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Informe Anual 2025



FEDERAL
CREDIT UNION

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¡Una cooperativa hecha para ti!

ASAMBLEA ANUAL 2025

VAPR FEDERAL CREDIT UNION

El sábado, 24 de mayo de 2025, se celebró la Asamblea Anual de VAPR Federal Credit Union, correspondiente al año 2024 en el Salón de Conferencias del Hotel El Conquistador Resort en Fajardo, Puerto Rico bajo la Presidencia del señor Eduardo D. Ortega Vélez, desarrollándose los procedimientos según surge de la presente Acta.

I. LLAMADO AL ORDEN

A las 10:30 AM, el Presidente declara iniciados los trabajos del día.

II. QUÓRUM

Se establece el quórum reglamentario con 212 socios registrados y 144 presentes.

III. INVOCACIÓN

Eduardo D. Ortega Vélez, Presidente, ofrece la invocación

IV. HOMENAJE A COOPERATIVISTAS FALLECIDOS

El Presidente lleva a cabo un Acto de Recordación en honor a los socios cooperativistas fallecidos, incluyendo al señor Jorge Vadell Rodríguez, Principal Oficial Ejecutivo de Caribe Federal Credit Union y al señor Edmundo Lluveras, ex miembro del Comité de Supervisión.

V. PRESENTACIÓN DE INVITADOS ESPECIALES

El Presidente reconoce la presencia de invitados especiales: Dr. Ernesto Matos, Edwin Pagán Flecha, Dr. Charles Juarbe, Lcdo. Tomás Sierra, Edgar Lugo y CPA Fernando Llavona.

VI. REGLAS ESPECIALES DE LA ASAMBLEA

El Presidente enfatiza sobre las Reglas Especiales que se llevarán a cabo durante la asamblea. Las mismas son aprobadas por consentimiento unánime.

VII. AGENDA

El Presidente somete la agenda del día para la consideración de la Asamblea. No habiendo cambio alguno propuesto, la misma se aprueba por consentimiento unánime.

VIII. LECTURA Y APROBACIÓN DEL ACTA ANTERIOR

El Presidente presenta el Acta correspondiente a la Asamblea Anual del año 2023, celebrada el 25 de mayo de 2024 en el Hotel El Conquistador Resort en Fajardo, Puerto Rico la cual fue aprobada por consentimiento unánime.

IX. INFORME JUNTA DE DIRECTORES

El Presidente presenta el Informe de la Junta de Directores correspondiente al año 2024.

El 2024 fue para VAPR Federal Credit Union un año de desafíos y grandes triunfos. Hoy celebramos los 75 años de VAPR gracias al apoyo de sus socios, el legado dejado por los pasados directores y las administraciones anteriores que también han contribuido de manera significativa al crecimiento y éxito.

A continuación detallamos los logros más destacados durante el año 2024:

- El recién establecido Departamento de Cuentas Comerciales que cuenta con 27 socios y se han otorgado \$2,272,568 en préstamos.
- Uno de los proyectos más trascendentales ha dado inicio, el proceso de selección de un nuevo “core” bancario. Estamos desarrollando el proyecto del “core” bancario para mejorar la experiencia en canales físicos y virtuales, y ofrecer productos financieros innovadores y personalizados. Este no es solo un cambio tecnológico, es una transformación que prepara a la cooperativa

para el futuro y refuerza su compromiso de ofrecer un servicio sólido, confiable y alineado con las necesidades de los socios. Se está construyendo una cooperativa más fuerte, ágil y conectada con la evolución del sector financiero. Siguen avanzando con visión y determinación y los resultados de este proceso marcarán un antes y un después la capacidad para servirles mejor.

- La cooperativa ha sido evaluada por los reguladores de la “National Credit Union Administration”, obteniendo una evaluación sobresaliente.
- La tarjeta MasterCard débito anunciada en la asamblea pasada ha demostrado ser un rotundo éxito. Al final del 2024 ya la estaban utilizando más de 1,900 socios.
- El Programa de Becas Estudiantiles, Un Futuro Brillante, ha dado un gran paso adelante. La cooperativa otorgó un total de \$10,000 a 10 talentosos estudiantes, brindándoles una herramienta concreta para avanzar en su educación y forjar su propio futuro. Este año ya se ha comenzado la convocatoria para recibir solicitudes de estudiantes y se ha aumentado el fondo de becas a un total de \$20,000. Esto significa que más jóvenes talentosos tendrán la oportunidad de beneficiarse de este apoyo. La institución cree firmemente en el potencial de nuestros jóvenes y en su capacidad para marcar la diferencia en el futuro. Con este programa no sólo se está invirtiendo en la educación, sino también en el desarrollo de líderes que contribuirán al crecimiento de la comunidad y la cooperativa. Gracias al esfuerzo del Comité de Becas, liderado por el Vicepresidente de la Junta, el señor Pedro J. Toro Cancio, el licenciado Gabriel Olivera Magraner, la señora Gabriela Sotomayor Xon, Oficial de Recursos Humanos y la señorita Olga Iris Barreto Castro, Secretaria de la Junta, quien fue la gestora de la iniciativa.
- Durante el año 2024 se otorgaron préstamos ascendentes a \$71,499,795.

Los siguientes miembros de la Junta de Directores han sido ratificados para continuar en sus cargos, ellos son: Olga Iris Barreto Castro, Gabriel Olivera Magraner, Fernando Vélez Garrett y Eduardo Ortega Vélez.

El Presidente agradece el liderazgo, esfuerzo y dedicación a la gerencia, empleados y los miembros de la Junta de Directores por su apoyo incondicional y su lealtad a la cooperativa.

Al cumplir los 75 años brindando servicios a nuestros socios es honrar un legado de esfuerzo colectivo y sueños compartidos.

X. INFORME DEL TESORERO

El señor Roberto Rivera Ponce, Tesorero, presentó el Informe Anual de los Estados Financieros Auditados al 31 de diciembre de 2024, destacando que la Cooperativa cerró el año con activos de \$277.8 millones, cartera de préstamos de \$150.9 millones, capital regulatorio de \$29 millones (10.50%) y un ingreso neto de \$2.3 millones, reflejando una sólida posición financiera y crecimiento en la cartera de préstamos, depósitos y membresía.

XI. COMITÉ DE SUPERVISIÓN

La licenciada Katherine Ruiz Díaz, Presidenta del Comité de Supervisión, informa que el Comité ha realizado las funciones propias del mismo a tenor con las disposiciones de la Sección 715 de la Regulación establecida por National Credit Union Administration, “NCUA”.

Se presenta el resumen de los trabajos realizados por el comité por el periodo del 1 de enero al 31 de diciembre 2024.

- El Comité se reunió en 12 ocasiones y se cumplió con el 100 % de su Plan de Trabajo. Las tareas del Comité son establecidas según su prioridad y análisis de riesgo. Los trabajos realizados durante este año se concentraron en las siguientes áreas:
- Informes financieros, trimestrales y de seguridad interna.
- Seguimiento a medidas correctivas sugeridas por los auditores de NCUA.
- Seguimiento al Plan Estratégico aprobado por la Junta de Directores.

- Verificación de las operaciones del Departamento de Crédito.
- Verificación de las operaciones del Departamento de Cobros.
- Manejo de cuentas de socios fallecidos.
- Control de acceso del personal.
- Las visitas a las sucursales para llevar a cabo los arqueos de cajas y verificación de procedimientos internos.
- Desembolsos de facturas para compras y servicios profesionales.
- Aperturas de cuentas nuevas y cierres de cuentas de los socios.
- Manejo de las tarjetas de crédito asignadas a gerenciales.
- Revisión de cumplimiento con las políticas relacionadas a Recursos Humanos.
- Verificación de las operaciones del Departamento de Cumplimiento.
- Análisis de contratos de Servicios Profesionales.
- Revisión de cuentas de empleados, directores y familiares de estos.
- Verificación de cuentas inactivas.
- Evaluación del cuadro de las cuentas bancarias llevadas a cabo por el Departamento de Contabilidad.
- Análisis de la cartera de inversiones.
Se contrataron los servicios de Llavona Casas CPA PSC, como Auditores Externos. Esta firma tiene la responsabilidad de evaluar las siguientes áreas:
- Pruebas y confirmaciones de balances en bancos certificados, inversiones y seguros.
- Selección y envío de confirmaciones de balance de préstamos y depósitos.
- Análisis y prueba de balance de propiedad, equipos y otros activos.
- Seguimiento de deudas registradas y análisis de cuentas de ingresos y gastos.

La Presidenta agradece a los miembros del Comité por su compromiso, dedicación y sobre todo por su tiempo de trabajo voluntario para el bienestar de los socios de la Cooperativa y a los colaboradores que con su conocimiento y profesionalismo apoyan en el cumplimiento de las funciones del Comité. También agradece a los socios por el apoyo que brindan constantemente a la Cooperativa.

El Presidente de la Junta de Directores informa que retoma los informes para preguntas y su debido archivo. No habiendo preguntas queda archivado el Informe de la Junta de Directores, el Informe del Tesorero junto con los Estados Financieros y el Informe del Comité de Supervisión.

El Presidente solicita moción a los efectos de aprobar los Estados Financieros Auditados. El doctor Charles Juarbe Santos presenta moción para que se aprueben los mismos, según presentados y circulados previamente. La moción fue debidamente secundada.

El doctor Charles Juarbes Santos felicita a la Junta de Directores por un año extraordinario y particularmente porque se llegó a un número mágico que fue sobrepasar los 250 millones de dólares de capital y pide aplausos para todos los miembros de la Junta de Directores.

XII. OTROS ASUNTOS

La señora Awilda Torres Correa pregunta a qué por ciento tienen la tarjeta Master Card de crédito.

El Vicepresidente de Crédito, Kenel Grullón López contesta que la tarjeta de crédito de la Cooperativa comienza desde el 8.49% APR.

La señora Teresa Baraja Gautier comenta sobre la tarjeta MasterCard Débito. Señala que entiende que el bloqueo de la tarjeta cuando se detecta un uso no rutinario es una medida de seguridad. Sin embargo, pregunta si existe la posibilidad de notificar al socio, ya sea por correo electrónico, mensaje de texto o llamada, cuando se realice este tipo de bloqueo. Indica que en ocasiones se entera de la situación al momento de intentar realizar un pago y le informan que la tarjeta fue declinada, debido a un bloqueo aplicado previamente.

El Principal Oficial Ejecutivo indica que no conoce los detalles de lo que le sucedió, pero que sí le puede decir que el programa de la tarjeta débito MasterCard, pasa por una seguridad que es a través de Banco Cooperativo y tiene varias etapas. En algunas ocasiones sí se hacen

llamadas al socio. En otras ocasiones no se hace la llamada, depende el tipo de transacción y si la tarjeta está presente o no. Al momento de hacer la transacción, la seguridad del “core” de Banco Cooperativo sabe si es un “tap” en el terminal o si es una transacción por internet, donde la tarjeta no está presente. Así que depende de todos esos parámetros pudiera recibir una llamada como no pudiera recibir la llamada. Son cosas que se hacen por seguridad para evitar fraude y por el momento es la manera que tiene la Cooperativa de proteger. También hay una persona interna en la Cooperativa que está constantemente, revisando esas transacciones y comunicándose con los socios, quizás no en el momento como usted dice, quizás ya un paso más adelante, pero se está haciendo. Es un asunto de seguridad y hay veces que sí se puede hacer la llamada y otras veces que no se puede hacer la llamada.

La señora Teresa Baraja Gautier indica que entiende que no llamen del Banco Cooperativo, a través de cuál se procesan las transacciones, pero cuando se hace la revisión (a nivel de la cooperativa como tal), pues ahí sí. Que de los cuatro bloqueos que ha tenido su tarjeta, tres han sido por la misma situación, el mismo día y en la misma compra. Y ha sido alertada solamente a través de la Cooperativa, porque de acuerdo a los comentarios en la cuenta, está puesto de que fue a nivel de cooperativa.

El Principal Oficial Ejecutivo indica que la van a ayudar. La van a referir al Área de Operaciones para que se comuniquen con ella.

La señora Alida Berríos indica que tiene conocimiento que en otra institución hay un sistema en donde cualquier transacción que haga un socio, se refleja inmediatamente en los mensajes de textos del celular del socio y pregunta si la Cooperativa podría utilizar ese mismo sistema. El mensaje de texto que llega al celular y pregunta si el socio ha hecho la transacción y el socio puede decir sí o no. También solicita un folleto de información sobre las becas para los estudiantes.

El Presidente agradece las sugerencias y comentarios traídos a la Asamblea, las cuales fueron anotadas para su consideración.

XIII. CERTIFICACIÓN DE LOS RESULTADOS DE LAS ELECCIONES A LA JUNTA DE DIRECTORES

El Presidente presenta oficialmente la nueva Junta de Directores: Pedro Juan Toro Cancio, Roberto Rivera Ponce, Olga Iris Barreto Castro, el CPA Vicente Gregorio Martínez, el licenciado Gabriel Olivera Magraner, la doctora Nilsa Piñeiro Serrano, Fernando Vélez Garrett, el señor Humberto Monserrate Llombart (fue debidamente excusado) y Eduardo Ortega Vélez.

XIV. CLAUSURA

No habiendo otro asunto por considerar, el Presidente agradece la asistencia y participación de todos los presentes y declara cerrados los trabajos a las 11:33 AM.

INFORME DE LA JUNTA DE DIRECTORES

Estimados socios, miembros de la Junta de Directores, comités, empleados e invitados: Es un honor dirigirnos a ustedes para presentar el Informe de la Junta de Directores correspondiente al año 2025, un año que representó consolidación, crecimiento estratégico y fortalecimiento institucional para nuestra cooperativa. Los resultados alcanzados durante este período reflejan dirección clara, disciplina financiera y una visión enfocada en el crecimiento sostenible y la estabilidad a largo plazo.

Al cierre de diciembre de 2025, los activos totales alcanzaron \$304,946,270, representando un incremento de \$27.1 millones en comparación con el año anterior, equivalente a un crecimiento de 9.77%. Este crecimiento responde a una planificación estratégica responsable y a una ejecución disciplinada.

Durante el año 2025 se otorgaron \$101,655,190 en préstamos, estableciendo un récord histórico para nuestra cooperativa. Esta cifra representa un crecimiento de 41.99% respecto al año 2024, equivalente a casi \$30 millones adicionales. La cartera de préstamos netos cerró en \$199.4 millones, reflejando un aumento de más de \$48 millones, equivalente a un crecimiento de 32.14%. Estos resultados evidencian una cooperativa activa, dinámica y comprometida con facilitar oportunidades financieras bajo parámetros prudentes de riesgo.

El capital total ascendió a \$29.5 millones, mostrando un crecimiento de 27.34% respecto al año anterior. Este fortalecimiento consolida nuestra estabilidad financiera y protege los intereses de nuestros socios.

Al cierre del 2025, la cooperativa contaba con 20,594 socios activos, incorporando 692 nuevos socios durante el año. Este crecimiento refleja la confianza continua en nuestra institución.

El ingreso neto total alcanzó \$3,062,673, representando un aumento de 29.91% respecto al año anterior. La cooperativa mantiene estabilidad operacional y disciplina financiera dentro de un entorno económico retante.

Durante el 2025, nuestro Programa de Becas Estudiantiles otorgó \$20,000, beneficiando a 20 estudiantes con \$1,000 cada uno. Esta iniciativa representa una inversión directa en el desarrollo educativo y profesional de jóvenes talentosos de nuestra comunidad. Para el año en curso, nuevamente destinaremos \$20,000 en becas estudiantiles, reafirmando nuestro compromiso con la educación y con el fortalecimiento del futuro de nuestra comunidad.

En el 2024 iniciamos el proceso de evaluación para seleccionar un nuevo core bancario. Durante el 2025 se tomó la decisión final y comenzó formalmente el proceso de implementación, proyectado para finales del 2026 e inicios del 2027. Este nuevo core permitirá servicios más rápidos y eficientes, mayor seguridad en la protección de la información y los fondos de los socios, y la expansión de herramientas digitales que agilizarán procesos como la aprobación de préstamos.

Los resultados alcanzados durante el 2025 son consecuencia del trabajo conjunto entre la Junta de Directores y la administración de nuestra cooperativa, quienes han trabajado de manera coordinada para gobernar con responsabilidad, supervisar con rigor y ejecutar decisiones estratégicas orientadas al largo plazo. Durante este período trabajamos bajo tres principios fundamentales: estabilidad financiera, transformación estratégica y sostenibilidad futura.

La Junta de Directores también desea expresar su agradecimiento al Comité de Nominaciones por su dedicado trabajo durante este período. Reconocemos especialmente a su presidenta, Nilza Piñeiro, junto a Olga Barreto y Anna Isabel

Rosario, por su compromiso y colaboración en fortalecer nuestros procesos de gobernanza y continuidad institucional.

Asimismo, reconocemos la gestión del Comité de Préstamos No Aprobados (Non-Approval Loan Committee), cuya función es esencial para garantizar la revisión justa y objetiva de las decisiones crediticias.

De igual forma, agradecemos al Comité de Supervisión, por su rol fundamental en velar por la sana administración, la transparencia y el cumplimiento de las disposiciones regulatorias. Reconocemos también al Comité de Becas, por su compromiso con el desarrollo educativo de nuestra comunidad a través de iniciativas que impactan directamente a nuestros jóvenes. Finalmente, extendemos nuestro agradecimiento al Comité de Arte, por su aportación en el fortalecimiento de la cultura, identidad y proyección institucional de nuestra cooperativa. A todos ellos, gracias por su dedicación, su tiempo y su compromiso con nuestra institución. Hoy no presentamos simplemente un informe anual. Presentamos una institución que avanza, que se moderniza, que crece con orden y que protege su legado. Lo que hemos logrado en el 2025 demuestra algo muy claro: cuando hay dirección estratégica, los resultados llegan; cuando hay disciplina financiera, la estabilidad se fortalece; y cuando hay compromiso genuino con los socios, la cooperativa se convierte en una fuerza transformadora. Este no es el punto máximo, es el punto de impulso. Y si hoy estamos más fuertes que ayer, imaginen lo que podemos lograr mañana. Sigamos unidos, sigamos enfocados y sigamos elevando el estándar. Porque esta cooperativa no solo crece: marca el paso.

Eduardo D. Ortega Vélez
Presidente Junta de Directores
VAPR Federal Credit Union

INFORME DEL TESORERO

Estimado Presidente, miembros de la Junta de Directores y de los distintos Comités, Oficiales, empleados, distinguidos socios e invitados, reciban un cordial saludo.

En representación de la Junta de Directores y Oficiales de VAPR Federal Credit Union, me honra presentar el informe anual correspondiente a los estados financieros auditados al 31 de diciembre de 2025.

Durante el año 2025, nuestra Cooperativa continuó consolidando su crecimiento y fortaleza financiera, alcanzando un nuevo hito al superar los \$300 millones en activos, cerrando el año con un total de \$304,946,270. Esto representa un incremento de \$27,133,603, equivalente a un 9.77% en comparación con el 2024. Este desempeño reafirma la estabilidad de nuestra institución y la efectividad de las estrategias implementadas.

La cartera de préstamos reflejó un crecimiento significativo, alcanzando un balance neto de \$199,413,252, lo que representa un aumento de \$48,509,385 o 32.15% respecto al año anterior. Este crecimiento fue impulsado por una originación total de préstamos de aproximadamente \$101,665,190, evidenciando la confianza de nuestros socios y el dinamismo de nuestra gestión crediticia.

De parte del Non-Approval Loan Committee, presidido por el Dr. Gonzalo A. Solís Sánchez, se informa que durante el año 2025 se aprobaron 3,130 solicitudes de préstamos, las cuales totalizaron \$101,655,190.07, reflejando un aumento de \$30,056,895.08 o 42% en comparación con el año 2024. Asimismo, el Comité revisó 324 solicitudes de préstamos denegados, concluyendo que todas fueron procesadas conforme a los requisitos de la Ley de Igualdad de Oportunidad de Crédito (ECO) y la Política Prestataria establecida por la Junta de

Directores. Los miembros del Comité participaron en talleres de cumplimiento y desarrollo profesional, fortaleciendo así los procesos de evaluación crediticia de la Cooperativa.

En cuanto a los depósitos, estos ascendieron a \$274,026,974, reflejando un aumento de \$21,135,265 o 8.36% en comparación con el 2024. Este resultado demuestra la confianza continua de nuestra matrícula y el posicionamiento sólido de la Cooperativa como una alternativa confiable para el ahorro.

El capital regulatorio alcanzó los \$32,978,751, lo que representa una razón de capital a activos de 10.81%, manteniéndonos firmemente dentro de la clasificación de institución “bien capitalizada”, según los parámetros establecidos por la NCUA. En el área de ingresos, el ingreso por intereses de préstamos totalizó \$12,316,198, reflejando un aumento de 34.73% sobre el año anterior. Al sumar los ingresos por inversiones, el ingreso total por intereses alcanzó los \$15,329,699, evidenciando el impacto positivo del crecimiento en la cartera y del entorno de tasas de interés.

Por su parte, el gasto en intereses ascendió a \$3,302,813, en línea con el crecimiento en depósitos y las condiciones del mercado. Como resultado, el ingreso neto de intereses antes de provisión fue de \$12,026,886.

La provisión para pérdidas crediticias totalizó \$2,550,650, reflejando un aumento consistente con el crecimiento de la cartera y la implementación del modelo contable CECL, el cual fortalece la capacidad de la Cooperativa para anticipar y mitigar riesgos crediticios. Luego de la provisión, el ingreso neto de intereses alcanzó los \$9,476,236, mostrando un desempeño sólido en la operación principal de la institución.

Los otros ingresos totalizaron \$2,676,396, representando un aumento significativo de 85.27% respecto al año anterior, impulsados por ingresos operacionales recurrentes como cargos por servicios, transacciones electrónicas y otras fuentes complementarias. Dentro del renglón de otros ingresos, la cooperativa recibió una subvención federal por \$1,110,000.00 bajo el programa CDFI (Community Development Financial Institutions Fund), la cual contribuyó significativamente al aumento registrado en esta categoría. Esta asignación de fondos, de carácter no recurrente, evidencia la capacidad de nuestra Cooperativa para acceder a fondos federales altamente competitivos, fortaleciendo nuestra posición financiera y ampliando nuestro impacto en nuestros socios.

En cuanto a los gastos operacionales, estos ascendieron a \$9,089,959, reflejando un aumento de 16.68%, asociado principalmente al crecimiento operacional, inversión en talento y fortalecimiento de la infraestructura de la Cooperativa.

Como resultado de este desempeño, la Cooperativa generó un ingreso neto de \$3,062,673, lo que representa un crecimiento de 29.91% sobre el 2024. Este resultado reafirma la capacidad de nuestra institución para crecer de manera sostenible, manteniendo un balance adecuado entre riesgo, rentabilidad y servicio.

El Comité de Activos y Pasivos (ALCO) continuó desempeñando un rol clave en la gestión estratégica del balance, asegurando niveles adecuados de liquidez, capital y exposición a riesgos en un entorno económico desafiante. Mirando hacia el futuro, nos mantenemos enfocados en continuar fortaleciendo nuestra cartera de préstamos, optimizando nuestras operaciones y elevando la experiencia de servicio a nuestros socios, siempre con una visión prudente y sostenible.

Agradecemos profundamente a Dios, a la Junta de Directores, a la Administración, a nuestro CEO, Lcdo. José Ernesto Ramos Monell, a nuestra Vicepresidenta Ejecutiva & CFO, CPA Sonya M. Dávila Cosme, a nuestro Vicepresidente de Operaciones, Ángel Luis Vázquez Berríos, y a nuestro Vicepresidente de Crédito, Kenel Grullón López, así como a todo nuestro equipo de trabajo, por su compromiso, liderazgo y dedicación.

Nos espera un nuevo año lleno de retos y oportunidades. Con el esfuerzo conjunto de todos, continuaremos fortaleciendo y haciendo crecer nuestra Cooperativa VAPR FCU.

Roberto Rivera Ponce

Tesorero
Junta de Directores

INFORME ANUAL COMITÉ DE SUPERVISIÓN VAPRFCU 2025

Buenos días tengan todos: Junta de Directores, empleados de la Cooperativa, socios e invitados a esta nuestra Asamblea Anual. Reciban un cordial saludo de parte del Comité de Supervisión de VAPR Federal Credit Union.

El Comité de Supervisión, en cumplimiento con la Sección 715 de la Regulación establecida por la Administración Nacional de Cooperativas de Crédito (NCUA, por sus siglas en inglés) llevó a cabo sus funciones y responsabilidades durante el año 2025.

El Comité de Supervisión tiene la responsabilidad central de proteger los activos de los socios y asegurar que la Junta Directiva y la Gerencia cumplan con prácticas financieras sólidas y controles internos adecuados, según las regulaciones de NCUA.

Durante el año 2025 el comité se reunió 12 veces y cumplimos al 100% con nuestro plan de trabajo. Durante este año, continuamos con la asistencia de los servicios del Sr. Harold Badillo Mercado de la compañía Harold Badillo & Asociados, como auditor interno del Comité de Supervisión para realizar las auditorías y exámenes de los controles internos y cumplimiento de la institución.

Las tareas del comité son establecidas según su prioridad y análisis de riesgo. Los trabajos realizados durante el año se concentraron en las siguientes áreas:

1. Informes Financieros y Trimestrales e Informes de Seguridad Interna.
2. Seguimiento a medidas correctivas sugeridas por los auditores de NCUA.
3. Seguimiento al Plan Estratégico aprobado por la Junta de Directores.
4. Verificación de las operaciones del Departamento de Crédito.

5. Verificación de las operaciones del Departamento de Cobros.
6. Manejo de cuentas de socios fallecidos.
7. Control de acceso del personal.
8. Visitas a sucursales para los arqueos de caja y verificación de procedimientos internos.
9. Desembolsos de facturas para compras y servicios profesionales.
10. Servicio al cliente y aperturas de cuentas nuevas y cierres de cuentas de socios.
11. Manejo de las tarjetas de crédito asignadas a gerenciales de la Cooperativa.
12. Revisión de cumplimiento con las políticas relacionadas a Recursos Humanos.
13. Verificación de las operaciones del Departamento de Cumplimiento.
14. Análisis de contratos de Servicios Profesionales.
15. Revisión de las cuentas de empleados, directivos y familiares.
16. Prueba de las cuentas inactivas o cuentas sin movimiento.
17. Evaluación del cuadro de las cuentas bancarias por parte del Departamento de Contabilidad.
18. Análisis de la cartera de inversiones en valores y compras de nuevas inversiones

Estas pruebas son realizadas y discutidas con la gerencia de la Cooperativa, y sus resultados son presentados a la Junta de Directores de la Cooperativa. Posteriormente, se brinda seguimiento a cualquier sugerencia y/o hallazgo.

Adicional a los trabajos de auditoría interna, se contrataron los servicios de la firma de CPA, Llavona-Casas CPA, P.S.C., como auditores externos de los Estados Financieros. El trabajo realizado por los auditores comprende, principalmente, en la evaluación de las siguientes áreas:

- Pruebas y confirmaciones de balances en bancos, certificados, inversiones y seguros.
- Selección y envío de confirmaciones de balances de préstamos y depósitos a los socios.
- Análisis y pruebas de balances de propiedad, equipos y otros activos.
- Seguimiento a las deudas registradas y análisis de cuentas de ingresos y gastos.

La auditoría externa correspondiente al año 2025 concluyó sin hallazgos o ajustes que reportar, por lo que agradecemos a la gerencia por su excelente manejo financiero.

Agradezco a Myriam Zayas y a Anna Isabel Rosario, miembros del Comité de Supervisión por su compromiso, dedicación y sobre todo por su tiempo de trabajo voluntario para el bienestar de los socios de nuestra Cooperativa. Quisiera además agradecerle a la Dra. Nilsa Piñeiro, representante de la Junta de Directores ante el Comité de Supervisión, por su dedicada labor tanto al Comité como a la Cooperativa y sus socios.

Agradecemos también a nuestros colaboradores que, con su conocimiento y profesionalismo, nos apoyaron en el cumplimiento de nuestras funciones.

A ustedes, nuestros socios, les agradecemos el apoyo que le ofrecen a nuestra Cooperativa.

Vilmarie Noriega Colón

Presidenta

Comité de Supervisión

VAPR FEDERAL CREDIT UNION

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

For the years ended
December 31, 2025 and 2024

VAPR FEDERAL CREDIT UNION
For the years ended
December 31, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

The Supervisory Committee and Board of Directors
VAPR Federal Credit Union
Guaynabo, Puerto Rico

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS:

AUDITORS' OPINION

We have audited the accompanying financial statements of the VAPR Federal Credit Union ("the Credit Union") which comprise the statements of financial condition as of December 31, 2025 and 2024, and the related statements of income and expenses, changes in members' equity, comprehensive income and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, changes in members' equity, comprehensive income 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MANAGEMENTS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the financial statements are available to be issued.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

EMPHASIS OF A MATTER

Allowance for Credit Losses on Loans Held in Portfolio (receivable): Quantitative Models and Qualitative Adjustments (ASC 326)

As described in Note 2 of the financial statements, the Credit Union follows the Current Expected Credit Losses (CECL) model to establish and assess the Allowance for Credit Losses (ACL) to cover expected losses in the loan portfolio. As of December 31, 2025, the allowance for credit losses represented \$4,316,332 out of a total loan portfolio of \$202,901,664.

This CECL model establishes a prospective methodology reflecting expected credit losses over the life of financial assets. The quantitative model framework includes competitive risk scenarios to generate defaults and prepayments over the life of the assets, along with other loan-level modeling techniques to estimate loss severity. As part of this methodology, management evaluates various macroeconomic scenarios and may apply probability weighting to the outcome of selected loss scenarios. The ACL also includes a qualitative framework addressing expected but unobservable losses within the quantitative model framework. To identify potential losses not captured through the models, management assessed model limitations as well as the different risks covered by the variables used in each quantitative model.

Nonrefundable Fees and Other Costs (ASC 310-20)

As discussed in Note 2 to the financial statements, the Credit Union adopted ASC 310-20, "Nonrefundable Fees and Other Costs", effective January 1, 2025, and recorded the cumulative effect of initially applying this guidance as an adjustment to the opening balance of undivided earnings, a component of members' equity, as of that date. Our opinion is not modified with respect to this matter.

San Juan, Puerto Rico
April 15, 2026



DPSC226-69
VAPR Federal Credit Union

Handwritten signature of Llavona Casas, CPA, PSC

LLAVONA - CASAS, CPA PSC

License Number 226

Expires on December 1, 2027

VAPR Federal Credit Union
STATEMENTS OF FINANCIAL CONDITION
December 31, 2025 and 2024

| Assets | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| Cash, cash equivalents and restricted cash | \$ 25,991,899 | \$ 32,791,330 |
| Certificates of deposits (maturity greater than three months) | 1,240,000 | 3,472,000 |
| Investments in securities: | | |
| Available for sale | 59,280,276 | 71,245,905 |
| Held to maturity | 4,981,190 | 5,436,538 |
| Total investments in securities | <u>64,261,466</u> | <u>76,682,443</u> |
| Loans receivable in portfolio: | 203,729,584 | 153,899,660 |
| Allowance for credit losses | <u>(4,316,332)</u> | <u>(2,995,793)</u> |
| Loans receivable in portfolio, net | 199,413,252 | 150,903,867 |
| Accrued interest receivable | 825,374 | 762,420 |
| NCUSIF deposit | 2,443,709 | 2,262,861 |
| Investment in corporate credit union | 48,653 | 48,653 |
| Property and equipment, net of accumulated depreciation | 9,714,764 | 9,874,518 |
| Foreclosed and repossessed assets | 61,850 | 27,525 |
| Prepaid expenses and other assets | 945,303 | 987,050 |
| Total assets | <u>\$ 304,946,270</u> | <u>\$ 277,812,667</u> |
| | | |
| Liabilities and Members' Equity | | |
| Members' shares, savings and certificates of deposit accounts | \$ 274,026,974 | \$ 252,891,709 |
| Accrued interest payable | 143,999 | 140,033 |
| Accounts payable and accrued liabilities | <u>1,222,511</u> | <u>1,572,915</u> |
| Total liabilities | <u>275,393,484</u> | <u>254,604,657</u> |
| | | |
| Members' Equity | | |
| Regular reserve | 2,908,705 | 2,908,705 |
| Undivided earnings | 30,070,046 | 26,189,801 |
| Accumulated other comprehensive loss | <u>(3,425,965)</u> | <u>(5,890,496)</u> |
| Total members' equity | <u>29,552,786</u> | <u>23,208,010</u> |
| Total liabilities and members' equity | <u>\$ 304,946,270</u> | <u>\$ 277,812,667</u> |

The accompanying notes are an integral part of the financial statements.

VAPR Federal Credit Union
STATEMENTS OF INCOME AND EXPENSES
For the years ended December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Interest Income: | | |
| Interest on loans | \$ 12,316,198 | \$ 9,141,027 |
| Interest on investment securities and savings | 3,013,501 | 4,130,869 |
| Total interest income | <u>15,329,699</u> | <u>13,271,896</u> |
| Interest expense: | | |
| Interest and dividends on members' shares, savings accounts and borrowed funds | <u>3,302,813</u> | <u>2,742,812</u> |
| Income before provision for credit losses | 12,026,886 | 10,529,084 |
| Provision for credit losses | <u>(2,550,650)</u> | <u>(1,825,997)</u> |
| Net interest income after provision for credit losses | <u>9,476,236</u> | <u>8,703,087</u> |
| Other income (excluding interest) | <u>2,676,396</u> | <u>1,444,563</u> |
| Other expenses (excluding interest) | | |
| Compensation and benefits | 3,500,700 | 3,314,024 |
| Office operations | 1,207,676 | 835,065 |
| Occupancy and related | 1,449,988 | 1,358,600 |
| Professional services and contracted services | 262,926 | 195,217 |
| Education and promotional | 578,299 | 206,611 |
| Data Processing | 1,319,083 | 1,219,634 |
| Loss on disposal of assets | 129,143 | 86,075 |
| Other operating expenses | 642,144 | 574,947 |
| Total other expenses (excluding interest) | <u>9,089,959</u> | <u>7,790,173</u> |
| Net Income | <u>\$ 3,062,673</u> | <u>\$ 2,357,477</u> |

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the years ended December 31, 2025 and 2024

| | Regular Reserve | Undivided Earnings | Accumulated Other Comprehensive Income/(loss) | Total |
|--|---------------------|----------------------|--|----------------------|
| Balance, December 31, 2023 | 2,908,705 | 23,832,324 | (7,115,636) | 19,625,393 |
| Net income | - | 2,357,477 | | 2,357,477 |
| Other comprehensive income | - | - | 1,225,140 | 1,225,140 |
| Balance, December 31, 2024 | 2,908,705 | 26,189,801 | (5,890,496) | 23,208,010 |
| Cumulative effect of change in accounting principle (see note 2) | - | 817,572 | - | 817,572 |
| Net income | - | 3,062,673 | | 3,062,673 |
| Other comprehensive income | - | - | 2,464,531 | 2,464,531 |
| Balance, December 31, 2025 | <u>\$ 2,908,705</u> | <u>\$ 30,070,046</u> | <u>\$ (3,425,965)</u> | <u>\$ 29,552,786</u> |

The accompanying notes are an integral part of the financial statements.

VAPR FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Net Income | \$ 3,062,673 | \$ 2,357,477 |
| Other Comprehensive income (expenses): | | |
| Changes in net unrealized gain (loss) on investment securities available for sale during the year | <u>2,464,531</u> | <u>1,225,140</u> |
| Total comprehensive net income | <u>\$ 5,527,204</u> | <u>\$ 3,582,617</u> |

The accompanying notes are an integral part of the financial statements.

VAPR Federal Credit Union
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 3,062,673 | \$ 2,357,477 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 420,502 | 412,108 |
| Provision for possible loan losses | 2,550,650 | 1,825,997 |
| Loss on disposition of assets | 129,143 | 86,075 |
| Premium amortization and discount accretion, net | 329,382 | 481,211 |
| Net unamortized deferred origination fees | (975,421) | 72,412 |
| Recoveries on charged-off loans | 543,362 | 412,667 |
| (Increase) decrease in assets: | | |
| Accrued interest receivable | (62,954) | (46,072) |
| Prepaid expenses and other assets | 41,747 | (415,852) |
| (Decrease) increase in liabilities: | | |
| Accrued interest payable | 3,966 | 55,381 |
| Accounts payable and accrued liabilities | (350,404) | 674,322 |
| Total adjustments | <u>2,629,973</u> | <u>3,558,249</u> |
| Net cash provided by operating activities | <u>5,692,646</u> | <u>5,915,726</u> |
| Cash flows from investing activities: | | |
| Cash proceeds from maturities, disposition and return on principal over investments | 15,556,126 | 12,983,992 |
| Net (increase) in certificates of deposit | 2,232,000 | (248,000) |
| Acquisition of investment securities available for sale | (1,000,000) | (9,896,129) |
| Net (increase) in loans to members | (49,973,872) | (28,105,011) |
| Acquisitions of property and equipment | (260,748) | (305,780) |
| Deposit in NCUSIF | (180,848) | (208,473) |
| Net cash (used) by investing activities | <u>(33,627,342)</u> | <u>(25,779,401)</u> |
| Cash flows from financing activities: | | |
| Net increase in shares and savings accounts | 21,135,265 | 24,475,861 |
| Net cash provided by financing activities | <u>21,135,265</u> | <u>24,475,861</u> |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (6,799,431) | 4,612,186 |
| Cash, cash equivalents and restricted cash at beginning of year | <u>32,791,330</u> | <u>28,179,144</u> |
| Cash, cash equivalents and restricted cash at end of year | <u>\$ 25,991,899</u> | <u>\$ 32,791,330</u> |

The accompanying notes are an integral part of the financial statements.

VAPR Federal Credit Union
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024

Supplemental Disclosures of Cash Flow Information

Interests and dividends paid for the years ended December 31, 2025, and 2024 were approximately \$3,302,813 and \$2,742,812, respectively.

Also, during the years ended December 31, 2025 and 2024, change in comprehensive net income were recognized for \$2,464,531 and \$1,225,140, respectively.

During the year ended December 31, 2025 the Credit Union adopted ASC 310-20 and registered \$817,572 as an accumulative change in accounting principle as part of undivided earnings.

The accompanying notes are an integral part of the financial statements.

1. ORGANIZATION

VAPR Federal Credit Union ("Credit Union") is located in Guaynabo Puerto Rico and was organized and chartered under the Federal Credit Union Act ("The Law"). The Credit Union is organized to promote thrift among its members by receiving savings from its members in the form of shares and deposits to provide sources of financing. Its powers are limited to those granted in its regulations and the Law. The Credit Union is governed by the rules established in its statutes and the regulations issued by the National Credit Union Administration (NCUA), the regulatory entity. As of December 31, 2025, and 2024, the NCUA insured the Credit Union shares members' accounts up to \$250,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented following the accounting principles generally accepted in the United States of America (U.S. GAAP). The most significant policies are as follows:

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make certain 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 include the determination of the allowance for loan losses.

Reclassifications

Certain figures in the accompanying 2024 financial statements were reclassified to conform to the 2025 presentation.

Tax Exemption

The Credit Union, their subsidiaries or affiliates shall be exempt from all kinds of income, property, patent, or any other tax imposed or imposed later by the Commonwealth of Puerto Rico or any political subdivision thereof. Several previous laws eliminated the exemption from excise taxes and from the sales and use tax (IVU) on the purchases of goods and services by credit unions.

All members' shares and securities issued by credit unions and by any of their subsidiaries or affiliates are exempt, including the total value and the dividends or interests paid in accordance with them, from any types of contributions from revenues, property, excise taxes, municipal taxes or other taxes imposed or then later could be imposed by the Commonwealth of Puerto Rico or any of its political subdivisions.

Cash and Cash Equivalents

For purposes of the cash flow statements, the Credit Union considers cash and cash equivalents, the change funds, current accounts in local banks, money market accounts and certificates of deposit that have a maturity date of three months or less from the date of purchase. Certificates of deposit with a maturity date more than 90 days from the date of purchase are presented in a separate line in the statement of financial condition.

Restricted Cash

The Credit Union adopted the ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial condition and in the statement of cash flows. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are segregated from other assets to mark clear boundaries of their use.

Concentrations of Credit Risk

Financial instruments that potentially subject the Credit Union to credit risk include cash balances and certificate of deposits with several financial institutions located in Puerto Rico and the United States. These deposits are insured by the U.S. Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. Account balances may exceed the insured limits. Credit risk for loans receivable and share accounts are also concentrated since most of the Credit Union's members are in the Puerto Rico geographical area.

Loans to Members

The Credit Union extends credit to its members through personal loans, auto loans, mortgages, credit cards and lines of credit. During 2025 and 2024, the Credit Union originated loans with an aggregated dollar value of approximately \$101,665,190 and \$71,598,295, respectively. Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and net origination fees. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in the process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed non-accrual 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 nonaccrual or charged-off is 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.

Investment in Marketable Securities

Investments are made in accordance with the Credit Union's policies, which incorporate the regulations of National Credit Union Administration (NCUA), hence they are principally invested in federally sponsored and guaranteed financial instruments. Marketable securities mainly consist of agency securities and obligations issued by the United States Government, obligations of United States corporations, and securities collateralized by mortgages on residential, commercial, and other assets in the United States. Investment securities are classified into two categories and accounted for as follows:

Classified as held-to-maturity

Debt securities that the Credit Union intends and has the ability to hold until maturity are classified as held-to-maturity debt securities and are recorded at amortized cost. An allowance for credit losses (ACL) is established for expected credit losses over the remaining term of the held-to-maturity debt securities.

The Credit Union has established a methodology for estimating credit losses that considers qualitative factors, including internal credit ratings and the underlying payment source to determine the amount of expected credit losses. Held-to-maturity debt securities are adjusted through the ACL when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life.

There may be certain financial assets for which the expectation of zero credit loss after evaluating historical loss information, making necessary adjustments for current conditions and reasonable and sustainable forecasts, and considering any collateral.

Factors to consider when evaluating whether expectations of zero credit loss are appropriate may include, among others:

- A financial asset that is fully collateralized by cash or cash equivalents;
- Principal and interest payments guaranteed by the government of the United States of America.

The Credit Union cannot sell or transfer held-to-maturity securities without questioning its intention to hold the debt securities until maturity unless a non-recurring or unusual event has occurred that could not have been reasonably anticipated.

Classified as available-for-sale

Debt securities classified as available-for-sale are recorded at fair value. Decreases in fair value below amortized cost of securities not related to estimated credit losses are recorded through comprehensive income. If the Credit Union intends to sell or believes it is more

likely than not to be required to sell the debt security, it is written down to its fair value through operations.

The Credit Union's available-for-sale securities portfolio is primarily composed of United States Treasury bonds and obligations of the United States Government. These securities have an explicit or implicit guarantee from the government of the United States, have high ratings from major rating agencies, and have a long history without credit losses. Therefore, the Credit Union applies a zero-credit loss assumption, and no ACL has been established for these securities.

The Credit Union monitors the composition of its securities portfolio and credit performance to determine if any provision is considered necessary. Available-for-sale debt securities are written off when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life. The specific identification method is used to determine realized gains and losses on available-for-sale debt securities, which are included in net gain or loss on the sale of debt securities in the income statement.

Deferred Loan Origination Costs

Effective January 1, 2025, the Credit Union adopted the guidance in ASC 310-20, which requires that certain non-refundable loan origination fees and direct incremental loan origination costs be deferred and recognized as an adjustment to the yield of the related loans using the effective interest method over the contractual life of the loans.

Prior to the adoption of this guidance, the Credit Union recognized loan origination costs as incurred and recorded loan origination fees as income when received. Under the new applied guidance, qualifying direct loan origination costs and related loan fees are deferred and amortized as an adjustment to interest income over the estimated life of the related loans.

The Credit Union adopted this guidance using the cumulative-effect method. As a result, the Credit Union recorded a cumulative-effect adjustment to beginning members' equity as of January 1, 2025, to recognize previously unamortized net loan origination costs and fees associated with loans outstanding as of the adoption date.

The adoption resulted in an increase to loans receivable of \$827,920, representing net deferred loan origination costs and fees, and a corresponding increase to beginning members' equity of \$817,572 as of January 1, 2025.

As of December 31, 2025, net deferred loan origination costs and fees totaled \$827,920 and are presented as an adjustment to the carrying amount of loans receivable in the accompanying statement of financial condition. Amortization of these amounts is recognized as an adjustment to interest income over the life of the related loans.

Credit Losses (Topic 326)

The Expected Credit Losses (CECL) model is applied to financial assets measured at amortized cost that are subject to credit losses and certain exposures outside of the balance sheet. CECL establishes a prospective methodology that reflects expected credit losses over the life of financial assets, beginning when such assets are acquired or originated. Under the revised methodology, credit losses are measured based on past events, current conditions, and reasonable and supportable forecasts that affect the recoverability of financial assets. CECL also revises the approach for recognizing credit losses on securities available for sale by replacing the direct write-off approach with the allowance approach and limiting the credit reserve to the amount by which the market value of the security is below amortized cost.

As a result of the adoption, the Credit Union recorded an increase in its allowance for credit losses related to its loan portfolio. The adoption of CECL was recognized under the Weighted Average Remaining Maturity (WARM) approach. Therefore, adjustments to record the increase in the reserve for credit losses were recorded as a decrease in the surplus for the implementation year as a first-day adjustment. The total adjustment, as a result of the cumulative effect in accounting change, on capital or undivided earnings related to the adoption of CECL was \$948,060.

Allowance for Credit Losses

The Credit Union establishes the allowance for credit losses (ACL) for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, adjusted for expected prepayments, in accordance with ASC 326 "Financial Instruments - Credit Losses." An ACL is recognized for all loans, including originated and acquired loans, from inception, with a corresponding provision for credit losses charge. Losses on loans are charged by reducing the ACL, and recoveries are credited as increases.

The Credit Union follows a methodology to estimate the ACL that includes a reasonable and justifiable forecast period to estimate credit losses, considering both quantitative and qualitative factors as well as the economic outlook. As part of this methodology, management evaluates various macroeconomic scenarios provided by third parties. As of December 31, 2025 and 2024, management applied probability weighting to the outcomes of selected scenarios. This assessment includes comparison procedures as well as careful analysis of the underlying assumptions used to construct the scenarios. The Credit Union considers additional macroeconomic scenarios as part of its qualitative adjustment framework.

The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined as the best forecasts of expected credit losses within the Credit Union's loan portfolios and include

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indicators such as unemployment rate, various measures of employment levels, housing prices, gross domestic product, and measures of disposable income, among others. The determined loss framework includes a reasonable and justifiable period, with historical macroeconomic variables at the model input level.

The Credit Union developed quantitative models at the loan level segmented by loan type. This segmentation was determined by evaluating their risk characteristics, including repayment sources, terms, collateral type, among others. To generate expected credit losses, the output of these models is combined with information on historical losses based on weighted averages and estimated life of the developed segments.

The Credit Union has designated collateral-dependent loans when foreclosure is probable or when foreclosure is not probable but practical history is used. Practical history is used when payment is expected to be substantially provided through the sale or foreclosure of collateral. The ACL for collateral-dependent loans is measured based on the fair value of the collateral fewer selling costs. The fair value of the collateral is based on appraisals, which may be adjusted due to their age, and the type, location, and condition of the property or area or general market conditions to reflect the expected change in value between the effective date of the appraisal and the measurement date.

Modified Loans

The Credit Union applied ASU 2022-02 "Debt Modifications for Troubled Debt Restructurings." The ASU eliminates accounting guidance for troubled debt restructurings (TDR) by creditors who have adopted Topic 326 of the Accounting Standards Codification (ASC) and enhances disclosures for certain loan restructurings when a borrower is experiencing financial difficulties.

ASU 2022-02, or Accounting Standards Update 2022-02, is an accounting standard issued by the Financial Accounting Standards Board (FASB) that may have specific implications for disclosure of restructured loans under TDR agreements.

Loan Portfolio Quality Indicators for Consumer Loans

The Credit Union measures the various credit risks of its portfolio by loan types. The delinquency, and credit score quality information per member and customer are quality indicators that the Credit Union monitors and utilizes in assessing credit quality.

Credit Score Quality Information

Consumer Loans - The use of risk classifications in consumer loans allows management to estimate their exposure to different types of risk. The Credit Union has established policies to evaluate application for loans using FICO credit scores, among other information provided by major credit reporting agencies. A FICO score is a credit score developed by a

third party that take information and analyze it to predict consumer behavior, such as how likely someone is to pay their bills on time or not, or whether they are able to handle a larger credit line. Generally, the FICO score range is 300 to 850, with the higher number representing less risk to the lender.

Credit Quality Levels, Credit Score and Loans to Members' Risk Exposure

The different levels of risk of loss established internally by the Credit Union according to the FICO credit scores are as follows:

Level 1 - 710 or more, members have little or no additional risk.

Level 2 - 709 to 650, member represents a nominal risk of loss.

Level 3 - 649 or less, member is experiencing some degree of financial difficulty and represents a potential risk of loss.

These levels are reviewed periodically, as well as other statistics and external factors, to monitor the performance of the portfolio.

Loan Charge-off Policies

The Credit Union's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis. All loans will be charged-off once deemed uncollectible.

Generally, non-performing loans are deemed to be a loss when they become three months delinquent unless it is determined prior that there is no collectability based on the established loan life collections process. This process includes well defined procedures and guidelines used to identify, monitor, and address non-performing loans and when they should be considered for charge-off.

Comprehensive Income

Accounting principles generally require revenue, expenses, gains, and losses to be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on investment securities, are reported as separate components of members' equity in the statements of financial condition.

Other Accounts Receivable

Accounts receivables are stated at their net realizable value.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, requiring the maintenance of a deposit by each insured credit union in an amount equal to one percent (1%) of its insured shares. The deposit would be refunded to the credit union if: (1) the insurance coverage is terminated, (2) The Credit Union converts to insurance coverage from another source; (3) the operations of the fund are transferred from the NCUA Board.

Property and Equipment

Property and equipment are recorded at their acquisition cost. Improvements that extend the useful life of the asset are capitalized. Maintenance and repairs that do not extend the useful life of such assets are expensed as incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the related asset.

Management evaluates the carrying amount of property and equipment when events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The recoverability of the assets that will be used and retained is determined by comparing the carrying amount to the future undiscounted cash flows expected to be generated by the asset.

If it is determined that an impairment in the value of any fixed asset has occurred, the difference between the future undiscounted cash flows and the carrying amount of the property and equipment is recognized against operations for the year.

For the years ended December 31, 2025, and 2024, the Cooperative did not recognize impairment losses on fixed assets.

Right of Use Assets

Lease contracts, which were identified as operating leases, are recognized on the balance sheet as a right-of-use asset (ROU) and in liabilities as lease liabilities for those with terms exceeding one year.

Lease liabilities and their corresponding ROU assets are initially recorded based on the present value of future lease payments over the expected lease term. An incremental borrowing rate is used, which is the rate at which borrowing could be obtained on a collateralized basis over a similar term in an amount equal to the lease payments. The ROU asset may include initial direct costs paid for the lease and incentives paid to the lessor.

Leased property, including variable lease payments made during the lease term and not based on a rate or index, is excluded from the measurement of ROU assets and lease liabilities, and recognized as lease expense as incurred.

Repossessed Properties

Properties acquired through foreclosure or other types of liquidation are recorded at fair market value less estimated disposal costs. The difference between the loan's carrying amount and the fair market value less the cost of sale is recorded as an adjustment to the ACL. After the property is foreclosed, any impairment loss arising from periodic revaluations of the properties, as well as any gains or losses from the sale of these properties, are charged against operations in the period incurred. The cost of maintenance and operation of such properties is recorded as expense as incurred.

Members' Shares Accounts

The dividend rates are set by the Credit Union's Board of Directors based on an evaluation of current and future market conditions. Dividends on members' shares accounts are based on available earnings at the end of the corresponding period and are not guaranteed by the Credit Union. Dividends are credited to the members' share accounts on the last day of the month for which dividends are declared. Members share accounts are subordinated to all other liabilities of the Credit Union upon liquidation.

Members' Equity

VAPR Federal Credit Union is required by regulation to maintain a statutory reserve ("Regular reserves"); representing a regulatory restriction of members' equity, and thus these regular reserves are not available for the payment of dividends on share accounts. The statutory reserve consists of \$2,908,705 for both years 2025 and 2024. Other appropriated members' equity amounts may be established or transferred to the discretion of the Board of Directors.

Advertising and Promotional Costs

Advertising and promotional costs are included within education and promotional expenses and are charged to expense as incurred.

Fair Value of Financial Instruments

The Credit Union adopted ASC 820, which defines the concept of fair value, establishes a consistent framework for measuring fair value, and expanded disclosures on fair value measurements.

Determination of Fair Value

Pursuant to ASC 820 provisions, the Credit Union determines fair value by the price that would be received to sell the asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Credit Union seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurement, in accordance with the fair value hierarchy provided by ASC 820. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

In some cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls entirely will be determined based on the lowest-level input that is significant to the entire fair value measurement.

Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- Level 1 Input - They correspond to prices quoted (unadjusted) in active markets for active or passive identical to which the entity can access the date of measurement. The active market for the asset or liability is the market in which transactions for the asset or liability occur frequently and there is enough volume to continuously provide information about pricing.
- Level 2 Input - Correspond to prices quoted for similar assets or liabilities in active markets, quoted prices for assets or liabilities that are identical or similar in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially, either in time or between those who make the market (for example, a principal-to-principal market); inputs other than quoted prices that are observable in the asset or liability (for example, interest rates, yield curves, speeds of pre-payment, severity of losses, credit risks, and failure to pay rates); and inputs that are mainly derived from or are corroborated by observable data through correlation or other means (confirmed by the market inputs).
- Level 3 Input - They are unobservable inputs for the asset or liability. Unobservable inputs are used only for the measurement of fair value in the way that the observable inputs are not available, what happens in situations where there is little activity in the market, if any, for the asset or liability at the date of measurement.

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Subsequent Events

The Credit Union adopted ASC 855, relating to Subsequent Events. ASC 855 establishes general standards for the accounting and disclosure of events that occurred after the date of the balance sheet but before the date of issuance of the financial statements.

Specifically, it establishes the period after the date of the balance sheet during which the Credit Union's management must evaluate events or transactions that may have occurred and would need to be recorded or disclosed in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure that should be provided for these events that occurred after the date of the balance sheet.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As of December 31, 2025, and 2024, the balance of cash, cash equivalents and restricted cash consisted of the following:

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Operating accounts | \$ 8,133,182 | \$ 6,649,957 |
| Savings and money market accounts | 16,296,766 | 24,901,145 |
| Change fund and petty cash | 1,431,172 | 1,156,434 |
| Total cash and cash equivalents | <u>\$ 25,861,120</u> | <u>\$ 32,707,536</u> |
| Restricted cash | 130,779 | 83,794 |
| Total cash, cash equivalents and restricted cash | <u>\$ 25,991,899</u> | <u>\$ 32,791,330</u> |

The Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA) up to \$250,000 per institution. At December 31, 2025 and 2024, the bank balance of deposits in commercial banks amounting to approximately \$7,079,596 and \$5,763,245 respectively, exceeded the amounts covered by federal depository insurance limits. Similarly, deposits in natural and corporate credit unions exceeded NCUA insurance limits by approximately \$14,737,153 and \$20,927,648 respectively. Additionally, deposits held in Banco Cooperativo amounted to approximately \$977,379 and \$796,200, respectively, and were uninsured. Furthermore, deposits in the Federal Home Loan Bank (FHLB) totaled \$1,766,599 and \$4,147,803, respectively, and were also uninsured. Management monitors counterparty risk associated with uninsured deposits to mitigate potential exposure.

Restricted Cash

The Credit Union adopted the ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial condition and in the statement of cash flows. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are

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segregated from other assets to mark clear boundaries of their use. As of December 31, 2025, and 2024, the Credit Union deposited \$130,779 and \$83,794, respectively, in restricted cash for the payment of property taxes and insurance on properties that serve as collateral under mortgage loans.

4. CERTIFICATES OF DEPOSITS

As of December 31, 2025, and 2024, the Credit Union maintains certificates of deposits mostly in denominations of equal or less than \$250,000. The schedules maturities at the end of the period were as follows:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Due in one year or less | \$ 1,240,000 | \$ 3,224,000 |
| Due after one year through three years | - | 248,000 |
| Total certificates of deposits | <u>\$ 1,240,000</u> | <u>\$ 3,472,000</u> |

5. INVESTMENT IN SECURITIES

As of December 31, 2025 and 2024, the amortized cost and the estimate fair market value of investment securities available for sale and held to maturity were as follows:

| <u>2025</u> | | | | |
|--|-----------------------|-------------------|------------------------|----------------------|
| <u>Available for sale:</u> | | | | |
| <u>Type of Investment</u> | <u>Amortized Cost</u> | <u>Unrealized</u> | | <u>Market Value</u> |
| | | <u>Gain</u> | <u>Unrealized Loss</u> | |
| Federal Farm Credit Bank (FFCB) | \$ 500,000 | \$ 524 | \$ - | \$ 500,524 |
| Federal National Mortgage Association (FNMA) | 500,000 | 354 | - | 500,354 |
| Mortgage Back Securities Pools (MBS) | 50,805,589 | 177,746 | (2,890,227) | 48,093,108 |
| Municipal Bonds | 10,900,652 | - | (714,362) | 10,186,290 |
| Total | <u>\$ 62,706,241</u> | <u>\$ 178,624</u> | <u>\$ (3,604,589)</u> | <u>\$ 59,280,276</u> |

| <u>2025</u> | | | | |
|---------------------------|-----------------------|-------------------|------------------------|---------------------|
| <u>Held to maturity:</u> | | | | |
| <u>Type of Investment</u> | <u>Amortized Cost</u> | <u>Unrealized</u> | | <u>Market Value</u> |
| | | <u>Gain</u> | <u>Unrealized Loss</u> | |
| US Treasury Notes | \$ 4,981,190 | \$ - | \$ (13,807) | \$ 4,967,383 |
| Total | <u>\$ 4,981,190</u> | <u>\$ -</u> | <u>\$ (13,807)</u> | <u>\$ 4,967,383</u> |

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| <u>2024</u> | | | | |
|--|-----------------------|-------------------|------------------------|----------------------|
| <u>Available for sale:</u> | | | | |
| <u>Type of Investment</u> | <u>Amortized Cost</u> | <u>Unrealized</u> | | <u>Market Value</u> |
| | | <u>Gain</u> | <u>Unrealized Loss</u> | |
| Federal Agriculture Mortgage Corpotation (FAMCA) | \$ 1,000,000 | \$ - | \$ (4,544) | \$ 995,456 |
| Federal Home Loan Bank (FHLB) | 2,499,591 | - | (4,575) | 2,495,016 |
| Federal Home Loan Mortgage Corporation (FHLMC) | 1,500,029 | - | (11,000) | 1,489,029 |
| Federal National Mortgage Association (FNMA) | 3,332,065 | - | (83,135) | 3,248,930 |
| Mortgage Back Securities Pools (MBS) | 54,844,106 | - | (4,544,995) | 50,299,111 |
| Municipal Bonds | 10,969,693 | - | (1,237,332) | 9,732,361 |
| US Treasury Bonds | 2,990,917 | - | (4,914) | 2,986,002 |
| Total | <u>\$ 77,136,401</u> | <u>\$ -</u> | <u>\$ (5,890,496)</u> | <u>\$ 71,245,905</u> |

| <u>2024</u> | | | | |
|---------------------------|-----------------------|-------------------|------------------------|---------------------|
| <u>Held to maturity:</u> | | | | |
| <u>Type of Investment</u> | <u>Amortized Cost</u> | <u>Unrealized</u> | | <u>Market Value</u> |
| | | <u>Gain</u> | <u>Unrealized Loss</u> | |
| US Treasury Notes | 5,436,538 | - | (81,657) | 5,354,881 |
| Total | <u>\$ 5,436,538</u> | <u>\$ -</u> | <u>\$ (81,657)</u> | <u>\$ 5,354,881</u> |

The following table shows the unrealized losses, estimated market value, and the length of time investments have been on the Credit Union's books in an unrealized loss position as of December 31, 2025 and 2024:

| Description of Securities | <u>As of December 31, 2025</u> | | | | | |
|--------------------------------------|---|--------------------------|--|--------------------------|----------------------|--------------------------|
| | <u>Continuing Unrealized Losses for</u> | | <u>Continuing Unrealized Losses for 12</u> | | <u>Total</u> | |
| | <u>Market Value</u> | <u>Unrealized Losses</u> | <u>Market Value</u> | <u>Unrealized Losses</u> | <u>Market Value</u> | <u>Unrealized Losses</u> |
| Mortgage Back Securities Pools (MBS) | \$ 83,018 | \$ (176) | \$ 33,064,215 | \$ (2,890,051) | \$ 33,147,233 | \$ (2,890,227) |
| Municipal Bonds | - | - | 10,186,290 | (714,362) | 10,186,290 | (714,362) |
| | <u>\$ 83,018</u> | <u>\$ (176)</u> | <u>\$ 43,250,505</u> | <u>\$ (3,604,413)</u> | <u>\$ 43,333,523</u> | <u>\$ (3,604,589)</u> |

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| Description of Securities | As of December 31, 2024 | | | | | |
|--|---|----------------------|---|-----------------------|----------------------|-----------------------|
| | Continuing Unrealized Losses for Less Than 12 months | | Continuing Unrealized Losses for 12 months or More | | Total | |
| | Market Value | Unrealized Losses | Market Value | Unrealized Losses | Market Value | Unrealized Losses |
| Federal Agriculture Mortgage Corporation (FAMCA) | \$ 995,456 | \$ (4,544) | \$ - | \$ - | \$ 995,456 | \$ (4,544) |
| Federal Home Loan Bank (FHLB) | 2,495,016 | (4,575) | - | - | 2,495,016 | (4,575) |
| Federal Home Loan Mortgage Corporation (FHLMC) | 1,489,029 | (11,000) | - | - | 1,489,029 | (11,000) |
| Federal National Mortgage Association (FNMA) | 1,466,798 | (906) | 1,782,132 | (82,229) | 3,248,930 | (83,135) |
| Mortgage Backed Securities Pools (MBS) | - | - | 50,299,111 | (4,544,995) | 50,299,111 | (4,544,995) |
| Municipal Bonds | - | - | 9,732,361 | (1,237,332) | 9,732,361 | (1,237,332) |
| US Treasury Bonds | 2,986,002 | (4,914) | - | - | 2,986,002 | (4,914) |
| | <u>\$ 9,432,301</u> | <u>\$ (25,939)</u> | <u>\$ 61,813,604</u> | <u>\$ (5,864,556)</u> | <u>\$ 71,245,905</u> | <u>\$ (5,890,495)</u> |

During the year ended December 31, 2025, management determined that no expected credit losses were anticipated for unrealized securities. This analysis considered various factors including, but not limited to, issuer performance indicators, default rates, industry analyst reports, credit ratings, and other information.

Contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit loss provisions were required for the years ended December 31, 2025 and 2024.

The available for sale debt securities portfolio reflects unrealized losses of approximately \$3,604,589 and \$5,890,496 required for the year ended December 31, 2025 and 2024, respectively, primarily driven by fixed-rate mortgage-backed securities and municipal bonds, which have been impacted by a decrease in their fair value due to rising interest rates.

The amortized cost and estimated fair value of investment securities at December 31, 2025 and 2024, by contractual maturity, are shown below. Investment expected maturities may differ from original contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| Due Date | 2025 | | 2024 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| Due in one year or less | \$ - | \$ - | \$ 6,925,370 | \$ 6,919,478 |
| Due in one to five years | 5,481,490 | 5,467,907 | 20,036,515 | 18,691,676 |
| Due after five years through ten years | 11,400,652 | 10,686,644 | 92,910 | 88,497 |
| Due more than ten years | 50,805,589 | 48,093,108 | 55,518,144 | 50,901,135 |
| Total | <u>\$ 67,687,731</u> | <u>\$ 64,247,659</u> | <u>\$ 82,572,939</u> | <u>\$ 76,600,786</u> |

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6. LOANS RECEIVABLE IN PORTFOLIO

As of December 31, 2025, and 2024, the portfolio of loans to members of the Credit Union by type was as follows:

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| <u>Commercial:</u> | | |
| Corporations and individuals | \$ 4,301,275 | \$ 2,316,585 |
| Total commercial | <u>4,301,275</u> | <u>2,316,585</u> |
| <u>Loans</u> | | |
| Personal | 46,252,055 | 42,300,385 |
| Auto | 130,394,467 | 91,435,317 |
| Mortgage | 17,151,067 | 13,069,171 |
| Credit cards | 4,167,087 | 4,092,877 |
| Lines of credit | <u>635,713</u> | <u>685,325</u> |
| Total consumer | <u>198,600,389</u> | <u>151,583,075</u> |
| Total loans | <u>\$ 202,901,664</u> | <u>\$ 153,899,660</u> |
| Less: Allowance for loan losses | (4,316,332) | (2,995,793) |
| Plus: Net unamortized deferred origination fees | 827,920 | - |
| Total loans to members, net | <u>\$ 199,413,252</u> | <u>\$ 150,903,867</u> |

The movement of the allowance for credit losses in the Credit Union's loan portfolio for the years ended December 31, 2025, and 2024, is presented below:

Allowance for credit losses-loans held in portfolio:

| | <u>2025</u> | | |
|--|---------------------|-----------------------|-----------------------|
| | <u>Commercial</u> | <u>Consumer</u> | <u>Total</u> |
| Beginning balance | \$ 32,115 | \$ 2,963,678 | \$ 2,995,793 |
| Loans charge-offs | - | (1,738,473) | (1,738,473) |
| Provision during the year | 63,392 | 2,452,257 | 2,515,649 |
| Recoveries of loans previously charged-off | | 543,363 | 543,363 |
| Ending balance | <u>\$ 95,507</u> | <u>\$ 4,220,825</u> | <u>\$ 4,316,332</u> |
| Evaluation of Allowance: | | | |
| Allowance evaluated individually | \$ - | \$ - | \$ - |
| Allowance evaluated collectively | 95,507 | 4,220,825 | 4,316,332 |
| Total | <u>\$ 95,507</u> | <u>\$ 4,220,825</u> | <u>\$ 4,316,332</u> |
| Loan Ending Balance: | | | |
| Evaluated individually for impairment | \$ - | \$ - | \$ - |
| Evaluated collectively for impairment | 4,301,275 | 198,600,389 | 202,901,664 |
| Total | <u>\$ 4,301,275</u> | <u>\$ 198,600,389</u> | <u>\$ 202,901,664</u> |

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Allowance for credit losses-loans held in portfolio:

| | <u>2024</u> | | |
|--|-------------------|---------------------|---------------------|
| | <u>Commercial</u> | <u>Consumer</u> | <u>Total</u> |
| Beginning balance | \$ - | \$ 2,345,382 | \$ 2,345,382 |
| Loans charge-offs | - | (1,595,424) | (1,595,424) |
| Provision during the year | 32,115 | 1,801,053 | 1,833,168 |
| Recoveries of loans previously charged-off | - | 412,667 | 412,667 |
| Ending balance | <u>\$ 32,115</u> | <u>\$ 2,963,678</u> | <u>\$ 2,995,793</u> |

Evaluation of Allowance:

| | | | |
|----------------------------------|------------------|---------------------|---------------------|
| Allowance evaluated individually | \$ - | \$ - | \$ - |
| Allowance evaluated collectively | 32,115 | 2,963,678 | 2,995,793 |
| Total | <u>\$ 32,115</u> | <u>\$ 2,963,678</u> | <u>\$ 2,995,793</u> |

Loan Ending Balance:

| | | | |
|---------------------------------------|---------------------|-----------------------|-----------------------|
| Evaluated individually for impairment | \$ - | \$ - | \$ - |
| Evaluated collectively for impairment | 2,316,585 | 151,583,075 | 153,899,660 |
| Total | <u>\$ 2,316,585</u> | <u>\$ 151,583,075</u> | <u>\$ 153,899,660</u> |

Allowance for credit losses-unfunded commitments:

| | <u>2025</u> | | |
|---------------------------|-------------------|------------------|------------------|
| | <u>Commercial</u> | <u>Consumer</u> | <u>Total</u> |
| Beginning balance | \$ - | \$ 7,720 | \$ 7,720 |
| Provision during the year | - | 35,001 | 35,001 |
| Ending balance | <u>\$ -</u> | <u>\$ 42,721</u> | <u>\$ 42,721</u> |

The allowance for credit losses for unfunded commitments is presented as part of accounts payable and accrued liabilities in the balance sheet (see note 13). The provision for credit losses (pcl) presented as part of the statement of income and expenses for the year ended December 31, 2025, would be as follows:

| | <u>2025</u> | | |
|--|-------------------|---------------------|---------------------|
| | <u>Commercial</u> | <u>Consumer</u> | <u>Total</u> |
| Provision for credit losses-loans | \$ - | \$ 2,515,649 | \$ 2,515,649 |
| Provision for credit losses-unfunded commitments | - | 35,001 | 35,001 |
| Total | <u>\$ -</u> | <u>\$ 2,550,650</u> | <u>\$ 2,550,650</u> |

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach over ninety (90) days past due. As of December 31, 2025, and 2024 there were no loans in non-accruing status.

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At December 31, 2025 and based on the most recent analysis performed, the risk category of member's commercial loans is as follows:

| | December 31, 2025 | | | | Total |
|------------------|---------------------|--------------------|-------------|---------------------|---------------------|
| | Pass | Special Mention | Substandard | Doubtful or Loss | |
| Commercial | \$ 4,301,275 | \$ - | \$ - | \$ - | \$ 4,301,275 |
| Total commercial | <u>\$ 4,301,275</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,301,275</u> |

The following table presents the aging of the recorded investment in past due loans at December 31, 2025 and 2024:

Age Analysis of Loan to members Receivables by Category as of December 31, 2025

| December 31, 2025 | Current | 60-90 | 91-120 | Over 121 | Total | Non Accruing |
|------------------------|-----------------------|-------------------|------------------|-------------|-----------------------|------------------|
| Personal | \$ 46,133,245 | \$ 118,810 | \$ - | \$ - | \$ 46,252,055 | \$ - |
| Auto | 130,275,438 | 87,144 | 31,885 | - | 130,394,467 | 31,885 |
| Mortgage | 17,067,409 | 83,658 | - | - | 17,151,067 | - |
| Credit cards | 4,159,936 | 7,151 | - | - | 4,167,087 | - |
| Lines of credit | 635,713 | - | - | - | 635,713 | - |
| Total loans to members | <u>\$ 198,053,853</u> | <u>\$ 296,763</u> | <u>\$ 31,885</u> | <u>\$ -</u> | <u>\$ 198,600,389</u> | <u>\$ 31,885</u> |
| Commercial | <u>4,301,275</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,301,275</u> | <u>-</u> |
| Total loans to members | <u>\$ 202,355,128</u> | <u>\$ 296,763</u> | <u>\$ 31,885</u> | <u>\$ -</u> | <u>\$ 202,901,664</u> | <u>\$ 31,885</u> |

Age Analysis of Loan to members Receivables by Category as of December 31, 2024

| December 31, 2024 | Current | 60-90 | 91-120 | Over 121 | Total | Non Accruing |
|------------------------|-----------------------|-------------------|-------------|-------------|-----------------------|--------------|
| Personal | \$ 42,023,180 | \$ 277,205 | \$ - | \$ - | \$ 42,300,385 | \$ - |
| Auto | 91,206,435 | 228,882 | - | - | 91,435,317 | - |
| Mortgage | 13,069,171 | - | - | - | 13,069,171 | - |
| Credit cards | 4,048,376 | 44,501 | - | - | 4,092,877 | - |
| Lines of credit | 685,325 | - | - | - | 685,325 | - |
| Total loans to members | <u>\$ 151,032,487</u> | <u>\$ 550,588</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 151,583,075</u> | <u>\$ -</u> |
| Commercial | <u>2,316,585</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,316,585</u> | <u>-</u> |
| Total loans to members | <u>\$ 153,349,072</u> | <u>\$ 550,588</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 153,899,660</u> | <u>\$ -</u> |

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

The following table represents the recorded investment in consumer loans based on FICO score for the years ended December 31, 2025 and 2024:

| | 2025 | | | | |
|-----------------|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| | FICO SCORE | | | | |
| | Over 710 | 709-650 | 649-600 | 599 or less | Total |
| Personal | \$ 31,329,107 | \$ 9,769,504 | \$ 2,861,687 | \$ 2,291,757 | \$ 46,252,055 |
| Auto | 107,096,213 | 13,374,923 | 4,568,583 | 5,354,748 | 130,394,467 |
| Mortgage | 11,276,726 | 3,605,384 | 1,085,983 | 1,182,974 | 17,151,067 |
| Credit Cards | 2,376,687 | 1,185,543 | 341,108 | 263,749 | 4,167,087 |
| Lines of Credit | 295,069 | 214,570 | 78,940 | 47,134 | 635,713 |
| Total | <u>\$ 152,373,802</u> | <u>\$ 28,149,924</u> | <u>\$ 8,936,301</u> | <u>\$ 9,140,362</u> | <u>\$ 198,600,389</u> |

| | 2024 | | | | |
|-----------------|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| | FICO SCORE | | | | |
| | Over 710 | 709-650 | 649-600 | 599 or less | Total |
| Personal | \$ 28,429,367 | \$ 8,798,205 | \$ 2,925,490 | \$ 2,147,323 | \$ 42,300,385 |
| Auto | 71,030,552 | 11,118,312 | 4,165,032 | 5,121,421 | 91,435,317 |
| Mortgage | 8,813,194 | 2,670,213 | 900,559 | 685,205 | 13,069,171 |
| Credit Cards | 2,358,466 | 1,151,269 | 326,157 | 256,985 | 4,092,877 |
| Lines of Credit | 337,818 | 206,786 | 96,450 | 44,271 | 685,325 |
| Total | <u>\$ 110,969,397</u> | <u>\$ 23,944,785</u> | <u>\$ 8,413,688</u> | <u>\$ 8,255,205</u> | <u>\$ 151,583,075</u> |

Below is a summary of the type of concession granted to modified loans with balances as of December 31, 2025, and 2024:

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

| | For the year ended | | | | | |
|----------------------|---|--------------------------|------------|---|--------------------------|------------|
| | December 31, 2025 | | | December 31, 2024 | | |
| | Reduction in interest rate and/or maturity date | Principal forgiveness | Total | Reduction in interest rate and/or maturity date | Principal forgiveness | Total |
| Consumer: | | | | | | |
| Personal | \$ 186,573 | \$ - | \$ 186,573 | \$ 201,926 | \$ - | \$ 201,926 |
| Mortgage | 328,925 | - | 328,925 | 246,960 | - | 246,960 |
| Auto | 478,107 | - | 478,107 | 426,526 | - | 426,526 |
| Credit Card | - | - | - | 4,855 | - | 4,855 |
| Total consumer loans | \$ 993,605 | \$ - | \$ 993,605 | \$ 880,267 | \$ - | \$ 880,267 |
| Commercial | - | - | - | - | - | - |
| Total | \$ 993,605 | \$ - | \$ 993,605 | \$ 880,267 | \$ - | \$ 880,267 |

Loans to Related Parties

Certain officers, directors, and employees had loans with the Credit Union during 2025 and 2024. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. Total loans outstanding to these related parties at December 31, 2025 and 2024, amounted to \$2,853,635 and \$1,680,124, respectively. The following table presents the movement of the loans to related parties during the years ended December 31, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|----------------------------|--------------|--------------|
| Beginning balance of loans | \$ 1,680,124 | \$ 1,278,436 |
| Originations | 1,852,165 | 1,106,674 |
| Collections | (678,654) | (704,986) |
| Ending balance of loans | \$ 2,853,635 | \$ 1,680,124 |
| Shares | \$ 1,357,133 | \$ 798,694 |

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

7. ACCRUED INTEREST RECEIVABLE

At December 31, 2025 and 2024, the following were the components of accrued interest receivable:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|-------------------|-------------------|
| Accrued interests on loans | \$ 586,138 | \$ 435,518 |
| Accrued interests on investments | 239,236 | 326,902 |
| Total accrued interest receivable | <u>\$ 825,374</u> | <u>\$ 762,420</u> |

8. INVESTMENT IN CORPORATE CREDIT UNION

As of December 31, 2025, and 2024, the balance of investment in the Corporate One Federal Credit Union was \$48,653. This deposit is not subject to the insurance of the National Credit Union Insurance Fund or other deposit insurance.

9. PROPERTY AND EQUIPMENT

As of December 31, 2025, and 2024, the property and equipment were composed of the following:

| | <u>Useful Life (in Years)</u> | <u>2025</u> | <u>2024</u> |
|--|---------------------------------------|---------------------|---------------------|
| Buildings | 40 | \$ 7,608,884 | \$ 7,608,884 |
| Leasehold Improvements | 5-15 | 1,119,196 | 1,424,938 |
| Furniture and equipment | 1-10 | 1,478,823 | 2,077,070 |
| Information systems | 3-5 | 1,480,312 | 3,383,093 |
| | | <u>11,687,215</u> | <u>14,493,985</u> |
| Less accumulated depreciation and amortization | | <u>(3,787,539)</u> | <u>(6,434,555)</u> |
| | | 7,899,676 | 8,059,430 |
| Works of Art | | 425,088 | 425,088 |
| Land | | <u>1,390,000</u> | <u>1,390,000</u> |
| Total property and equipment | | <u>\$ 9,714,764</u> | <u>\$ 9,874,518</u> |

Depreciation and amortization expense for the years ended December 31, 2025 and 2024, was approximately \$420,502 and \$412,108, respectively, and is included in occupancy and related expenses.

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

10. FORECLOSED AND REPOSSESSED ASSETS

As of December 31, 2025 and 2024 the change in the fair value of repossessed automobiles and other properties, which was determined using Level 3 inputs, is presented below:

| | <u>2025</u> | <u>2024</u> |
|---|------------------|------------------|
| Balance, at the beginning of the year | \$ 27,525 | \$ 29,536 |
| Properties repossessed during the year | 351,490 | 192,923 |
| Repossessed properties sold during the year | (209,010) | (108,859) |
| Losses realized on sales and provisions | <u>(108,155)</u> | <u>(86,075)</u> |
| Balance, at the end of the year | <u>\$ 61,850</u> | <u>\$ 27,525</u> |

11. PREPAID EXPENSES AND OTHER ASSETS

As of December 31, 2025 and 2024 the other assets were composed of the following:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------|-------------------|-------------------|
| Prepaid expenses | 355,886 | 342,708 |
| Deposits and security bonds | 74,514 | 71,765 |
| Accounts receivable | 16,189 | 24,775 |
| Right of use asset | 364,976 | 421,928 |
| Others | 133,738 | 125,874 |
| Total other assets | <u>\$ 945,303</u> | <u>\$ 987,050</u> |

12. MEMBERS' SHARES AND SAVINGS ACCOUNTS

As of December 31, 2025 and 2024 members' shares accounts are summarized as follows:

| | Weighted-Average Dividend Rate at December 31 | <u>2025</u> | <u>2024</u> |
|--------------------------------|---|-----------------------|-----------------------|
| Shares drafts | 0.00% | \$ 16,706,311 | \$ 16,639,732 |
| Regular shares | 0.03% | 139,049,538 | 135,336,541 |
| Special Shares | 0.03% | 9,471,922 | 9,920,573 |
| Christmas and summer clubs | 0.03% | 4,037,113 | 4,041,399 |
| Individual Retirement Accounts | 1.16% | 8,709,943 | 9,429,725 |
| Share certificates | 3.63% | 96,052,147 | 77,523,739 |
| Total members shares accounts | | <u>\$ 274,026,974</u> | <u>\$ 252,891,709</u> |

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

At December 31, 2025, scheduled maturities of share certificates for the next five years are as follows:

| <u>Year ending December 31,</u> | <u>Amount</u> |
|---------------------------------|----------------------|
| 2026 | \$ 86,571,704 |
| 2027 | 6,122,558 |
| 2028 | 2,817,147 |
| 2029 | 164,092 |
| 2030 | 298,563 |
| Thereafter | 78,083 |
| | <u>\$ 96,052,147</u> |

Share and deposit amounts up to \$250,000 per ownership interest are federally insured through the National Credit Union Share Insurance Fund. Individual deposit account balances exceeding \$250,000 at December 31, 2025 and 2024, totaled \$21,672,154 and \$17,131,343, respectively.

At December 31, 2025 and 2024, interest expense on members' shares, savings accounts and borrowed funds is summarized as follows:

| <u>Type</u> | <u>2025</u> | <u>2024</u> |
|---|------------------|------------------|
| Regular shares, christmas and summer clubs | \$ 51,459 | \$ 50,296 |
| Individual Retirement Accounts | 105,230 | 66,250 |
| Share certificates | <u>3,146,124</u> | <u>2,626,266</u> |
| Total interest expense on members' shares and savings | <u>3,302,813</u> | <u>2,742,812</u> |

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2025 and 2024 the composition of accruals and other liabilities is as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Accrued payroll and related | \$ 221,324 | \$ 173,594 |
| Allowance for credit losses on Off-Balance Sheet Risk | 42,720 | 7,720 |
| Accrued liabilities | 96,961 | 366,354 |
| Accounts Payable | 365,751 | 519,525 |
| Escrow accounts | 130,779 | 83,794 |
| Lease liability | 364,976 | 421,928 |
| Total accruals and other liabilities | <u>\$ 1,222,511</u> | <u>\$ 1,572,915</u> |

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

14. LEASES WITH RIGHT OF USE

The Credit Union maintains lease contracts classified as operational for its branches. The agreement between the parties – Credit Union and lessor stipulates that the contracts would have a renewable expiration.

None of these extensions of renewable terms were included in the estimated lease debt, as it has not been reasonably determined that the options will be exercised. As of December 31, 2025 and 2024, the assets with the right to use and the related debt were as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Lease contracts classified as operational- net of amortization | 364,976 | 421,928 |
| Debt on operating lease | <u>\$ 364,976</u> | <u>\$ 421,928</u> |

15. OTHER INCOME (EXCLUDING INTEREST)

The other income, excluding interest income, for the years ended December 31, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| CDFI Grant | \$ 1,110,000 | \$ - |
| ATM card fees | 517,254 | 514,433 |
| Service fees | 179,145 | 199,661 |
| ACH fees | 136,535 | 109,940 |
| Credit card fees | 188,354 | 184,324 |
| Late charges | 73,506 | 56,702 |
| Miscellaneous | 471,602 | 379,503 |
| Total other income (excluding interest) | <u>\$ 2,676,396</u> | <u>\$ 1,444,563</u> |

16. OTHER EXPENSES (EXCLUDING INTEREST)

The other expenses, excluding interest expenses, for the years ended December 31, 2025 and 2024 were as follows:

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Compensation and benefits | \$ 3,500,700 | \$ 3,314,024 |
| Office operations | <u>1,207,676</u> | <u>835,065</u> |
| Occupancy and related: | | |
| Depreciation and amortization | 420,502 | 412,108 |
| Rent | 134,192 | 130,236 |
| Utilities | 177,378 | 167,101 |
| Insurance | 346,095 | 325,620 |
| Repairs and maintenance | 176,837 | 142,974 |
| Security | 194,984 | 180,561 |
| | <u>1,449,988</u> | <u>1,358,600</u> |
| Professional services and contracted services | <u>262,926</u> | <u>195,217</u> |
| Education and promotional | <u>578,299</u> | <u>206,611</u> |
| Data processing | <u>1,319,083</u> | <u>1,219,634</u> |
| Loss on disposal of assets | <u>129,143</u> | <u>86,075</u> |
| Other operating expenses: | | |
| Credit reports and collection | 151,699 | 158,122 |
| Annual meeting | 160,251 | 203,385 |
| Federal operating | 49,128 | 45,388 |
| Equipment and software maintenance | 136,377 | 66,868 |
| Directors and committee | 49,369 | 28,703 |
| Dues and subscriptions | 23,987 | 21,780 |
| Other miscellaneous | 71,333 | 50,701 |
| Total other operating expenses | <u>642,144</u> | <u>574,947</u> |
| Total other expenses (excluding interest) | <u>\$ 9,089,959</u> | <u>\$ 7,790,173</u> |

17. EMPLOYEE BENEFIT PLAN

The Credit Union maintains a 401(k)-retirement plan that covers substantially all employees who meet the plan's eligibility requirements. Employees become eligible to participate on the first day after completing one (1) year of service. Participants can elect to contribute up to \$15,000 per year from their eligible compensation. The Credit Union matches up to 8.17% provided that the employee contributes between 5% and 6.83% of their eligible compensation. During the years ended December 31, 2025, and 2024, the credit union contributed \$108,671 and 121,257, respectively, to the plan.

18. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES

Exposure of the Cooperative and Puerto Rico's Fiscal Situation

The credit quality of the Credit Union's loan portfolio necessarily reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico, its consumers, and businesses. The effects of the prolonged recession are reflected in the limited demand for loans, an increase in foreclosure rates, and loan moratoriums granted in Puerto Rico. While PROMESA provides a process to address Puerto Rico's fiscal crisis, the duration and complexity of Title III proceedings for the Puerto Rican government suggest a risk of further economic contraction.

This could have an impact on Puerto Rico's economic activity where the Credit Union conducts its business. The accompanying financial statements do not include adjustments related to the effect of uncertainties related to Puerto Rico's economic conditions and their effects on the Credit Union.

Interest Rate Risk

The interest rate risk is the exposure of the economies and the current or future capital of a cooperative to adverse changes in market rates. This risk is a normal part of the risks managed by financial institutions and cooperatives. Proper management of this risk results in a significant source of profitability and value for cooperatives; However, excessive interest rate risk can strain economies, capital, liquidity, and solvency of financial institutions. During the years ended December 31, 2025 and 2024, the effect of the monetary policy of the Federal Reserve of the United States of America, regarding the pace of interest rate increases, has pressured the balance sheets of financial institutions in general, specifically on the aforementioned items. As of December 31, 2025, the Credit Union was closely measuring and monitoring this risk to anticipate and effectively control any adverse effects that may arise from exposure to it.

Litigation

The Credit Union has no other legal claims that normally are associated with the ordinary operations of a financial institution.

Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

Commitments to extend credit 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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2025, and 2024, the total unfunded commitments under such credit cards and lines-of-credit were approximately \$7,821,070 and \$7,940,177, respectively. The Credit Union evaluates each member’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management’s credit evaluation of the member.

VAPR Federal Credit Union estimates expected credit losses related to off-balance sheet exposures, which primarily include unfunded loan commitments and other financial instruments with credit risk. These estimated losses are not included in the Allowance for Credit Losses, as cash has not yet been disbursed to fund the contractual obligation. Instead, the estimate is recorded as a liability on the Balance Sheet. As of December 31, 2025, and 2024, the estimated expected credit losses related to off-balance sheet exposures were \$47,721 and \$7,719, respectively.

19. FAIR VALUE MEASUREMENTS

Financial Assets Recognized at Fair Value on a Recurring Basis

As of December 31, 2025, and 2024, the Credit Union had held to maturity securities and available for-sale securities for which fair value measurement is required on a recurring basis:

| Asset Class | Fair Value | Fair Value Measurement At Reporting Date Using: | | |
|--------------------------|---------------|--|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| December 31, 2025 | | | | |
| Investment securities | \$ 64,247,659 | \$ 64,247,659 | - | - |
| December 31, 2024 | | | | |
| Investment securities | \$ 76,600,786 | \$ 76,600,786 | - | - |

Financial Assets Recognized at Fair Value on a Non-Recurring Basis

The Credit Union may be required, from time to time, to measure certain assets at their fair value on a non-recurring basis in accordance with U.S. GAAP. These fair value adjustments usually result from applying the lower of cost or market accounting or impairment in value of individual assets. The valuation methodology used for these fair value adjustments is described above.

The level of inputs used to determine each adjustment and the carrying value of the related asset as of December 31, 2025, and 2024, are summarized below:

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
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| Asset Class | Fair Value | Fair Value Measurement At Reporting Date Using: | | |
|---|------------|--|---------|-----------|
| | | Level 1 | Level 2 | Level 3 |
| December 31, 2025 | | | | |
| Assets acquired in liquidation of loans | \$ 61,850 | - | - | \$ 61,850 |
| December 31, 2024 | | | | |
| Assets acquired in liquidation of loans | \$ 27,525 | - | - | \$ 27,525 |

Estimated Fair Value

The carrying value of financial instruments and their estimated fair value as of December 31, 2025, and 2024, are summarized below:

| | December 31, 2025 | | December 31, 2024 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets: | | | | |
| Cash and cash equivalents | \$ 25,991,899 | \$ 25,991,899 | \$ 32,791,330 | \$ 32,791,330 |
| Certificates of deposits | 1,240,000 | 1,240,000 | 3,472,000 | 3,472,000 |
| Investment securities | 64,261,466 | 64,247,659 | 76,682,443 | 76,600,786 |
| Loans receivable (net of unamortized deferred origination fees) | 203,729,584 | 178,256,525 | 153,899,660 | 140,612,927 |
| Accrued interest receivable | 825,374 | 825,374 | 762,420 | 762,420 |
| Assets acquired in liquidation of loans | 61,850 | 61,850 | 27,525 | 27,525 |
| | <u>\$ 296,110,173</u> | <u>\$ 270,623,307</u> | <u>\$ 267,635,378</u> | <u>\$ 254,266,988</u> |
| Financial Liabilities | | | | |
| Members' shares accounts | \$ 274,026,974 | 274,026,974 | \$ 252,891,709 | 252,891,709 |
| Off- Balance Sheet Financial: | | | | |
| Commitments to extend credit | \$ 7,821,070 | \$ 7,821,070 | \$ 7,940,177 | \$ 7,940,177 |

Fair value is an estimate of value at a specific point in time and is not relevant in predicting future cash flows or earnings. Estimated fair values are based on subjective assumptions and contain a significant degree of uncertainty. They do not reflect the effect of potential income taxes or other expenses that may be incurred in the disposition of financial instruments.

20. REGULATORY CAPITAL

As of December 31, 2025, and 2024, the Credit Union's net worth to total assets ratio is categorized as "well capitalized" as per the most recent call report. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 7% as defined under the regulatory framework provisions of Section 38 of the FDI Act. Credit Unions whose net worth ratio falls below 7% will be subject to Prompt Corrective Actions requirements.

VAPR Federal Credit Union
NOTES TO FINANCIAL STATEMENTS
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The Credit Union net worth ratio at December 31, 2025 and 2024 follows:

| Period | VAPR FCU | | |
|--------|---------------------|---|--------------------------|
| | Net Worth Amount | Net Worth to Total Assets Ratio (1) | VAPR FCU Category (2) |
| 2025 | \$ 32,978,751 | 10.81% | Well Capitalized |
| 2024 | \$ 29,098,506 | 10.47% | Well Capitalized |

- (1) In performing its calculation of total assets, the credit union used the monthly average over the quarter option, as permitted by regulation.
- (2) There are no conditions or events since the most recent Call Report that management believes has changed the Credit Union’s category.

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-balance sheet items as calculated under generally accepted accounting principles. The Credit Union’s capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

21. SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events up to April 15, 2026, the date when these financial statements were ready to be issued. The Credit Union’s management believes that there are no significant subsequent events as of December 31, 2025, that should be recorded in the financial statements or require additional disclosure in the notes to the financial statements.

JUNTA DE DIRECTORES

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Vicepresidente

Sr. Roberto Rivera Ponce
Tesorero

Srta. Olga Iris Barreto-Castro
Secretaria

Dra. Nilsa Piñeiro Serrano
Directora

Sr. Fernando A. Vélez Garrett
Director

Lcdo. Gabriel A. Olivera-Magraner
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Dr. Charles Juarbe Santos
Director

CPA Vicente Gregorio Martínez
Director

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Sra. Myriam Zayas Ramos

Sra. Anna I. Rosario Castañer

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Presidente

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Lcda. Doris Nevárez Torres

Sr. Carlos Cabrera Reyes

Sra. Lourdes Cabrera Cruz

Sr. Kenel Grullón López

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