

Second Quarter 2024 Financial Review



Last quarter we reported that Steve Roy would be retiring later this year. This quarter we are thrilled to provide a little information about Steve's future replacement, Billy LaFavor. Billy comes from Kansas City, Missouri where he worked for many years at CU Investment Solutions, LLC. Billy has provided Tricorp with ALM reporting and been Tricorp's primary investment advisor for more than 15 years, so he already knows a lot about the Corporate, the credit union industry, and many of the people in the industry. Billy officially joined Tricorp on June 3 and has been working closely with Steve learning about our products and services and meeting members, to ensure a smooth transition.

The investment market would indicate that investors are expecting an interest rate cut in September. On the other hand, others think that the Fed will wait to make any rate change until after the presidential election so as not to look like a political move. As always, our balance sheet is well positioned to thrive in any interest rate environment as we can adjust quickly to any changes in interest rates. We continue to focus on operating in a safe and sound manner while providing our members with solutions to meet their needs.

Income Statement Highlights

- Income from investments for the 6 months was \$10,380,367 which is up 50.08% compared to last year when it was \$6,916,358. This increase is still primarily due to the few remaining interest rate increases since the first quarter of 2023.
- Dividends paid to member credit unions of \$7,692,087 was up 60.77% compared to last year's \$4,784,486, due again to rising interest rates but also an increase in member deposits.
- We've had no borrowing interest expense so far this year compared to \$73,923 in the first half of last year.
- CUSO income for six months ended June 30, 2024, is a loss of (\$7,680) which is definitely improved compared to last year's first half loss of (\$52,494).
- We have seen a year over year growth in the off-balance sheet funds that we manage. The Fee Income we derive from managing those off-balance sheet amounts has also increased. Fee Income for the first six months now shows a 13.97% increase compared to last year.
- Overall, Total Operating Expenses are 18.04% higher so far this year than in 2023. This difference is partially due to professional fees and various costs related to the search for and hiring of our new CEO.
- The recovery of losses experienced in 2009, which were caused by the write down of investment values at US Central, continues. Prior to this year, Tricorp had already recovered 100% of the retained earnings that was lost in 2009, and we had started to recover some of our Paid in Capital investment as well. There have been no additional paid in capital recoveries received in the first half of this year whereas last year we received \$2,402,802 in combined recoveries. Some small additional recovery of Paid in Capital is still possible this year, but the vast majority of all losses has already been recovered.

Balance Sheet Highlights

- Total Assets as of June 30, 2024, are \$445.6 million which is 16.93% higher than in June of 2023. Due to the volatility in the size of our balance sheet we rely on a 12 month Moving Daily Average Net Assets (MDANA) to reflect balance sheet

Second Quarter 2024 Financial Review



Balance Sheet Highlights—cont.

- trends more accurately. MDANA of \$348.7 million on June 30 is approximately 15.18% higher than the balance of \$302.7 million at 06/30/2023.
- Net Fixed Assets on June 30 is 96.57% higher than it was one year ago. This increase is primarily due to a large investment in a new core data processing system. Currently all our office furniture and fixtures are fully depreciated while our technology assets' book value is at 54.7% of cost.
 - The variance in Other Assets shows a decrease of (\$16.8) million compared to last year at this time. This decrease is largely offset by a similar decrease in Other Liabilities which also shows a (\$15.3) million decrease compared to last year. The conversion to the new core data processing system in July 2023 eliminated the reporting of future dated warehoused transactions on our books causing these decreases.
 - Undivided Earnings are \$3,816,205 or 9.93% higher at 06/30/2024 than the balance one year ago which represents our unaudited net income for the last 12 months. This 12-month income amount includes approximately \$851,400 of the 2009 US Central recoveries that we have received in the 12 months since 06/30/2023.
 - The Unrealized Loss on our Available for Sale securities as of June 30, 2024, of (\$1,746,435) has improved since June 2023 when it was (\$3,378,948).

Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an decrease in the past 12 months from 12.69% to 12.11%. The Capital Ratio is at 16.49% compared to 17.72% last year. While we have been very profitable, the rapid growth in our MDANA in the past year has outpaced income causing our retained earnings and capital ratios to decline slightly.
- The base level NEV ratio as of 06/30/2024 is 12.87% 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 -3.86% to 12.44%. 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 127.12%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on June 30 is 1.04 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 six months ended June 30, 2024 and 2023 to provide a more complete picture of our financial condition and the results of our operations. This internal data is unaudited.

Tricorp Federal Credit Union – 2nd Quarter 2024 Financial Review

TRICORP FCU
Statement of Financial Position (Unaudited)
June 30, 2024 and 2023

	06/30/24	06/30/23	Change
<u>Assets</u>			
Loans to Members	24,232	1,614,134	-98.50%
Cash	222,647,599	128,341,856	73.48%
Investments	211,165,369	223,260,968	-5.42%
Accrued Interest	1,095,072	964,631	13.52%
Net Fixed Assets	1,246,822	634,279	96.57%
NCUSIF Deposit	189,418	187,652	0.94%
CUSO Investments	1,589,061	1,646,232	-3.47%
Other Assets	7,627,126	24,428,342	-68.78%
Total Assets	445,584,698	381,078,093	16.93%
<u>Liabilities</u>			
Members' Shares and Deposits			
Overnight Deposits	387,862,120	313,516,615	23.71%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	111,907	80,284	39.39%
Accrued Expenses	120,017	99,789	20.27%
Other Liabilities	147,013	15,486,482	-99.05%
Total Liabilities	388,241,056	329,183,170	17.94%
<u>Members' Equity</u>			
PCC	16,861,345	16,861,345	0.00%
Undivided Earnings	42,228,732	38,412,527	9.93%
Unrealized Gain/(Loss) AFS	(1,746,435)	(3,378,948)	48.31%
Total Members' Equity	57,343,642	51,894,924	10.50%
Total Liabilities & Members' Equity	445,584,698	381,078,093	16.93%

Tricorp Federal Credit Union – 2nd Quarter 2024 Financial Review

TRICORP FCU
Income Statement (Unaudited)
For the Six Months Ended June 30, 2024 and 2023

	06/30/24	06/30/23	Change
Interest Income from Loans	20,396	134,511	-84.84%
Interest and Dividend Income from Investments	10,380,367	6,916,358	50.08%
Total Interest Income	10,400,763	7,050,869	47.51%
Dividend Expense	7,692,087	4,784,486	60.77%
Interest on Borrowed Money	0	73,923	-100.00%
Total Interest Expense	7,692,087	4,858,409	58.33%
Net Interest Income	2,708,676	2,192,460	23.55%
CUSO Equity Method Income	(7,680)	(52,494)	85.37%
Fee Income	603,619	529,630	13.97%
Other Operating Income	107,136	101,078	5.99%
Gross Operating Margin before Operating Expenses	3,411,751	2,770,674	23.14%
Operating Expenses:			
Salaries and Benefits	891,708	759,046	17.48%
Office Occupancy	47,661	48,222	-1.16%
Office Operations	119,009	103,323	15.18%
Travel and Conference	47,582	40,422	17.71%
Educational and Promotional	49,129	65,946	-25.50%
Professional and Outside Services	422,391	338,049	24.95%
Other	99,482	65,692	51.44%
Total Operating Expenses	1,676,961	1,420,700	18.04%
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	0	2,402,802	-100.00%
Net Change to Undivided Earnings	1,734,790	3,752,776	-53.77%

Tricorp Federal Credit Union – 2nd Quarter 2024 Financial Review

TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 06/30/24

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	14.41%	30,681,105	30,725,104	43,999
Agency Debentures - Floating rate	27.44%	58,421,714	58,763,268	341,554
Agency Debentures - Fixed rate	1.41%	3,000,000	2,731,980	(268,020)
Total U.S. Government Agency	43.26%	92,102,819	92,220,352	117,533
CMO/MBS - Floating Rate	8.03%	17,089,062	16,922,032	(167,029)
CMO/MBS - Fixed Rate	8.55%	18,201,771	16,629,767	(1,572,004)
CMBS - Floating Rate	20.91%	44,527,657	44,313,011	(214,646)
Total CMO's, MBS & CMBS	37.49%	79,818,490	77,864,811	(1,953,679)
FFELPs	1.09%	2,330,758	2,285,130	(45,628)
Variable Rate Credit Card ABS	8.32%	17,715,850	17,769,026	53,176
Variable Rate Auto loan ABS	9.40%	20,013,487	20,095,650	82,163
Fixed Rate Auto Loan ABS	0.00%	0	0	0
Total Asset-Backed Securities	18.82%	40,060,095	40,149,806	89,711
FHLB Stock	0.08%	180,400	180,400	0
Brokered CDs	0.35%	750,000	750,000	0
Total Other	0.44%	930,400	930,400	0
Total Investments	100.00%	212,911,804	211,165,369	(1,746,435)

Tricorp Federal Credit Union – 2nd Quarter 2024 Financial Review

TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 06/30/24	As of 06/30/23
* Operating Expense Ratio	0.87%	0.94%
* ROA	0.90%	2.49%
* Retained Earnings ratio	12.11%	12.69%
* Capital ratio	16.49%	17.72%
YTD Average Assets	385,346,079	301,639,864
Net Economic Value (NEV)	06/30/24	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	55,142,863	45,884,849
% Change	-3.86%	
NEV Ratio	12.44%	2.00%
Base Level Dollar Amount	57,356,061	
Base Level NEV Ratio	12.87%	
- 300 BP Shock		
Actual Dollar Change	59,141,840	45,884,849
% Change	3.11%	
NEV Ratio	13.22%	2.00%

* Based on Moving Daily Average Net Assets

*** NEV cannot decrease more than twenty percent in any rate shock scenerio.
Minimum amount is based on current year levels.