

First Quarter 2025 Financial Review



If you've been watching the markets lately your neck is probably sore from whiplash. Bond and stock markets are experiencing wild swings as market participants try to digest any updates in the rapidly evolving global trade landscape. It's impossible to know the impact of tariffs at this point because the policy seems to be changing by the hour. But if the Trump administration continues a hard-line approach with trade "partners" and we don't see material progress then we can expect more market volatility as well as some short-term pain for the American consumer.

Given that, I don't envy the position the Fed is in right now. The Fed loves transparency but they have no chance to provide any reliable guidance in this environment. The FOMC still provides their projection for Fed Funds, a.k.a. "dot plot", and their median dot plot for 2025 projects two rate cuts by the end of 2025. Markets don't agree, and depending on the day's news the futures markets are predicting anywhere between three and six cuts for the year. We've seen a hawkish shift in the Fed's tone over the past few months as the tariff talk has ramped up, and they must be prepared to reverse course quickly if inflation does pick up.

The good news is our balance sheet continues to be well positioned to thrive in any interest rate environment as we can adjust quickly to any changes in interest rates. We continue to focus on operating in a safe and sound manner while providing our members with solutions to meet their needs.

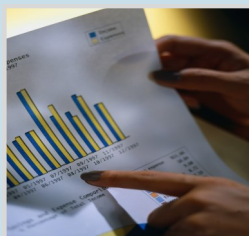
Income Statement Highlights

- Income from investments for the first quarter of 2025 was \$4,665,752 which is down -5.53% compared to last year when it was \$4,939,129. This decrease is primarily due to 3 interest rate decreases totaling 1% in the latter part of 2024.
- Dividends paid to member credit unions of \$3,176,722 was also down -12.97% compared to last March's \$3,650,210, due again to falling interest rates.
- We've had no borrowing interest expense in the first quarter of either year other than a very small amount for testing.
- CUSO income for the first three months of this year is \$8,174 which is much improved compared to last year's loss of (\$8,198).
- The Fee Income we derive from managing off-balance sheet amounts has increased. Fee Income for the quarter shows a 6.08% increase compared to last year.
- Overall, Total Operating Expenses were 7.00% higher so far this year than the same timeframe in 2024. This difference is partially due to a one time acceleration of expensing a prepaid item felt to be amortizing too slowly and timing differences in our promotional expenses.

Balance Sheet Highlights

- Total Assets as of March 31, 2025, are \$402.9 million which is -15.8% lower than in 2024. Due to the volatility in the size of our balance sheet we rely on a 12 month Moving Daily Average Net Assets (MDANA) to reflect balance sheet trends more accurately. MDANA of \$408.1 million on March 31 is 27.13% higher than the balance of \$321 million at 03/31/2024.

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Balance Sheet Highlights—cont.

- Net Fixed Assets on March 31 is 16.93% higher than it was one year ago. This increase is primarily due to a large investment in a new core data processing system, a new company car, a new billing system, investment in new network equipment and various other technology related purchases. Currently all our office furniture and fixtures are fully depreciated while our technology assets' book value is at 69.72% of cost.
- PCC was reduced by 20% in September 2024. We have received approval from NCUA to periodically return unneeded PCC to members at a rate of 20% per year for two years, as long as specific capital benchmarks are maintained. This approval is dependent on our operating results and ends next year.
- Undivided Earnings are \$3,789,553 or 8.92% higher at 03/31/2025 than the balance one year ago. This represents our unaudited net income for 12 months ending March 31.
- The Unrealized Loss on our Available for Sale securities as of March 31, of (\$1,275,809), has improved since March 2024 when it was (\$2,231,338).

Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows a decrease in the past 12 months from 12.87% in March 2024 to 11.05% currently. The Capital Ratio is at 13.95% compared to 17.64% last year. While we have been very profitable, the rapid growth in our MDANA in the past year has outpaced our income, causing our retained earnings and capital ratios to decline slightly. Additionally, the return of 20% of our PCC also decreases our Capital Ratio.
- The base level NEV ratio as of 03-31-2025 is 14.23% with a regulatory minimum requirement of 2.00%. In a scenario that projects a rate increase of 300 basis points (3.0%) our NEV changes by -4.83% and our NEV ratio decreases to 13.63%. 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 128.31%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on March 31 is 1.10 years, which is below the regulatory maximum of 2 years.

We sincerely appreciate your continued support and business. Tricorp's Board and Staff are committed to providing products, services and member service that enable you to serve your members well. We look forward to continuing to work with you, our members, in a trusted partnership.

Attached you will find condensed financial information as of and for the three months ended March 31, 2025 and 2024 to provide a more complete picture of our financial condition and the results of our operations. This internal data is unaudited.

Tricorp Federal Credit Union – 1st Quarter 2025 Financial Review

TRICORP FCU Statement of Financial Position (Unaudited) March 31, 2025 and 2024

	03/31/25	03/31/24	Change
<u>Assets</u>			
Loans to Members	664,931	10,416	6283.57%
Cash	172,067,006	233,908,167	-26.44%
Investments	218,024,275	232,704,827	-6.31%
Accrued Interest	1,062,631	1,368,902	-22.37%
Net Fixed Assets	1,419,072	1,213,654	16.93%
NCUSIF Deposit	195,479	191,415	2.12%
CUSO Investments	1,661,566	1,572,252	5.68%
Other Assets	7,822,895	7,550,629	3.61%
Total Assets	402,917,856	478,520,261	-15.80%
<u>Liabilities</u>			
Members' Shares and Deposits			
Overnight Deposits	345,202,583	422,068,990	-18.21%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	83,153	83,603	-0.54%
Accrued Expenses	94,245	117,017	-19.46%
Other Liabilities	217,222	302,811	-28.26%
Total Liabilities	345,597,204	422,572,422	-18.22%
<u>Members' Equity</u>			
PCC	13,489,076	16,861,345	-20.00%
Undivided Earnings	45,107,385	41,317,832	9.17%
Unrealized Gain/(Loss) AFS	(1,275,809)	(2,231,338)	42.82%
Total Members' Equity	57,320,652	55,947,840	2.45%
Total Liabilities & Members' Equity	402,917,856	478,520,261	-15.80%

Tricorp Federal Credit Union – 1st Quarter 2025 Financial Review

TRICORP FCU Income Statement (Unaudited) For the Three Months Ended March 31, 2025 and 2024

	03/31/25	03/31/24	Change
Interest Income from Loans	5,916	11,882	-50.21%
Interest and Dividend Income from Investments	4,665,752	4,939,129	-5.53%
Total Interest Income	4,671,668	4,951,011	-5.64%
Dividend Expense	3,176,722	3,650,210	-12.97%
Interest on Borrowed Money	1	0	-
Total Interest Expense	3,176,723	3,650,210	-12.97%
Net Interest Income	1,494,945	1,300,802	14.92%
CUSO Equity Method Income	8,174	(8,198)	199.72%
Fee Income	317,736	299,536	6.08%
Other Operating Income	57,890	50,664	14.26%
Gross Operating Margin before Operating Expenses	1,878,745	1,642,804	14.36%
Operating Expenses:			
Salaries and Benefits	401,872	405,601	-0.92%
Office Occupancy	23,847	21,059	13.24%
Office Operations	60,145	64,036	-6.08%
Travel and Conference	32,108	47,346	-32.19%
Educational and Promotional	28,135	16,448	71.06%
Professional and Outside Services	253,769	215,000	18.03%
Other	76,401	49,423	54.58%
Total Operating Expenses	876,276	818,913	7.00%
Gain/(Loss) Investment Sales	0	0	-
Net Change to Undivided Earnings	1,002,468	823,891	21.67%

Tricorp Federal Credit Union – 1st Quarter 2025 Financial Review

TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 03/31/25

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	11.55%	25,331,964	25,280,395	(51,569)
Agency Debentures - Floating rate	23.22%	50,930,251	51,309,997	379,746
Agency Debentures - Fixed rate	1.37%	3,000,000	2,850,780	(149,220)
Total U.S. Government Agency	36.14%	79,262,215	79,441,172	178,957
CMO/MBS - Floating Rate	13.68%	29,994,416	29,769,923	(224,493)
CMO/MBS - Fixed Rate	8.43%	18,483,374	17,338,305	(1,145,069)
CMBS - Floating Rate	21.64%	47,462,999	47,340,312	(122,687)
Total CMO's, MBS & CMBS	43.75%	95,940,789	94,448,539	(1,492,250)
FFELPs	0.91%	2,003,547	1,968,058	(35,490)
Variable Rate Credit Card ABS	7.68%	16,842,719	16,859,296	16,578
Variable Rate Auto loan ABS	9.12%	20,008,419	20,084,560	76,141
Fixed Rate Auto Loan ABS	2.31%	5,058,996	5,039,250	(19,746)
Total Asset-Backed Securities	20.02%	43,913,681	43,951,164	37,483
FHLB Stock	0.08%	183,400	183,400	0
Total Other	0.08%	183,400	183,400	0
Total Investments	100.00%	219,300,085	218,024,275	(1,275,809)

Tricorp Federal Credit Union – 1st Quarter 2025 Financial Review

TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 03/31/25	As of 03/31/24
* Operating Expense Ratio	1.30%	1.33%
* ROA	1.44%	1.34%
*Retained Earnings ratio	11.05%	12.87%
* Capital ratio	13.95%	17.64%

YTD Average Assets	418,429,415	368,823,922
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Net Economic Value (NEV)	03/31/25	Reg 704 Min Requirements ***
+ 300 BP Shock		
Actual Dollar Change	54,551,035	45,856,533
% Change	-4.83%	
NEV Ratio	13.63%	2.00%
Base Level Dollar Amount	57,320,666	
Base Level NEV Ratio	14.23%	
- 300 BP Shock		
Actual Dollar Change	59,686,480	45,856,533
% Change	4.13%	
NEV Ratio	14.73%	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.