

Second Quarter 2025 Financial Review



Topics like tariffs, a volatile but strong stock market, and “One Big Beautiful Bill” dominated the headlines in the second quarter. But it’s equally interesting to note how resilient, even stubborn, the U.S. consumer has been. There are clear signs of concern, such as the ever-increasing levels of rising household debt and rising credit card and student loan delinquencies. Still, the labor market is holding steady, and retail sales data have rebounded in June after two months of declines. Will the consumer start to crack in the second half of the year or can they keep this up?

Another concerning macro data point is the very recent uptick in inflation. June core CPI rose 2.9% Y-O-Y. This is not far outside of the Fed’s comfort zone, but the tariff impact is unknown even with a few recent trade deals with the U.K. and Japan announced. Depending on which party you ask, the price of tariffs that the U.S. consumer will bear is somewhere between 0 and 100%. Most of us can agree the consumer will bear some of the increase and that could take a few quarters to materialize.

So not only is the economic data mixed, but so is the economic outlook, and the result is a variety of opinions on the direction of interest rates. Recent public comments from FOMC members have signaled division about the timing and pace of future cuts, and that was evident in the June FOMC minutes. Federal Reserve Chairman Powell is also under immense pressure from the Trump administration to drop rates. We don’t anticipate Chairman Powell and the FOMC will change its stance on the path of rates, and will look to cut slowly at its September or October meeting, unless economic conditions materially change.

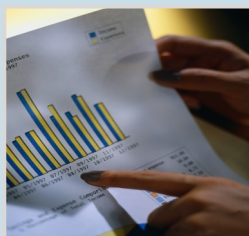
Income Statement Highlights

- Income from investments for the first half of 2025 was \$8,702,615 which is down -16.16% compared to last year when it was \$10,380,367. 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 \$5,901,617 were also down -23.28% compared to last June’s \$7,692,087, due again to falling interest rates.
- CUSO income for the first six months of this year is \$31,093 which is much improved compared to last year’s loss of (\$7,680).
- The Fee Income we derive from managing off-balance sheet amounts has increased. Fee Income for the first half of the year shows a 9.47% increase compared to last year.
- Overall, Total Operating Expenses were 6.65% higher so far this year than the same timeframe in 2024. Much of this increase is in Professional Fees expenses.

Balance Sheet Highlights

- Total Assets as of June 30, 2025, are \$329 million which is -26.15% 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 \$397.5 million on June 30 is 14.01% higher than the balance of \$348.6 million at 06/30/2024.

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Balance Sheet Highlights—cont.

- Net Fixed Assets on June 30 is 10.72% 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 67.45% 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 this year.
- Undivided Earnings are \$3,714,974 or 8.8% higher at 06/30/2025 than the balance one year ago. This represents our unaudited net income for 12 months ending June 30.
- The Unrealized Loss on our Available for Sale securities as of June 30, of (\$1,080,336) has improved since June 2024 when it was (\$1,746,435).

Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows a decrease in the past 12 months from 12.11% in June 2024 to 11.56% currently. The Capital Ratio is at 14.52% compared to 16.49% last year. While we have been very profitable, the rapid growth in our MDANA through March of this 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 06-30-2025 is 17.73% 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 -5.68% to 16.90%. 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 126.59%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on June 30 is 1.35 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, 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 – 2nd Quarter 2025 Financial Review

TRICORP FCU Statement of Financial Position (Unaudited) June 30, 2025 and 2024

	06/30/25	06/30/24	Change
<u>Assets</u>			
Loans to Members	1,181,497	24,232	4775.84%
Cash	88,795,951	222,647,599	-60.12%
Investments	226,814,300	211,165,369	7.41%
Accrued Interest	817,380	1,095,072	-25.36%
Net Fixed Assets	1,380,481	1,246,822	10.72%
NCUSIF Deposit	187,421	189,418	-1.05%
CUSO Investments	1,695,367	1,589,061	6.69%
Other Assets	8,206,372	7,627,126	7.59%
Total Assets	329,078,769	445,584,698	-26.15%
<u>Liabilities</u>			
Members' Shares and Deposits			
Overnight Deposits	270,389,016	387,862,120	-30.29%
Borrowed Funds	0	0	-
Interest Payable	0	0	-
Accounts Payable	91,004	111,907	-18.68%
Accrued Expenses	95,745	120,017	-20.22%
Other Liabilities	150,557	147,013	2.41%
Total Liabilities	270,726,323	388,241,056	-30.27%
<u>Members' Equity</u>			
PCC	13,489,076	16,861,345	-20.00%
Undivided Earnings	45,943,706	42,228,732	8.80%
Unrealized Gain/(Loss) AFS	(1,080,336)	(1,746,435)	38.14%
Total Members' Equity	58,352,446	57,343,642	1.76%
Total Liabilities & Members' Equity	329,078,769	445,584,698	-26.15%

Tricorp Federal Credit Union – 2nd Quarter 2025 Financial Review

TRICORP FCU Income Statement (Unaudited) For the Six Months Ended June 30, 2025 and 2024

	06/30/25	06/30/24	Change
Interest Income from Loans	12,901	20,396	-36.75%
Interest and Dividend Income from Investments	8,702,615	10,380,367	-16.16%
Total Interest Income	8,715,516	10,400,763	-16.20%
Dividend Expense	5,901,617	7,692,087	-23.28%
Interest on Borrowed Money	1	0	-
Total Interest Expense	5,901,619	7,692,087	-23.28%
Net Interest Income	2,813,898	2,708,676	3.88%
CUSO Equity Method Income	31,093	(7,680)	504.83%
Fee Income	660,755	603,619	9.47%
Other Operating Income	121,470	107,136	13.38%
Gross Operating Margin before Operating Expenses	3,627,215	3,411,751	6.32%
Operating Expenses:			
Salaries and Bene- fits	844,792	891,708	-5.26%
Office Occupancy	50,467	47,661	5.89%
Office Operations	121,028	119,009	1.70%
Travel and Confer- ence	50,284	47,582	5.68%
Educational and Promotional	76,812	49,129	56.35%
Professional and Outside Services	514,596	422,391	21.83%
Other	130,448	99,482	31.13%
Total Operating Expenses	1,788,426	1,676,961	6.65%
Gain/(Loss) Investment Sales	0	0	-
Net Change to Undivided Earnings	1,838,789	1,734,790	5.99%

Tricorp Federal Credit Union – 2nd Quarter 2025 Financial Review

TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 06/30/25

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	10.01%	22,807,062	22,765,763	(41,300)
Agency Debentures - Floating rate	21.03%	47,933,237	48,297,272	364,035
Agency Debentures - Fixed rate	1.32%	3,000,000	2,877,990	(122,010)
Total U.S. Government Agency	32.36%	73,740,300	73,941,025	200,725
CMO/MBS - Floating Rate	14.89%	33,924,510	33,702,907	(221,604)
CMO/MBS - Fixed Rate	10.74%	24,465,357	23,455,623	(1,009,734)
CMBS - Floating Rate	22.70%	51,723,357	51,620,369	(102,988)
CMBS - Fixed Rate	0.00%	0	0	0
Total CMO's, MBS & CMBS	48.32%	110,113,224	108,778,899	(1,334,325)
FFELPs	0.86%	1,959,028	1,916,723	(42,304)
Variable Rate Credit Card ABS	7.39%	16,831,289	16,871,413	40,124
Fixed Rate Credit Card ABS	0.00%	0	0	0
Variable Rate Auto loan ABS	8.78%	20,006,689	20,060,390	53,701
Fixed Rate Auto Loan ABS	2.22%	5,051,406	5,053,150	1,744
Variable Rate Equipment loan ABS	0.00%	0	0	0
Total Asset-Backed Securities	19.24%	43,848,412	43,901,676	53,264
FHLB Stock	0.08%	192,700	192,700	0
Brokered CDs	0.00%	0	0	0
Total Other	0.08%	192,700	192,700	0
Total Investments	100.00%	227,894,636	226,814,300	(1,080,336)

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TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 06/30/25	As of 06/30/24
* Operating Expense Ratio	0.92%	0.87%
* ROA	0.95%	0.90%
*Retained Earnings ratio	11.56%	12.11%
* Capital ratio	14.52%	16.49%
YTD Average Assets	389,059,578	385,346,079
Net Economic Value (NEV)	06/30/25	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	55,042,503	46,687,734
% Change	-5.68%	
NEV Ratio	16.90%	2.00%
Base Level Dollar Amount	58,359,668	
Base Level NEV Ratio	17.73%	
- 300 BP Shock		
Actual Dollar Change	61,364,060	46,687,734
% Change	5.15%	
NEV Ratio	18.48%	2.00%

* Based on Moving Daily Average Net Assets

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