



**UNITED NATIONS
FEDERAL CREDIT UNION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024
With Independent Auditor's Report Thereon

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
United Nations Federal Credit Union and Subsidiaries

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Nations Federal Credit Union and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

A stylized, handwritten signature in black ink that reads "Doeren Mayhew Assurance".

Troy, Michigan
March 31, 2026

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

31 December 2025 and 2024

ASSETS	2025	2024
Cash and cash equivalents	\$ 590,339,065	\$ 367,939,540
Investments		
Equity	43,951,135	27,618,561
Available-for-sale (amortized cost of \$1,202,300,826 and \$1,397,555,368 as of December 31, 2025 and 2024, respectively)	1,186,700,339	1,340,901,533
Held-to-maturity, net	1,863,565,638	1,783,118,617
Other	11,477,103	9,719,121
Loans held for sale	14,519,890	6,090,686
Loans receivable, net of allowance for credit losses of \$39,501,893 and \$35,256,443 as of December 31, 2025 and 2024, respectively	6,228,706,808	5,844,782,651
Accrued interest receivable	38,528,302	33,012,199
Property and equipment, net	91,946,306	93,785,068
National Credit Union Share Insurance Fund deposit	77,567,283	73,832,976
Other assets	127,600,148	115,322,346
Receivable from Northstar, net	7,031,401	22,874,799
Total assets	\$ 10,281,933,418	\$ 9,718,998,097
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$ 9,257,777,267	\$ 8,841,450,588
Accrued expenses and other liabilities	64,504,787	61,492,782
Total liabilities	9,322,282,054	8,902,943,370
Commitments and contingencies (see Note 10 and 11)		
Members' equity		
Retained earnings	973,583,714	880,728,737
Accumulated other comprehensive loss	(13,932,350)	(64,674,010)
Total members' equity	959,651,364	816,054,727
Total liabilities and members' equity	\$ 10,281,933,418	\$ 9,718,998,097

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended 31 December,

	<u>2025</u>	<u>2024</u>
Interest income		
Interest on loans	\$ 290,260,305	\$ 263,808,112
Interest on investments	95,159,665	73,520,557
Interest on cash equivalents	<u>9,709,546</u>	<u>11,455,360</u>
Total interest income	<u>395,129,516</u>	<u>348,784,029</u>
Interest expense		
Dividends on members' shares	124,493,827	134,541,325
Total interest expense	<u>124,493,827</u>	<u>134,541,325</u>
Net interest income	270,635,689	214,242,704
Provision for credit losses	<u>26,368,602</u>	<u>16,900,000</u>
Net interest income after provision for credit losses	<u>244,267,087</u>	<u>197,342,704</u>
Non-interest income		
Service charges and other fees	57,286,619	54,422,816
Gain on equity investments	4,827,275	14,406,751
Gain on defined benefit pension	6,073,452	4,705,440
Gain on sale of subsidiary	-	4,380,432
Other non-interest income	<u>5,849,337</u>	<u>6,120,960</u>
Total non-interest income	<u>74,036,683</u>	<u>84,036,399</u>
Non-interest expense		
Salaries and benefits	132,465,322	122,084,320
Operations	69,436,847	62,233,970
Occupancy	7,703,226	7,754,258
Provision (recapture) for Northstar loss	<u>15,843,398</u>	<u>(5,068,231)</u>
Total non-interest expense	<u>225,448,793</u>	<u>187,004,317</u>
Net Income	<u>\$ 92,854,977</u>	<u>\$ 94,374,786</u>

The accompanying notes are an integral part of these consolidated financial statements.
 United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended 31 December,

	<u>2025</u>	<u>2024</u>
Net income	\$ 92,854,977	\$ 94,374,786
Other comprehensive income		
Change in pension obligation		
Net gain	9,688,310	15,546,587
Amortization of net loss	-	978,091
Change in pension obligation	<u>9,688,310</u>	<u>16,524,678</u>
Change in unrealized holding gains (losses) on investments classified as available-for-sale	✔ 40,936,926	✔ 35,639,301
Adjustment for realized (gains) losses on investment securities included in income	✔ 116,424	21,819
Change in available-for-sale investment	<u>41,053,350</u>	35,661,120
Total Other comprehensive gain, net of reclassification adjustments:	<u>50,741,660</u>	<u>52,185,798</u>
Comprehensive income	<u>\$ 143,596,637</u>	<u>\$ 146,560,584</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended 31 December, 2025 and 2024

	Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, 31 December 2023	\$ 786,353,951	\$ (116,859,808)	\$ 669,494,143
Net income	94,374,786	-	94,374,786
Other comprehensive gain, net of reclassification adjustments	-	52,185,798	52,185,798
Balance, 31 December 2024	880,728,737	(64,674,010)	816,054,727
Net income	92,854,977	-	92,854,977
Other comprehensive gain, net of reclassification adjustments	-	50,741,660	50,741,660
Balance, 31 December 2025	<u>\$ 973,583,714</u>	<u>\$ (13,932,350)</u>	<u>\$ 959,651,364</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December

	<u>2025</u>	<u>2024</u>
Operating activities:		
Net income	\$ 92,854,977	\$ 94,374,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of premiums and accretion of discounts on investments	(1,877,949)	1,856,658
Provision (recapture) for Northstar	15,843,398	(5,068,231)
Realized loss on disposition of available-for-sale and held-to-maturity investments	89,206	21,819
Proceeds from sale of loans held-for-sale	36,695,153	30,472,638
Origination of loans held-for-sale	(45,124,357)	(29,864,144)
Net loss on sales of loans held-for-sale	324,461	116,612
Net gain on sales of participation loans	(32,781)	(21,050)
Provision for credit losses	26,368,602	16,900,000
Amortization of deferred loan costs	3,747,969	2,999,985
Depreciation and amortization	5,406,875	6,238,595
Net gain on Equity Securities	(4,827,275)	(14,406,751)
Net change in:		
Equity Securities	(814,581)	(1,569,337)
Accrued interest receivable	(5,516,103)	(5,377,688)
Other assets	(12,277,802)	(14,214,511)
Receivable from NorthStar	-	(3,978,906)
Accrued expenses and other liabilities	12,700,316	7,665,178
Net cash provided by operating activities	<u>\$ 123,560,109</u>	<u>\$ 86,145,653</u>
Investing activities:		
Purchases of available-for-sale investments	\$ (456,013,710)	\$ (247,081,849)
Proceeds from maturities and prepayments of available-for-sale investments	636,795,307	139,756,792
Proceeds from sale of available-for-sale investments	15,510,635	4,223,900
Purchases of held-to-maturity investments	(545,572,337)	(656,854,225)
Proceeds from maturities and prepayments of held-to-maturity investments	465,807,767	301,298,238
Purchases of equity securities	(19,045,036)	(3,096,753)
Proceeds from sale of equity securities	8,354,318	1,881,572
Net change in other investments	(1,757,981)	(1,119,782)
Net change in loans	(414,263,806)	(348,148,529)
Increase in the National Credit Union Share Insurance Fund deposit	(3,734,307)	(6,260,861)
Proceeds from sale of VISA shares	-	10,444,993
Purchases of property and equipment	(3,568,113)	(3,405,632)
Net cash used in investing activities	<u>\$ (317,487,263)</u>	<u>\$ (808,362,136)</u>
Financing activities:		
Net increase in members' shares	\$ 416,326,679	\$ 671,034,806
Net cash provided by financing activities	<u>\$ 416,326,679</u>	<u>\$ 671,034,806</u>
Increase (decrease) in cash and cash equivalents	\$ 222,399,525	\$ (51,181,677)
Cash and cash equivalents at beginning of year	<u>367,939,540</u>	<u>419,121,217</u>
Cash and cash equivalents at end of year	<u>\$ 590,339,065</u>	<u>\$ 367,939,540</u>
Supplemental cash flow information:		
Interest paid	\$ 124,493,827	\$ 134,541,325

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Nations Federal Credit Union and its wholly owned subsidiaries, UNFCU Advisors LLC and UNFCU Financial Services LLC (collectively, “UNFCU”). The subsidiaries are primarily engaged in investments, insurance products, and financial planning service activities. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

UNFCU is a cooperative association holding a charter under the provisions of the Federal Credit Union Act. Participation in UNFCU is limited to those individuals who qualify for membership, including but not limited to employees of the United Nations and its affiliated agencies, employees of many permanent missions to the United Nations, members of the United Nations Association of the United States of America (“UNA-USA”), members of Kilimanjaro Initiative USA (“KI USA”) as well as their immediate family members. The field of membership is more specifically defined in UNFCU’s Charter and Bylaws

Use of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities and the determination of the allowance for credit losses and the Northstar contingent liabilities.

Concentrations of Credit Risk

The loan portfolio has a significant concentration in collateralized real estate loans, which present a lower credit risk due to the collateral. The remainder of the loan portfolio is well diversified and UNFCU does not have any significant concentrations of credit risk.

Cash and Cash Equivalents

For the purpose of the consolidated statements of financial position and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, federal funds sold and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less. Amounts due from financial institutions may exceed federally insured limits. Some of UNFCU’s cash and cash equivalents are denominated in a foreign currency, which may expose UNFCU to foreign currency risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Investments

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and recorded at amortized cost. Equity securities, consisting of common stock, exchange traded funds, options and preferred stock are recorded at fair value with changes in fair value included in earnings.

Securities not classified as “held-to-maturity” or “equity securities” are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in Other Comprehensive Income (Loss). Realized gains and losses on securities available-for-sale are included in Other non-interest income or expense and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income (Loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the asset or to the call date.

Allowance for Credit Losses – Investments

Held-to-maturity (HTM) Securities - The allowance for held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on HTM securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount UNFCU expects to collect. Nearly all of the Credit Union’s HTM debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero credit loss expectation on these securities. UNFCU’s HTM debt securities do contain securities issued by municipal and state governments as well as debts of banking institutions. Those investments are assessed for impairment through reviews of credit data for the issuing entity. An allowance for credit loss is recorded for HTM securities that do not have an explicit or implicit U.S. government guarantee.

Available for sale (AFS) Securities - UNFCU evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. UNFCU assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that UNFCU intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that UNFCU does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI. In determining the credit portion, UNFCU uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates.

Allowance for credit loss for both HTM and AFS investments was deemed insignificant and intentionally omitted from disclosure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Federal Home Loan Bank Stock

UNFCU is required to hold Federal Home Loan Bank of New York (“FHLB”) stock equal to the sum of 0.2% of mortgage-related assets and 4.5% of outstanding FHLB borrowings. UNFCU has met these requirements for both 2025 and 2024.

No ready market exists for the FHLB stock, and it has no quoted market value. Therefore, UNFCU’s investment in FHLB stock is carried at cost and tested for impairment. At 31 December 2025 and 2024, the stock was not impaired. UNFCU’s FHLB stock is included in Other Investments in the accompanying consolidated statements of financial position.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans Receivable

UNFCU grants commercial, mortgage and consumer loans to members. In addition, UNFCU has purchased consumer, real estate, and commercial loan participations originated by various other credit unions. All of these loan participations were purchased without recourse.

Loans that UNFCU has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, net of deferred fees (costs), less an allowance for credit losses on loans. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time the loan is 90 days past due, unless the credit is well secured and in the process of collection. Loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income in the period in which the loan goes non-accrual. Interest income on these loans is recognized on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually past due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a recapture of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Commercial loan risk characteristics include but are not limited to risk ratings, collateral type and maturity type. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent, or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types in order to mitigate future loss. The amount of defined modifications for consumer loans, given to borrowers experiencing financial difficulty was insignificant and intentionally omitted from disclosure for the year ended December 31, 2025 and 2024. Modifications pertaining to commercial loans have been disclosed in footnote 3.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard: Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectable and anticipated to be charged off.

Loan Servicing and Mortgage Servicing Rights

U.S. GAAP requires UNFCU to recognize as a separate asset the right to service mortgage loans for others. An institution that acquires mortgage servicing rights through either the purchase or the origination of mortgage loans and sells those loans with servicing rights retained must allocate a portion of the cost of the loans to the mortgage servicing rights. UNFCU could elect to either amortize the mortgage servicing rights over the life of the loan or carry the mortgage servicing rights at fair value. Under both methodologies, the mortgage servicing rights would be tested for impairment. UNFCU has elected to initially and subsequently measure the mortgage servicing rights for the consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

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

Property and Equipment, net

Land is carried at cost. Leasehold improvements, buildings, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Long-Lived Assets

U.S. GAAP requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. UNFCU periodically reevaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of the asset in UNFCU's business objectives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from UNFCU, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) UNFCU does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets. UNFCU sells mortgage loans to the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Home Loan Bank of New York (FHLB) and financial institutions.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Leases

The Credit Union determines if an arrangement is a lease at inception. Operating leases and finance leases are included in other assets and accrued expenses and other liabilities in the consolidated statements of financial position.

ROU assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Credit Union has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund ("NCUSIF") is in accordance with National Credit Union Administration ("NCUA") regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured member's shares. The deposit would be refunded to UNFCU if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA Board.

Members' Shares

Members' shares are the savings deposit accounts of the owners of UNFCU. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of UNFCU upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by UNFCU. Dividend rates are set by UNFCU's Board of Directors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Income Taxes

UNFCU, as a credit union, is exempt, by statute, from federal and state income taxes and the credit union's wholly owned subsidiaries are single member limited liability companies and, as such, are not subject to income tax.

Pension Plan

UNFCU has a qualified, noncontributory defined-benefit pension plan covering substantially all of its employees. UNFCU's policy is to fund an amount in excess of the minimum amount required under the Employee Retirement Income Security Act of 1974 ("ERISA").

Other Retirement Plans

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a non-qualified deferred compensation plan for members of management. The Credit Union may make discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was \$6,945,538 and \$5,765,850 as of December 31, 2025 and 2024, respectively. In line with Section 457(b) there were no deferred compensation expenses for the years ended December 31, 2025 and 2024.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has non-qualified deferred compensation plans for members of management. Under the terms of the plans, the participants are entitled to the earnings and appreciation on the deferred compensation plan benchmarking investments. The deferred compensation benchmarking investments are shown as assets on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. At December 31, 2025 and 2024, deferred compensation investments totaled \$4,618,928 and \$4,226,450 respectively, and are invested in mutual funds, bonds, etc. In line with Section 457 (f) deferred compensation expenses were \$272,180 and \$179,395 for the years ended December 31, 2025 and 2024 respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and pension related adjustments, are reported as a separate component of the members' equity section of the statements of financial condition.

Revenue from Contracts with Customers

The Credit Union recognizes revenue in accordance with Revenue from Contracts with Customers (Topic 606) which does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as gain or loss associated with mortgage servicing rights, investment transactions, derivatives, and insurance are also not within the scope of the new guidance. Topic 606 is applicable to non-interest income such as trust and asset management income, deposit related fees, interchange fees, merchant related income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Non-interest income considered to be within the scope of Topic 606 is discussed below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 1 (continued)

Service Charges Fees: UNFCU earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, wire processing, and ACH fees, are recognized at the time the transaction is executed as that is the point in time UNFCU fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which UNFCU satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Bankcard Fees: When customers use their debit cards or credit cards to pay merchants for goods or services, UNFCU receives interchange revenue from VISA for UNFCU's processing of each transaction. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Investment Commissions and Fees: UNFCU receives revenue from a third party for providing advisory service on personal wealth management services. These fees are part of contractual agreements and the performance obligations are satisfied upon completion of services. The fees are generally a fixed flat annual rate or based on percentage of the account's market value per the contract with the customer and revenue is recognized over time as earned.

Insurance Commissions and Fees: UNFCU's insurance revenue has two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. For employee benefits, the payment is typically received monthly. For property and casualty, payments can vary, but are typically received at, or in advance, of the policy period.

Other income: UNFCU recognizes other miscellaneous income through a variety of other revenue streams, including late charges on loans, gains on sales of financial assets, rental income, and other fees related to transactions with depositors. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. generally accepted accounting principles. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

Fair Value Measurement

In accordance with U.S. GAAP, assets and liabilities are classified at fair value in one of the three levels, based on the markets in which the assets are traded and the reliability of the most significant assumptions used to determine fair value. These levels are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that UNFCU has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity are developed using the reporting entities' estimates and assumptions, which are believed to reflect those that market participants would use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 2 - INVESTMENTS

Investments classified as Equity, at fair value, consist of the following:

	31 December	
	2025	2024
Equity Securities	\$ 43,951,135	\$ 27,618,561

Equity gains (losses) are included as part of Other Non-Interest Income in the Consolidated Statements of Income. The net gains on Equity securities were as follows:

	31 December	
	2025	2024
Unrealized gains	\$ 6,305,238	\$ 4,585,882
Realized losses	(1,477,963)	(624,123)
Net gains on Equity Securities	\$ 4,827,275	\$ 3,961,759

Gain on equity investments totaled \$14,406,751 as reported on the statements of income, for the year ended December 31, 2024, which includes the gain of \$10,444,993 recognized from the sale of VISA B stock.

Investments classified as available-for-sale consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
31-December 2025				
US government obligations	\$ 75,432,195	\$ 223,090	\$ -	\$ 75,655,285
Federal agencies	1,003,173,883	1,295,173	(18,000,539)	986,468,517
Mortgage-backed securities	21,836,166	383,049	(203)	22,219,012
Corporate Obligations	101,858,582	1,139,136	(640,193)	102,357,525
	<u>\$ 1,202,300,826</u>	<u>\$ 3,040,448</u>	<u>\$ (18,640,935)</u>	<u>\$ 1,186,700,339</u>
31-December 2024				
US government obligations	\$ 86,537,211	\$ 176,404	\$ (724,722)	\$ 85,988,893
Federal agencies	1,196,169,329	157,979	(54,787,455)	1,141,539,853
Mortgage-backed securities	11,272,680	118,983	(5,895)	11,385,768
Corporate obligations	103,576,148	270,807	(1,859,936)	101,987,019
	<u>\$ 1,397,555,368</u>	<u>\$ 724,173</u>	<u>\$ (57,378,008)</u>	<u>\$ 1,340,901,533</u>

As of 31 December 2025 and 2024, there was no indication of credit related impairment for available-for-sale investment securities.

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 2 (continued)

Investments classified as held-to-maturity, consist of the following:

	Amortized Cost, net	Unrealized Gains	Unrealized Losses	Fair Value
<u>31-December 2025</u>				
Bank obligations	\$ 5,033,751	\$ -	\$ (47,901)	\$ 4,985,850
Municipal bonds	414,792,224	1,977,741	(4,585,808)	412,184,157
Mortgage-backed securities	1,362,467,451	8,622,588	(36,633,206)	1,334,456,833
Small Business Administration	81,272,212	60,727	(2,951,076)	78,381,863
	<u>\$ 1,863,565,638</u>	<u>\$ 10,661,056</u>	<u>\$ (44,217,991)</u>	<u>\$ 1,830,008,703</u>
	-			
<u>31-December 2024</u>				
Bank obligations	\$ 20,212,648	\$ -	\$ (383,648)	\$ 19,829,000
Municipal bonds	412,436,896	543,859	(13,639,718)	399,341,037
Mortgage-backed securities	1,235,410,661	2,384,826	(59,606,779)	1,178,188,708
Small Business Administration	115,058,412	1,430	(5,078,210)	109,981,632
	<u>\$ 1,783,118,617</u>	<u>\$ 2,930,115</u>	<u>\$ (78,708,355)</u>	<u>\$ 1,707,340,377</u>

Investments by maturity as of 31 December 2025 are summarized as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost, net	Fair Value
Less than 1 year maturity	\$ 462,717,076	\$ 457,412,787	\$ 164,824,803	\$ 163,421,983
1 - 5 years maturity	707,735,264	697,336,473	237,196,859	235,785,522
5 - 10 years maturity	5,012,320	4,947,343	17,804,313	17,962,502
Over 10 years maturity	5,000,000	4,784,724	-	-
Mortgage-backed securities	21,836,166	22,219,012	1,362,467,451	1,334,456,833
Small Business Administration	-	-	81,272,212	78,381,863
	<u>\$ 1,202,300,826</u>	<u>\$ 1,186,700,339</u>	<u>\$1,863,565,638</u>	<u>\$ 1,830,008,703</u>

Expected maturities of mortgage-backed securities and Small Business Administration securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 2 (continued)

At 31 December 2025, there were 510 securities in an unrealized loss position of which 441 have unrealized losses for a period of 12 months or longer and 69 for a period of less than 12 months. At 31 December 2024, the investment portfolio included 983 securities in an unrealized loss position of which 868 had current unrealized losses for a period of 12 months or longer and 115 for a period of less than 12 months. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, no credit related impairment was identified.

In addition, UNFCU has the intent and ability to hold these investment securities, and does not believe it will be required to sell for a period of time sufficient to allow for an anticipated recovery or maturity.

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at 31 December 2025 and 2024 are as follows:

31-December 2025	Fair Value	Fair Value	Continuous Unrealized Losses Existing for		
	of Securities with Unrealized loss Less than 12 Months	of Securities with Unrealized loss 12 Months or Longer	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
<u>Available-for-Sale</u>					
Federal agencies	\$ 120,083,353	\$ 553,869,044	\$ (938,261)	\$ (17,062,278)	\$ (18,000,539)
Mortgage-backed securities	464,283	-	(203)	-	(203)
Corporate Obligations	9,358,790	20,164,053	(278,974)	(361,219)	(640,193)
	<u>\$ 129,906,426</u>	<u>\$ 574,033,097</u>	<u>\$ (1,217,438)</u>	<u>\$ (17,423,497)</u>	<u>\$ (18,640,935)</u>
<u>Held-to-Maturity</u>					
Bank Obligations	\$ -	\$ 4,985,850	\$ -	\$ (47,901)	\$ (47,901)
Municipal bonds	15,059,715	184,537,436	(62,061)	(4,523,747)	(4,585,808)
Mortgage-backed securities	52,125,499	500,001,589	(75,752)	(36,557,454)	(36,633,206)
Small Business Administration	3,699,186	71,012,525	(25,033)	(2,926,043)	(2,951,076)
	<u>\$ 70,884,400</u>	<u>\$ 760,537,400</u>	<u>\$ (162,846)</u>	<u>\$ (44,055,145)</u>	<u>\$ (44,217,991)</u>

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 2 (continued)

31-December 2024	Fair Value of Securities with Unrealized Loss	Fair Value of Securities with Unrealized Loss	Continuous Unrealized Losses Existing for		
	Less than 12 Months	12 Months or Longer	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
<u>Available-for-Sale</u>					
US government obligations	\$ 4,982,132	\$ 35,207,298	\$ (14,959)	\$ (709,763)	\$ (724,722)
Federal agencies	30,316,552	1,024,953,455	(99,476)	(54,687,979)	(54,787,455)
Mortgage-backed securities	2,655,235	-	(5,895)	-	(5,895)
Corporate Obligations	23,189,192	32,865,670	(200,193)	(1,659,743)	(1,859,936)
	<u>\$ 61,143,111</u>	<u>\$ 1,093,026,423</u>	<u>\$ (320,523)</u>	<u>\$ (57,057,485)</u>	<u>\$ (57,378,008)</u>
<u>Held-to-Maturity</u>					
Bank Obligations	\$ -	\$ 19,829,000	\$ -	\$ (383,648)	\$ (383,648)
Municipal bonds	68,394,321	253,839,301	(519,556)	(13,120,162)	(13,639,718)
Mortgage-backed securities	314,212,113	540,857,556	(3,464,959)	(56,141,820)	(59,606,779)
Small Business Administration	14,211,744	93,602,321	(57,194)	(5,021,016)	(5,078,210)
	<u>\$ 396,818,178</u>	<u>\$ 908,128,178</u>	<u>\$ (4,041,709)</u>	<u>\$ (74,666,646)</u>	<u>\$ (78,708,355)</u>

The securities in an unrealized loss position as of December 31, 2025 and 2024 were temporarily impaired due to the current interest rate environment and not due to increased credit risk. Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized losses. Investments in U.S. Government and Federal agency securities, and Federal agency mortgage-backed securities issued by the U.S. Government agencies and U.S. Government sponsored enterprises carry the full faith and credit of the U.S. Government. The Credit Union reviews all of its debt securities for impairment at least quarterly. Investments in corporate and municipal bonds carry credit risk and are evaluated on a regular basis based on changes in the outlook on the underlying debtors. All investment securities as of December 31, 2025 and 2024, were rated at or above investment grade. The Credit Union has determined there was no credit-related impairment related to these debt securities as of December 31, 2025 and 2024.

Other investments consist of the following:

	31 December	
	2025	2024
Federal Home Loan Bank Stock	\$ 11,466,100	\$ 9,208,200
Community Money Market Investment Fund - NCB	-	250,000
Certificates of deposits in other credit unions	11,003	260,921
	<u>\$ 11,477,103</u>	<u>\$ 9,719,121</u>

Certificates are generally non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity.

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 3 - LOANS

Loans held for sale consist of the following:

	31 December	
	2025	2024
Fixed rate	\$ 14,519,890	\$ 6,090,686
Loans held for sale	\$ 14,519,890	\$ 6,090,686

Loans receivable, net of deferred loan fees (costs) consist of the following:

	31 December	
	2025	2024
Mortgage loans		
Fixed rate	\$ 1,096,995,545	\$ 1,162,098,713
Variable rate	4,227,679,324	3,753,409,427
Hybrid/Balloon	295,163	306,347
Home equity line of credit, variable rate	81,726,473	70,473,496
	<u>5,406,696,505</u>	<u>4,986,287,983</u>
Consumer loans		
Auto loans	54,550,582	38,373,346
Home improvement	70,167,358	78,766,349
Share secured	19,291,013	19,481,773
Credit card loans, unsecured	173,779,639	172,751,188
Consumer loans, primarily unsecured	488,386,058	511,020,968
	<u>\$ 806,174,650</u>	<u>\$ 820,393,624</u>
Commercial loans		
Commercial real estate	\$ 41,502,783	\$ 45,143,341
Real estate participations	13,834,763	28,214,146
	<u>55,337,546</u>	<u>73,357,487</u>
Loans, gross	6,268,208,701	5,880,039,094
Allowance for loan losses	(39,501,893)	(35,256,443)
Loans receivable, net	<u>\$ 6,228,706,808</u>	<u>\$ 5,844,782,651</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 3 (continued)

UNFCU has purchased auto, student, home, home improvement and commercial loan participations from various credit unions. All of these loan participations were purchased without recourse. UNFCU has also purchased whole mortgages from credit unions and correspondent brokers. No loans were purchased with deteriorated credit quality.

UNFCU offers variable rate mortgages and balloon mortgages to its members. Variable rate mortgages have an initial introductory rate for either 1, 3, 5, 6, 7, or 10 years. After this period the annual percentage rate adjusts to the fully indexed rate (index plus margin). UNFCU variable rate mortgages have annual and lifetime rate caps to minimize payment shock to borrowers. UNFCU also offers balloon loans to members whereby payments are based on a 30 year amortization but the loan balance becomes due and payable at the end of a specified 7, 10 or 15 year period. Variable rate and balloon mortgages may have significantly different credit risk characteristics than traditional fixed rate mortgages. However, UNFCU believes it has established prudent underwriting standards as well as adequate risk management functions to monitor these additional risks.

As of December 31, 2025, the Allowance for Credit Loss (ACL) totaled \$39,501,893, up \$4,245,450 compared to December 31, 2024. Annual provision was higher by \$9,400,000 compared to prior year as additional reserves were added to account for the impairment and devaluation of commercial real estate loans and reductions in funding of certain UN agencies and programs and related separations. While the full scope of the changes is not known, UNFCU is closely monitoring the situation. UNFCU is well capitalized and intends to employ risk management and financial modeling practices to adjust for and mitigate any potential impact. The remaining net increase in provision for credit losses was mainly driven by changes in the macroeconomic forecasts and increases in delinquent loans.

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2025:

	Mortgage Loans	Commercial Loans	Consumer Loans	Off Balance Sheet	Total
Balance, beginning of the year	\$ 3,560,459	\$ 8,657,777	\$ 22,738,207	\$ 300,000	\$ 35,256,443
Provision for credit losses	926,133	5,547,468	19,826,399	-	26,300,000
Loans charged-off	-	(12,070,426)	(13,255,631)	-	(25,326,057)
Recoveries	-	-	3,271,507	-	3,271,507
Balance at end of year	<u>\$ 4,486,592</u>	<u>\$ 2,134,819</u>	<u>\$ 32,580,482</u>	<u>\$ 300,000</u>	<u>\$ 39,501,893</u>

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2024:

	Mortgage Loans	Commercial Loans	Consumer Loans	Off Balance Sheet	Total
Balance, beginning of the year	\$ 2,619,925	\$ 1,240,068	\$ 23,609,420	\$ 300,000	\$ 27,769,413
Provision (credit) for loan losses	940,534	7,417,709	8,541,757	-	16,900,000
Loans charged-off	-	-	(12,192,651)	-	(12,192,651)
Recoveries	-	-	2,779,681	-	2,779,681
Balance at end of year	<u>\$ 3,560,459</u>	<u>\$ 8,657,777</u>	<u>\$ 22,738,207</u>	<u>\$ 300,000</u>	<u>\$ 35,256,443</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 3 (continued)

The following table shows an age analysis of loans at 31 December 2025:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	\$ 5,385,406,341	\$ 19,514,287	\$ 588,200	\$ 1,187,677	\$ 5,406,696,505
Consumer loans	781,721,656	10,687,973	4,972,288	8,792,733	806,174,650
Commercial loans	55,337,546	-	-	-	55,337,546
Total	\$ 6,222,465,543	\$ 30,202,260	\$ 5,560,488	\$ 9,980,410	\$ 6,268,208,701

The following table shows an age analysis of loans at 31 December 2024:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	\$ 4,969,284,198	\$ 14,799,311	\$ 617,332	\$ 1,587,142	\$ 4,986,287,983
Consumer loans	\$ 802,212,576	9,121,932	2,729,389	6,329,727	820,393,624
Commercial loans	\$ 56,204,919	17,152,568	-	-	73,357,487
Total	\$ 5,827,701,693	\$ 41,073,811	\$ 3,346,721	\$ 7,916,869	\$ 5,880,039,094

The following table shows our loans that are on non-accrual status and 90 days or more past due and still accruing interest as of 31 December:

	2025	2024
Non-accrual loans:		
Mortgage loans	1,187,677	1,587,142
Consumer loans	6,982,366	4,563,966
Total	\$ 8,170,043	\$ 6,151,108

Mortgage loans secured by residential real estate properties of which formal proceedings are in process of foreclosure for the years ending 31 December 2025 and 2024 were \$1,090,283 and \$1,587,142, respectively.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. Historical loss information provides the basis for the estimation of expected credit losses, with adjustments made for differences in loan risk characteristics and economic parameters.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, therefore a change to the allowance for credit losses is generally not recorded upon modification.

Typically, the type of concessions granted include term extensions, principal forgiveness, interest rate reduction, deferment of principal payments, or a combination of modifications. In both 2024 and 2025, UNFCU modified the same two commercial loans, providing term extensions, principal payment deferments, or a combination of these features. As of December 31, 2025 and 2024 total balance of modified commercial loans was \$11,785,287 and \$11,796,513, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 3 (continued)

UNFCU monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans that are over 30 days delinquent are considered in default.

Commercial risk rating by risk profile as of 31 December 2025 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Total
Pass	\$ 41,502,783	\$ 2,049,476	\$ 43,552,259
Special Mention	-	-	\$ -
Substandard	-	11,785,287	\$ 11,785,287
Doubtful	-	-	\$ -
Loss	-	-	\$ -
Total	\$ 41,502,783	\$ 13,834,763	\$ 55,337,546

Commercial risk rating by risk profile as of 31 December 2024 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Total
Pass	\$ 45,143,341	\$ 2,082,253	\$ 47,225,594
Special Mention	-	-	-
Substandard	-	20,770,780	20,770,780
Doubtful	-	5,361,113	5,361,113
Loss	-	-	-
Total	\$ 45,143,341	\$ 28,214,146	\$ 73,357,487

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 4 - LOAN SERVICING

Mortgage loans serviced for other institutions are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at 31 December 2025 and 2024 were approximately \$443,476,451 and \$406,372,436 respectively.

UNFCU records Mortgage Servicing Rights (“MSR”) when mortgage loans are sold and UNFCU retains the right to service the loans. MSR’s are recorded at fair value, with changes in fair value recorded in non-interest income. MSR valuations are sensitive to interest rate and prepayment risk.

The assumptions used in determining the fair value of capitalized mortgage servicing rights were as follows:

	<u>2025</u>	<u>2024</u>
Prepayment rate	4.71%	5.12%
Discount rate	8.11%	8.09%

The changes in fair value of MSRs during 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Balance, beginning of period	\$ 5,248,140	\$ 4,891,471
Originations	1,219,439	801,555
Loss on changes in fair value	<u>(633,864)</u>	<u>(444,886)</u>
Balance, end of period	<u>\$ 5,833,715</u>	<u>\$ 5,248,140</u>

All changes in fair value are as a result of changes to valuation model inputs and assumptions.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

	31 December	
	<u>2025</u>	<u>2024</u>
Land	\$ 12,159,400	\$ 12,159,400
Building	105,952,363	105,839,161
Furniture and equipment	53,416,597	49,953,819
Leasehold improvements	<u>8,137,140</u>	<u>8,134,818</u>
Property and equipment, gross	179,665,500	176,087,198
Accumulated depreciation and amortization	<u>(87,719,194)</u>	<u>(82,302,130)</u>
Property and equipment, net	<u>\$ 91,946,306</u>	<u>\$ 93,785,068</u>

For the years ended 31 December 2025 and 2024, depreciation expense was \$5,406,875 and \$6,238,595 respectively.

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 6 - RENTAL INCOME

UNFCU leases office space to third parties. Rental income for the years ended December 2025 and 2024 from these operating leases was approximately \$3,651,000 and \$4,155,000, respectively, and is included in other non-interest income.

Future minimum rental payments under operating leases with initial or remaining terms of one year or more at 31 December 2025 are as follows:

<u>Year ending 31 December</u>		
2026	\$	4,023,455
2027		3,973,934
2028		3,429,202
2029		2,396,616
2030		1,880,323
Thereafter		7,991,373
		<u>\$ 23,694,903</u>

NOTE 7 - MEMBERS' SHARES

Members' shares are summarized as follows:

	<u>31 December</u>	
	<u>2025</u>	<u>2024</u>
Regular shares	\$ 2,555,375,550	\$ 2,690,013,145
Checking accounts	1,359,307,289	1,332,116,029
High Yield Savings	2,082,345,779	1,818,072,125
Individual retirement shares	6,169,314	6,075,323
Individual retirement certificates	7,643,599	7,598,137
Certificates	3,227,854,499	2,971,227,366
Other	19,081,237	16,348,463
	<u>\$ 9,257,777,267</u>	<u>\$ 8,841,450,588</u>

Shares by maturity as of 31 December 2025 are summarized as follows:

No contractual maturity	\$	6,022,279,169
0 - 1 year maturity		2,788,244,011
1 - 2 years maturity		300,316,547
2 - 3 years maturity		102,476,099
3 - 4 years maturity		31,466,350
4 - 5 years maturity		12,995,091
		<u>\$ 9,257,777,267</u>

Regular shares, checking accounts, money market, individual retirement shares, and other account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

The aggregate amount of certificates in denominations of \$250,000 or more at 31 December 2025 and 2024 was \$932,996,470 and \$832,924,717, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 8 - BORROWED FUNDS

UNFCU has a demand loan agreement with FHLB. This FHLB demand loan calls for the pledging of federal agency debentures as collateral for any advances. The approved limit of the FHLB demand loan is up to 30% of UNFCU's total assets. In the event that more would be needed, UNFCU must seek and obtain an exception approval from FHLB to a maximum of 50% of total assets, with interest charged at a rate determined by the lender on a periodic basis. The amount pledged as collateral in FHLB in 2025 and 2024 was \$486,485,000 and \$894,704,000, respectively.

UNFCU also has a demand loan agreement with the Federal Reserve Bank ("FRB"). This FRB demand loan calls for the pledging of federal agency debentures to a maximum of 50% of the total assets, with interest charged at a rate determined by the lender on a periodic basis. The amount pledged as collateral in FRB in 2025 and 2024 was \$228,440,000 and \$162,775,000, respectively.

There were no borrowings outstanding pursuant to either agreement at 31 December, 2025 and 2024.

Total credit lines available based on assets pledged as of 31 December:

	<u>2025</u>	<u>2024</u>
FRB	\$ 219,018,317	\$ 151,886,460
FHLB	<u>433,283,619</u>	<u>788,687,639</u>
	<u>\$ 652,301,936</u>	<u>\$ 940,574,099</u>

NOTE 9 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss is comprised of the following at 31 December, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Pension losses	\$ (1,668,136)	\$ 8,020,174
Unrealized losses on available-for-sale securities	<u>15,600,486</u>	<u>56,653,836</u>
	<u>\$ 13,932,350</u>	<u>\$ 64,674,010</u>

NOTE 10 - OFF-BALANCE SHEET ACTIVITIES

UNFCU is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

UNFCU's exposure to credit loss is represented by the contractual amount of these commitments. UNFCU follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

Outstanding loan commitments at 31 December 2025 and 2024 total approximately \$75,526,449 and \$68,054,588, respectively.

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 10 (continued)

Unfunded loan commitments under lines of credit are summarized as of 31 December 2025 and 2024 follows:

	<u>2025</u>	<u>2024</u>
Home Equity	\$ 66,055,000	\$ 58,593,000
Credit Card	541,879,000	525,877,000
Other Consumer	58,813,000	59,496,000
Home Renovation	2,331,000	2,675,000
International home build	<u>3,600,000</u>	<u>4,425,000</u>
	<u>\$ 672,678,000</u>	<u>\$ 651,066,000</u>

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 and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. UNFCU evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under home equity lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. Most of these lines-of-credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which UNFCU is committed.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

UNFCU is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of UNFCU.

NOTE 12 - EMPLOYEE BENEFIT PLANS

UNFCU sponsors a defined benefit pension plan for the benefit of its employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with UNFCU and compensation levels at retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be performed in the future. Plan assets consist primarily of investments in common/collective trust funds.

	<u>31 December</u>	
	<u>2025</u>	<u>2024</u>
Benefit obligation	\$ 90,494,843	\$ 81,572,226
Fair value of plan assets	<u>164,392,932</u>	<u>144,423,602</u>
Funded status	<u>\$ 73,898,089</u>	<u>\$ 62,851,376</u>
Accumulated benefit obligation	\$ 75,389,413	\$ 67,310,170

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 12 (continued)

	31 December	
	2025	2024
Net pension cost	\$ (1,358,403)	\$ 566,434
Benefit payment	3,656,752	2,003,527

Amounts recognized in the statement of financial condition consist of:

	31 December	
	2025	2024
Other Assets	\$ 73,898,089	\$ 62,851,376

Amounts recognized in accumulated other comprehensive loss consist of:

	31 December	
	2025	2024
Other losses	\$ (1,668,136)	\$ 8,020,174

Amounts recognized in net periodic benefit cost and other comprehensive income:

	31 December	
	2025	2024
Net period benefit cost	\$ (1,358,403)	\$ 566,434
Total recognized in other comprehensive income	(9,688,310)	(16,524,678)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (11,046,713)</u>	<u>\$ (15,958,244)</u>

Net period benefit costs consists of:

	31 December	
	2025	2024
Service cost	\$ 4,715,052	\$ 5,271,871
Interest cost	4,467,262	4,333,087
Expected return on assets	(10,540,717)	(10,016,615)
Other losses	-	978,091
Net period benefit cost	<u>\$ (1,358,403)</u>	<u>\$ 566,434</u>

There were no losses recognized in accumulated other comprehensive income in the fiscal year ending 31 December 2025 or expected to be recognized as components of net periodic pension cost over the next fiscal year ending 31 December 2026.

The Credit Union reports the service cost component of net periodic pension cost with compensation and benefits on the consolidated statements of income in accordance with ASU 2017-07. Interest costs and return on plan assets are presented with other income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 12 (continued)

Assumptions used to determine benefit obligation:

	31 December	
	2025	2024
Assumptions used to determine benefit obligation		
Discount rate	5.75%	5.75%
Rate of compensation increase	3.75%	3.75%

Assumptions used to determine net pension cost:

	31 December	
	2025	2024
Assumptions used to determine net pension cost		
Discount rate	5.75%	5.75%
Expected long-term return on plan assets	7.25%	7.50%
Rate of compensation increase	3.75%	3.75%

The expected long-term rate of return on plan assets was determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

At 31 December 2025, and 2024, the assets of UNFCU's pension plan were invested in the CUNA Mutual Retirement Pension Fund (the "Fund"). The Fund has an investment strategy of investing 65% of its assets in equity securities and 35% of its assets in debt securities.

UNFCU's pension investment strategies are targeted to produce a total return that, when combined with UNFCU's contributions to the plan, will maintain the fund's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash.

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2025 are summarized below:

	Fair Value Measurement Using			31 December 2025
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Bond Funds	57,905,341	-	-	57,905,341
Mutual Funds	106,487,591	-	-	106,487,591
Total	\$ 164,392,932	\$ -	\$ -	\$ 164,392,932

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 12 (continued)

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2024 are summarized below:

	Fair Value Measurement Using			31-Dec-24
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Cash Equivalents	\$ -	\$ -	
Bond Funds	51,239,657	-	-	\$ 51,239,657
Mutual Funds	93,183,945	-	-	\$ 93,183,945
Total	\$ 144,423,602	\$ -	\$ -	\$ 144,423,602

UNFCU made no contributions to the plan in 2025 and 2024. There are no contributions expected for 2026.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year ending 31 December</u>	
2026	\$9,256,726
2027	7,079,395
2028	5,719,768
2029	6,214,191
2030	5,357,741
5 Years Thereafter	<u>28,770,594</u>
	<u>\$62,398,415</u>

UNFCU has a 401(k) retirement plan that allows employees to defer a portion of their salary. UNFCU matches a portion of employees' wage deferment. Costs are accrued and funded on a current basis. UNFCU contributed \$5,110,737 and \$4,488,244 respectively, to the plan for the years ended 31 December 2025 and 2024.

UNFCU has deferred compensation agreements with members of the management team that provides benefits payable to these employees if they remain employed by UNFCU until age 65 or age 55 with five years of service as defined by the agreements. The benefits are subject to forfeiture if employment is terminated on or before the third anniversary of the initial plan election as defined in the agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 13 - CAPITAL REQUIREMENTS

UNFCU is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on UNFCU’s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, UNFCU must meet specific capital guidelines that involve quantitative measures of UNFCU’s assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. UNFCU’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNFCU to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. As of 31 December 2025, the most recent call reporting period, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution’s category.

Effective 1 January 2023, the date UNFCU adopted ASC Topic 326 (CECL), the CECL transition provision was implemented to lessen the immediate impact on the Credit Union’s net worth categorization. The 31 December 2025 and 31 December 2024 provision of \$0 and \$3,971,308, respectively was determined by applying an NCUA percentage to the total CECL transition amount. It is used to increase retained earnings and total assets over a 12-quarter period, from the time of adoption.

The Credit Union’s actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
31-Dec-25						
Net Worth	\$ 973,583,714	9.47%	\$ 616,916,005	6.00%	\$ 719,735,339	7.00%
Risk-Based Capital						
Ratio	\$ 935,918,321	18.23%	\$ 410,755,475	8.00%	\$ 513,444,344	10.00%
31-Dec-24						
Net Worth	\$ 884,700,044	9.10%	\$ 583,378,164	6.00%	\$ 680,607,858	7.00%
Risk-Based Capital						
Ratio	\$ 842,483,601	17.34%	\$ 388,704,751	8.00%	\$ 485,880,938	10.00%

The Credit Union’s Risk-Based Assets per the Call report was \$5,134,443,439 and \$4,858,809,386 as of 31 December 2025 and 31 December 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 14 - RELATED PARTY TRANSACTIONS

In the normal course of business, UNFCU extends credit to directors, supervisory committee members and executive officers at UNFCU standard rates and terms. The aggregate loans to related parties at 31 December 2025 and 2024 amounted to approximately \$5,885,844 and \$6,487,350 , respectively. Deposits from related parties at 31 December 2025 and 2024 amounted to approximately \$2,749,203 and \$3,717,259 , respectively.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

UNFCU generally holds its earning assets, other than securities available-for-sale, to maturity and settles its liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the UNFCU's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include property and equipment, leases, foreclosed properties, and equity.

Further, fair value disclosure does not attempt to value future income or business. These items may be material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of UNFCU.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, is as follows:

Equity: Securities classified as equity are reported using Level 1 inputs. Level 1 securities generally include equity securities valued based on quoted market prices in active markets. UNFCU equity securities include common stocks, exchange traded fund, options, preferred stocks and trading debt securities.

Available-for-sale: Securities classified as available-for-sale are reported using Level 1 and Level 2 inputs. UNFCU included US Treasuries in the Level 1 category. Level 2 instruments include U.S. government agency obligations, state and municipal bonds, mortgage-backed securities, collateralized mortgage obligations and corporate bonds. For these securities, UNFCU obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

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

Held for sale loans: Loans in this category are those that have been originated with the intent to be sold in the secondary market. These loans include those with and without sale commitment and are valued based on end of day market price. The Credit Union uses an independent pricing source for continual pricing for best executed market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 15 (continued)

Derivative loan commitments: Mortgage loan commitments are considered derivative loan commitments if the loan that will result from the exercise of the commitment will be held for sale upon funding. The credit union enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Credit Union to lend funds to a potential borrower at a specified interest rate and within a specific period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the credit union to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Hedges: Hedges in this category consist of to-be-announced mortgage backed-securities (TBA), which are forward agreements to purchase or sell mortgage backed-securities with the settlement date being in the future and with the specific security unknown until settlement. The credit union purchased TBA to hedge against the price risk of its mortgages prior to sale. Fair value measurements for TBA are provided by an independent pricing service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 15 (continued)

Assets measured at fair value on a recurring basis at 31 December 2025 are summarized below:

	Fair Value Measurement Using			31 December 2025
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	
	-	-	-	
Mortgage Servicing Rights	-	-	5,833,715	5,833,715
Held For Sale Loans	-	14,519,890	-	14,519,890
Equity Securities:				
Common Stock	23,952,468	-	-	23,952,468
Exchange Traded Funds	585,552	-	-	585,552
Preferred Stock	19,413,115	-	-	19,413,115
Total Equity Securities	43,951,135	-	-	43,951,135
Investment securities available-for-sale:				
US government obligations	75,655,285	-	-	75,655,285
Federal agencies	-	986,468,517	-	986,468,517
Mortgage backed securities	-	22,219,012	-	22,219,012
Corporate Obligations	-	102,357,526	-	102,357,526
Total investment securities available-for-sale	\$ 75,655,285	\$ 1,111,045,055	\$ -	\$ 1,186,700,340

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 15 (continued)

Assets measured at fair value on a recurring basis at 31 December 2024 are summarized below:

	Fair Value Measurement Using			31 December 2024
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant	Significant	
		Others	Unobservable	
		Observable Inputs (Level 2)	Inputs (Level 3)	
Mortgage Servicing Rights	\$ -	\$ -	\$ 5,248,140	\$ 5,248,140
Held For Sale Loans	-	6,090,686	-	6,090,686
Equity Securities:				
Common Stock	14,848,431	-	-	14,848,431
Exchange Traded Funds	563,640	-	-	563,640
Preferred Stock	12,206,490	-	-	12,206,490
Total Equity Securities	<u>27,618,561</u>	<u>-</u>	<u>-</u>	<u>27,618,561</u>
Investment securities available-for-sale:				
US government obligations	85,988,893	-	-	85,988,893
Federal agencies	-	1,141,539,853	-	1,141,539,853
Mortgage backed securities	-	11,385,768	-	11,385,768
Corporate Obligations	-	101,987,019	-	101,987,019
Total investment securities available for sale	<u>\$ 85,988,893</u>	<u>\$ 1,254,912,640</u>	<u>\$ -</u>	<u>\$ 1,340,901,533</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 16 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2025 and 2024:

	31 December	
	2025	2024
In scope of ASC 606		
Service charges	\$ 37,372,831	\$ 34,948,577
Bankcard fees	19,496,457	19,067,310
Investment Commissions and Fees	417,331	406,929
Total	57,286,619	54,422,816
Non-interest income not within the scope of ASC 606 (a)	16,750,064	29,613,583
	\$ 74,036,683	\$ 84,036,399

- (a) This revenue is not within the scope of ASC 606, and includes fees related to mortgage banking operations, gain on sale of loans, gains on sale of securities, revenue from investments, and various other transactions.

NOTE 17 – CONTRACTS WITH NORTHSTAR FINANCIAL SERVICES (BERMUDA) LTD

From 2010-2019 certain members who were also clients of UNFCU Advisors LLC, UNFCU’s wholly-owned subsidiary, invested in trust contracts (“Contract Holders”) from Northstar Financial Services (Bermuda) LTD (“NFS”), In September 2019, NFS ceased honoring redemption requests. Consequently, Contract Holders could not withdraw their funds from NFS. On 8 October 2019, NFS sent a letter to the Contract Holders notifying them of a temporary liquidity constraint. Given the hardship this posed and the unique circumstances surrounding the change in ownership, the UNFCU Board of Directors approved a line of credit to UNFCU Advisors in June 2020 which provided UNFCU Advisors the ability to take an assignment of the receivables due under the redeemed contracts and advance funds to those members. Members who held contracts were offered the opportunity to receive payment for the full value of their contract in exchange for assigning their contract to UNFCU Advisors. On 26 March 2021 NFS was put into liquidation by the court.

As of 31 December 2025, and 31 December 2024, assignments of \$75,296,019 were recorded for assigned contracts with corresponding reserves totaling \$68,264,618 and \$52,421,220, respectively. The net asset recorded of \$7,031,401 and \$22,874,799 as of 31 December 2025 and 2024, respectively, is the amount UNFCU Advisors expects to collect on the contracts. During the year ended 31 December 2025, UNFCU Advisors determined the expected value of the contracts decreased by \$15,843,398 after adjusting for liquidation expenses incurred to date and accounting for the rights of higher priority creditors. As a result, the reserve on fixed contracts was increased from 64.40% to 100% and the reserve on variable contracts was decreased from 32.25% to 10%. There was a reversal of the provision of \$5,068,231 recorded for the year ended 31 December 2024.

United Nations Federal Credit Union and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025 and 2024

NOTE 17 (continued)

As of 31 December 2025, and 31 December 2024, the following reserves have been taken:

	2025			2024		
	Fixed	Variable	Total	Fixed	Variable	Total
Assigned	\$ 63,177,062	\$ 12,118,958	\$ 75,296,019	\$ 63,177,062	\$ 12,118,958	\$ 75,296,020
Value	-	10,907,062	10,907,062	18,163,405	8,210,594	26,373,999
Recaptured Reserve				5,068,231		5,068,231
Reserve	63,177,062	1,211,896	64,388,957	39,945,426	3,908,364	43,853,791
Unassigned	3,875,661	-	3,875,661	10,852,237	2,589,714	13,441,951
Value	-	-	-	3,120,018	1,754,503	4,874,521
Reserve	\$ 3,875,661	\$ -	\$ 3,875,661	\$ 7,732,219	\$ 835,211	\$ 8,567,430
Total Contracts	67,052,723	12,118,958	79,171,680	74,029,299	14,708,672	88,737,971
Value	-	10,907,062	10,907,062	21,283,423	9,965,097	31,248,520
Recaptured Reserve				5,068,231		5,068,231
Reserve	\$ 67,052,723	\$ 1,211,896	\$ 68,264,618	\$ 47,677,645	\$ 4,743,575	\$ 52,421,220
	100.00%	10.00%	86.22%	64.40%	32.25%	59.07%

As of December 31, 2025, the net asset balance of \$7,031,401 consisted of the expected value of collectible variable contracts totaling \$10,907,062, net of \$3,875,661 related to fixed contracts that have not yet been assigned.

As of 31 December 2025, the following are the known, but unassigned fixed and variable contracts with NFS:

Maturity	2025	
	Unassigned Contracts -	
	Estimated (millions)	
	Fixed	Variable
To be Assigned	3.9	-
Total	\$ 3.9	\$ -

NOTE 18 – ANNUAL CONTRIBUTION TO UNFCU FOUNDATION

The Credit Union makes contributions to the UNFCU Foundation annually from some of its investment portfolio earnings. Each month 51% of charitable donations portfolio earnings are allocated to the Foundation. These contributions were \$852,000 and \$645,000 for 2025 and 2024, respectively. The UNFCU Foundation is a separate legal entity operating as a public charity.

NOTE 19 - SUBSEQUENT EVENTS

UNFCU evaluated subsequent events through March 31, 2026, the date the financial statements were available to be issued.