

Third Quarter 2025 Financial Review



The economy continued to turn in the third quarter, unfortunately in the wrong direction. No one should be sounding the alarms at this point, but the cracks in the foundation are growing. A weakening labor market was most notable. The labor market is not weak exactly, with an unemployment rate of 4.3%, but labor market data has definitely cooled in the past few months.

Of course, labor market data is a month behind as the payroll and jobless claims releases have been postponed because of the government shutdown. As of this writing, the shutdown is in its fourth week and has no end in sight. It's quite possible this will break its previous long for a shutdown, which was 35 days. No awards will be handed out for that prize, instead furloughed workers that aren't getting paid should lead to a drag on spending, or at the very least create upward pressure on household debt levels, which continue to climb to worrisome levels. The shutdown could also lead to mass layoffs of federal employees and some federal workers retiring early, which will only worsen the employment picture.

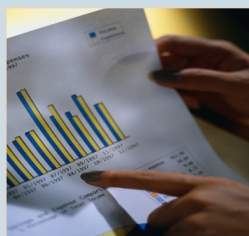
The Federal Reserve cut the federal funds rate by 25 bps at its September FOMC meeting, its first cut since 2024. They noted that the "downside risks to employment have risen", acknowledging a weakening labor market. So for now, the Fed is shifting the focus to the 'employment' side of their dual mandate. Inflation isn't going away quietly, however, and as of September it's running at 3% Y-O-Y. How the Fed balances the weakening labor market with above-target inflation will be fascinating over the coming months. Markets are currently pricing in 25 bps cuts at both the October and December meetings, which seems reasonable. If inflation is sticky in 2026, then this debate could turn political as Powell is replaced by a presidential appointee who will likely lean towards cutting rates.

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

- The year-to-date Income from investments was \$12,524,415 which is down -22.12% compared to last year when it was \$16,082,140. This decrease is due to 3 interest rate decreases totaling 1% in the latter part of 2024.
- Dividends paid to member credit unions of \$8,410,847 were also down -29.53% compared to last September's year-to-date total of \$11,934,918, due again to falling interest rates.
- CUSO income for the first nine months of this year is \$38,134 which compares favorably to last year's \$1,963.
- The Fee Income we derive from managing off-balance sheet amounts has increased. Fee Income for the first half of the year shows a 13.9% increase compared to last year.
- Overall, Total Operating Expenses were 2.02% higher so far this year than the same timeframe in 2024. Much of this increase is in Professional Fees expenses.

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Balance Sheet Highlights

- Total Assets as of September 30, 2025, are \$348 million which is -18.89% 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 \$376.7 million on September 30 is 0.27% higher than the balance of \$375.7 million at 09/30/2024.
- Net Fixed Assets on September 30 is 6.53% lower than it was one year ago. Various asset purchases in 2025 have largely offset ongoing depreciation accounting for the rather small decrease in net fixed assets. Purchases include investment in new network equipment and other technology related purchases. Currently all our office furniture and fixtures are fully depreciated while our technology assets' book value is at 65.24% of cost.
- Management borrowed \$30 million overnight on September 30, 2025, for strategic liquidity purposes. There was no borrowing on September 30, 2024.
- We again returned a portion of PCC to our members in September totaling \$3.37 million. In 2024 Tricorp received approval from NCUA to periodically return unneeded PCC to members at a rate of 20% of the original balance per year. This approval was only given for 2024 and 2025, as long as specific capital benchmarks and operating results were maintained. Tricorp's board is currently evaluating whether to re-apply to NCUA for additional distributions.
- Undivided Earnings are \$3,687,275 or 8.54% higher at 09/30/2025 than the balance one year ago. This represents our unaudited net income for 12 months ending September 30.
- The Unrealized Loss on our Available for Sale securities as of September 30, of (\$1,122,845) has improved slightly since September 2024 when it was (\$1,145,700).

Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past 12 months from 11.49% in September 2024 to 12.44% currently. The Capital Ratio is at 14.67% compared to 14.65% last year. While we have been very profitable, the return of PCC in September has offset that income causing our capital ratio to remain flat.
- The base level NEV ratio as of 09-30-2025 is 15.95% 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 -5.82% to 15.16%. The maximum regulatory decrease based on our level of authority is -20.00%.
- Tricorp currently has Tier 1 and Total Risk Based Capital ratios of 118.57%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on September 30 is 1.26 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 nine months ended September 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 – 3rd Quarter 2025 Financial Review

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

	09/30/25	09/30/24	Change
<u>Assets</u>			
Loans to Members	365,631	310,894	17.61%
Cash	111,540,616	207,533,406	-46.25%
Investments	223,752,297	208,815,006	7.15%
Accrued Interest	899,425	1,277,438	-29.59%
Net Fixed Assets	1,339,581	1,433,199	-6.53%
NCUSIF Deposit	187,421	189,418	-1.05%
CUSO Investments	1,713,291	1,614,996	6.09%
Other Assets	8,283,111	7,972,841	3.89%
Total Assets	348,081,371	429,147,199	-18.89%
<u>Liabilities</u>			
Members' Shares and Deposits			
Overnight Deposits	261,783,496	373,102,614	-29.84%
Borrowed Funds	30,000,000	0	∞
Interest Payable	3,642	0	∞
Accounts Payable	79,969	84,398	-5.25%
Accrued Expenses	93,034	123,017	-24.37%
Other Liabilities	274,819	328,619	-16.37%
Total Liabilities	292,234,959	373,638,648	-21.79%
<u>Members' Equity</u>			
PCC	10,116,807	13,489,076	-25.00%
Undivided Earnings	46,852,450	43,165,175	8.54%
Unrealized Gain/(Loss) AFS	(1,122,845)	(1,145,700)	1.99%
Total Members' Equity	55,846,412	55,508,551	0.61%
Total Liabilities & Members' Equity	348,081,371	429,147,199	-18.89%

Tricorp Federal Credit Union – 3rd Quarter 2025 Financial Review

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

	09/30/25	09/30/24	Change
Interest Income from Loans	21,242	30,643	-30.68%
Interest and Dividend Income from Investments	12,524,415	16,082,140	-22.12%
Total Interest Income	12,545,657	16,112,783	-22.14%
Dividend Expense	8,410,847	11,934,918	-29.53%
Interest on Borrowed Money	8,711	0	-
Total Interest Expense	8,419,558	11,934,918	-29.45%
Net Interest Income	4,126,099	4,177,865	-1.24%
CUSO Equity Method Income	38,134	1,963	1842.69%
Fee Income	994,403	873,015	13.90%
Education & Training Income	750	0	-
Other Operating Income	179,181	158,198	13.26%
Gross Operating Margin before Operating Expenses	5,337,817	5,211,041	2.43%
Operating Expenses:			
Salaries and Benefits	1,244,602	1,360,870	-8.54%
Office Occupancy	75,342	76,312	-1.27%
Office Operations	180,673	177,180	1.97%
Travel and Conference	62,990	65,982	-4.53%
Educational and Promotional	103,878	74,952	38.59%
Professional and Outside Services	740,054	630,726	17.33%
Other	183,494	153,786	19.32%
Total Operating Expenses	2,591,033	2,539,807	2.02%
Gain/(Loss) Investment Sales	0	0	-
Recovery of 2009 US Central OTTI loss (Net)	0	0	-
Net Change to Undivided Earnings	2,746,784	2,671,233	2.83%

Tricorp Federal Credit Union – 3rd Quarter 2025 Financial Review

TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 09/30/25

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	11.03%	24,805,992	24,670,255	(135,738)
Agency Debentures - Floating rate	21.32%	47,936,245	48,262,361	326,116
Agency Debentures - Fixed rate	1.33%	3,000,000	2,907,060	(92,940)
Total U.S. Government Agency	33.68%	75,742,238	75,839,676	97,438
CMO/MBS - Floating Rate	14.35%	32,276,297	32,104,399	(171,899)
CMO/MBS - Fixed Rate	10.37%	23,329,022	22,326,847	(1,002,175)
CMBS - Floating Rate	21.64%	48,670,916	48,546,160	(124,756)
CMBS - Fixed Rate	0.00%	0	0	0
Total CMO's, MBS & CMBS	46.37%	104,276,236	102,977,406	(1,298,830)
FFELPs	0.84%	1,895,634	1,855,187	(40,446)
Variable Rate Credit Card ABS	7.48%	16,819,677	16,864,087	44,411
Fixed Rate Credit Card ABS	0.00%	0	0	0
Variable Rate Auto loan ABS	8.90%	20,004,925	20,058,690	53,765
Fixed Rate Auto Loan ABS	2.24%	5,043,733	5,064,550	20,817
Variable Rate Equipment loan ABS	0.00%	0	0	0
Total Asset-Backed Securities	19.46%	43,763,969	43,842,515	78,546
FHLB Stock	0.49%	1,092,700	1,092,700	0
Brokered CDs	0.00%	0	0	0
Total Other	0.49%	1,092,700	1,092,700	0
Total Investments	100.00%	224,875,142	223,752,297	(1,122,845)

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TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 09/30/25	As of 09/30/24
* Operating Expense Ratio	0.93%	0.85%
* ROA	0.98%	0.90%
* Retained Earnings ratio	12.44%	11.49%
* Capital ratio	14.67%	14.65%
YTD Average Assets	371,951,788	397,198,544
Net Economic Value (NEV)	09/30/25	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar	52,211,668	44,349,023
% Change	-5.82%	
NEV Ratio	15.16%	2.00%
Base Level Dollar	55,436,279	
Base Level NEV Ratio	15.95%	
- 300 BP Shock		
Actual Dollar	58,285,160	44,349,023
% Change	5.14%	
NEV Ratio	16.63%	2.00%

* Based on Moving Daily Average Net Assets

*** NEV cannot decrease more than twenty percent in any rate shock

Minimum amount is based on current year