



# **Wright-Patt Credit Union, Inc.**

## **Independent Auditor's Report and Consolidated Financial Statements**

December 31, 2025 and 2024



**Wright-Patt Credit Union, Inc.**  
**Contents**  
**December 31, 2025 and 2024**

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## Independent Auditor's Report

Board of Directors  
Wright-Patt Credit Union, Inc.  
Beavercreek, Ohio

### ***Opinion***

We have audited the consolidated financial statements of Wright-Patt Credit Union, Inc. and subsidiaries (Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Forvis Mazars, LLP**

**Indianapolis, Indiana  
March 11, 2026**

**Wright-Patt Credit Union, Inc.**  
**Consolidated Statements of Financial Condition**  
**December 31, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and due from banks	\$ 468,975	\$ 639,558
Federal funds sold	44,802	104,720
Cash and cash equivalents	513,777	744,278
Repurchase agreements	150,000	-
Available-for-sale securities	1,725,135	1,476,689
Loans held for sale	220,118	32,960
Loans to members, net of allowance for credit losses of \$128,315 and \$109,697 at December 31, 2025 and 2024	6,597,176	6,460,310
Property and equipment, net	73,580	76,804
FHLB stock	28,575	30,864
NCUSIF deposit	72,621	66,430
Other assets	177,594	178,023
<b>Total Assets</b>	<u>\$ 9,558,576</u>	<u>\$ 9,066,358</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Members' share and deposit accounts	\$ 8,066,716	\$ 7,632,524
Borrowings	457,659	507,340
Accounts payable and accrued liabilities	80,011	96,657
<b>Total Liabilities</b>	<u>8,604,386</u>	<u>8,236,521</u>
<b>Members' Equity</b>		
Statutory reserve	22,877	22,877
Members' survivors' reserve	1,976	1,995
Retained earnings	1,002,090	927,802
Accumulated other comprehensive loss	(72,942)	(122,913)
Total parent company equity	954,001	829,761
Noncontrolling interest	189	76
<b>Total Members' Equity</b>	<u>954,190</u>	<u>829,837</u>
<b>Total Liabilities and Members' Equity</b>	<u>\$ 9,558,576</u>	<u>\$ 9,066,358</u>

**Wright-Patt Credit Union, Inc.**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>Interest Income</b>		
Loans	\$ 445,361	\$ 412,010
Investments	97,638	93,543
<b>Total Interest Income</b>	<u>542,999</u>	<u>505,553</u>
<b>Interest Expense</b>		
Dividends on share accounts	188,717	187,873
Borrowings	16,588	17,476
<b>Total Interest Expense</b>	<u>205,305</u>	<u>205,349</u>
<b>Net Interest Income</b>	<u>337,694</u>	<u>300,204</u>
<b>Credit Loss Expense (Recovery)</b>		
Credit loss expense - loans	86,524	90,494
Credit loss recovery - off balance sheet credit exposures	(408)	(646)
<b>Total Credit Loss Expense</b>	<u>86,116</u>	<u>89,848</u>
<b>Net Interest Income After Credit Loss Expense</b>	<u>251,578</u>	<u>210,356</u>
<b>Noninterest Income</b>		
Fees, service charges and other	99,870	93,734
Gain on sale of investments	120	397
Gain on sale of mortgage loans	562	1,044
<b>Total Noninterest Income</b>	<u>100,552</u>	<u>95,175</u>
<b>Noninterest Expense</b>		
Employee salaries and benefits	152,782	138,158
Office occupancy	12,612	11,745
Office operations	57,395	56,166
Loan origination and servicing	21,729	17,127
Member education and promotion	8,563	6,665
Professional and outside services	6,938	6,779
Other	9,584	4,695
<b>Total Noninterest Expense</b>	<u>269,603</u>	<u>241,335</u>
<b>Patronage Dividend</b>	<u>8,305</u>	<u>6,750</u>
<b>Net Income</b>	74,222	57,446
Less net loss attributable to noncontrolling interest	(47)	(70)
<b>Net Income Attributable to Parent Company</b>	<u>\$ 74,269</u>	<u>\$ 57,516</u>

**Wright-Patt Credit Union, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>Net Income</b>	\$ 74,222	\$ 57,446
<b>Other Comprehensive Income</b>		
Unrealized holding gains on available-for-sale securities	50,668	13,910
Unrealized holding gains (losses) on hedging activities	(577)	452
Less investment gains included in net income	<u>(120)</u>	<u>(397)</u>
<b>Other Comprehensive Income</b>	<u>49,971</u>	<u>13,965</u>
<b>Comprehensive Income</b>	124,193	71,411
Less comprehensive loss attributable to noncontrolling interest	<u>(47)</u>	<u>(70)</u>
<b>Comprehensive Income Attributable to Parent Company</b>	<u>\$ 124,240</u>	<u>\$ 71,481</u>

**Wright-Patt Credit Union, Inc.**  
**Consolidated Statements of Members' Equity**  
**Years Ended December 31, 2025 and 2024**  
(in thousands)

	<u>Statutory Reserve</u>	<u>Members' Survivors' Reserve</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Noncontrolling Interest</u>	<u>Total Members' Equity</u>
<b>Balance, January 1, 2024</b>	\$ 22,877	\$ 2,021	\$ 870,260	\$ (136,878)	\$ (4)	\$ 758,276
Net income (loss)			57,516		(70)	57,446
Other comprehensive income				13,965		13,965
Contributions to noncontrolling interest					150	150
Transfers		(26)	26			-
<b>Balance, December 31, 2024</b>	<u>22,877</u>	<u>1,995</u>	<u>927,802</u>	<u>(122,913)</u>	<u>76</u>	<u>829,837</u>
Net income (loss)			74,269		(47)	74,222
Other comprehensive income				49,971		49,971
Contributions to noncontrolling interest					160	160
Transfers		(19)	19			-
<b>Balance, December 31, 2025</b>	<u>\$ 22,877</u>	<u>\$ 1,976</u>	<u>\$ 1,002,090</u>	<u>\$ (72,942)</u>	<u>\$ 189</u>	<u>\$ 954,190</u>

**Wright-Patt Credit Union, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**  
**(in thousands)**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 74,222	\$ 57,446
Adjustments to reconcile net income to net cash		
Provision for credit losses	86,116	89,848
Depreciation	7,398	7,713
Gain on sale of investments - net	(120)	(397)
Loss on derivatives	8,795	2,446
Amortization of investment premiums and accretion of discounts	230	2,133
Net changes in		
Loans held for sale	16,179	(538)
Other assets	(6,016)	883
Accounts payable and accrued liabilities	(16,238)	(20,706)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>170,566</u>	<u>138,828</u>
<b>Cash Flows From Investing Activities</b>		
Net change in repurchase agreements	(150,000)	245,000
Net change in loans	(426,727)	(556,826)
Investments available for sale		
Purchased	(618,612)	(570,849)
Maturities, payments and calls	204,882	156,907
Sold	215,145	116,446
Redemption of FHLB stock	2,289	-
Purchase of FHLB stock	-	(1,168)
Increase in NCUSIF deposit	(6,191)	(4,931)
Capital expenditures	(6,524)	(12,362)
<b>Net Cash Used in Investing Activities</b>	<u>(785,738)</u>	<u>(627,783)</u>
<b>Cash Flows From Financing Activities</b>		
Net increase in members' share and deposit accounts	434,192	680,467
Proceeds from borrowings	50,000	2,012
Repayment of borrowings	(99,681)	(667)
Contributions to noncontrolling interest	160	150
<b>Net Cash Provided by Financing Activities</b>	<u>384,671</u>	<u>681,962</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(230,501)	193,007
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>744,278</u>	<u>551,271</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 513,777</u>	<u>\$ 744,278</u>
<b>Additional Cash Flows Information</b>		
Dividends paid on share and deposit accounts	\$ 188,717	\$ 187,873
Cash paid for interest on borrowings	16,496	17,384
Transfers from portfolio loans to loans held for sale	203,337	-

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

Wright-Patt Credit Union, Inc. and subsidiaries (Credit Union) accepts member shares and originates loans, primarily automobile, home mortgage, personal and credit cards, to individuals within its field of memberships. The Credit Union also provides ATM services, direct deposits and wire transfers to its members. Other services include investment and financial planning, safe deposit box rental, member business accounts and online banking. The Credit Union's net income is highly dependent on the interest rate spread between the average yield earned on interest-bearing assets and the average rate paid on interest-bearing liabilities. The Credit Union's field of membership includes individuals who live, work, attend school or worship in southwest and central Ohio. The Credit Union is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

myCUMortgage, LLC (myCU), formerly known as Wright-Patt Financial Group, Ltd., is a Credit Union Service Organization (CUSO) wholly owned by the Credit Union. Regulations limit capital investment in myCU to 10% of net worth, less any other CUSO investments, however, the Credit Union has obtained a waiver from the state of Ohio to exceed this limit. myCU originates, processes and underwrites residential mortgage loans for the Credit Union and for other credit unions throughout the US. The loans myCU originates and purchases are typically sold in the secondary market. myCU also services mortgage loans for secondary market investors and other credit unions.

WPCU Sunshine Community Fund (the Fund) is a 501(c)(3) public foundation and serves as the charitable giving arm of the Credit Union. The Fund is supported through the fundraising efforts of the Credit Union and myCU partner-employees, as well as vendor and business partners to serve organizations, projects, and programs that align with the Fund's financial well-being building blocks.

The Credit Union established a strategy of identifying and sourcing new revenue opportunities to supplement the financial strength of the cooperative, and established Wright-Patt Holdings LLC (WPH) as a wholly-owned CUSO entity from which investments in other CUSOs could be coordinated and managed more effectively. As a result of this formation, WPH formed Wright-Patt Insurance Products, Ltd. (WPIP, doing business as CoverPoint), acquired some of the Credit Union's minority CUSO ownership interests, and created NWU Collaborative, LLC (NWU). WPIP was formed to provide property & casualty, auto and other insurance solutions to credit union members, while NWU represents an entity wholly owned by WPH while NWU represents a partnership that has a 49% interest in a venture with Northwest Union Title, a title company business.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Credit Union and its wholly owned subsidiaries, myCU, the Fund, WPH and partially owned subsidiaries WPIP, and NWU. All significant intercompany balances and transactions have been eliminated in consolidation.

### ***Organization***

The Credit Union is chartered by the State of Ohio and is tax-exempt under Section 501(c)14(a) of the Internal Revenue Code. myCU is organized as a single member limited liability company. myCU can provide certain services, which are not permitted by credit union regulations, and can also serve noncredit union members. Certain transactions in the Credit Union do not qualify as tax-exempt.

**Wright-Patt Credit Union, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**  
**(in thousands)**

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***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses.

***Cash and Cash Equivalents***

The Credit Union considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted primarily of money market accounts with brokers, federal funds sold and repurchase agreements.

At December 31, 2025, the Credit Union's cash accounts exceeded federally insured limits by approximately \$417,507. This uninsured amount includes the Credit Union's accounts with the Federal Reserve Bank and Federal Home Loan Bank of Cincinnati in the amount of approximately \$372,705 at December 31, 2025.

The Credit Union is required, at times, to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. There was no reserve required at December 31, 2025.

***Repurchase Agreements***

Repurchase agreements are short-term investments that the Credit Union occasionally uses for cash management purposes. They are carried at cost and have an original maturity of less than three months. Interest income is recognized over the term of these agreements and is included in investment interest income.

***Investments***

Debt securities classified as "available for sale" are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Interest on investments is included in interest income as earned.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

***Loans Held for Sale***

Loans held for sale generally consist of mortgage loans originated and intended for sale in the secondary market and are carried at the lower of cost or fair value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains and losses on loan sales are recorded in non-interest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in non-interest income upon sale of the loan.

**Wright-Patt Credit Union, Inc.**  
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**(in thousands)**

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At December 31, 2025, loans held for sale consisted of mortgage loans originated for sale with a carrying value of \$16,781 and auto loans with a carrying value of \$203,337. The auto loans were transferred from the held for investment loan portfolio at the lower of unamortized cost or fair market value, which released the associated allowance for credit losses of approximately \$2,244 allocated against these loans.

### ***Loan Servicing***

Mortgage-servicing assets are recognized separately when rights are acquired through sale of financial assets. Under the servicing assets and liabilities accounting guidance ASC 860-50, *Servicing Assets and Liabilities*, servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method.

Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage-servicing contracts, when available, or, alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, which may have an adverse impact on the value of the mortgage-servicing rights and may result in a reduction to noninterest income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage-servicing rights is netted against loan servicing fee income.

### ***Derivatives***

Derivatives are recognized as assets and liabilities on the consolidated statements of financial condition and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*, which is intended to better align hedge accounting with an organization's risk management strategies. Whereas the prior guidance only allowed for a single-layer to be designated as a hedge (referred to as the last-of-layer method), ASU 2022-01 allows hedging of multiple hedge layers of a single closed portfolio of qualifying assets, which can include both prepayable and non-prepayable assets.

For non-portfolio layer method hedges, the hedge basis of the hedged item for the risk being hedged (the amount of the change in fair value) is added to (or subtracted from) the carrying amount of the individual hedged item. For portfolio layer method hedges, the hedge basis does not adjust the carrying value of the hedged item and is instead maintained on a closed portfolio basis. For qualifying cash flow hedges, changes in the fair value of the derivative financial instruments are recorded in accumulated other comprehensive loss and recognized in the income statement when the hedged cash flows affect earnings.

Cash Flow Classification of Derivatives - Cash flows related to derivative instruments designated as fair value and cash flow hedges are classified in the statement of cash flows in the same categories as the cash flows of the hedged items.

**Wright-Patt Credit Union, Inc.**  
**Notes to Consolidated Financial Statements**  
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**(in thousands)**

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***Loans to Members***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

***Allowance for Credit Losses***

**Loans**

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in inflation in current economic environment, experience of lending staff and unemployment factors in the geographical footprint that the Credit Union operates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union has identified the portfolio segments as described in Note 3 and measures the allowance for credit losses using the methods below.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

**Wright-Patt Credit Union, Inc.**  
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**(in thousands)**

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Accrued interest receivable totaled \$28,185 and \$26,991 at December 31, 2025 and 2024, respectively, and was reported in other assets on the consolidated statements of financial condition and is excluded from the estimate of credit losses.

**Off Balance Sheet Credit Exposures (Unfunded Commitments)**

The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

**Available-for-Sale Securities**

For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2025, the Credit Union had no reserve against available-for-sale securities.

Accrued interest receivable of \$5,532 and \$4,523 on available-for-sale debt securities at December 31, 2025 and 2024, respectively, is excluded from the estimate of credit losses.

***Property and Equipment***

Land is carried at cost, and depreciable assets are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

***Long-Lived Asset Impairment***

The Credit Union evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

**Wright-Patt Credit Union, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**  
**(in thousands)**

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***NCUSIF Deposit***

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with the National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in the amount equal to 1% of its insured shares at the measurement date. The deposit would be refunded to the Credit Union if its insurance coverage were terminated.

***Federal Home Loan Bank (FHLB) Stock***

The Credit Union is a member of the FHLB. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

***Members' Share and Deposit Accounts***

Dividends on members' shares are based on available earnings at the end of the dividend period. Dividend rates on members' shares are set by management, based on an evaluation of current and future market conditions. Share certificate rates are fixed for the term of the certificate.

***Patronage Dividend***

In October 2025 and 2024, the Board of Directors declared a patronage dividend, payable in January 2026 and 2025, respectively, to qualified members based upon their relationships maintained with the Credit Union during 2025 and 2024. Such relationships considered include shares, loans and use of selected services.

***Statutory Reserve***

The Credit Union computes its reserve requirements in accordance with guidelines established by the Federal Credit Union Act.

***Specific Reserve***

The Credit Union has a voluntary specific reserve program, which established a reserve for members' survivors. Specific reserves are not available for the payment of dividends by restriction of the Board of Directors.

***Income Taxes***

The Credit Union would recognize interest and penalties on income tax assessments or income tax refunds, if any, in the consolidated financial statements as a component of the provision for income taxes. There were no amounts recognized for interest and penalties for the years ended December 31, 2025 and 2024, and no significant amounts accrued at December 31, 2025 and 2024.

***Comprehensive Income***

Comprehensive income consists of net income, gains included in net income, and other comprehensive income. Other comprehensive income includes unrealized gains on available-for-sale securities and unrealized gains (losses) on derivative financial instruments that qualify for hedge accounting.

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**Revenue From Contracts With Customers**

A description of the Credit Union's revenue streams accounted for under Topic 606, *Revenue from Contracts with Customers*, are as follows:

*Fees, service charges and other.* The Credit Union generates revenues through fees charged to depositors related to share account maintenance fees, overdrafts, ATM fees, wire transfers and additional miscellaneous services provided at the request of the member. For share-related services, revenue is recognized when performance obligations are satisfied, which is, generally, at a point in time.

**Off-Balance Sheet Financial Instruments**

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

**Note 2. Investments**

The amortized costs and approximate fair values, together with gross unrealized gains and losses, of investments at December 31, 2025 and 2024 are as follows:

	2025			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale				
Municipals	\$ 39,784	\$ -	\$ (5,118)	\$ 34,666
Corporate obligations	100,901	-	(5,996)	94,905
U.S. treasury	43,040	-	(3,418)	39,622
Residential mortgage-backed securities	418,204	4,310	(14,722)	407,792
Collateralized mortgage obligations (CMOs)	1,193,686	9,040	(54,576)	1,148,150
	<u>1,795,615</u>	<u>9,040</u>	<u>(54,576)</u>	<u>1,148,150</u>
Total available-for-sale securities	<u>\$ 1,795,615</u>	<u>\$ 13,350</u>	<u>\$ (83,830)</u>	<u>\$ 1,725,135</u>

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	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Municipals	\$ 39,776	\$ -	\$ (7,103)	\$ 32,673
Corporate obligations	100,900	-	(11,868)	89,032
U.S. treasury	41,234	-	(5,540)	35,694
Residential mortgage-backed securities	359,488	2,645	(24,054)	338,079
Collateralized mortgage obligations (CMOs)	1,056,439	1,869	(77,097)	981,211
Total available-for-sale securities	<u>\$ 1,597,837</u>	<u>\$ 4,514</u>	<u>\$ (125,662)</u>	<u>\$ 1,476,689</u>

The amortized cost and estimated fair value of investment securities, summarized by contractual maturity at December 31, 2025, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due in		
One year or less	\$ 2,942	\$ 2,900
One year through five years	158,972	148,276
Six years through ten years	21,811	18,017
After ten years	-	-
	<u>183,725</u>	<u>169,193</u>
Residential mortgage-backed securities	418,204	407,792
Collateralized mortgage obligations (CMOs)	<u>1,193,686</u>	<u>1,148,150</u>
	<u>1,611,890</u>	<u>1,555,942</u>
Total	<u>\$ 1,795,615</u>	<u>\$ 1,725,135</u>

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Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2025 and 2024 was \$985,622 and \$1,243,314, respectively, which is approximately 57% and 84%, respectively, of the Credit Union's investment portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

The following tables show the Credit Union's investments' gross unrealized losses and fair value of the Credit Union's investments with unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2025 and 2024:

	2025					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
Municipals	\$ -	\$ -	\$ 34,666	\$ (5,118)	\$ 34,666	\$ (5,118)
Corporate obligations	-	-	94,907	(5,996)	94,907	(5,996)
U.S. treasury	-	-	39,622	(3,418)	39,622	(3,418)
Residential mortgage-backed securities	48,930	(147)	125,685	(14,575)	174,615	(14,722)
Collateralized mortgage obligations (CMOs)	67,326	(271)	574,486	(54,305)	641,812	(54,576)
Total	\$ 116,256	\$ (418)	\$ 869,366	\$ (83,412)	\$ 985,622	\$ (83,830)

	2024					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale						
Municipals	\$ -	\$ -	\$ 32,673	\$ (7,103)	\$ 32,673	\$ (7,103)
Corporate obligations	-	-	89,032	(11,868)	89,032	(11,868)
U.S. treasury	-	-	37,460	(5,540)	37,460	(5,540)
Residential mortgage-backed securities	369,621	(6,537)	94,388	(17,517)	464,009	(24,054)
Collateralized mortgage obligations (CMOs)	-	-	620,140	(77,097)	620,140	(77,097)
Total	\$ 369,621	\$ (6,537)	\$ 873,693	\$ (119,125)	\$ 1,243,314	\$ (125,662)

The unrealized losses on the Credit Union's investments in securities of municipals, corporate obligations, U.S. Treasury, residential mortgage-backed securities and CMO's, were caused by changes in interest rate and market changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Credit Union does not intend to sell the investments and it is not more than likely that the Credit Union will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Credit Union does not consider those investments to have any credit-related impairment at December 31, 2025.

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**Note 3. Loans to Members**

Loans at year end are comprised of the following:

	<u>2025</u>	<u>2024</u>
Commercial	\$ 1,022,421	\$ 954,649
1st mortgage	2,332,912	2,005,372
2nd mortgage	599,869	531,407
Consumer - credit card	256,496	279,018
Consumer - other	<u>2,513,793</u>	<u>2,799,561</u>
Subtotal	6,725,491	6,570,007
Less: allowance for credit losses	<u>(128,315)</u>	<u>(109,697)</u>
Loans, net	<u>\$ 6,597,176</u>	<u>\$ 6,460,310</u>

The risk characteristics of each loan portfolio segment are as follows:

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its members. Commercial loans secured by real estate are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial loans secured by real estate typically involve higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial loans secured by real estate may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Credit Union's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Credit Union market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Credit Union avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk.

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Residential and consumer loans consist of two segments - real estate loans and consumer loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Credit Union generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers. Indirect vehicle loans allow borrowers to make a purchase and obtain financing at the same location. Indirect loans generally represent greater risk than direct loans due to the reliance on a third party for loan documentation.

The following tables present the balance in the allowance for credit losses as of December 31, 2025 and 2024:

	<b>2025</b>			
	<b>Commercial</b>	<b>Consumer</b>	<b>Real Estate</b>	<b>Total</b>
<b>Allowance for credit losses:</b>				
Beginning balance	\$ 11,053	\$ 93,182	\$ 5,462	\$ 109,697
Credit loss expense	15,629	67,434	3,461	86,524
Loans charged-off	(3,981)	(68,613)	(1,221)	(73,815)
Recoveries collected	225	5,192	492	5,909
Ending balance	<u>\$ 22,926</u>	<u>\$ 97,195</u>	<u>\$ 8,194</u>	<u>\$ 128,315</u>
	<b>2024</b>			
	<b>Commercial</b>	<b>Consumer</b>	<b>Real Estate</b>	<b>Total</b>
<b>Allowance for credit losses:</b>				
Beginning balance	\$ 8,574	\$ 63,841	\$ 4,771	\$ 77,186
Credit loss expense	3,297	88,256	(1,059)	90,494
Loans charged-off	(1,104)	(59,067)	(1,993)	(62,164)
Recoveries collected	286	152	3,743	4,181
Ending balance	<u>\$ 11,053</u>	<u>\$ 93,182</u>	<u>\$ 5,462</u>	<u>\$ 109,697</u>

Management's general practice is to charge down loans individually evaluated for potential credit loss to the fair value of the underlying collateral.

Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Credit Union's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except 1-4 family residential properties and consumer, the Credit Union charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For individually evaluated loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

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The Credit Union charges off 1-4 family residential and consumer loans, or portions thereof, when the Credit Union reasonably determines the amount of the loss. The Credit Union adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 180 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge-down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Credit Union can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

The following table presents the credit risk profile of the Credit Union's loan portfolio based on internal rating category and payment activity as of December 31, 2025 and 2024:

	<b>Commercial</b>	
	<b>2025</b>	<b>2024</b>
Grades 1 - 4	\$ 917,454	\$ 877,702
Grade 5	75,665	62,287
Grade 6	21,080	12,923
Grade 7	8,222	1,737
Grade 8	-	-
Total	<u>\$ 1,022,421</u>	<u>\$ 954,649</u>

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and commercial loan classes, the Credit Union also evaluates credit quality based on the aging status of the loan and by payment activity. The following tables present the recorded investment in residential and consumer loans based on payment activity:

	<b>2025</b>		
	<b>Performing</b>	<b>Nonperforming</b>	<b>Total</b>
1st mortgage	\$ 2,320,673	\$ 12,239	\$ 2,332,912
2nd mortgage	595,686	4,183	599,869
Consumer - credit card	249,224	7,272	256,496
Consumer - other	2,498,228	15,565	2,513,793
	<u>\$ 5,663,811</u>	<u>\$ 39,259</u>	<u>\$ 5,703,070</u>
	<b>2024</b>		
	<b>Performing</b>	<b>Nonperforming</b>	<b>Total</b>
1st mortgage	\$ 1,993,885	\$ 11,487	\$ 2,005,372
2nd mortgage	527,719	3,688	531,407
Consumer - credit card	275,257	3,761	279,018
Consumer - other	2,782,630	16,931	2,799,561
	<u>\$ 5,579,491</u>	<u>\$ 35,867</u>	<u>\$ 5,615,358</u>

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**Internal Risk Categories**

Member Business Loans, including SBA loans and business loan participations, are graded to rate relative risk as a key component of portfolio management.

Member Business Loans are graded on a scale of 1 (highest grade) through 8 (lowest grade).

**Grade 1** - Minimal risk. Loans in this category have little chance of causing a loss.

**Grade 2** - Low risk. Loans in this category are unlikely to result in a loss.

**Grade 3** - Moderate risk. Loans in this category have trace risk of loss. These loans generally are typical of the average loan under average economic conditions.

**Grade 4** - Acceptable risk. Loans in this category have some risk of loss.

**Grade 5** - Classified risk, special mention. Loans in this category have one or more weaknesses that raise concern about the ability of borrowers to repay as currently structured.

**Grade 6** - Classified risk, substandard. Loans are substandard when inadequately protected by the current capacity of the borrower, guarantor or pledged collateral to satisfy the debt. In this category, loans have well-defined weaknesses that jeopardize the prospects for full repayment.

**Grade 7** - Classified risk, doubtful. Loans classified as doubtful have all weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full improbable. In this category, the possibility of loss is high; classification of estimated loss amounts are deferred until a more exact status may be determined.

**Grade 8** - Classified risk, loss. Loss loans are considered uncollectible and of such little value that there is no justification to continue carrying as assets of the Credit Union. This does not mean that the loans have no recovery or salvage value; rather, management has determined it is not practical to defer writing off the asset even though partial recovery may occur in the future.

The following tables present the Credit Union's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2025 and 2024:

	2025					Total Financing Receivables
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	
Commercial	\$ 34,726	\$ 3,388	\$ 13,390	\$ 51,504	\$ 970,917	\$ 1,022,421
1st mortgage	17,320	8,032	12,239	37,591	2,295,321	2,332,912
2nd mortgage	7,348	1,894	4,183	13,425	586,444	599,869
Consumer - credit card	4,992	2,685	7,272	14,949	241,547	256,496
Consumer - other	64,069	16,452	15,565	96,086	2,417,707	2,513,793
Total loans	\$ 128,455	\$ 32,451	\$ 52,649	\$ 213,555	\$ 6,511,936	\$ 6,725,491

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	2024					
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Financing Receivables
Commercial	\$ 2,015	\$ 3,692	\$ 8,589	\$ 14,296	\$ 940,353	\$ 954,649
1st mortgage	14,436	4,687	11,487	30,610	1,974,762	2,005,372
2nd mortgage	5,624	2,021	3,688	11,333	520,074	531,407
Consumer - credit card	3,481	1,688	3,761	8,930	270,088	279,018
Consumer - other	62,739	16,769	16,931	96,439	2,703,122	2,799,561
<b>Total loans</b>	<b>\$ 88,295</b>	<b>\$ 28,857</b>	<b>\$ 44,456</b>	<b>\$ 161,608</b>	<b>\$ 6,408,399</b>	<b>\$ 6,570,007</b>

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Credit Union's historical loss experience from the last economic cycle. No reversion adjustments were necessary, as the starting point for the Credit Union's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

The following tables present the Credit Union's nonaccrual loans at December 31, 2025 and 2024.

	2025		
	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Commercial	\$ -	\$ 14,211	\$ -
1st mortgage	-	12,239	-
2nd mortgage	-	4,183	-
Consumer - credit card	-	7,272	-
Consumer - other	-	15,565	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 53,470</b>	<b>\$ -</b>

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	<b>2024</b>		
	<b>Nonaccrual With No Allowance for Credit Losses</b>	<b>Nonaccrual</b>	<b>Loans Past Due Over 90 Days Still Accruing</b>
Commercial	\$ -	\$ 8,589	\$ -
1st mortgage	-	11,487	-
2nd mortgage	-	3,688	-
Consumer - credit card	-	3,761	-
Consumer - other	-	16,931	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 44,456</b>	<b>\$ -</b>

There was no material interest income on nonaccrual loans recognized during the years ended December 31, 2025 and 2024, respectively.

Subsequent payments on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Credit Union requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

The following tables present the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2025:

	<b>2025</b>		
	<b>Secured by:</b>		
	<b>Real Estate</b>	<b>Receivables and Inventory</b>	<b>Total</b>
Commercial	\$ 21,993	\$ 6,144	\$ 28,137
	<b>2024</b>		
	<b>Secured by:</b>		
	<b>Real Estate</b>	<b>Receivables and Inventory</b>	<b>Total</b>
Commercial	\$ 2,319	\$ 7,947	\$ 10,266

Occasionally, the Credit Union modifies loans to borrowers in financial distress by providing various types of modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

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In some cases, the Credit Union provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. Throughout December 31, 2025 and 2024, the Credit Union had no material troubled loan modifications.

Upon the Credit Union's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Commitments to extend credit were \$803,815 and \$815,568 at December 31, 2025 and 2024, respectively. Commitments to originate loans are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each member's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty.

Loans due from officers, directors and companies with which they are affiliated were approximately \$2,940 and \$2,850 at December 31, 2025 and 2024, respectively.

**Note 4. Loan Servicing**

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The risks inherent in mortgage-servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were \$3,644,886 and \$3,709,227 at December 31, 2025 and 2024, respectively.

The following summarizes the activity pertaining to mortgage-servicing rights measured using the amortization method, along with the aggregate activity in related valuation allowances:

	<u>2025</u>	<u>2024</u>
Mortgage-servicing rights		
Balance at beginning of year	\$ 23,537	\$ 26,073
Additions	3,161	2,202
Change in valuation allowance	(565)	293
Amortization	<u>(4,907)</u>	<u>(5,031)</u>
Mortgage-servicing rights, net	<u>\$ 21,226</u>	<u>\$ 23,537</u>
Valuation allowance		
Balance at beginning of year	\$ (100)	\$ (393)
Additions (deductions)	<u>(565)</u>	<u>293</u>
Balance at end of year	<u>\$ (665)</u>	<u>\$ (100)</u>
Fair value disclosures		
Fair value as of the beginning of the year	\$ 46,826	\$ 45,177
Fair value as of the end of the year	41,684	46,826

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**Note 5. Property and Equipment**

Major classifications of property and equipment, stated at cost, are as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 13,285	\$ 13,285
Building and improvements	78,601	76,247
Furniture and equipment	57,020	54,175
Construction in progress	1,768	2,942
	<u>150,674</u>	<u>146,649</u>
Accumulated depreciation	<u>(77,094)</u>	<u>(69,845)</u>
Net property and equipment	<u>\$ 73,580</u>	<u>\$ 76,804</u>

**Note 6. Members' Share and Deposit Accounts**

Members' share accounts as of December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Checking	\$ 1,022,824	\$ 1,116,049
Dividend checking	222,571	113,058
Regular shares	1,277,243	1,255,666
Health savings account	85,805	93,219
Individual retirement	327,501	316,647
Money market	3,235,048	2,932,090
Share certificates	1,895,724	1,805,795
	<u>8,066,716</u>	<u>7,632,524</u>
Total	<u>\$ 8,066,716</u>	<u>\$ 7,632,524</u>

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Maturities of share certificates are as follows:

	<u>2025</u>
Share certificates:	
Due within one year	\$ 1,374,391
Due within two years	273,251
Due within three years	104,791
Due within four years	83,954
Due within five years and after	<u>59,337</u>
	<u>\$ 1,895,724</u>

Share certificates in denominations of \$250 and greater were approximately \$338,036 and \$385,930 on December 31, 2025 and 2024. Non-member deposits totaled \$47,832 and \$53,904 at December 31, 2025 and 2024, respectively.

Shares from officers, directors and companies with which they are affiliated were approximately \$4,705 and \$3,651 at December 31, 2025 and 2024, respectively

## Note 7. Derivative Financial Instruments

In the normal course of business, the Credit Union uses various derivative financial instruments to manage its interest rate risk and market risks in accommodating the needs of its customers. These instruments carry varying degrees of credit, interest rate and market or liquidity risks. Derivative instruments are recognized as either assets or liabilities in the accompanying financial statements and are measured at fair value.

### *Fair Value Hedge*

For derivative instruments that are designated and qualify as a fair value hedge, the change in the gain or loss on the derivative as well as the offsetting change in the gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings.

The following table presents amounts that were recorded in the consolidated statements of financial condition related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of December 31, 2025 and 2024.

Line Item in the Consolidated Statement of Financial Condition in Which the Hedged Item Is Included	Carrying Amount of the Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets	
	2025	2024	2025	2024
Loans	\$ 110,000	\$ 174,000	\$ 7,909	\$ 14,819
Investments	<u>78,577</u>	<u>33,577</u>	<u>(2,074)</u>	<u>(189)</u>
Total	<u>\$ 188,577</u>	<u>\$ 207,577</u>	<u>\$ 5,835</u>	<u>\$ 14,630</u>

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The following tables present a summary of interest rate swap derivatives designated as fair value accounting hedges of fixed-rate receivables used in the Credit Union's asset/liability management activities at December 31, 2025 and 2024, respectively, identified by the underlying interest rate-sensitive instruments.

<b>December 31, 2025</b>					
<b>Instruments Associated With</b>	<b>Notional Value</b>	<b>Weighted-Average Remaining Maturity (Years)</b>	<b>Fair Value</b>	<b>Weighted-Average Rate</b>	
				<b>Receive</b>	<b>Pay</b>
Loans	\$ 110,000	3.70	\$ 7,909	Fed Funds	0.91%
Investments	78,577	7.00	(2,074)	SOFR	4.87%

  

<b>December 31, 2024</b>					
<b>Instruments Associated With</b>	<b>Notional Value</b>	<b>Weighted-Average Remaining Maturity (Years)</b>	<b>Fair Value</b>	<b>Weighted-Average Rate</b>	
				<b>Receive</b>	<b>Pay</b>
Loans	\$ 174,000	3.50	\$ 14,819	Fed Funds	0.63%
Investments	33,577	8.00	(189)	SOFR	4.94%

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of certain assets. As of December 31, 2025 and 2024, the Credit Union had no pledged cash collateral. Cash collateral is pledged to counterparties on interest rate swap agreements as security for its obligations related to these agreements. Collateral posted and received is dependent on the market valuation of the underlying hedges.

The following table presents the effects of the Credit Union's interest rate swap agreements on the consolidated statements of income during the years ended December 31, 2025 and 2024.

<b>Line Item in the Consolidated Statements of Income</b>	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest Income		
Loans	\$ 5,843	\$ 7,909
Investments	176	212
	<u>\$ 6,019</u>	<u>\$ 8,121</u>

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**Cash Flow Hedge**

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Credit Union entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for the Credit Union receive interest from the counterparty at the current Secured Overnight Financing Rate (SOFR) and to pay interest to the counterparty at a fixed rate of 3.865% on notional amount of \$50,000 at December 31, 2025 and 2024. Under the agreement, the Credit Union pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

The gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The following table presents the fair value of derivative instruments as of December 31, 2025 and 2024:

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments				
Interest rate swaps associated with debt	\$ 50,000	\$ (407)	\$ 50,000	\$ 170

The following tables present a summary of interest rate swap derivatives designated as cash flow accounting hedges used in the Credit Union's asset/liability management activities at December 31, 2025 and 2024.

Instruments Associated With	December 31, 2025				
	Notional Value	Weighted-Average Remaining Maturity (Years)	Fair Value	Weighted-Average Rate	
				Receive	Pay
Debt	\$ 50,000	1.50	\$ (407)	SOFR	3.865%

  

Instruments Associated With	December 31, 2024				
	Notional Value	Weighted-Average Remaining Maturity (Years)	Fair Value	Weighted-Average Rate	
				Receive	Pay
Debt	\$ 50,000	2.50	\$ 170	SOFR	3.865%

Interest expense recognized on the interest rate swap derivative designated as a cash flow hedge did not have a material effect on the interest expense line item within the consolidated statements of income for the years ended December 31, 2025 or 2024.

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**Note 8. Borrowings**

The Credit Union had an outstanding balance on its line of credit of \$4,752 and \$4,404 at December 31, 2025 and 2024, respectively, with Corporate One Federal Credit Union.

As a member of the FHLB, the maximum borrowing capacity available to the Credit Union under FHLB borrowings was \$1,211,734 and \$1,024,870 at December 31, 2025 and 2024, respectively. Based upon shares owned and collateral pledged, the Credit Union could borrow up to the remaining available capacity of \$761,734 as of December 31, 2025. All stock held in the FHLB, total of \$28,574 and \$30,864 as of December 31, 2025 and 2024, and portions of the first mortgage residential, commercial real estate and home equity loan portfolios and securities portfolio, total of \$4,336,879 and \$3,648,223 as of December 31, 2025 and 2024, respectively, secure these FHLB borrowings. The advances outstanding at December 31, 2025 and 2024 were \$450,000 and \$500,000, respectively. The advances bear interest at fixed rates between 0.91% and 4.16% and mature as follows:

2026	\$ 150,000
2027	100,000
2028	100,000
2029	100,000
2030	-
Thereafter	<u>-</u>
Total	<u>\$ 450,000</u>

myCU has entered into multiple lines of credit with unrelated credit unions for a maximum borrowing of \$54,175 at both December 31, 2025 and 2024, respectively.

The line of credit advances shall only be used to finance the funding of underlying mortgage loans. The lines of credit are secured by the mortgage loan portfolio, which is held by a third-party custodian for the benefit of the credit union lenders and myCU. At all times, the outstanding lines of credit balances cannot exceed approximately 90% of the total collateral held by the custodian. As of December 31, 2025 and 2024, the outstanding balance on the lines of credit was \$2,907 and \$2,936, respectively, with rates ranging from 5.00% to 6.75% at December 31, 2025.

**Note 9. Employee Benefits**

The Credit Union provides a defined-contribution plan for eligible employees. Contributions of the Credit Union were \$8,683 and \$7,901 for the years ended December 31, 2025 and 2024, respectively.

The Credit Union participates in a Split Dollar Supplemental Retirement Plan covering key executives of the Credit Union's management. A Split Dollar Plan provides collateralized loans that funded life insurance policies, which are paid back to the Credit Union upon death of the executive or upon termination with cause (as defined in the agreement) of employment. The Credit Union made three new loans to certain executives at December 31, 2025 totaling \$36,358. The Credit Union did not make any new loans to certain executives at December 31, 2024.

The receivable related to the Split Dollar Plan totaled \$104,388 and \$65,990 as of December 31, 2025 and 2024. These amounts are included in loans to members on the consolidated statements of financial condition.

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**Note 10. Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial condition measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	2025			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investment securities - available-for-sale				
Municipals	\$ 34,666	\$ -	\$ 34,666	\$ -
Corporate obligations	94,905	-	94,905	-
U.S. treasury	39,622	39,622	-	-
Residential mortgage-backed securities	407,792	-	407,792	-
Collateralized mortgage obligations (CMOs)	1,148,150	-	1,148,150	-
Interest rate swaps - fair value hedges (Loans)	7,909	-	7,909	-
<b>Liabilities</b>				
Interest rate swaps - cash flow hedges (Borrowings)	(407)	-	(407)	-
Interest rate swaps - fair value hedges (Investments)	(2,074)	-	(2,074)	-

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	2024			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investment securities - available-for-sale				
Municipals	\$ 32,673	\$ -	\$ 32,673	\$ -
Corporate obligations	89,032	-	89,032	-
U.S. treasury	37,460	-	37,460	-
Residential mortgage-backed securities	336,659	-	336,659	-
Collateralized mortgage obligations (CMOs)	980,865	-	980,865	-
Interest rate swaps - fair value hedges (Loans)	14,819	-	14,819	-
Interest rate swaps - cash flow hedges (Borrowings)	170		170	
<b>Liabilities</b>				
Interest rate swaps - fair value hedges (Investments)	(189)	-	(189)	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial condition, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025.

***Available-for-Sale Securities***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The fair value measurements consider observable data, which may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions. Pricing models typically include a technique known as matrix pricing, which is a mathematical technique used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities, but, rather, relying on the investment securities' relationships to other benchmark quoted investment securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Credit Union obtains all fair value measurements from an independent pricing service.

***Interest Rate Swaps***

The fair values of interest rate swap agreements are estimated using current market interest rates as of the consolidated statements of financial condition date and calculated using discounted cash flows that are observable or that can be corroborated by observable market data (Level 2).

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**Nonrecurring Measurements**

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated statements of financial condition, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**Collateral-Dependent Loans** - The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Credit Union considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the management team. Appraisals are reviewed for accuracy and consistency by the management team. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the management team by comparison to historical results.

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	Fair Value	2025		
		Fair Value Measurements Using		
		Quoted Prices		
		in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans	\$ 24,868	\$ -	\$ -	\$ 24,868

	Fair Value	2024		
		Fair Value Measurements Using		
		Quoted Prices		
		in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans	\$ 6,132	\$ -	\$ -	\$ 6,132

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***Unobservable (Level 3) Inputs***

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value at December 31, 2025	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent loans	\$ 24,868	Market comparable properties	Estimation of value	10-30% (20%)

	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent loans	\$ 6,132	Market comparable properties	Estimation of value	Not meaningful

**Note 11. Capital Requirements**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct and material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-statement of financial condition items, as calculated under regulatory accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors. Furthermore, the Credit Union's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below). The NCUA amended capital adequacy regulation and provided a simplified measure of capital adequacy that federally insured credit unions classified as "complex" can opt into. The new Complex Credit Union Leverage Ratio (CCULR) gives complex credit unions that maintain a minimum net worth level and meet other qualifying criteria a streamlined framework to manage capital in their institution. As long as a credit union in the CCULR framework maintains the minimum net worth ratio, it will be considered well capitalized.

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A credit union is defined as “complex” and a risk-based capital measure is applicable only if the credit union’s quarter-end total assets exceed five hundred million dollars (\$500,000), as reflected in its most recent Call Report. As of December 31, 2025, the Credit Union meets the definition of a complex credit union. A complex credit union may calculate its risk-based capital measure either by using the risk-based capital ratio, or for a qualifying complex credit union, opting into the CCULR framework, by using the CCULR framework. As of December 31, 2025, the Credit Union did opt into the CCULR framework and has therefore not calculated the risk-based capital ratio. The CCULR framework therefore requires the Credit Union maintain a CCULR greater than 9%. As of December 31, 2025, the Credit Union met this requirement.

Furthermore, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation. Management believes that, as of December 31, 2025 and 2024, the Credit Union met all capital adequacy requirements to which it is subject.

As of December 31, 2025 and 2024, NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action.

The Credit Union’s actual capital amounts and ratios as of December 31 were as follows:

	2025		2024	
	Amount	Ratio	Amount	Ratio
Actual net worth	\$ 1,026,945	10.7%	\$ 959,020	10.6%
Amount needed to be classified as "well capitalized"	860,272	9.0%	816,544	9.0%

**Note 12. General Litigation**

The Credit Union is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flow of the Credit Union.

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**Note 13. Accumulated Other Comprehensive Loss**

The following tables include changes in accumulated other comprehensive loss by component, for the years ended December 31, 2025 and 2024:

	<b>Gains and Losses on Cash Flow Hedges</b>	<b>Unrealized Gains and Losses on Available for Sale Securities</b>	<b>Total</b>
<b>December 31, 2025</b>			
Beginning balance	\$ 452	\$ (123,365)	\$ (122,913)
Other comprehensive income before reclassification	(577)	50,668	50,091
Gain reclassified from accumulated other comprehensive loss	-	(120)	(120)
Net current period other comprehensive income	(577)	50,548	49,971
Ending Balance	<u>\$ (125)</u>	<u>\$ (72,817)</u>	<u>\$ (72,942)</u>
<b>December 31, 2024</b>			
Beginning balance	\$ -	\$ (136,878)	\$ (136,878)
Other comprehensive income before reclassification	452	13,910	14,362
Gain reclassified from accumulated other comprehensive loss	-	(397)	(397)
Net current period other comprehensive income	452	13,513	13,965
Ending Balance	<u>\$ 452</u>	<u>\$ (123,365)</u>	<u>\$ (122,913)</u>

**Note 14. Subsequent Events**

***Sale of Loans via Securitization***

On January 21, 2026, the Credit Union completed a multi-seller securitization transaction of indirect auto loans with an aggregate principal balance of approximately \$335,016, of which \$203,337 were loans contributed by the Credit Union. Loans were sold to the Corporate One Auto Receivables Trust 2026-1 in exchange for cash, servicing rights, and a proportionate residual interest in any excess cash flow from the trust. The transfer met the applicable accounting requirements for sales treatment under ASC 860, *Transfers and Servicing*. The Credit Union will retain servicing responsibilities for the securitized loans, as well as a certain interests in the securitization, including a reserve account and sponsor certificate, which will be measured at fair value upon initial recognition. The underlying loans are reflected as held for sale in the accompanying consolidated financial statements as of and for the year ended December 31, 2025.

Subsequent events have been evaluated through March 11, 2026, which is the date the consolidated financial statements were available to be issued.