

Fourth Quarter 2025 Financial Review



As we close the chapter on 2025, it's important to reflect on what was, well let's just say, an eventful year for the US economy. The economy shrugged off doubters for another year and avoided a recession. Once again, the consumer has proven to be resilient, and consumer spending rebounded in November following two months of pulling back purchases. The labor market weakened throughout the year, but a 4.4% unemployment rate is much better than anticipated when you consider challenges such as a record-long government shutdown, the acts of DOGE, and a surge of corporate investment in artificial intelligence focused on streamlining operations. Additionally, 2.7% year-over-year inflation is relatively benign considering the tariff policies implemented during the year.

We don't want to paint too rosy a picture, however! The "K-shaped" nature of the economy has become increasingly evident from the strong consumer spending numbers. The data is skewed because the highest earners account for roughly half of all consumer spending, and high-income households continue to be buoyed by the wealth effect. The impact of tariffs may not yet be fully reflected in the data yet. Businesses are finding ways to reduce hiring to offset the cost of tariffs rather than pass those costs onto consumers in the form of higher prices.

With that in mind, what will the FOMC's policy look like in 2026? Those that know also claim they knew the Patriots were going to make it to the Super Bowl! One thing is clear, the Fed's tone turned dovish throughout the year, focusing on jobs more than inflation. It's hard to imagine inflation not being a major factor for the FOMC this year, but for now that's not the case. The Fed lowered rates by 25 bps at three consecutive meetings to end the year, and further immediate cuts don't appear warranted. Regardless of what the data supports in the coming months, there will be political pressure on the new Fed Chairman, whoever that may be, to continue lowering 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

- Income from investments for the year was \$16,130,546 which is down -22.72% compared to last year when it was \$20,873,592. This change is due to interest rate decreases in the latter part of 2025.
- Dividends paid to member credit unions of \$10,551,709 were also down -30.73% compared to 2024's total of \$15,233,022, again due to falling interest rates.
- CUSO income for the year is \$80,272 which compares favorably to last year's \$13,184.
- The Fee Income we derive from managing off-balance sheet amounts has increased. Fee Income for 2025 shows a 13.24% increase compared to last year.
- Overall, Total Operating Expenses were 3.08% lower than last year.

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Balance Sheet Highlights

- Total Assets as of December 31, 2025, are \$371 million which is 3.62% 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 \$363.3 million on December 31 is 8.19% lower than the balance of \$395.7 million at 12/31/2024.
- Net Fixed Assets on December 31 is 8.24% 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 62.97% of cost.
- There was no borrowing either year at December 31.
- 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.
- Undivided Earnings are \$3,812,296 or 8.64% higher at 12/31/2025 than the balance one year ago. This represents our unaudited net income for year ending December 31.
- The Unrealized Loss on our Available for Sale securities as of December 31, of (\$1,067,146) has improved somewhat since December 2024 when it was (\$1,570,140).

Capital and Other Ratios Highlights

- Our Retained Earnings ratio shows an increase in the past year from 11.15% last year to 13.19% currently. The Capital Ratio is at 15.49% compared to 14.14% last year.
- The base level NEV ratio as of 12-31-2025 is 15.25% 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 -5.66% to 14.51%. 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 120.54%. These ratios far exceed the regulatory minimum of 8%. The Weighted Average Life (WAL) of our balance sheet on December 31 is 1.15 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 year ended December 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 – 4th Quarter 2025 Financial Review

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

	12/31/25	12/31/24	Change
<u>Assets</u>			
Loans to Members	418	490,012	-99.91%
Cash	143,841,657	153,560,445	-6.33%
Investments	215,340,825	219,058,174	-1.70%
Accrued Interest	784,191	982,566	-20.19%
Net Fixed Assets	1,293,054	1,409,210	-8.24%
NCUSIF Deposit	182,126	195,479	-6.83%
CUSO Investments	1,766,312	1,642,509	7.54%
Other Assets	8,063,055	7,867,766	2.48%
Total Assets	371,271,637	385,206,162	-3.62%
<u>Liabilities</u>			
Members' Shares and Deposits			
Overnight Deposits	313,750,016	328,871,178	-4.60%
Borrowed Funds	0	0	∞
Interest Payable	0	0	∞
Accounts Payable	128,950	99,775	29.24%
Accrued Expenses	96,707	92,745	4.27%
Other Liabilities	329,090	118,612	177.45%
Total Liabilities	314,304,763	329,182,310	-4.52%
<u>Members' Equity</u>			
PCC	10,116,807	13,489,076	-25.00%
Undivided Earnings	47,917,213	44,104,916	8.64%
Unrealized Gain/(Loss) AFS	(1,067,146)	(1,570,140)	32.04%
Total Members' Equity	56,966,874	56,023,852	1.68%
Total Liabilities & Members' Equity	371,271,637	385,206,162	-3.62%

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TRICORP FCU Income Statement (Unaudited)

For the Year Ended December 31, 2025 and 2024

	12/31/25	12/31/24	Change
Interest Income from Loans	26,940	53,540	-49.68%
Interest and Dividend Income from Investments	16,130,546	20,873,592	-22.72%
Total Interest Income	16,157,486	20,927,132	-22.79%
Dividend Expense	10,551,709	15,233,022	-30.73%
Interest on Borrowed Money	8,711	14	61029.75%
Total Interest Expense	10,560,420	15,233,036	-30.67%
Net Interest Income	5,597,066	5,694,096	-1.70%
CUSO Equity Method Income	80,272	13,184	508.85%
Fee Income	1,314,952	1,161,248	13.24%
Education & Training Income	1,950	0	-
Other Operating Income (Expense)	184,054	215,504	-14.59%
Gross Operating Margin before Operating Expenses	7,176,344	7,084,032	1.30%
Operating Expenses:			
Salaries and Benefits	1,722,164	1,895,570	-9.15%
Office Occupancy	102,448	101,957	0.48%
Office Operations	246,227	233,846	5.29%
Travel and Conference	76,743	83,473	-8.06%
Educational and Promotional	111,786	93,798	19.18%
Professional and Outside Services	856,023	830,733	3.04%
Other	250,605	233,680	7.24%
Total Operating Expenses	3,365,998	3,473,057	-3.08%
Gain/(Loss) Investment Sales	0	0	-
Net Change to Undivided Earnings	3,810,346	3,610,975	5.52%

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TRICORP FCU Portfolio Diversification by Investment Issuer (Unaudited) 12/31/25

<u>Issuer</u>	<u>Percent</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
SBA Pools	10.77%	23,311,850	23,237,019	(74,831)
Agency Debentures - Floating rate	21.69%	46,939,324	47,171,997	232,673
Agency Debentures - Fixed rate	1.39%	3,000,000	2,930,460	(69,540)
Total U.S. Government Agency	33.85%	73,251,174	73,339,476	88,302
CMO/MBS - Floating Rate	16.58%	35,886,268	35,692,356	(193,912)
CMO/MBS - Fixed Rate	9.90%	21,422,128	20,504,613	(917,515)
CMBS - Floating Rate	21.79%	47,152,851	47,033,465	(119,386)
CMBS - Fixed Rate	0.00%	0	0	0
Total CMO's, MBS & CMBS	48.27%	104,461,247	103,230,434	(1,230,813)
FFELPs	0.85%	1,834,366	1,805,979	(28,387)
Variable Rate Credit Card ABS	5.37%	11,623,573	11,669,866	46,293
Fixed Rate Credit Card ABS	0.00%	0	0	0
Variable Rate Auto loan ABS	9.24%	20,003,137	20,036,720	33,583
Fixed Rate Auto Loan ABS	2.33%	5,035,975	5,059,850	23,875
Variable Rate Equipment loan ABS	0.00%	0	0	0
Total Asset-Backed Securities	17.79%	38,497,051	38,572,415	75,365
FHLB Stock	0.09%	198,500	198,500	0
Brokered CDs	0.00%	0	0	0
Total Other	0.09%	198,500	198,500	0
Total Investments	100.00%	216,407,971	216,407,971	(1,067,146)

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TRICORP FCU Key Ratios and Other Information (Unaudited)

	As of 12/31/25	As of 12/31/24
* Operating Expense Ratio	0.93%	0.88%
* ROA	1.05%	0.91%
*Retained Earnings ratio	13.19%	11.15%
* Capital ratio	15.49%	14.14%
YTD Average Assets	363,256,519	395,663,140
Net Economic Value (NEV)	12/31/25	Reg 704 Min Requirements
+ 300 BP Shock		***
Actual Dollar Change	53,354,041	45,245,754
% Change	-5.66%	
NEV Ratio	14.51%	2.00%
Base Level Dollar Amount	56,557,192	
Base Level NEV Ratio	15.25%	
- 300 BP Shock		
Actual Dollar Change	59,197,097	45,245,754
% Change	4.67%	
NEV Ratio	15.85%	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.