,475**	$ 75,129,072
Components of cash and cash equivalents at end of year:		
Cash - Federal Reserve Bank	**$ 126,584,035**	$ 68,470,814
Cash - money market accounts	**5,490,131**	5,212,138
Cash - other institutions	**568,309**	1,446,120
Certificates of deposit	**1,000,000**	-
Total Cash	**$ 133,642,475**	$ 75,129,072
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Dividends on members' share accounts and interest on borrowed funds	**$ 10,977,228**	2,506,002

See accompanying notes to financial statements.

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Tricorp Federal Credit Union is a corporate credit union that serves member credit unions throughout New England. Its purpose is to provide a broad range of financial services and products to its members, either internally or through strategic partnerships consistent with the philosophy of the Credit Union movement.

The Credit Union is a federally chartered Credit Union subject to the laws and regulations of the United States of America and regulated by the National Credit Union Administration (NCUA), an independent agency within the executive branch of the federal government.

Basis of Accounting

The accounting and reporting policies of the Credit Union are in conformity with U.S. generally accepted accounting principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB).

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. A material estimate that is particularly susceptible to significant change in the near term is the valuation of securities.

New Accounting Pronouncements

The Credit Union recently adopted the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB).

ASU No. 2016 13, Measurement of Credit Losses on Financial Institutions – This standard significantly changes how financial assets measured at amortized cost are presented. Such assets, which include most loans, are presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard also changes the accounting for credit losses related to securities available for sale and purchased financial assets with a more than insignificant amount of credit deterioration since organization. The Credit Union adopted ASU No. 2016 13 on January 1, 2023. The adoption of this standard did not result in any adjustment to undivided earnings.

ASU No. 2022 02, Troubled Debt Restructurings and Vintage Disclosures, Topic 326 (Financial Instruments Credit Losses) – This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors under ASC Subtopic 310 40, *Receivables Troubled Debt Restructurings by Creditors*, and, instead, requires the Credit Union to evaluate (consistent with other loan modification accounting standards) whether a loan modification represents a new loan or a continuation of an existing loan. The amendments to the standard also enhance existing disclosure requirements, and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. The Credit Union adopted ASU No. 2022 02 on January 1, 2023, on a prospective basis. The adoption of this standard did not have a material impact on the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

The Credit Union, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union's financial statements. These balances totaled approximately $288,400,000 and $293,200,000 as of December 31, 2023 and 2022, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. The agent is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

Risks and Uncertainties

The Credit Union is subject to certain risks and uncertainties including, but not limited to, interest rate, prepayment, market, geographic concentration, regulatory and credit risk. Net interest income and dividends result from the difference between interest income and dividends earned on interest earning assets and the interest and dividend expense incurred on interest bearing liabilities and shares. Net interest income and dividends can be significantly affected by changes in the relative amounts of, and the interest and dividend rates associated with these assets and liabilities. In addition, during periods of falling interest rates, the loans underlying the Credit Union's security portfolio are more likely to prepay, and the Credit Union may not be able to reinvest the proceeds from prepayments in securities and other financial assets with comparable yields to those of the prepaying securities.

Moreover, the Credit Union's assets and liabilities are primarily interest and credit sensitive financial instruments and, as such, are subject to a degree of market risk, which may affect their fair value.

Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific identification method.

In estimating credit losses on available for sale securities management considers the extent to which fair value has been less than cost, the financial condition and near term prospects of the issuer, and the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The Credit Union did not record any reserve for credit losses during the years ended December 31, 2023 and 2022.

Credit Union Service Organizations

Shares in two Credit Union Service Organizations (CUSOs) are recorded using the equity method of accounting with changes in value reported in net income. Income and losses are recognized based on the Credit Union's ownership applied to the earnings in the CUSO for the applicable period.

Loans

Loans are made to members primarily through unsecured revolving lines of credit agreements. Loans are reported at the amount of unpaid principal outstanding. Interest on loans is recognized using the simple interest method on the amount of principal outstanding. No provision for credit losses is provided on these loans as historically there have been no loan losses and none are anticipated; however, management will continue to analyze the borrower's financial capacity to repay the debt.

As of December 31, 2023 and 2022, there were no outstanding loans past due or deemed impaired.

Allowance for Credit Losses on Loans and Unfunded Loan Commitments

The Credit Union adopted ASU No. 2016 13 and began accounting for credit losses under ASC 326, *Financial Instruments Credit Losses*, on January 1, 2023. The new standard significantly changed the impairment model for most financial assets that are measured at amortized cost, including off balance sheet credit exposures, from an incurred loss impairment model to an expected credit loss model. Refer to the "Recently Adopted Accounting Pronouncements " section of this note for more information on the impact to the financial statements.

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Credit Union's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

The Credit Union's portfolio segments and their risk characteristics are described as follows:

- **Fixed Rate Term Loans**: Fixed rate term loans generally have maturities ranging from less than one month to three years and are available to members with an approved line of credit. The inherent risk in these loans is due to interest rate risk on long term loans.
- **Line of Credit**: Line of credit loans are used for members' daily settlement transactions. There is low inherent risk with these loans as they are short term in nature and require the member to maintain a settlement deposit account with the Credit Union.

The Credit Union assigns a risk rating to loans and periodically performs detailed internal reviews of all member credit unions to identify credit risks and to assess any changes to line of credit agreements upon review. During the internal reviews, management monitors and analyzes the financial condition of member credit unions. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

- **Good Standing**: A credit with no existing or known potential weaknesses deserving of management's close attention.
- **Watch**: Loans classified as watch have a potential weakness that deserves management's attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Watch loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

<u>Subsequent to the adoption of ASC 326:</u>
Effective January 1, 2023, the Credit Union uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. Due to the nature of the Credit Union's loan portfolio, generally all loans are individually evaluated for expected credit losses. This analysis considers collectibility of individual loans in light of historical experience, qualitative considerations, and a forecast of how future economic conditions are expected to impact the collectability of loans. For loans individually evaluated, a specific reserve is estimated based on the discounted value of expected future cash flows or, if the loan is considered collateral dependent, the fair value of collateral.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the statement of financial condition, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The Credit Union's collateral dependent loans are generally secured by substantially all assets of the member credit union, and may include loans receivable, investment securities, cash and cash equivalents, and premises and equipment.

The Credit Union excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $758 and $6,546 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of loans.

In addition to the allowance for credit losses on loans, the Credit Union considers a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Credit Union's noncancellable loan commitments. As of December 31, 2023, substantially all of the Credit Union's loan commitments are unconditionally cancellable by the Credit Union. As such, no reserve has been recorded for unfunded commitments during 2023.

The Credit Union may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other than insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification. No such modifications were made during the year ended December 31, 2023.

Upon the Credit Union's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

<u>Prior to the adoption of ASC 326:</u>
Prior to January 1, 2023, the Credit Union used an incurred loss impairment model to estimate the allowance for credit losses on loans. This methodology assessed the overall appropriateness of the allowance for credit losses on loans and included allocations for specifically identified impaired loans and loss factors for all remaining loans, with a component primarily based on historical loss rates and another component primarily based on other qualitative factors.

Under the incurred loss impairment model, the allowance for credit losses was evaluated on a regular basis by management and was based upon management's periodic review of the collectability of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions.

A loan was considered impaired when, based on current information and events, it was probable that the Credit Union would be unable to collect all amounts due according to the contractual terms of the loan agreement. Prior to the adoption of ASU No. 2022 02, loans for which the terms had been modified resulting in a concession, and for which the borrower was experiencing financial difficulties, were considered troubled debt restructurings (TDRs) and were classified as impaired.

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

Premises and equipment are recorded at cost. Expenditures which do not extend the useful lives of these assets are charged to an appropriate expense account in the year incurred.

Depreciation is computed under the straight line method utilizing the following lives:

Building and improvements: 10 – 31.5 years

Building expansion: 39.5 years

Furniture, fixtures and equipment: 3 – 7 years

Members' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by management of the Credit Union, based on an evaluation of current and future market conditions.

Credit Union deposits up to $250,000, other than PCC accounts, were guaranteed by NCUSIF through December 31, 2023 and 2022.

Perpetual Contributed Capital (PCC)

Members of the Credit Union are required to contribute Perpetual Contributed Capital, which is carried as part of member's equity. Dividends on Perpetual Contributed Capital are based on available earnings at the end of each month and are not guaranteed by the Credit Union. Dividend rates on Perpetual Contributed Capital are set by the Board of Directors of the Credit Union, based on an evaluation of current and future market conditions. Perpetual Contributed Capital is not required to be paid back in the event that membership is terminated.

Income Taxes

The Credit Union is exempt from federal and state income taxes in accordance with the Federal Credit Union Act.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured Credit Union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Federal Home Loan Bank Stock

The Credit Union is a member of the Federal Home Loan Bank (FHLB) and, as required by their membership agreement and in order to obtain the necessary borrowing capacity, the Credit Union acquired shares of FHLB stock valued at $173,300 and $1,063,500 as of December 31, 2023 and 2022. The Credit Union carries FHLB stock at cost less impairment, if any. The Credit Union is required to hold FHLB stock as a member of the FHLB and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis.

The FHLB stock has both a membership component and a borrowing component. As of December 31, 2023, $173,000 was for the membership component and $0 was for the borrowing component. FHLB repurchases the stock the business day following the repayment of the borrowings.

NCUSIF Insurance Premiums

A credit union is generally required to pay an annual insurance premium equal to a percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

U.S. Central Distribution

On October 1, 2010, U.S. Central Federal Credit Union was placed into liquidation, and on October 5, 2010, NCUA issued a claim certificate to the Credit Union for the Membership Capital Account (MCA) balance previously depleted through the recognition of losses. This claim certificate enables the Credit Union to share in any proceeds that correspond to the payout priority of the claim recovered during the liquidation of U.S. Central Federal Credit Union.

During the years ended December 31, 2023 and 2022, the Credit Union received distributions in the amount of $3,254,202 and $14,000,284, respectively, and were reported in noninterest income. The Credit Union distributed $0 and $5,850,048 to members and recorded a gain in the amount of $3,254,202 and $8,150,235 as of December 31, 2023 and 2022, respectively. In addition to the MCA claim, there is Paid in Capital of approximately $3,300,000, of which, $1,547,700 was recovered in 2023. The remaining Paid in Capital balance of approximately $1,752,300, has the potential of future distribution by the NCUA.

Revenue from Contracts with Customers

The core revenue recognition principle requires the Credit Union to recognize revenue to depict the transfer of services or products to members in an amount that reflects the consideration to which the Credit Union expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five step model to apply to revenue recognition, consisting of the following; (1) identify the contract with a member; (2) identify the performance obligation(s) within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) within the contract; and (5) recognize revenue when (or as) the performance obligation(s) are/is satisfied.

The Credit Union generally fully satisfies its performance obligations on its contracts with members as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition that significantly affects the determination of the amount and timing of revenue from contracts with members.

The majority of the Credit Union's revenue is not subject to these revenue recognition principles, including net interest income, loan servicing income, and gain on sales of securities.

The following significant revenue generating transactions are within the scope of ASC 606, which are presented in the Statement of Income as a component of noninterest income:

Deposit Related Fees – The Credit Union earns fees from its deposit members for transaction based activities, such as settlement, wires, currency orders, excess balance account fees and ACH fees. These fees are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the request.

Maintenance Fees – The Credit Union earns fees from various maintenance activities, such as safekeeping and premier view user access. These fees are recognized within the month the service has been provided.

Commissions – The Credit Union receives commission income based on the activity of its members each month. The commissions are recognized within the month the transactions occurred.

NOTE 1: NATURE OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Comprehensive income or loss consists of net income or loss and other comprehensive income or loss that includes unrealized gains and losses on securities available for sale.

Off Balance Sheet Financial Instruments

In the ordinary course of business, the Credit Union has entered into off balance sheet financial instruments consisting of agreements to extend credit. Such financial instruments are recorded in the financial statements when they become payable.

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the financial statements of the Credit Union.

NOTE 2: CASH

The Credit Union maintains cash accounts with various financial institutions, credit unions, commercial banks, the Federal Home Loan Bank, and the Federal Reserve Bank. The accounts are guaranteed up to $250,000 by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). At various times throughout the year, the Credit Union had cash balances in excess of insurance. Uninsured cash amounts totaled approximately $5,548,000 and $5,830,000 for the years ended December 31, 2023 and 2022, respectively. The Credit Union has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3: SECURITIES

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31, 2023 and 2022 follows:

2023	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Debt securities available for sale:				
Floating rate CMOs	**$ 18,831,407**	**$ -**	**$ (192,223)**	**$ 18,639,184**
Fixed rate CMOs	**9,395,872**	**-**	**(1,507,925)**	**7,887,947**
Floating rate CMBS	**47,620,242**	**2,534**	**(535,909)**	**47,086,867**
Fixed rate CMBS	**100,133**	**-**	**(384)**	**99,749**
Floating rate U.S. Government Agencies	**58,416,324**	**352,026**	**(185,690)**	**58,582,660**
Fixed rate U.S. Government Agencies	**3,000,000**	**-**	**(283,080)**	**2,716,920**
FFELP loan pools	**2,752,001**	**-**	**(87,910)**	**2,664,091**
Floating rate ABS credit card pools	**27,101,128**	**21,085**	**(3,369)**	**27,118,844**
Floating rate ABS auto pools	**7,785,585**	**-**	**(41,653)**	**7,743,932**
Fixed rate ABS auto pools	**8,013,741**	**42,099**	**-**	**8,055,840**
SBA pools	**35,010,192**	**43,502**	**(199,392)**	**34,854,302**
Total Debt securities available for sale	**$ 218,026,625**	**$ 461,246**	**$ (3,037,535)**	**$ 215,450,336**

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities available for sale:				
Floating rate CMOs	$ 22,856,011	$ -	$ (358,088)	$ 22,497,923
Fixed rate CMOs	10,876,727	-	(1,743,744)	9,132,983
Floating rate CMBS	60,562,353	-	(1,353,543)	59,208,810
Fixed rate CMBS	4,970,717	-	(46,067)	4,924,650
Floating rate U.S. Government Agencies	58,405,933	317,025	(239,215)	58,483,743
Fixed rate U.S. Government Agencies	3,000,000	-	(382,860)	2,617,140
FFELP loan pools	3,388,350	-	(128,793)	3,259,557
Floating rate ABS credit card pools	22,096,695	8,397	(51,667)	22,053,425
Fixed rate ABS auto pool	6,821,758	-	(140,377)	6,681,381
SBA pools	40,564,177	90,022	(204,589)	40,449,610
Total Debt securities available for sale	$ 233,542,721	$ 415,444	$ (4,648,943)	$ 229,309,222

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or market spreads could change considerably, resulting in a material change in the estimated fair value of securities.

No credit loss has been recorded on debt securities available for sale as of December 31, 2023 and 2022.

NOTE 3: SECURITIES (CONTINUED)

The following table shows the gross unrealized losses and fair value of the Credit Union's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	Less than 12 Months		12 Months or More		Total	
2023	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Floating rate CMOs	**$ -**	**$ -**	**$ 18,639,184**	**$ (192,223)**	**$ 18,639,184**	**$ (192,223)**
Fixed rate CMOs	**-**	**-**	**7,887,947**	**(1,507,925)**	**7,887,947**	**(1,507,925)**
Floating rate CMBS	**-**	**-**	**42,675,299**	**(535,909)**	**42,675,299**	**(535,909)**
Fixed rate CMBS	**-**	**-**	**99,750**	**(384)**	**99,750**	**(384)**
Floating rate U.S. Government Agencies	**4,945,600**	**(54,400)**	**18,868,710**	**(131,290)**	**23,814,310**	**(185,690)**
Fixed rate U.S. Government Agencies	**-**	**-**	**2,716,920**	**(283,080)**	**2,716,920**	**(283,080)**
FFELP loan pools	**-**	**-**	**2,664,090**	**(87,910)**	**2,664,090**	**(87,910)**
Floating rate ABS credit card pools	**5,020,700**	**(3,369)**	**-**	**-**	**5,020,700**	**(3,369)**
Floating rate ABS auto pools	**3,968,720**	**(8,073)**	**3,775,212**	**(33,580)**	**7,743,932**	**(41,653)**
SBA pools	**-**	**(5,472)**	**15,398,828**	**(193,920)**	**15,398,828**	**(199,392)**
Total	**$ 13,935,020**	**$ (71,314)**	**$112,725,940**	**$ (2,966,221)**	**$126,660,960**	**$ (3,037,535)**

	Less than 12 Months		12 Months or More		Total	
2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Floating rate CMOs	$ 20,983,676	$ (329,957)	$ 1,514,246	$ (28,131)	$ 22,497,922	$ (358,088)
Fixed rate CMOs	2,804,510	(252,708)	6,328,473	(1,491,036)	9,132,983	(1,743,744)
Floating rate CMBS	37,207,478	(655,126)	22,001,332	(698,417)	59,208,810	(1,353,543)
Fixed rate CMBS	4,924,650	(46,067)	-	-	4,924,650	(46,067)
Floating rate U.S. Government Agencies	23,262,585	(237,415)	1,998,200	(1,800)	25,260,785	(239,215)
Fixed rate U.S. Government Agencies	-	-	2,617,140	(382,860)	2,617,140	(382,860)
FFELP loan pools	864,822	(26,848)	2,394,734	(101,945)	3,259,556	(128,793)
Floating rate ABS credit card pools	17,287,855	(51,667)	-	-	17,287,855	(51,667)
Fixed rate ABS auto pools	6,681,382	(140,377)	-	-	6,681,382	(140,377)
SBA pools	14,548,421	(147,671)	4,469,782	(56,918)	19,018,203	(204,589)
Total	$ 128,565,379	$ (1,887,836)	$ 41,323,907	$ (2,761,107)	$169,889,286	$ (4,648,943)

The following table presents the number and aggregate depreciation from the Credit Union's amortized costs basis of debt securities available for sale in a continuous unrealized loss position by security type at December 31, 2023:

	Number of Securities	**Aggregate Depreciation**
Floating rate CMOs	34	1.02%
Fixed rate CMOs	13	16.05%
Floating rate CMBS	22	1.13%
Fixed rate CMBS	1	0.38%
Floating rate U.S. Government Agencies	6	0.32%
Fixed rate U.S. Government Agencies	1	9.44%
FFELP loan pools	6	3.19%
Floating rate ABS credit card pools	1	0.01%
Fixed rate ABS auto pools	2	0.54%
SBA pools	19	1.39%
Totals	105	33.47%

At December 31, 2023, 105 debt securities have unrealized losses with aggregate depreciation of 2.3% from the Credit Union's amortized cost basis. Unrealized losses on debt securities available for sale have not been recognized into income because the unrealized losses related principally to changes in interest rate and are not due to changes in the financial condition of the issuer, the quality of any underlying assets or applicable credit enhancements. All debt securities continue to make timely contractual payments and management does not intend to sell and it is likely management will not be required to sell the securities prior to their anticipated recovery.

Investment Maturities

The contractual maturities of asset backed securities, including collateralized mortgage obligations and commercial mortgage backed securities, cannot be estimated due to the nature of these investments. The estimated fair values of the Credit Union's investments in U.S. Government Agencies as of December 31, 2023, by contractual maturity, are shown below.

Description of Securities	**1 Year**	**1–5 Years**	**5–10 Years**	**More than 10 Years**	**Total**
Floating Rate U.S. Government Agencies	$ -	$ 31,492,773	$ 27,089,887	$ -	$ 58,582,660
Fixed Rate U.S. Government Agencies	-	2,716,920	-	-	2,716,920
Total	$ -	$ 34,209,693	$ 27,089,887	$ -	$ 61,299,580

As of December 31, 2023 and 2022, there were no sales of U.S Government Agency investments.

NOTE 4: INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS (CUSO)

The following investments in CUSOs are recorded using the equity method of accounting based on the Credit Union's ownership percentages and overall influence. The following represent the carrying cost for each investment as of December 31, 2023.

Years ended December 31,	2023	2022
CU Investment Solutions, LLC	$ 215,011	$ 374,312
Primary Financial Company, LLC	1,360,008	1,324,414
Total	$ 1,575,019	$ 1,698,726

As of December 31, 2023 and 2022, Tricorp's ownership percentage in CU Investments Solutions, LLC was 11.11%.

As of December 31, 2023 and 2022, Tricorp's ownership percentage in Primary Financial Company, LLC was 8%.

NOTE 5: LOANS

The following table presents total loans at December 31, 2023 and 2022 by portfolio segment and class of loan:

	2023	2022
Line of credit	$ 289,851	$ 3,940,121

The following table shows the Credit Union's loan portfolio allocated by management's internal risk ratings as of December 31:

	2023	2022
Risk Rating:		
Good standing	$ 289,851	$ 3,940,121
Totals	$ 289,851	$ 3,940,121

The Credit Union has not recorded an allowance for credit losses based on its analysis of outstanding loan balances. As of December 31, 2023 and 2022, all loans have been evaluated for impairment on an individual basis. The Credit Union has had no past due, nonaccrual, or collateral dependent loans during the years ended December 31, 2023 and 2022.

NOTE 6: PREMISES AND EQUIPMENT

An analysis of premises and equipment at December 31, 2023 and 2022 is, as follows:

	2023	2022
Land	$ 22,801	$ 22,801
Buildings	1,071,384	1,063,155
Furniture and equipment	1,701,985	1,044,406
Construction in progress	46,846	-
Subtotal	2,843,016	2,130,362
Accumulated depreciation	1,645,657	1,509,451
Total	$ 1,197,359	$ 620,911

Depreciation of premises and equipment charged to operating expense totaled $137,376 during 2023 and $116,969 during 2022.

NOTE 7: BORROWED FUNDS

As of December 31, 2023 and 2022, securities with collateral value totaling approximately $22,175,000 and $22,336,000, respectively, were pledged as collateral to the Federal Reserve Bank. As of December 31, 2023 and 2022, the Credit Union's borrowing capacity with the FRB was approximately $20,000,000 for an emergency line of credit. As of December 31, 2023 and 2022, Tricorp had no advances on this line of credit.

Tricorp is a member of the Federal Home Loan Bank of Boston and, under their membership agreement, the Credit Union has an available short term borrowing capacity. Additionally, the Credit Union was granted a $2,000,000 IDEAL Way revolving line of credit during 2019. Borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB. As of December 31, 2023 and 2022, Tricorp had securities held in safekeeping at the FHLB with a fair value of approximately $68,740,000 and $84,776,000, respectively. As of December 31, 2023 and 2022, the Credit Union's available borrowing capacity, in addition to the $2,000,000 IDEAL Way line of credit, was approximately $63,987,000 and $77,769,000, respectively. Borrowing capacity is based on a formula published periodically by the FHLB. At December 31, 2023 and 2022, Tricorp had $0 outstanding short term advances.

Tricorp is a member of Corporate One Credit Union, and under their membership agreement, the Credit Union has an available short term borrowing capacity. Borrowings from Corporate One Credit Union are required to be collateralized by securities held in safekeeping at BNY Mellon as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, Tricorp had securities held in safekeeping with a fair value of approximately $81,107,000 and $73,366,000, respectively. As of December 31, 2023 and 2022, the Credit Union's borrowing capacity was approximately $50,000,000, with an additional $20,000,000 in emergency borrowing. At December 31, 2023 and 2022, Tricorp had no short term advances from Corporate One Credit Union.

NOTE 8: MEMBERS' SHARE ACCOUNTS

Members' share accounts at December 31, 2023 and 2022 totaled $303,120,311 and $272,081,450, respectively. The aggregate amount of deposit accounts with a balance in excess of $250,000 was $284,178,550 and $253,316,296 at December 31, 2023 and 2022, respectively. The rates on members' share accounts ranged from 0.00% to 5.40% and 0.00% to 4.40% during the years ended December 31, 2023 and 2022, respectively.

NOTE 9: REGULATORY CAPITAL

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off balance sheet items as calculated under regulatory reporting requirements. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined) to moving monthly average net risk weighted assets (as defined) and moving daily average net assets (as defined). Management believes, as of December 31, 2023 and 2022, the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2023, the most recent call reporting period, NCUA categorized the Credit Union as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well

NOTE 9: REGULATORY CAPITAL (CONTINUED)

capitalized, the Credit Union must maintain a minimum total risk based, Tier 1 risk based, and leverage ratios as set forth in the tables. There are no conditions or events since notification that management believes have changed the Credit Union's category.

The Credit Union's capital amounts and ratios as of December 31, 2023 and 2022 are presented in the following table:

2023	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to moving monthly average net risk-weighted assets	$ 55,780,268	118.87%	$ 3,754,168	≥ 8.00%	$ 4,692,710	≥10.00%
Tier 1 capital (to moving monthly average net risk-weighted assets)	55,780,268	118%	1,877,084	≥ 4.00%	2,815,626	≥ 6.00%
Leverage Ratio (to moving daily average net assets)	55,780,268	18%	12,272,284	≥ 4.00%	15,340,355	≥ 5.00%

2022	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to moving monthly average net risk-weighted assets	$ 49,822,370	101.24%	$ 3,937,098	≥ 8.00%	$ 4,921,372	≥ 10.00%
Tier 1 capital (to moving monthly average net risk-weighted assets)	49,822,370	101.24%	1,968,549	≥ 4.00%	2,952,823	≥ 6.00%
Leverage Ratio (to moving daily average net assets)	49,822,370	14.89%	13,385,751	≥ 4.00%	16,732,189	≥ 5.00%

NOTE 10: RELATED PARTY TRANSACTIONS

The Credit Union's Board consists of senior executive officers of full member credit unions and credit union related entities. Loans made to these entities are made in the ordinary course of business with normal credit terms including interest rates and collateral. The loans outstanding to these entities were $0 as of December 31, 2023 and 2022. $51,610,000 and $58,350,000 were available as lines of credit at December 31, 2023 and 2022, respectively. The shares outstanding for these credit unions were approximately $42,151,000 and $26,247,000 at December 31, 2023 and 2022, respectively.

NOTE 11: PENSIONS

The Credit Union maintains a 401(k) plan, which covers substantially all of its employees. Employees may contribute a percentage of their annual wages up to the annual limit established by the Internal Revenue Service. The employer contribution is based on 8% of eligible salary. Each year, the Credit Union may elect to make a discretionary contribution to the Plan. During 2023 and 2022, the Credit Union made contributions to the 401(k) plan of $89,850 and $83,495, respectively.

During 2002, the Credit Union implemented a supplemental executive retirement plan (SERP) covering the chief executive officer. The plan was funded using split dollar life insurance arrangements that required the Credit Union to pay annual life insurance premiums of $63,000 for a ten year period, effective as of 2002. No premiums were required to be paid in 2023 and 2022. The Credit Union received a collateral assignment of the cash surrender value from the insured. Under the collateral assignment arrangement, the Credit Union is entitled to receive the cash surrender value of the policy. The cash surrender value of the policy included in other assets was $1,181,526 and $1,121,985 at December 31, 2023 and 2022, respectively.

During 2014, the Credit Union implemented an additional supplemental executive retirement plan (SERP) covering the chief executive and chief financial officer. The plan is funded using split dollar life insurance arrangements that require the Credit Union to pay annual life insurance premiums of $255,000 for a ten year period, if funded on an annual basis. The Credit Union received a collateral assignment of the life insurance policies from the chief executive and chief financial officers. Under the collateral assignment arrangements, premiums paid on behalf of the executives are considered a demand loan and the Credit Union is entitled to receive the aggregate premiums paid on behalf of the executives, plus accrued interest at 2% per annum through November 21, 2019. On November 22, 2019, the loans were amended for a new rate of 1.94%. Upon agreement termination, if the cash surrender value of the life insurance policies is less than the outstanding demand loans, plus accrued interest, the executive is obligated to repay the difference. On October 1, 2020, the Credit Union amended and restated these notes with the executives. The new notes advanced additional funds for remaining future premium payments. The notes will accrue interest at a rate of 1.12%. Total premiums paid, plus accrued interest included in other assets, totaled $2,814,039 and $2,782,871 as of December 31, 2023 and 2022, respectively.

During 2014, the Credit Union also entered into an additional life insurance rider (ALIR) covering the chief executive officer. The Credit Union is the owner and beneficiary of the additional life insurance rider and, as such, is entitled to the cash surrender value of the policy. The cash surrender value of the ALIR included in other assets was $1,777,636 and $1,694,069 as of December 31, 2023 and 2022, respectively.

During 2022, the Credit Union made an amendment to the chief financial officer's SERP. The amendment requires the Credit Union to pay annual premiums of $180,000 for a five year period. Future premiums are being held in a separate account at Global Atlantic. The note payable for all premiums (past, current and future) will accrue interest at a rate of 1.92%. Total premiums paid, plus accrued interest included in other assets, totaled $933,424 and $915,840 at December 31, 2023 and 2022, respectively.

NOTE 12: FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Credit Union is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The contract amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

The Credit Union's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on balance sheet instruments.

The Credit Union had outstanding commitments for approved unused lines of credit approximating $415,548,000 and $363,418,000 at December 31, 2023 and 2022, respectively. The Credit Union also had letters of credit totaling approximately $5,150,000 and $3,832,000 at December 31, 2023 and 2022, respectively, all secured by securities in 2023 and shares or securities in 2022.

NOTE 13: CONCENTRATIONS OF CREDIT RISK

At December 31, 2023, six member credit unions' share accounts exceeded 5% of total deposits. The accounts comprised 45.46% of the Credit Union's total shares. At December 31, 2022, four member credit unions' share accounts exceeded 5% of total deposits. The accounts comprised 32.11% of the Credit Union's total shares.

NOTE 14: FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Credit Union uses various methods, including market, income and cost approaches. Based on these approaches, the Credit Union often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Credit Union utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Credit Union is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Credit Union performs a detailed analysis of the assets and liabilities. At each reporting period, if applicable, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

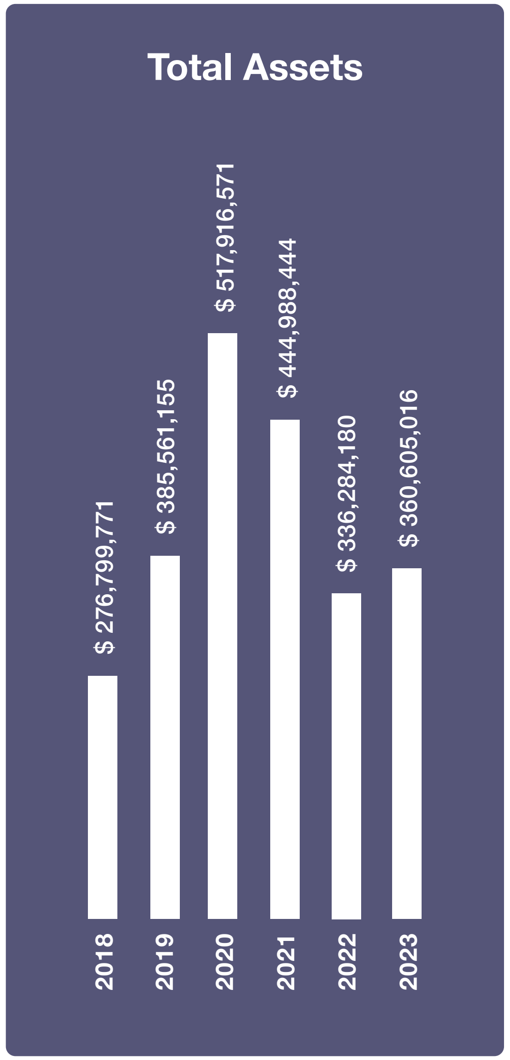
The fair value of investments, including government backed fixed or floating rate collateralized mortgage obligations (CMO), U.S. Government agency bonds, Federal Home Loan Mortgage Corp. (FHLMC) mortgage pool, Federal Family Education Loan Program (FFELP) loan pool, commercial mortgage backed securities (CMBS), asset backed securities (ABS), which are backed by pools of credit cards and vehicle loans, and Small Business Administration (SBA) loan pools, are valued using inputs by the independent pricing service under Level 2, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications.

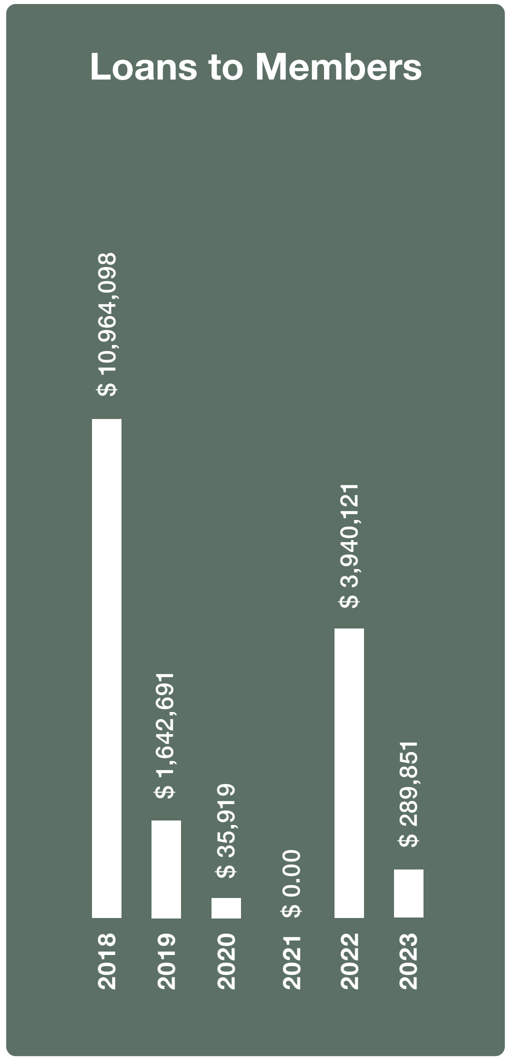
		Recurring Fair Value Measurements Using		
2023	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Debt securities available for sale:				
Floating rate CMOs	**$ 18,639,184**	**$ -**	**$ 18,639,184**	**$ -**
Fixed rate CMOs	**7,890,481**	**-**	**7,890,481**	**-**
Floating rate CMBS	**47,084,333**	**-**	**47,084,333**	**-**
Fixed rate CMBS	**451,775**	**-**	**451,775**	**-**
Floating rate U.S. Government Agencies	**58,230,634**	**-**	**58,230,634**	**-**
Fixed rate U.S. Government Agencies	**2,716,920**	**-**	**2,716,920**	**-**
FFELP loan pools	**2,685,176**	**-**	**2,685,176**	**-**
Floating rate ABS - credit card pools	**27,097,759**	**-**	**27,097,759**	**-**
Floating rate ABS - auto pool	**7,786,031**	**-**	**7,786,031**	**-**
Fixed rate ABS - auto pool	**8,057,243**	**-**	**8,057,243**	**-**
SBA pools	**34,810,800**	**-**	**34,810,800**	**-**
Total	**$ 215,450,336**	**$ -**	**$ 215,450,336**	**$ -**

		Recurring Fair Value Measurements Using		
2022	Fair Value	Level 1	Level 2	Level 3
Assets:				
Debt securities available for sale:				
Floating rate CMOs	$ 22,497,923	$ -	$ 22,497,923	$ -
Fixed rate CMOs	9,132,983	-	9,132,983	-
Floating rate CMBS	59,208,810	-	59,208,810	-
Fixed rate CMBS	4,924,650	-	4,924,650	-
Floating rate U.S. Government Agencies	58,483,743	-	58,483,743	-
Fixed rate U.S. Government Agencies	2,617,140	-	2,617,140	-
FFELP loan pools	3,259,557	-	3,259,557	-
Floating rate ABS - credit card pools	22,053,425	-	22,053,425	-
Floating rate ABS - auto pool	6,681,381	-	6,681,381	-
SBA pools	40,449,610	-	40,449,610	-
Total	$ 229,309,222	$ -	$ 229,309,222	$ -

NOTE 15: SUBSEQUENT EVENT

Management has made an evaluation of subsequent events to and including April 1, 2024, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements





Payment Services
ACH Receipt and Origination
Wire Transfer
International Services
Automated Settlement
Coin and Currency
Corporate Share Drafts
Regulation D Funding

Liquidity Solutions
Line-of-Credit
SimpliCD Issuance
Secured Loan
Settlement Loan
Letters of Credit

Investment Solutions
SimpliCD
CU Investment Solutions, Inc. (CU-ISI)
Market Valuations
Securities Safekeeping
Overnight Account
Premium Overnight Account
Perpetual Capital Account

Strategic Alliances
CU Business Group (Business Lending)
MY CU Services (Bill Payment)
Pay Lynxs, Inc. (SimpliRisk)
Primary Financial, LLC (SimpliCD)
Sallie Mae Student Loans

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Brian Hughes, Holy Rosary CU
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Kevin Joler, Dirigo FCU

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Michael McLoud, Tricorp FCU

Stephen Roy, Tricorp FCU

ERM Committee
Tim Verreault, Evergreen CU

Stephen Roy, Tricorp FCU

Michael McLoud, Tricorp FCU

Tom Loring, Wipfli LLP

Our Corporate Team
Stacy Farwell
Member Service Representative

Charlene Grebin
Member Service Representative

Christina Johnson
Executive Assistant

Louise Lachance
Member Service Representative

Carol Anne Lamontagne
Director of Operations

Gwynne Martin
Wire Room Operator

Michael McLoud
Chief Financial Officer

Rose Murphy
Compliance Officer

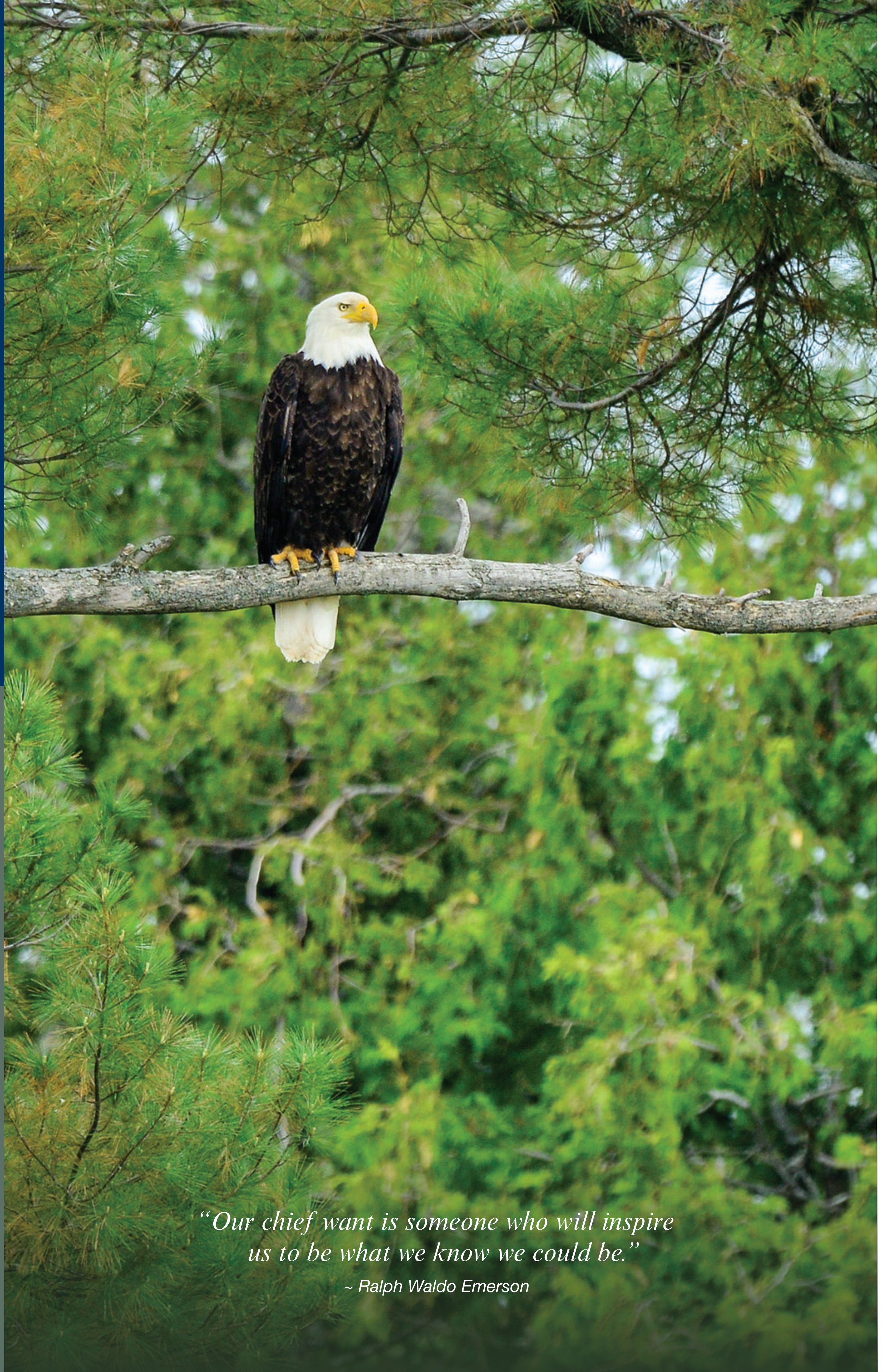
Denise Nowinski
Director of Education and Member Relations

Stephen Roy
President/Chief Executive Officer

Sherry Weed
Member Service Representative

"The leader is one who, out of the clutter… brings simplicity… out of discord, harmony… and out of difficulty, opportunity."

~ Albert Einstein


"Our chief want is someone who will inspire
us to be what we know we could be."
~ Ralph Waldo Emerson

Notes


*"Don't be afraid of being outnumbered.
Eagles fly alone. Pigeons flock together."*
~ Unknown

Tricorp Federal Credit Union
2 Ledgeview Drive · Westbrook, ME 04092 · 800-346-1936 · www.tricorp.org