



Tinker Federal Credit Union

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2025 and 2024



Tinker Federal Credit Union
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December 31, 2025 and 2024

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Independent Auditor's Report

Supervisory Committee
Tinker Federal Credit Union
Oklahoma City, Oklahoma

Opinion

We have audited the consolidated financial statements of Tinker Federal Credit Union (Credit Union), which comprise the consolidated statement of financial condition as of December 31, 2025 and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the year 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 consolidated financial position of the Credit Union as of December 31, 2025 and the results of its operations and its cash flows for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2024 consolidated financial statements were audited by other auditors, and their report thereon, dated March 17, 2025, expressed an unmodified opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

**Oklahoma City, Oklahoma
March 18, 2026**

Tinker Federal Credit Union
Consolidated Statements of Financial Condition
December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 675,455	\$ 914,664
Investments		
Available for sale	1,713,642	1,482,460
Equity	17,358	14,370
Time deposits with other institutions	1,500	2,250
Other, at cost	4,517	13,293
Loans to members, net of allowance for credit losses of \$51,844 and \$51,726 at December 31, 2025 and 2024, respectively	3,423,696	3,396,301
Interest receivable	19,240	18,149
Property and equipment, net	84,572	78,368
National Credit Union Share Insurance Fund (NCUSIF) deposit	44,542	44,718
Other assets	69,020	65,031
Total Assets	<u><u>\$ 6,053,542</u></u>	<u><u>\$ 6,029,604</u></u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	\$ 5,156,338	\$ 5,037,431
Borrowed funds	-	200,000
Accrued expenses and other liabilities	58,479	51,683
Total Liabilities	<u>5,214,817</u>	<u>5,289,114</u>
Members' Equity		
Undivided earnings	875,665	822,322
Accumulated other comprehensive loss	(36,940)	(81,832)
Total Members' Equity	<u>838,725</u>	<u>740,490</u>
Total Liabilities and Members' Equity	<u><u>\$ 6,053,542</u></u>	<u><u>\$ 6,029,604</u></u>

Tinker Federal Credit Union
Consolidated Statements of Income
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Interest Income		
Interest on loans to members	\$ 236,756	\$ 231,966
Interest on investment securities and cash equivalents	83,182	77,102
Total Interest Income	319,938	309,068
Interest Expense		
Dividends on members' share and savings accounts	84,334	83,835
Interest on borrowed funds	8,589	12,725
Total Interest Expense	92,923	96,560
Net Interest Income	227,015	212,508
Provision for Credit Losses	33,450	32,600
Net Interest Income After Provision for Credit Losses	193,565	179,908
Non-Interest Income		
Interchange income	34,875	33,826
Service charge and other fees	28,632	29,739
Gain on sale of VISA stock	-	14,387
Other non-interest income	9,352	9,280
Total Non-Interest Income	72,859	87,232
Non-Interest Expense		
Salaries and benefits	116,278	104,547
Occupancy	14,678	7,756
Operations	82,125	75,805
Total Non-Interest Expense	213,081	188,108
Net Income	<u>\$ 53,343</u>	<u>\$ 79,032</u>

Tinker Federal Credit Union
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Net Income	\$ 53,343	\$ 79,032
Other Comprehensive Income		
Change in unrealized gain on available-for-sale debt securities	<u>44,892</u>	<u>28,716</u>
Comprehensive Income	<u>\$ 98,235</u>	<u>\$ 107,748</u>

Tinker Federal Credit Union
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>Undivided Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balance, January 1, 2024	\$ 743,290	\$ (110,548)	\$ 632,742
Net income	79,032	-	79,032
Other comprehensive income	<u>-</u>	<u>28,716</u>	<u>28,716</u>
Balance, December 31, 2024	822,322	(81,832)	740,490
Net income	53,343	-	53,343
Other comprehensive income	<u>-</u>	<u>44,892</u>	<u>44,892</u>
Balance, December 31, 2025	<u>\$ 875,665</u>	<u>\$ (36,940)</u>	<u>\$ 838,725</u>

Tinker Federal Credit Union
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Net income	\$ 53,343	\$ 79,032
Adjustments		
Provision for credit losses	33,450	32,600
Depreciation	6,591	6,509
Impairment on property and equipment	6,113	-
Net amortization of premiums/discounts on investments	9,720	11,724
Net change in fair value of equities	1,120	(401)
Gain on sale of Visa stock	-	(14,387)
Decrease (increase) in assets		
Interest receivable	(1,014)	238
Other assets	(3,825)	(11,087)
Increase in liabilities		
Accrued expenses and other liabilities	6,682	12,704
	<u>112,180</u>	<u>116,932</u>
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities		
Purchase of available-for-sale investments	(585,935)	(97,607)
Proceeds from maturities and paydowns of available-for-sale investments	390,003	97,487
Purchase of equity investments	(24,245)	(21,576)
Proceeds from equity investments	20,137	12,792
Change in time deposits with other institutions	750	606
Change in other investments	(1,077)	-
Proceeds from sale of other investments	9,858	96
Net change in loans to members	(49,810)	220,226
Investment in NCUSIF deposit	176	972
Proceeds from the sale of Visa stock	-	14,387
Net cash received from acquisition	1,774	-
Purchase of property and equipment	(18,072)	(3,030)
	<u>(256,441)</u>	<u>224,353</u>
Net Cash Provided by (Used in) Investing Activities		
Cash Flows From Financing Activities		
Increase in members' shares	105,252	22,014
Proceeds received from borrowed funds	-	75,000
Repayment of borrowed funds	(200,200)	(150,000)
	<u>(94,948)</u>	<u>(52,986)</u>
Net Cash Used in Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(239,209)	288,299
Cash and Cash Equivalents, Beginning of Year	<u>914,664</u>	<u>626,365</u>
Cash and Cash Equivalents, End of Year	<u>\$ 675,455</u>	<u>\$ 914,664</u>
Supplemental Cash Flows Information		
Interest and dividends paid	\$ 92,923	\$ 96,560

Tinker Federal Credit Union
Notes to Consolidated Financial Statements
December 31, 2025 and 2024
(In Thousands)

Note 1. Nature of Business and Significant Accounting Policies

Nature of Operations

Tinker Federal Credit Union (Credit Union) is a cooperative association holding a corporate charter under the provisions of the *Federal Credit Union Act*. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's charter and bylaws.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly owned subsidiaries, Tinker Financial Services, LLC (TFS) and Metropolitan Holdings, LLC (Metro). TFS is engaged primarily in insurance and financial service activities. Metro is engaged primarily in the management of real estate holdings captured through foreclosure. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses (allowance) and fair values of financial instruments.

Cash Equivalents

The Credit Union considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2025 and 2024, the Credit Union's cash accounts exceeded federally insured limits by approximately \$63,576 and \$ 46,000, respectively. For purposes of evaluating credit risk, the stability of the financial institutions conducting business with the Credit Union is periodically reviewed.

Restriction on Cash and Cash Equivalents

The Credit Union may be required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. No reserve was required by the Federal Reserve Bank as of December 31, 2025 or 2024.

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Debt Investments

Debt securities held by the Credit Union generally are classified and recorded in the consolidated financial statements as follows:

<u>Classified as</u>	<u>Description</u>	<u>Recorded at</u>
Held to maturity (HTM)	Certain debt securities that management has the positive intent and ability to hold to maturity	Amortized cost, net of allowance for credit losses
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in earnings
Available for sale (AFS)	Securities not classified as HTM or trading	Fair value, with unrealized gains and losses (for those which no allowance for credit losses is recorded) excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost and the Credit Union will not be required to sell the security before recovery of its amortized cost basis, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. If the present value of cash flows expected to be collected from the security are less than the amortized cost basis of the security, an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

<u>Circumstances of Impairment Considerations</u>	<u>Accounting Treatment</u>	
	<u>Credit Component</u>	<u>Remaining Portion</u>
Not intended for sale and more likely than not that the Credit Union will not have to sell before recovery of cost basis	Recognized as an allowance for credit loss	Recognized in other comprehensive income
Intended for sale or more likely than not that the Credit Union will be required to sell before recovery of cost basis		Recognized in earnings

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, the Credit Union first assesses whether (i) there is intention to sell or (ii) it is more likely than not that the Credit Union will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the

Tinker Federal Credit Union
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security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in the consolidated statements of income as a component of credit loss expense. The Credit Union excludes accrued interest receivable on available-for-sale securities from the estimate of credit losses. Available-for-sale securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

As of December 31, 2025, the Credit Union had no securities for which it has recognized a credit loss.

Equity Investments

The Credit Union measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in net income.

The Credit Union measures equity securities without a readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

Loans to Members

Loans to members are carried at unpaid principal balances, net deferred loan origination costs or fees, and the allowance on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current, and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain commercial and consumer loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent. Consumer collateral dependent loans were deemed insignificant and intentionally omitted for disclosure purposes. Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

Automobile and other consumer loans are generally charged off at 180 days past due. Residential mortgages and home equity loans are charged off to the estimated fair value of the collateral at 150 days past due. Commercial loans are generally either charged off or written down to net realizable value at 90 days past due.

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Allowance for Credit Losses – Loans

The allowance for credit losses is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis.

A discounted cash flow method is used for each loan in all material pools, and the results are aggregated at the pool level. The analysis produces expected cash flows for each instrument in the pool by pairing loan-level term information, e.g., maturity date, payment amount, interest rate, etc., with top-down pool assumptions, e.g., default rates and prepayment speeds. The Credit Union has identified the following portfolio segments:

- Real estate loans
- Commercial loans
- Consumer loans
 - Indirect vehicle loans
 - Direct vehicle loans
 - Home equity loans
 - Other consumer loans

In determining the proper level of the allowance for credit loss, the Credit Union determined that the loss experience provides the best basis for the assessment of expected credit losses. The Credit Union, therefore, used historical credit loss experience by each loan segment over an economic cycle. For most of the segment models for collectively evaluated loans, the Credit Union incorporated two or more macroeconomic drivers using a statistical regression modeling methodology.

For those loans that are individually evaluated, an allowance is established when the discounted cash flows or collateral value of the loan is lower than the carrying value of that loan. The collectively evaluated component covers nonclassified loans and is estimated using relevant available information from internal and external sources related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics and are applied as a qualitative factor(s).

A loan is individually evaluated for allowance for credit loss when it does not share similar risk characteristics with the collectively evaluated pools. Except for consumer loans, individual evaluations are performed for nonaccrual loans and loans rated substandard. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

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

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

The Credit Union maintains an allowance 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 contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance

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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.

Property and Equipment

Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are stated at cost less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of 39 years for buildings and 3 to 10 years for furniture and equipment. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of a reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of a reporting unit is less than the carrying value, then goodwill is tested further for impairment. The quantitative impairment test consists of calculating the fair value of a reporting unit and comparing it to the carrying amount, including goodwill. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of a reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Goodwill approximates \$38,000 as of December 31, 2025 and 2024 and is reported as a component of other assets in the consolidated statements of financial condition. No goodwill impairment losses were recognized during the years ended December 31, 2025 and 2024.

Long-Lived Asset Impairment

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

Impairment losses approximating \$6,000 and \$0 were recognized for property and equipment for the years ended December 31, 2025 and 2024, respectively, based on the impairment of the Credit Union's headquarters.

The loss is included in occupancy expense in the accompanying consolidated statements of income. Fair value was determined based on a third-party appraisal.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF is in accordance with the 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 members' shares. The deposit would be refunded to the Credit Union 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.

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Federal Home Loan Bank (FHLB) Stock

The Credit Union, as a member of the FHLB system, is required to maintain an investments in capital stock of FHLB in an amount equal to the greater of 1% of its outstanding mortgage loans or 5% of advances from FHLB. No ready market exists for the FHLB stock and it has no quoted market value. The required investment in the common stock is carried at cost and evaluated for impairment. Investment in FHLB stock totaled \$839 and \$9,763 as of December 31, 2025 and 2024, respectively, and is included as a component of other assets.

Members' Shares

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit, which is set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the board of directors based on an evaluation of current and future market conditions

Members' Equity

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income. Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale debt securities.

Reclassifications from accumulated other comprehensive loss for available-for-sale debt securities are posted through other non-interest income on the consolidated statements of income.

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 the Credit Union (put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership), (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) the Credit Union 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.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participation 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 assets, (2) from the date of transfer, all cash flows received, except any cash flows allocated as compensation or 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, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Revenue From Contracts With Members

The Credit Union's revenue from contracts with members in the scope of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, is recognized and disaggregated within non-interest income (expense) in the consolidated statements of income. A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows:

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Fees and Charges

Fees and service charges include charges related to depository accounts under standard service agreements (e.g., courtesy pay fees, insufficient funds charges, late fees, etc.). Transaction-based fees are recognized at the time of transaction, which is the point in time the Credit Union fulfills the members' request. Other account maintenance fees are generally earned over the course of a month, which is the period the Credit Union satisfies its performance obligation.

Interchange Income

Interchange income includes interchange fees from credit and debit cards processed through card association networks. The Credit Union earns a percentage of the underlying value of each transaction. These fees are recognized daily when the processing service is provided to the member.

Gain on Sale of Visa Stock

During the year ended December 31, 2024, the Credit Union sold the Visa Class B Shares stock that were granted in 2008 as a result of Visa, Incorporated going public. This asset was deemed permissible by the NCUA in November 2007. These shares were never recorded at fair value, due to no cost basis for the Credit Union, thus the sale of the shares resulted in a 100% gain that is included in the consolidated statements of income. This was recognized into income on the date of the sale.

Income Taxes

The Credit Union is exempt, by statute Internal Revenue Code Section 501(c)(1), from federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2024 consolidated financial statements related to the aging analysis on loans to members to conform to the 2025 consolidated financial statement presentation. These reclassifications had no effect on net earnings.

Revisions

Certain immaterial revisions have been made to the 2024 consolidated financial statements related to the classification between operating and investing activities on the statements of cash flow, presentation of collateral-dependent loans, and the value of items measured at fair value on a nonrecurring basis to conform to the 2025 consolidated financial statement presentation. These revisions did not have a significant impact on the financial statement line items impacted.

Acquisition of Credit Union

On May 19, 2025, the Credit Union acquired and merged with Living in Fulfillment Everyday Federal Credit Union (LIFE). No consideration was transferred in connection with the merger. The Credit Union accounted for the transaction as a business combination under ASC 805 using the acquisition method. The fair value of assets acquired and liabilities assumed was approximately \$13,900 and \$13,900, respectively, resulting in no goodwill or bargain purchase gain. The results of operations of LIFE have been included in the Credit Union's consolidated financial statements from the acquisition date.

Subsequent Events

Subsequent events have been evaluated through March 18, 2026, which is the date the consolidated financial statements were available to be issued.

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Note 2. Investments

The following table presents the amortized cost and estimated fair value of available-for-sale investments as of December 31:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
2025				
U.S. government obligations and federal agencies securities	\$ 288,996	\$ 37	\$ (8,935)	\$ 280,098
Mortgage-backed securities	1,370,613	5,092	(30,951)	\$ 1,344,754
Corporate bonds	3,391	-	(20)	3,371
Obligations of state and political subdivisions	87,554	-	(2,135)	85,419
Total	<u>\$ 1,750,554</u>	<u>\$ 5,129</u>	<u>\$ (42,041)</u>	<u>\$ 1,713,642</u>
2024				
U.S. government obligations and federal agencies securities	\$ 418,825	\$ 36	\$ (22,513)	\$ 396,348
Mortgage-backed securities	985,124	170	(53,426)	931,868
Corporate bonds	18,386	-	(186)	18,200
Obligations of state and political subdivisions	141,874	-	(5,830)	136,044
Total	<u>\$ 1,564,209</u>	<u>\$ 206</u>	<u>\$ (81,955)</u>	<u>\$ 1,482,460</u>

Available-for-sale mortgage-backed securities as of December 31, 2025 and 2024 consisted of residential securities issued by government-sponsored enterprises.

Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows as of December 31:

	December 31, 2025					
	Continuous Unrealized Losses Existing for					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale						
U.S. government obligations and federal agencies securities	\$ -	\$ -	\$ 275,072	\$ (8,935)	\$ 275,072	\$ (8,935)
Mortgage-backed securities	188,821	(1,017)	582,434	(29,934)	771,255	(30,951)
Obligations of state and political subdivisions	-	-	85,419	(2,135)	85,419	(2,135)
Corporate bonds	-	-	3,371	(20)	3,371	(20)
	<u>\$ 188,821</u>	<u>\$ (1,017)</u>	<u>\$ 946,296</u>	<u>\$ (41,024)</u>	<u>\$ 1,135,117</u>	<u>\$ (42,041)</u>

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	December 31, 2024					
	Continuous Unrealized Losses Existing for					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale						
U.S. government obligations and federal agencies securities	\$ -	\$ -	\$ 391,327	\$ (22,513)	\$ 391,327	\$ (22,513)
Mortgage-backed securities	95,574	(243)	774,647	(53,183)	870,221	(53,426)
Obligations of state and political subdivisions	-	-	136,044	(5,830)	136,044	(5,830)
Corporate bonds	-	-	18,200	(186)	18,200	(186)
	<u>\$ 95,574</u>	<u>\$ (243)</u>	<u>\$ 1,320,218</u>	<u>\$ (81,712)</u>	<u>\$ 1,415,792</u>	<u>\$ (81,955)</u>

Unrealized losses on available-for-sale securities have not been recorded as an allowance for credit loss because the Credit Union does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

The carrying value of investments pledged as collateral to secure advances was \$1,387,892 and \$1,482,460 as of December 31, 2025 and 2024, respectively. Refer to Note 6 for additional information.

Available-for-sale investments by maturity are summarized as follows as of December 31, 2025:

	Available for Sale	
	Amortized Cost	Fair Value
Less than 1 year maturity	\$ 212,809	\$ 203,723
1–5 years maturity	167,131	165,166
5–10 years maturity	-	-
Mortgage-backed securities	1,370,613	1,344,753
	<u>\$ 1,750,553</u>	<u>\$ 1,713,642</u>

Expected maturities of mortgage-backed and other asset-backed 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.

Equity securities consist of mutual funds. The estimated fair values of equities were approximately \$17,358 and \$14,370 as of December 31, 2025 and 2024, respectively.

Realized gains on equity investments were \$846 and \$401 during 2025 and 2024, respectively. Unrealized gains on equity investments were \$309 during 2025. Unrealized losses on equity investments were \$172 during 2024. These gains and losses are included in other non-interest income in the accompanying consolidated statements of income.

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Other investments, at cost, consisted of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Member capital account in a corporate credit union	\$ 662	\$ 657
Investment in FHLB stock	839	9,763
Investment in PSCU stock	2,121	1,953
Investment in CUSC stock	300	300
Investment in CU House stock	596	620
	<u>596</u>	<u>620</u>
Total	<u>\$ 4,518</u>	<u>\$ 13,293</u>

Member capital account is an uninsured equity capital account that may only be redeemed with the approval of the NCUA.

The Credit Union invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such change could materially affect the amounts reported in the accompanying consolidated statements of financial condition.

Note 3. Loans to Members

Loans to members consisted of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Real estate loans	\$ 339,547	\$ 323,658
Commercial loans	329,947	243,407
Consumer loans		
Direct vehicle loans	665,131	656,592
Indirect loans	1,479,326	1,561,682
Home equity loans	172,708	163,852
Other consumer loans, primarily unsecured	272,382	285,882
Government-guaranteed student loans	10,269	11,398
Loan participations	14,700	12,461
Credit card loans, unsecured	186,090	183,509
	<u>186,090</u>	<u>183,509</u>
Gross loans	3,470,100	3,442,441
Deferred net loan origination costs	5,440	5,586
Allowance for credit losses	(51,844)	(51,726)
	<u>(51,844)</u>	<u>(51,726)</u>
	<u>\$ 3,423,696</u>	<u>\$ 3,396,301</u>

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The recorded balance of real estate and home equity loans pledged as collateral to secure the Credit Union's line of credit with the FHLB was \$434,312 and \$565,694 as of December 31, 2025 and 2024, respectively. Refer to Note 6 for additional information. The risk characteristics of each loan portfolio segment are as follows:

Real Estate

The real estate segment of the Credit Union's loan portfolio consists of conventional and Veterans Affairs (VA) mortgages secured by 1-4 family residences located in the states of Oklahoma and Texas, which are typically owner occupied. Generally, all conventional and VA mortgage applications are processed as if they will be sold and are underwritten in accordance with Fannie Mae guidelines. Mortgage insurance is required on loans in which the loan-to-value ratio exceeds 80%. Risk is mitigated by the Credit Union's underwriting guidelines and mortgage insurance requirements. Oklahoma's real estate property values have not experienced significant swings, and historically, values have remained stable even during periods of economic decline.

Consumer

The consumer portfolio includes short-term mortgage which are comprised of closed-end equity mortgage loans and home equity lines of credit secured by a first or second lien on 1-4 family residences, which are typically owner occupied. Direct vehicle loans are secured by assets, such as vehicles, motorcycles, recreational vehicles, and watercraft funded through a direct branch. Indirect loans are secured by assets, such as vehicles, motorcycles, recreational vehicles, and watercraft funded through an indirect dealer, which contain recourse provisions in accordance with the Credit Union's Motor Vehicle Retail Finance Agreement. Repayment is dependent on personal income of the borrower(s), which can be impacted by economic conditions. Risk is mitigated by the Credit Union's underwriting guidelines, the collateral pledged as security and the fact that the unsecured loans are typically smaller loan amounts.

Commercial

The commercial loan segment of the Credit Union's portfolio primarily consists of commercial real estate loans, commercial real estate and 1-4 family real estate secured construction loans, 1-4 family investment loans and commercial and industrial loans. Other loan types such as commercial equipment and capital asset loans, commercial working capital lines of credits, loan secured by farmland and development loans make up the remaining portfolio. Repayment methods vary and are dependent on the type of loan and business. Risk is mitigated by the commercial underwriting guidelines, the assessment of all guarantors, cash flow analysis, risk ratings, and, in some cases, guarantees from USDA/SBA.

Credit Card

The credit card segment of the portfolio is generally unsecured credit lines. A relatively small portion of the segment is credit lines secured by deposits.

Repayment is dependent on personal income of the borrower(s), which can be impacted by economic conditions. Risk is mitigated by the Credit Union's underwriting guidelines.

Government-Guaranteed Student Loans

The student loan segment of the portfolio is comprised of Federal Stafford and Federal Plus loans funded under the Federal Family Education Loan Program (FFELP) and is federally guaranteed. The Credit Union has not participated in the FFELP since 2009; thus, no additional loans are being funded in this segment.

Internal Risk Categories

The Credit Union monitors credit quality of commercial loans through the use of loan grades. Loan grades are numbered 1 through 10. Grades 1 through 6 are considered satisfactory grades. The grade of 7, or Special Mention,

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represents loans of lower quality and is considered criticized. The grades of 8, or Substandard, 9, or Doubtful, and 10, or Loss, refer to assets that are classified. The grade of 8, or Substandard, refers to loans that have little value and are charged off. The use and application of these grades by the Credit Union are uniform and conform to the Credit Union's policy.

Highest Quality (1) loans are secured by properly margined liquid collateral and a superior loan-to-value ratio.

Superior Quality (2) loans are above average business credits. The borrower generally exhibits very good management, asset quality, liquidity, and strong debt capacity and coverage.

Excellent Quality (3) loans have strong debt coverage and low loan-to-value ratio with strong credit scores and strong credit ratios.

Acceptable Business Credit (4) loans are respected and established firms with good management. They maintain satisfactory asset quality with little excess liquidity. They maintain an acceptable debt capacity, though they are nearly fully leveraged. These loans require structuring with adequate covenants for protection and have good access to alternative credit sources.

Marginally Acceptable Business Credit (5) loans have generally acceptable asset quality with strained liquidity and are fully leveraged with little or no excess debt capacity. These loans require more stringent covenant structuring and close supervision and maintain some access to alternative credit sources.

Good Credit History (6) loans have at least minimally acceptable cash flow, adequate collateral coverage, low liquidity, and/or higher-than-average debt service.

Special Mention (7) loans meet the definition of a standard or minimum acceptable quality loan but require more than normal attention due to any of the following items: deterioration of borrower financial condition less severe than those warranting more adverse grading, deterioration of repayment ability and/or collateral value, or less than average credit score. The loan is paid as agreed. If conditions persist or worsen, a more severe risk grade may be warranted. These loans are criticized and have well-defined weaknesses but are performing.

Substandard (8) loans are inadequately protected by the current sound net worth and capacity of the borrower, or the value of the collateral pledged. Credit classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation value of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow, or collateral support or a project's 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 (9) loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions, and values, highly questionable and improbable.

Loss (10) loans classified as loss are considered uncollectable and of such little value that their continuance as viable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Real Estate and Home Equity Loans: Real estate and home equity loans are generally secured by owner-occupied family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Credit Union's

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market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income source that is typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Credit Union's market area) and the creditworthiness of a borrower.

The following tables present the credit risk profile of the Credit Union's member business loans, which consist of loans to members for commercial, business, or investment purposes, based on internal rating category and payment activity as of December 31:

	<u>Commercial</u>	<u>Real Estate</u>	<u>Home Equity Loans</u>	<u>Total</u>
2025				
Pass	\$ 281,283	\$ 121,860	\$ 1,006	\$ 404,149
Special Mention	38,355	2,206	-	40,561
Substandard	10,309	15,802	-	26,111
Doubtful	-	-	-	-
	<u>\$ 329,947</u>	<u>\$ 139,868</u>	<u>\$ 1,006</u>	<u>\$ 470,821</u>
2024				
Pass	\$ 215,038	\$ 123,241	\$ 1,109	\$ 339,388
Special mention	10,743	3,284	-	14,027
Substandard	17,626	17,614	-	35,240
Doubtful	-	-	-	-
	<u>\$ 243,407</u>	<u>\$ 144,139</u>	<u>\$ 1,109</u>	<u>\$ 388,655</u>

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Non-Accrual Loans

The following table presents the Credit Union's non-accrual loans as of December 31:

	<u>2025</u>	<u>2024</u>
Real estate loans	\$ 16,135	790
Commercial loans	12,281	11,263
Consumer loans		
Direct vehicle loans	2,921	3,234
Indirect loans	9,596	8,458
Home equity loans	1,169	-
Other consumer loans, primarily unsecured	2,052	1,768
Credit card loans, unsecured	-	1,872
	<u>\$ 44,154</u>	<u>\$ 27,385</u>

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31:

	<u>2025</u>	<u>2024</u>
Real estate loans	\$ 11,693	\$ 3,133
Commercial loans	6,227	18,112
	<u>\$ 17,920</u>	<u>\$ 21,245</u>

Allowance

The following tables present the balance in the allowance and the recorded investment in loans by portfolio segment as of December 31:

	<u>Real Estate Loans</u>	<u>Commercial Loans</u>	<u>Consumer Loans</u>	<u>Credit Card Loans</u>	<u>Unallocated</u>	<u>Total</u>
2025						
Balance, beginning of year	\$ 784	\$ 8,267	\$ 35,551	\$ 6,725	\$ 399	\$ 51,726
Provision for (recapture of) credit losses	3,908	(433)	23,549	5,790	436	33,250
Losses charged off	-	(4,098)	(37,134)	(7,188)	-	(48,420)
Recoveries	-	68	13,037	2,183	-	15,288
Balance, end of year	<u>\$ 4,692</u>	<u>\$ 3,804</u>	<u>\$ 35,003</u>	<u>\$ 7,510</u>	<u>\$ 835</u>	<u>\$ 51,844</u>

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	<u>Real Estate Loans</u>	<u>Commercial Loans</u>	<u>Consumer Loans</u>	<u>Credit Card Loans</u>	<u>Unallocated</u>	<u>Total</u>
2024						
Balance, beginning of year	\$ 3,195	\$ 3,377	\$ 32,399	\$ 6,553	\$ 3,343	\$ 48,867
Provision for (recapture of) credit losses	(2,411)	6,888	25,729	5,288	(2,944)	32,550
Losses charged off	-	(1,998)	(35,311)	(6,867)	-	(44,176)
Recoveries	-	-	12,734	1,751	-	14,485
Balance, end of year	<u>\$ 784</u>	<u>\$ 8,267</u>	<u>\$ 35,551</u>	<u>\$ 6,725</u>	<u>\$ 399</u>	<u>\$ 51,726</u>

The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. Under GAAP, the unallocated portion of the allowance should be recaptured through income; however, the Credit Union believes that the unallocated portion is necessary to account for any margin of error resulting from the allowance calculation.

The following table presents the aging of the recorded investment in past due loans as of December 31:

	<u>30–60 Days Past Due</u>	<u>61–90 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Total Loans >90 Days and Accruing</u>
2025							
Real estate loans	\$ 1,497	\$ 29	\$ 3,758	\$ 5,284	\$ 334,263	\$ 339,547	\$ -
Commercial loans	105	40	2,133	2,278	327,669	329,947	-
Consumer loans	27,138	10,517	15,374	53,029	2,536,518	2,589,547	-
Government-guaranteed student loans	335	383	1,277	1,995	8,274	10,269	1,277
Loan participations	-	-	-	-	14,700	14,700	-
Credit card loans	5,494	1,962	3,376	10,832	175,258	186,090	-
Total	<u>\$ 34,569</u>	<u>\$ 12,931</u>	<u>\$ 25,918</u>	<u>\$ 73,418</u>	<u>\$ 3,396,682</u>	<u>\$ 3,470,100</u>	<u>\$ 1,277</u>
2024							
Real estate loans	\$ 1,254	\$ 490	\$ 790	\$ 2,534	\$ 321,124	\$ 323,658	\$ -
Commercial loans	5,571	6,170	11,263	23,004	220,403	243,407	-
Consumer loans	26,148	8,635	13,634	48,417	2,619,591	2,668,008	-
Government-guaranteed student loans	-	526	1,457	1,983	9,415	11,398	1,457
Loan participations	-	-	-	-	12,461	12,461	-
Credit card loans	1,494	963	1,872	4,329	179,180	183,509	-
Total	<u>\$ 34,467</u>	<u>\$ 16,784</u>	<u>\$ 29,016</u>	<u>\$ 80,267</u>	<u>\$ 3,362,174</u>	<u>\$ 3,442,441</u>	<u>\$ 1,457</u>

Government-guaranteed student loans greater than 90 days past due continue to accrue interest in accordance with contractual terms of the loan agreement and are not classified as non-accrual loans.

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Note 4. Property and Equipment

Property and equipment are summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Land	\$ 20,004	\$ 14,945
Buildings	84,926	94,332
Leasehold improvements	7,915	4,120
Furniture and equipment	<u>78,013</u>	<u>69,997</u>
	190,858	183,394
Accumulated depreciation and amortization	<u>(106,286)</u>	<u>(105,026)</u>
Net book value	<u>\$ 84,572</u>	<u>\$ 78,368</u>

Depreciation expense on property and equipment was \$6,591 and \$6,509 during the years ended December 31, 2025 and 2024, respectively.

Note 5. Members' Shares

Members' shares are summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Regular share accounts	\$ 1,056,290	\$ 1,000,592
Share draft accounts	1,165,475	1,096,910
Money market accounts	1,629,215	1,583,152
Individual retirement accounts	54,214	55,355
Share certificates	<u>1,251,144</u>	<u>1,301,422</u>
Total	<u>\$ 5,156,338</u>	<u>\$ 5,037,431</u>

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Share certificates by maturity are summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
0–1 year	\$ 1,051,819	\$ 1,134,446
1–2 years	115,885	105,592
2–3 years	29,997	31,472
3–4 years	32,458	15,804
4–5 years	<u>20,985</u>	<u>14,108</u>
Total	<u>\$ 1,251,144</u>	<u>\$ 1,301,422</u>

Regular shares, share draft accounts, money market accounts, and individual retirement accounts have no contractual maturity. Share certificates have maturities of five years or less. The aggregate amount of certificates in denominations of \$250 or more as of December 31, 2025 and 2024 were \$195,611 and \$213,174, respectively.

As of December 31, 2025 and 2024, overdraft demand shares reclassified to loans were \$2,432 and \$2,192, respectively.

Note 6. Borrowings

The Credit Union utilizes a demand loan agreement with a corporate credit union. The terms of this agreement call for the pledging of auto loans as security for any and all obligations taken by the Credit Union under this agreement. The agreement provides for a credit limit of \$150,000, with interest charged at a rate determined by the lender on a periodic basis. There were no outstanding borrowings under this agreement as of December 31, 2025 and 2024. The agreement is reviewed for continuation by the lender and the Credit Union annually.

The Credit Union also has a line-of-credit available with FHLB with the capacity to borrow up to a certain percentage of its eligible mortgage loans and securities, as defined in the FHLB Statement of Credit Policy. As of December 31, 2025 and 2024, the Credit Union pledged approximately \$434,312 and \$564,250 in mortgage loans and approximately \$1,387,892 and \$185,282, respectively, in securities. The Credit Union's borrowing capacity was approximately \$1,822,204 and \$565,654 as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, borrowings under this line approximated \$0 and \$200,000, respectively.

The Credit Union also has a line-of-credit available with FRB with the capacity to borrow up to a certain percentage of its qualified collateral, as defined in the FRB Statement of Credit Policy. As of December 31 2025 and 2024, the Credit Union's borrowing capacity was \$0 and \$214,000, respectively. December 31, 2025 and 2024, there were no funds borrowed under this agreement.

Note 7. Members' Equity

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action (PCA), 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 practices.

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The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" must comply with the NCUA's risk-based capital (RBC) final rule, which amends NCUA's PCA regulations, part 702, or the newly created Complex Credit Union Leverage Ratio (CCULR) rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed \$500,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish an RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk-weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other banking agencies. Accordingly, the RBC rule adopts a 10% RBC ratio level for "well capitalized" credit unions and an 8% RBC ratio level for "adequately capitalized" credit unions.

The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule are required to have a minimum 9% leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702. Management has selected CCULR for calculating its RBC as of December 31, 2025 and 2024.

As of December 31, 2025, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for PCA. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required net worth and ratios are as follows:

	<u>As of December 31, 2025</u>		<u>As of December 31, 2024</u>	
	<u>Amount</u>	<u>Ratio Requirement</u>	<u>Amount</u>	<u>Ratio Requirement</u>
Actual net worth	\$ 875,818	14.47%	\$ 832,926	13.78%
Amount needed to be classified as "well-capitalized"	\$ 544,819	9.00%	\$ 543,562	9.00%

Note 8. Employee Benefits

401(k) Plan

The Credit Union and its subsidiary allow their employees to participate in a contributory 401(k) retirement plan (401(k) Plan). All employees who have completed 30 days of service and agree to make contributions are eligible for the 401(k) Plan. The Credit Union matches employee contributions up to 5% of employees' annual salaries after one year of service. The Credit Union's contributions were \$2,924 and \$2,570 for the years ended December 31, 2025 and 2024, respectively, and are included in salaries and benefits in the accompanying consolidated statements of income.

Target Benefit Plan

The Credit Union has a target benefit plan (Target Plan) for all eligible employees. Under the Target Plan, the Credit Union will contribute an amount on behalf of each employee, such that the accumulated contribution and related earnings will approximate a target percentage of the employee's annual salary at retirement. Annual contributions

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of \$2,700 and \$2,300 were accrued as of December 31, 2025 and 2024, respectively, and are included in accrued expenses and other liabilities in the accompanying consolidated statements of financial condition.

Collateral Assigned Split Dollar Plan

The Credit Union has entered into collateral assignment split-dollar life insurance arrangements with certain credit union executives as part of an executive benefit program. Loan benefits were established and the proceeds were used to fund premium payments for the purchase of the executives' life insurance policies. The Credit Union has made loans of approximately \$4,018 related to the arrangements. The notes receivable require repayment to the Credit Union upon the death of the executives (and/or spouse) as specified in the policy. In accordance with Internal Revenue Service regulations, interest on the notes receivable is fixed and charged at the long-term applicable federal rate commencing on the date of execution.

The notes receivable proceeds are maintained in premium deposit accounts at the insurance carrier. These accounts are owned by the executives and have been assigned to the Credit Union as collateral for the notes receivable. Premiums are swept from the premium deposit accounts on an annual basis. The Credit Union records the lower of the outstanding loan balances or the policy surrender value and premium deposit accounts as of the reporting date. The balance of the policy surrender value and the premium deposit accounts was \$4,018 and \$3,986 as of December 31, 2025 and 2024, respectively, and is included in other assets in the accompanying consolidated statements of financial condition.

Deferred Compensation Plan

The Credit Union has entered into deferred compensation agreements with certain current members of the executive management team that accrue benefits payable to these employees during the time of employment by the Credit Union. The benefits are subject to forfeiture if the employee willfully leaves employment or employment is terminated for cause, as defined in the agreement. Benefits are payable upon retirement or at the end of certain vesting requirements. The estimated liability under the agreements is being accrued based on the earnings of established annuities. The accrued liability as of December 31, 2025 and 2024 was \$1,009 and \$1,058, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated statements of financial condition.

Note 9. Concentrations of Credit Risk

Credit Union Membership

Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's bylaws. Approximately one-third of the Credit Union's members are affiliated with Tinker Air Force Base. Included in the field of membership are employees of other military organizations and a large number of Select Employee Groups. A significant concentration of members resides in the Oklahoma City area. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of either the military organizations or the overall geographic region in which borrowers reside.

Note 10. Fair Value Measurements

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

Level 1 Quoted prices in active markets for identical assets

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

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial condition measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of December 31:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2025				
Equities				
Mutual funds	\$ 17,358	\$ 17,358	\$ -	\$ -
Available-for-sale investments				
U.S. government obligations and federal agencies securities	\$ 280,098	\$ -	\$ 280,098	\$ -
Mortgage-backed securities	\$ 1,344,753	\$ -	\$ 1,344,753	\$ -
Corporate bonds	\$ 3,371	\$ -	\$ 3,371	\$ -
Obligations of state and political subdivisions	\$ 85,419	\$ -	\$ 85,419	\$ -
2024				
Equities				
Mutual funds	\$ 14,370	\$ 14,370	\$ -	\$ -
Available-for-sale investments				
U.S. government obligations and federal agencies securities	\$ 396,348	\$ -	\$ 396,348	\$ -
Mortgage-backed securities	\$ 931,868	\$ -	\$ 931,868	\$ -
Corporate bonds	\$ 18,200	\$ -	\$ 18,200	\$ -
Obligations of state and political subdivisions	\$ 136,044	\$ -	\$ 136,044	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial condition, as well as the general classification of such assets pursuant to the valuation hierarchy.

Equities

Where quoted market prices are available in an active market, equities are classified within Level 1 of the valuation hierarchy. Level 1 equities include mutual funds.

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Available-for-Sale Investments

Fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows. Level 2 available-for-sale investments include U.S. government obligations and federal agencies securities, mortgage-backed securities, corporate securities, and obligations of state and political subdivisions. The values of these securities are determined through third-party vendors who compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities. Matrix pricing is a mathematical technique widely used in the financial institution industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark-quoted investment securities.

There have been no significant changes in valuation techniques during 2025 or 2024.

Nonrecurring Measurements

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as evidence of impairment or a change in the amount of previously recognized impairment.

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
2025					
Collateral-dependent loans	\$ 17,920	\$ -	\$ -	\$ 17,920	\$ (2,497)
Property and equipment, net	\$ 77,127	\$ -	\$ 77,127	\$ -	\$ (6,113)
2024					
Collateral-dependent loans	\$ 21,245	\$ -	\$ -	\$ 21,245	\$ (8,157)
Property and equipment, net	\$ -	\$ -	\$ -	\$ -	\$ -

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

Collateral-Dependent Loans, Net of ACL

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

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

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dependent on the sale of the collateral. These discounts and estimates are developed by comparison to historical results.

Property and equipment

Certain property associated with the Credit Union's corporate offices are valued at fair value on December 31, 2025 due to an impairment recorded. The fair value is estimated using recent market transactions on similar assets that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 11. Commitments and Contingent Liabilities

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. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

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 lines of credit were approximately \$1,073,627 and \$1,080,420, 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.