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COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS

AUDITED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2025 and 2024

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

For the Years Ended
December 31, 2025, and 2024

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INDEPENDENT AUDITORS' REPORT

Corporación Pública para la Supervisión y Seguro
de Cooperativas de Puerto Rico (COSSEC)
Board of Directors
Cooperativa de Ahorro y Crédito de Barranquitas
Barranquitas, Puerto Rico

Opinions

We have audited the accompanying financial statements of Cooperativa de Ahorro y Crédito de Barranquitas,which comprise the Statements of financial condition as of December 31, 2025 and 2024, and the related statements of income and expenses, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion over Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Cooperativa de Ahorro y Crédito de Barranquitas ("hereinafter referred to as, "the Credit Union") as of December 31, 2025 and 2024, and the results of its operations, changes in members' equity and cash flows for the years then ended, in accordance with the regulatory basis of accounting required by "Corporación para la Supervisión y Seguros de Cooperativas de Puerto Rico" (hereinafter "COSSEC"), as described in Notes 1 and 2 of the financial statements.

Qualified Opinion over Generally Accepted Accounting Principles in the United States

In our opinion, except for the significant effects on the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial condition of the Credit Union as of December 31,2025 and 2024, the result of its operations, changes in members' equity and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits for the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the regulatory basis of accounting and our qualified opinion on generally accepted accounting principles in the United States of America.

Basis for Qualified Opinion on Generally Accepted Accounting Principles in the United States of America

As described in Notes 1 and 2, the financial statements of the Credit Union are presented in accordance with the regulatory basis required by "COSSEC", which is a basis of accounting other than the accounting principles generally accepted in the United States of America, to comply with the "COSSEC" requirements. Generally accepted accounting principles require that shares be presented as deposits and the dividends paid are recognized as an interest expense. The effects on financial statements of the variances between the regulatory basis of accounting described in Note 2 and generally accepted accounting principles in the United States of America, are a decrease in members' equity and an increase in liabilities by $90,805,500 and $86,070,498 and decrease in the net income by the amount of $1,466,487 and $1,500,000, for 2025 and 2024. In addition, an increase in undistributed earnings would increase and voluntary capital reserves would reduce, which are not in conformity with generally accepted accounting principles, by $23.2 million for the year 2025.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices required by "COSSEC" and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of the internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal controls. Therefore, we do not express an opinion.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude on whether there are conditions or events considered in the aggregate, which raise substantial doubt about "The Credit Union's" ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

DPSC96-102
Cooperativa de Ahorro y Crédito de Barranquitas

San Juan, Puerto Rico
March 6, 2026

GONZÁLEZ TORRES & CO., CPA, PSC
License Number 096
Expires on December 1, 2026

GTC

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS
STATEMENTS OF FINANCIAL CONDITION
December 31, 2025, and 2024

ASSETS

	2025	2024
Cash and cash equivalents	$ 32,372,284	$ 7,813,530
Savings certificates (due over three months)	1,600,000	2,350,000
Investment in securities:		
Available for sale, at market value (amortized cost of $74,937,182 and $76,838,049)	72,897,037	73,002,441
Held to maturity	18,550,365	18,554,613
Loans receivable, (net of current expected credit losses of $9,503,884 and $9,564,541)	353,520,176	335,574,282
Investments in cooperative entities	23,081,296	22,007,455
Property and equipment, net of accumulated depreciation	9,791,904	9,022,950
Other assets	10,601,566	12,432,918
Total assets	**$ 522,414,628**	**$ 480,758,189**

LIABILITIES AND MEMBERS' EQUITY

	2025	2024
Liabilities:		
Deposits	$ 269,216,364	$ 265,387,665
Certificates of deposits	115,722,222	88,568,930
Accounts payable and accrued expenses	4,028,929	8,521,657
Total liabilities	388,967,515	362,478,252
Members' Equity:		
Shares, par value of $10	90,805,500	86,070,498
Undistributed capital reserve	16,702,560	15,771,154
Special temporary reserve	-	1,331,317
Reserve for contingencies - Circular Letter 2021-02	-	2,129,548
Regulatory reserve for institutional resilience (RRRI)	3,060,954	-
Reserve for dividends on preferred shares	250,000	-
Other voluntary reserves	22,968,244	15,313,028
Accumulated net comprehensive loss	(2,040,145)	(3,835,608)
Undistributed earnings	1,700,000	1,500,000
Total members' equity	133,447,113	118,279,937
Total liabilities and members' equity	**$ 522,414,628**	**$ 480,758,189**

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

GTC

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS
STATEMENTS OF INCOME AND EXPENSES
For the years ended December 31, 2025, and 2024

	2025	2024
Income from financial operations:		
Interest income:		
Loans	$ 24,456,261	$ 22,009,663
Investments, certificates, and savings accounts	3,479,552	2,866,551
Total interest income	27,935,813	24,876,214
Interest expense:		
Deposits and certificates of deposits	(4,668,302)	(4,418,804)
Net interest income	23,267,511	20,457,410
Allowance for current expected credit losses	(2,433,591)	(732,646)
Gross income from financial operations	20,833,920	19,724,764
Other income	5,287,472	5,754,441
General and administrative expenses	(16,807,330)	(16,467,664)
Net income	**$ 9,314,062**	**$ 9,011,541**

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

GTC

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2025, and 2024

	2025	2024
Net income	$ 9,314,062	$ 9,011,541
Other comprehensive income:		
Change in unrealized loss on securities available-for-sale	1,795,463	817,536
Net comprehensive income	**$ 11,109,525**	**$ 9,829,077**

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

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the years ended December 31, 2025, and 2024

	Shares	Undistributed capital reserve	Special temporary reserve	Reserve for contingencies - Circular Letter 2021-02	Regulatory reserve for institutional resilience	Reserve for dividends on preferred shares	Voluntary reserve for contingencies and social capital reserve	Undistributed surplus	Accumulated net comprehensive loss	Undistributed Earnings	Total Members' Equity
Balance at December 31, **2023**	$ 81,198,846	$ 9,463,075	$ 1,331,317	$ 1,228,394	$ -	$ -	$ 14,916,744	$ -	$ (4,653,144)	$ 1,500,000	$ 104,985,232
Additional investments from members	12,738,163	-	-	-	-	-	-	-	-	-	12,738,163
Withdrawal from members	(9,366,511)	-	-	-	-	-	-	-	-	-	(9,366,511)
Capitalized dividends	1,500,000	-	-	-	-	-	-	-	-	(1,500,000)	-
Transfer of inactive accounts	-	-	-	-	-	-	93,976	-	-	-	93,976
Provision for contingency reserve	-	-	-	-	-	-	302,308	-	-	(302,308)	-
Provision for contingency reserve	-	6,308,079	-	-	-	-	-	-	-	(6,308,079)	-
Contribution to contingency reserve required by COSSEC	-	-	-	901,154	-	-	-	-	-	(901,154)	-
Change in accumulated other comprehensive loss	-	-	-	-	-	-	-	-	817,536	-	817,536
Net income	-	-	-	-	-	-	-	-	-	9,011,541	9,011,541
Balance at December 31, **2024**	$ 86,070,498	$ 15,771,154	$ 1,331,317	$ 2,129,548	$ -	$ -	$ 15,313,028	$ -	$ (3,835,608)	$ 1,500,000	$ 118,279,937

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

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the years ended December 31, 2025, and 2024

	Shares	Undistributed capital reserve	Special temporary reserve	Reserve for contingencies - Circular Letter 2021-02	Regulatory reserve for institutional resilience	Reserve for dividends on preferred shares	Voluntary reserve for contingencies and social capital reserve	Undistributed surplus	Accumulated net comprehensive loss	Undistributed Earnings	Total Members' Equity
Additional investments from members	19,516,025	-	-	-	-	-	-	-	-	-	19,516,025
Withdrawal from members	(16,247,510)	-	-	-	-	-	-	-	-	-	(16,247,510)
Capitalized dividends	1,466,487	-	-	-	-	-	-	33,513	-	(1,500,000)	-
Transfer of inactive accounts	-	-	-	-	-	-	822,649	-	-	-	822,649
Provision for contingency reserve	-	-	(1,331,317)	-	-	-	6,832,567	-	-	(5,501,250)	-
Provision for contingency reserve	-	931,406	-	-	-	-	-	-	-	(931,406)	-
Transfer of inactive accounts	-	-	-	-	-	-	-	(33,513)	-	-	(33,513)
Contribution to regulatory reserve for institutional resilence	-	-	-	-	931,406	-	-	-	-	(931,406)	-
Transfer to reserve for dividends on preferred shares	-	-	-	-	-	250,000	-	-	-	(250,000)	-
Transfer to regulatory reserve for institutional resilence	-	-	-	(2,129,548)	2,129,548	-	-	-	-	-	-
Change in accumulated other comprehensive loss	-	-	-	-	-	-	-	-	1,795,463	-	1,795,463
Net income	-	-	-	-	-	-	-	-	-	9,314,062	9,314,062
Balance at December 31, **2025**	$ 90,805,500	$ 16,702,560	$ -	$ -	$ 3,060,954	$ 250,000	$ 22,968,244	$ -	$ (2,040,145)	$ 1,700,000	$ 133,447,113

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

COOPERATIVA DE AHORRO Y CRÉDITO DE BARRANQUITAS
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025, and 2024

	2025	2024
Cash flows from operating activities:		
Net income	$ 9,314,062	$ 9,011,541
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	603,873	633,481
Provision for estimated credit losses	2,433,591	732,647
Dividends from cooperative entities	(1,374,841)	(1,008,391)
Amortization of premiums and discounts	(219,446)	63,370
Change in deferred loan origination costs and fees	(748,908)	(233,140)
Sale of repossessed properties	-	-
Amortization of deferred acquisition cost - Goodwill	875,689	875,689
Provision for repossessed properties	664,096	-
Provision for investments in cooperative entities	-	300,000
Decrease (Increase) in other assets	2,457,436	(1,196,465)
(Decrease) increase in accounts payable, accrued liabilities, and deferred liabilities	(4,492,728)	2,190,496
Net cash provided by operating activities	9,512,824	11,369,228
Cash flows from investing activities:		
Increase in loans, net	(22,671,816)	(18,247,769)
Recovery of loans charged against the credit loss reserve	1,622,524	592,846
(Increase) Decrease in certificates of deposits	750,000	750,000
Investment in cooperative entities	(301,000)	-
Acquisition of equipment and improvements, net	(1,372,827)	(528,487)
Maturity and repayment of investments	106,862,185	13,919,386
Acquisition of investments	104,093,642)	(21,636,993)
Net cash used in investing activities	(19,204,576)	(25,151,017)
Cash flows from financing activities:		
Decrease in deposit, net	3,828,699	(9,762,045)
Increase in certificates of deposit	27,256,071	5,791,312
Members' additional investment in shares	19,516,025	12,738,163
Members' withdrawals in shares	(16,247,510)	(9,366,511)
Repayment of operating lease obligation	(102,779)	(99,081)
Net cash provided by (used in) financing activities	34,250,506	(698,162)
Net Increase (decrease) in cash and equivalents	24,558,754	(14,479,951)
Cash and equivalents at beginning of period	7,813,530	22,293,481
Cash and equivalents at end of period	**$ 32,372,284**	**$ 7,813,530**

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

1. ORGANIZATION AND REGULATORY MATTERS

Organization

Cooperativa de Ahorro y Crédito de Barranquitas ("Credicentro o la Cooperativa") is organized according to the laws of the Commonwealth of Puerto Rico. The Credit Union is regulated by Law Number 255 of October 28, 2002, known as "Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002". Credit unions in Puerto Rico are regulated by "Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico", also known as COSSEC by its Spanish acronym.

The Credit Union is a non-profit organization and is primarily engaged in receiving savings from its members in the form of shares and deposits (from non-members in the form of deposits) and providing its members with sources of financing and investment. The Credit Union headquarters are located in the municipality of Barranquitas and maintains five (5) branches in the municipalities of Barranquitas, Ponce, Bayamón, Toa Baja and Orocovis. As of December 31, 2025, the Credit Union has 34,776 members and 7,404 non-members.

The Credit Union provides comprehensive financial services including, but not limited to, personal loans, mortgages, auto loans, commercial loans, secured loans, among others. Additionally, it offers a wide variety of deposit products, online transactions, vehicle registration services, among others.

The shares and deposits of Credit Unions in Puerto Rico are insured by COSSEC up to $250,000 per depositor.

Regulatory Standards

Below are the most significant regulatory standards:

<u>Undistributed Capital Reserve</u>

Credit Unions shall maintain an undistributed capital reserve known as undistributed capital reserve. Thirty-five percent (35%) of the undistributed capital reserve shall be held in liquid assets.

The Credit Unions must maintain a minimum amount of undistributed capital of eight percent (8%) of the total assets at risk. The following shall be considered as elements of the undistributed capital reserve (to determine the percentage of the same on assets at risk) according to Law 255:

1. The undistributed capital reserve, including the amount accumulated by the Credit Union up to the effective date of this Law, after deducting any accumulated or current losses.

2. Any reserves of capital made by the Credit Union, except for the reserve for unrealized gains or

losses in marketable securities available for sale as required by the pronouncement issued by the FASB.

3. Fifteen percent (15%) of the undistributed retained earnings by the Credit Union.

4. The portion of reserves established by the Credit Union to absorb potential future losses on loans or financing that are not in arrears.

5. Capital obligations issued by the Credit Union and any other financial instruments expressly authorized by the Corporation (COSSEC) for inclusion as part of the undistributed capital.

6. Other elements established by the Corporation (COSSEC) through administrative determination.

As of December 31, 2025 and 2024, the Credit Union exceeds the statutory requirement for undistributed capital. The undistributed capital ratio as of December 31, 2025 and 2024 is 17.23% and 14.66%, respectively. The computation of the undistributed capital ratio on assets at risk is presented in Note 24.

Restricted Cash

The Credit Union is required to maintain a minimum level of cash for normal and current operations. Law 255 "Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002" requires the following:

a. Thirty-five percent (35%) of the undistributed capital reserve shall be held in liquid assets.

b. Any Credit Union whose undistributed capital reserve is less than eight percent (8%) of the total risky assets shall set aside and incorporate annually into the undistributed capital, twenty-five percent (25%) of its net savings until the reserve has reached and is maintained at eight percent (8%) of the assets at risk. Any Credit Union whose undistributed capital has reached and is maintained at eight percent (8%) of its assets at risk shall have discretion to reduce the contribution to the undistributed capital to no less than five percent (5%). As of December 31, 2025 and 2024, the Credit Union contributed $931,406 and $6,308,079, respectively, as undistributed capital, which represents ten (10%) of its net income, for 2025 and 70% for 2024 without considering federal funds.

c. Fifteen percent (15%) of demand deposits shall be maintained in liquid funds.

d. Fifteen percent (15%) of the total certificates shall be maintained in liquid funds, excluding those with a maturity date within the next thirty (30) days, in which case twenty-five percent (25%) shall be maintained, and certificates that are pledged, in which case liquid funds do not need to be maintained.

e. A monthly cumulatively eight-point thirty-three percent (8.33%) for specific account deposits until reaching one hundred percent (100%) shall be maintained.

f. Cross-deposits (between the Credit Union and other cooperatives) shall not be considered in eligible funds or required funds.

g. Pledged deposits shall not be required to be maintained as liquid funds.

As a result of the requirements of Act No. 255, as previously mentioned, as of December 31, 2025 and 2024, the Credit Union maintained certificates of deposit and savings accounts in the amounts of $64,601,840 and $58,963,155, respectively, which are not available for use in normal and current operations, as presented below:

	2025	2024
Required funds:		
Undistributed capital reserve (35% required)	$ 5,845,896	$ 5,519,904
Deposits and certificates of deposits - maturity more than 30 days	56,522,480	52,759,234
Deposits for special events	512,306	389,524
Certificates of deposits - maturity less than 30 days	1,721,158	294,493
Total funds required	64,601,840	58,963,155
Total funds available	121,265,543	98,793,755
Funds in excess	**$56,663,703**	**$39,830,600**

Distribution of Net Surplus

The Board of Directors shall determine the distribution of the net surplus accumulated by the Credit Union at the end of each year, after the amortization of any accumulated losses, if any, followed by contributions to the indivisible reserve and to the provision for possible loan losses, as well as any mandatory and voluntary reserves, as provided under Act No. 255. No distribution of surplus shall be made while the Credit Union has accumulated losses.

In cases where the Credit Union demonstrates that it has satisfactorily addressed the causes that originated the accumulated losses and shows sustained improvement in its financial, managerial, or operational condition, COSSEC may authorize the deferral of the accumulated loss and permit the distribution of a portion of the surplus. Due to unrealized losses on special investments, COSSEC has established a temporary rule applicable to credit unions restricting the distribution of surplus. The Credit Union has complied with such requirements.

GTC

Surplus may be distributed on the basis of rebates or refunds, computed taking into consideration the patronage of interest charged, or a combination of such patronage refunds together with dividends on paid-in and non-withdrawn shares at the end of the operating year, in such proportions and amounts as determined by the Board of Directors. All surplus distributions shall be made through credit to shares and never in cash. The crediting of shares as a result of surplus distribution may be considered as payment of the member's required annual contribution to the share account.

Unclaimed Accounts

Amounts of money and other liquid assets held by the Credit Union that remain unclaimed or have not been subject to any transaction during five (5) consecutive years, excluding amounts derived from share accounts, shall be transferred to a capital reserve of the Credit Union or to its indivisible capital, at the option of the Credit Union. Neither the imposition of service charges nor the payment of interest or dividends shall be considered a transaction or activity on the account.

On or before sixty (60) days following the end of the Credit Union's fiscal year, the Credit Union shall be required to notify the owners of inactive accounts that such accounts will be subject to transfer. This notification shall be made by publishing a list in a visible place at the Credit Union's branches and service offices for a period of ninety (90) consecutive days. Simultaneously, a notice shall be published in a newspaper of general circulation in Puerto Rico, entitled "Notice of Unclaimed Money and Other Liquid Assets Held by the Cooperativa de Ahorro y Crédito de Barranquitas". The expenses incurred by the Credit Union in connection with the publication of such notice shall be deducted proportionally from the balance of each unclaimed account.

Any person who, during the aforementioned ninety (90)-day period, presents sufficient evidence of ownership of one or more accounts identified in the list shall be entitled to have such accounts withdrawn and not transferred to the capital reserves. After an account or other liquid assets have been transferred to the capital reserves, claims shall be accepted only if filed no later than five (5) years from the date of transfer. In such cases, the Credit Union may impose administrative charges related to the investigation and analysis of the claim.

In accordance with these provisions under Act No. 255, the Credit Union's shares and deposits accounts, as well as its reserves, shall be exempt from the provisions of Act No. 36 of July 28, 1989, as amended, known as the "Unclaimed or Abandoned Money and Other Liquid Assets Act."

“Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC)”

The “Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico” was created by Act No. 114 of August 17, 2001, as amended, and is the entity responsible for regulating and insuring credit unions in Puerto Rico. It also supervises other types of cooperatives under Act No. 239 of September 1, 2004, as amended. This law provides, among other things, that:

a. The maximum combined amount of shares and deposits insured per member or depositor shall be two hundred fifty thousand dollars ($250,000) for Credit Unions.

b. Each insured Credit Union shall maintain with the Corporation, as a capital contribution and as determined by the Corporation, an amount equal to one percent (1%) of total shares and deposits held as of December 31 of each operating year, as reported in the certified statement of shares and deposits or in the certified financial statements required under this law. It shall also establish the rules and procedures to determine the annual increase in such capital contribution resulting from increases in insured shares and deposits.

c. When the sum of unrestricted reserves not committed to the payment of losses and the Corporation’s total capital exceeds two percent (2%) of total insured shares and deposits, the Corporation shall use such excess to pay interest on capital. Such interest shall be determined based on the average rate of return on the Corporation’s total assets for the twelve (12) months preceding the payment date, reduced by one percent (1%).

d. Each Credit Union shall pay an annual premium based on actuarial reports. The Board of Directors of COSSEC may determine higher premium rates, provided that actuarial studies supporting such rates are available.

As of December 31, 2025 and 2024, the Credit Union had complied with the investment requirement established by COSSEC, amounting to $4,793,154 and $4,670,438, respectively, including capitalized dividends through the date of these financial statements.

<u>Membership Fee to the League of Credit Unions of Puerto Rico</u>

The Credit Union shall contribute annually no less than one-tenth of one percent of its total business volume, up to a maximum of $4,000 per year, to the League of Credit Unions of Puerto Rico (the “League”). When such total volume exceeds $4,000,000 annually, it shall contribute an additional amount equivalent to five percent (5%) of its annual net surplus, up to an additional maximum of $6,000. The combined total contribution shall not exceed $10,000 annually. These funds shall be used by the League for educational purposes and for the integration of the Cooperative Movement.

Membership Meetings

At membership meetings, the Credit Union's members, whether natural or juridical persons, and regardless of the number of shares held, shall be entitled to one (1) vote each. No member may vote by proxy, except in the case of juridical persons, which may vote through their authorized representative. In the case of district-organized cooperatives, each district delegate shall likewise be entitled to one (1) vote.

Preferred Shares and Capital Obligations

The Credit Union, subject to COSSEC approval, may issue preferred shares, provided that such issuance does not exceed the total outstanding common shares issued and outstanding. Preferred shares shall not be insured by COSSEC, and holders thereof shall have no voting rights, nor shall they participate in membership meetings or be appointed to governing bodies of the Credit Union. The authority of the Credit Union to issue preferred shares must be approved by the General Membership Meeting.

Dividends on preferred shares shall be payable with priority over other shares. The Credit Union was authorized by the regulator in 2025 to issue 200,000 preferred shares at $100 par, for a total of $20,000,000. As of December 31, 2025 and 2024, no preferred shares were issued or outstanding.

2. SUMMARY OF MOST SIGNIFICANT ACCOUNTING PRACTICES

The most significant accounting practices followed by the Credit Union are in accordance with industry practices, Law 255 mentioned above, regulations issued by COSSEC, and with generally accepted accounting principles in the United States of America. The most significant practices are as follows:

Accounting Standards in accordance with Generally Accepted Accounting Principles in the United States of America

Shares and Undistributed Earnings

Credit Unions in Puerto Rico present members' shares in the members' equity section of the balance sheet. Accounting principles require that shares be presented in the members' deposit section of the same statement. Additionally, they recognize the distribution of their surplus by charging retained earnings, whereas accounting principles require such distributions to be recognized as interest expenses. If these items had been classified in accordance with Generally Accepted Accounting Principles in the United States of America, the total deposits would increase, and the members' equity would decrease by $90,805,500 and $86,070,498 as of December 31, 2025, and 2024.

Additionally, net income would decrease, and interest expenses would increase by $1,466,487 and $1,500,000 for the year ended December 31, 2025, and 2024, respectively.

Shares are accounted for using the cash method. This method is generally accepted by Credit Unions in Puerto Rico. The Credit Union does not issue share certificates representing common stock. However, a statement is maintained for each member showing their participation in the Credit Union's capital balance. The Credit Union's capital is not limited in amount and consists of payments made by members to subscribe to shares and the distribution of dividends in shares. According to the Credit Union's Regulations, the par value of shares shall not be less than ten dollars ($10). Pursuant to this regulation, each member must subscribe to at least twelve (12) shares per year.

Special Reserves

Law 255, dated October 28, 2002, establishes that the Board of Directors of any Credit Union may arrange for periodic contributions to voluntary reserves, which have been previously approved by the general assembly of members or delegates. Voluntary reserves may be established for any legitimate purpose that advances the interests of the Credit Union or the Credit Union Movement. The use of such reserves must comply with the purpose established in the Credit Union's Internal Regulations.

On March 2, 2009, COSSEC issued Circular Letter 09-01, which establishes the accounting treatment for the establishment of provision for possible loan losses and for the use of voluntary capital reserves. This letter indicates that "the use of any voluntary reserve must be recognized by reducing the specific voluntary reserve, as approved by the general assembly of members or delegates, and in accordance with the Credit Union's regulations, and as an increase in surplus. Accounting principles require that any provision must be recognized as a charge to its operations for the year in which the reserve is required. If these items had been classified in accordance with generally accepted accounting principles in the United States of America, such reserves would be eliminated, and the total undistributed earnings would increase by $22,968,244, and $15,313,028, as of December 31, 2025 and 2024. Here is a brief description of the mentioned reserves:

Required Reserves

Contingency Reserve Required by COSSEC - This reserve is required by Circular Letter 2021-02 issued by COSSEC to strengthen and maintain adequate levels of capitalization in light of the changes resulting from the implementation of the new accounting pronouncement known as "Current Expected Credit Losses" (CECL). During the year 2025, COSSEC required transferring this reserve to the Regulatory Reserve for Institutional Resilience (RRRI).

Special Temporary Reserve, pursuant to Act 220 of 2015 – While the Credit Union maintains losses under special amortization, it shall establish a Special Temporary Reserve equal to ten percent (10%) of the unrealized loss on Special Investments. The Credit Union no longer maintains losses under special amortization, and this reserve may therefore be available in accordance with Act 220 of the Cooperative Societies.

Regulatory Reserve for Institutional Resilience (RRRI) – In anticipation of the transitional period for the effectiveness of the CECL Contingency Reserve, and in order to preserve a regulatory protection mechanism, COSSEC established the creation of this reserve as a permanent structural protection mechanism that allows Credit Unions to maintain their financial stability and operational capacity in adverse scenarios. The balance that existed in the Contingency Reserve Required by COSSEC was transferred to this reserve.

Voluntary Reserves

Share capital reserve – This reserve was established to transfer inactive accounts exceeding five (5) years. However, such transfers may, at the discretion of the Board of Directors, be made to the indivisible capital reserve.

Contingency Reserve – This reserve was established to mitigate any loss of an extraordinary nature that could affect the Credit Union's operations. In addition, the Credit Union has recognized in this reserve the funds received from the federal Community Development Financial Institutions (CDFI) program.

Reserve for dividends on preferred shares – This reserve was established to accumulate dividends payable for the first year of an initial issuance of preferred shares totaling $5,000,000 after 2025.

The balance of voluntary reserves for the years ending December 31, 2025 and 2024, are presented below:

	2025	2024
Contingency reserve	$ 18,802,424	$ 11,969,857
Share capital reserve	4,165,820	3,343,171
Total voluntary reserves	$ 22,968,244	$ 15,313,028

Summary of Differences between Generally Accepted Accounting Principles (GAAP) and COSSEC

Below is a summary of the most significant effects of the differences between regulatory accounting practices (Regulatory Financial Statements) and the Generally Accepted Accounting Principles in the United States of America (US GAAP).

Statements of Financial Condition	**Regulatory Financial Statements**	**Adjustments to conform US GAAP**	**US GAAP Financial Statements**
ASSETS			
Cash and savings certificates	$ 33,972,284	$ -	$ 33,972,284
Available-for-sale investment securities	72,897,037	-	72,897,037
Held-to-maturity investment securities	18,550,365	-	18,550,365
Loans, net of CECL allowance	353,520,176	-	353,520,176
Investment in cooperative entities	23,081,296	-	23,081,296
Property and equipment, net of accumulated depreciation	9,791,904	-	9,791,904
Other assets	10,601,566	-	10,601,566
Total assets	$ 522,414,628	$ -	$ 522,414,628
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Deposits, shares and certificates of deposit	$ 384,938,586	$ 90,805,500	$ 475,744,086
Accounts payable and accrued expenses	4,028,929	-	4,028,929
Total liabilities	388,967,515	90,805,500	479,773,015
Members' equity:			
Shares, par value of $10	90,805,500	(90,805,500)	-
Required reserves	19,763,514	-	19,763,514
Other voluntary reserves	23,218,244	(23,218,244)	-
Accumulated net comprehensive loss	(2,040,145)	-	(2,040,145)
Undistributed earnings	1,700,000	23,218,244	24,918,244
Total members' equity	133,447,113	(90,805,500)	42,641,613
Total liabilities and members' equity	$ 522,414,628	$ -	$ 522,414,628

Statements of Income

Interest income	$ 27,935,813	$ -	$ 27,935,813
Interest expense	(4,668,302)	(1,466,487)	(6,134,789)
Net interest Income	23,267,511	(1,466,487)	21,801,024
Allowance for credit losses	(2,433,591)	-	(2,433,591)
Income after allowance for credit losses	20,833,920	(1,466,487)	19,367,433
Other income	5,287,472	-	5,287,472
General, administrative and other expenses	(16,807,330)	-	(16,807,330)
Net income (loss)	**$ 9,314,062**	**$ (1,466,487)**	**$ 7,847,575**

Accounting Standards Consistent with Generally Accepted Accounting Principles in the United States of America

Use of Estimates

The Credit Union's Management uses estimates to determine certain accruals and provisions in the accompanying financial statements. However, the use of estimates in the financial statements could present information that may not be in accordance with the actual items that will affect the financial statements.

Reclassification

Certain reclassifications are made in the Credit Union's financial statements to adjust related assets and liabilities or to conform them to the required presentation according to Generally Accepted Accounting Principles in the United States of America. Additionally, certain reclassifications were made to the financial statements for the period ended December 31, 2024, to conform them to the presentation of the financial statements for the period ended December 31, 2025. These reclassifications did not affect the Credit Union's results of operations,

Tax Matters

Tax exemptions

Law 255, as mentioned above, establishes that Credit Unions, their subsidiaries, or affiliates shall be exempt from all kinds of taxation, except as indicated below, on income, property, patent, or any other contribution imposed or that may be imposed by the Commonwealth of Puerto Rico or any political subdivision thereof.

All shares and securities issued by the Credit Unions and by any of their subsidiaries or affiliates shall be exempt, both at their full value and in the dividends or interest paid under them, from all kinds of taxation on income, property, patent, or any other contribution imposed.

However, interest or dividends received by members or depositors may be subject to income tax if the amount received exceeds the exemption limits established by the Internal Revenue Code for New Puerto Rico.

Credit Unions and their subsidiaries or affiliates are exempt from the payment of fees, including the payment of charges for licenses, patents, permits, and registrations, from the payment of charges, fees, stamps, or proofs of internal revenue concerning their registration in the Property Registry, among other exemptions according to Article 6.08 of Law 255.

Applicable Taxes

Law Number 40 of June 30, 2013, known as the "Tax Burden Adjustment and Redistribution Act", amended Article 6.08 of Law Number 255, Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002, as amended, to impose the Sales and Use Tax (SUT) established in Sections 4020.01 and 4020.02, the tax authorized by Section 6080.14, as well as the payment of excise taxes, taxes under Chapter 2, Subtitle C of the Code, as amended.

Law Number 159 of September 30, 2015, amended Law Number 1 of 2011, the Internal Revenue Code of P.R.; amends Law Number 255 of 2002; Law Number 239 of 2004 and Law Number 42 of 2015 to, among other things, impose a 4% tax effective October 1, 2015, on services rendered to other merchants, commonly known as B2B.

Law Number 40 of April 16, 2020, requires Credit Unions and other taxpayers, under certain conditions, to submit supplementary information, underlying the financial statements, which have been subjected to audit procedures applied in the audit of the financial statements carried out by a Certified Public Accountant (CPA) with a valid license in Puerto Rico. The Law applies to Credit Unions whose turnover is equal to or greater than $10 million for tax years beginning after December 31, 2019.

Cash and Cash Equivalents

The Credit Union considers cash and equivalents to include current accounts in local banks, petty cash, cash held in branches, savings accounts, Money Market Funds, and savings certificates with a maturity of less than ninety (90) days.

Loans to Members and Non-Members

The Credit Union grants personal loans to its members up to $50,000 and mortgage loans up to the maximum allowed under Regulation 7051, and to non-members in personal loans limited to the funds they have deposited in the Credit Union. Loans granted to members and non-members are documented according to the practices used in the administration of financial institutions, which are recognized as sound practices and in the public’s best interest.

Loans receivable are recognized when the funds are disbursed and the transaction is evidenced by a promissory note or loan agreement, and when requirements have been met, subject to policies or standards approved by the Board of Directors or the corresponding governing bodies. Regardless of the guarantees and collateral offered, no credit union shall grant a loan to any person unless it evidences and documents the existence of reliable sources for repayment. These sources may be the funds held at the Credit Union and retained by it, including in the case of non-members, liquid assets as provided in Article 2.03 of Law 255.

The Credit Union may grant, among other services to members and non-members, personal loans, mortgage loans, auto loans, lines of credit, refinancing, commercial loans, collateralized loans, subject to the adoption and enforcement of credit assessment policies and procedures, specifically adopted for commercial financing implemented through commercial credit officers, duly trained for such services.

Allowance for Current Expected Credit Losses

Accounting Basis:

The accompanying financial statements incorporate the requirements of ASU No. 2016-13 "Current Expected Credit Losses" ("CECL"), which introduces significant changes in accounting standards for the recognition of expected credit losses (CECL) for financial assets recognized in the financial statements.

Scope:

The scope of this new pronouncement applies to entities that hold financial assets and net investments that are not accounted for at fair value through net income. The pronouncement modifies the way in which the net realizable value in loans, available-for-sale investments, trades receivable, net investments in leases, credit exposures outside the financial statements, reinsurance receivable, and any other financial asset not excluded from the scope that has the contractual right to receive cash are determined. It is required that a financial asset (or group of financial assets) valued at amortized cost be presented at the net amount expected to be collected. The provision for credit losses is a valuation account deducted from the amortized cost basis of the financial asset(s) to present the net book value at the amount expected to be collected from the financial asset. Additionally, there are certain assets not recognized in the balance sheets where the impact on the CECL allowance needs to be evaluated, such as credit cards and lines of credit.

Management of inherent credit risks and asset quality:

The Credit Union's Management monitors the risks associated with its loan and investment portfolio, as the main financial assets subject to inherent credit and quality risk. They establish lending standards for credit approval that set parameters and conditions under circumstances and practices for approving loans. The regulations established by the regulator COSSEC set parameters for credit unions to comply with in determining their credit policies considering risk and quality factors. Additionally, the Credit Union hires advisors to monitor its investment portfolio, as well as the evaluation of its credit policies when deemed appropriate.

Allowance for credit losses ("ACL"):

The Credit Union establishes an estimate for credit losses ("ACL") for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, considering quantitative and qualitative factors. An ACL is recognized for all loans, including those originated and purchased from inception, with a corresponding charge to the provision for credit losses. Losses on loans are charged to the allowance for credit losses, and recoveries are used to reduce the ACL adjustment.

The Credit Union uses a methodology to estimate the ACL, which includes a reasonable forecast period and is supported by economic analysis to estimate credit losses, considering quantitative and qualitative factors, as well as economic outlooks. As part of this methodology, Management evaluates several macroeconomic scenarios provided by third parties. As of December 31, 2025, Management applied probability weights to the outcomes of the selected scenarios.

The application of probability includes baseline scenarios, both optimistic and pessimistic scenarios. The weights and variables applied are subject to quarterly evaluation as part of the ACL management process. The Credit Union considers additional macroeconomic factors as part of its qualitative adjustment framework. The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined to be the best factors of expected credit losses within the Credit Union's loans portfolio, and include factors such as the unemployment rate, various measures of employment levels, housing prices, gross domestic product, and available sources of income, among others.

The loss estimation framework includes a reasonable period supported by five years of experience for evaluating loan portfolios. The Credit Union developed quantitative models at the loan level distributed by geography and loan type. This segmentation was determined by evaluating their risk characteristics, including default patterns, repayment source, collateral type, and loan type, among others. The model framework includes comparable risk models to generate defaults and prepayments over the life, and other loan-level modeling techniques to estimate loss severity. Recoveries for future losses are considered as part of the loss severity model. These parameters are estimated by combining internal risk factors with macroeconomic expectations. Loans were classified into homogeneous loans in different categories of size and type to conduct similar loan analysis in determining the ACL.

Internal risk factors considered in the models may include borrower credit scores, loan-to-value ratio, delinquency status, risk ratings, interest rate, loan term, loan age, and collateral type, among others.

The credit card portfolio, due to its revolving nature, does not have a specified maturity date. To estimate the average remaining term of this segment, management evaluated portfolio payment behavior based on internal historical data.

Accounting method for determining CECL:

The institution used the "WARM" model, which is a type of prediction rate applied to expected future outstanding balances of the homogeneous loan group. The annual loss rate to be applied is determined based on the historical loss reported by the Credit Union for each group, using a historical period of several years. Afterwards, each subsequent group's outstanding balance is calculated until maturity, excluding any expected future loan origination. Lastly, the average annual loss rate is multiplied by the current and projected annual loss rate.

Foreclosed assets and others:

An entity will measure expected credit losses based on the fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. An entity will not expect the default on the amortized cost basis to be zero solely based on the current value of the financial asset(s), but will also consider the nature of the collateral, potential future changes in collateral values, and historical loss information for financial assets secured by similar collateral. Consideration should not be based solely on the value of the collateral; instead, the nature of the collateral, potential future changes in collateral values, and historical loss information for financial assets secured by similar collateral should also be considered.

Off Balance Sheet Items (Balances on credit cards and lines of credit available):

For off-balance-sheet credit exposures, an entity shall present an estimate of expected credit losses. The estimated expected credit losses on off-balance-sheet financial instruments shall be recognized separately from the provision for credit losses related to recognized financial instruments. In accordance with ASC 326-20-45-2, expected credit losses associated with off-balance-sheet instruments are recognized as a liability and reported separately from the allowance for credit losses.

Qualitative basis:

ASU No. 2016-13, also known as the Current Expected Credit Losses (CECL) standard, includes a qualitative basis that describes the factors to be considered in estimating expected credit losses for financial assets. This qualitative basis is important because it helps ensure that estimates of expected credit losses are reliable and consistent.

Some of the highlights of the qualitative basis include:

Economic situation of the country: If the economy is in recession, institutions may have more difficulty meeting their financial obligations, which could increase the risk of default and expected credit losses.

Interest rate: Monetary policy decisions affecting interest rates can impact loan profitability, which could influence provisions for credit losses.

Industry and economic sectors: Some industries and sectors may be more prone to experiencing financial difficulties than others, which could affect the credit quality of an entity's loan portfolio.

Market: If there is intense competition in the credit market, entities may have to take on more credit risks to maintain profitability, which could increase the risk of default and expected credit losses.

Global economic and political conditions: Economic and political conditions in other countries can also affect the local economy and the credit quality of an entity's loan portfolio.

The qualitative basis of ASU No. 2016-13 is important because it helps ensure that estimates of expected credit losses are reliable and consistent. It is crucial for entities to continue monitoring and adapting their processes and controls to comply with the requirements of ASU 2016-13 and to maintain a robust assessment of their credit risks. Ultimately, this will enable them to make informed and prudent decisions regarding lending and managing their existing loan portfolio.

For the years ended December 31, 2025 and 2024, the Credit Union recognized provision for credit losses expense of $2,433,591 and $732,646, respectively. In addition, it maintains an allowance for current expected credit losses of $9,503,884 and $9,564,541 as of 2025 and 2024, respectively.

Direct Costs in Loans Origination

The Credit Union adopted ASC 310-20, Receivables—Nonrefundable Fees and Other Costs, which requires the deferral and amortization of direct loan origination costs and the recognition of income generated from lending activities over the life of the loans.

Investments in Securities

Investments in securities consist mainly of securities issued by the United States government and securities collateralized by mortgages on residential, commercial, and other assets, as permitted classifications under Law 255 of 2002, as amended.

The Credit Union records investments in accordance with the requirements under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 942-320, Investments - Debt and Equity Securities. Additionally, ASC 942-825, Financial Instruments, allows companies, if they choose the option to report some financial assets and liabilities at fair value, and establishes presentation and disclosure requirements designed to facilitate comparison among companies choosing different measurement methods for the same types of assets and liabilities. This pronouncement is effective for the Credit Union as of January 1, 2008. As of December 31, 2025, and 2024, the Credit Union Management chose not to adopt the option to report some financial assets and liabilities at fair value, other than those detailed in Note 5. The following are the policies for recording investments:

- **Held-to-Maturity Securities:** Investments in held-to-maturity securities are those that Management intends to hold until maturity. These are recorded at cost, adjusted for the amortization or accretion of premiums or discounts, respectively, using the straight-line method. The cost of securities sold for the purpose of determining gains or losses is based on the amortized book value and is derecognized using the specific identification method.

- **Available-for-Sale Securities:** Available-for-sale securities are presented at fair market value. Gains or losses from the difference between book value and market value are presented in the Credit Union's equity section. The institution uses the specific identification method to identify securities sold or retained.

Realized gains or losses on the sale of available-for-sale securities are determined using the specific identification method to establish the cost of the instruments sold. In addition, Management evaluates all securities in the portfolio on an individual basis to determine whether any decline in market value is temporary or other-than-temporary. Any other-than-temporary impairment is recognized in current period operations, and the carrying value of the investment is reduced accordingly.

<u>Amortization of Premiums and Discounts</u>

Premiums and discounts on debt instruments are amortized over the remaining life of the related instrument as an adjustment to its yield using the effective interest method. Dividend and interest income is recognized when earned.

Other-Than-Temporary Impairment of Investment Securities

The decrease in the fair market value of an instrument classified as available-for-sale determined to be non-temporary, results in an impairment of the instrument's value, which is then recorded at its fair market value. To determine whether the impairment in the value of the instrument is temporary or not, the Credit Union considers all pertinent and available information about the collectability of the instrument, including prior events, current conditions, and reasonable projections and estimates demonstrating the amount of cash to be collected from the instrument. Evidence in this estimate includes reasons for impairment, the duration and severity of impairment, changes in valuation after the fiscal year-end, the projected performance of the issuer, and the overall market condition in the geographic area or industry where it operates. This assessment is conducted annually by the Credit Union's Management. As of December 31, 2025, and 2024, the Credit Union did not recognize losses from non-temporary decreases in marketable securities.

Investments in Cooperative Entities

The Credit Union records its investments in other cooperative entities at cost, increasing them by equity in the Credit Unions' earnings, once these are distributed through dividend shares. Investments in cooperative entities, by their nature, do not have a secondary market or are disposed of through sales, so a market value is not determined.

Property and Equipment

Property and equipment are accounted for at their acquisition cost, net of depreciation and amortization. Improvements that extend the useful life of the asset are capitalized. Maintenance and repairs that do not extend the useful life of such assets are charged to the operations in the year they are incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the assets.

Management evaluates the book value of property and equipment when events or changes in circumstances indicate that the book value of such assets cannot be recovered. The recoverability of the asset that will be used and retained is determined by comparing the book value with the future undiscounted cash flows expected to be generated by the asset. If it is determined that impairment of a fixed asset has occurred, the difference between the future undiscounted cash flows and the book value of the property and equipment is recognized against the operations of the year. As of December 31, 2025, and 2024, the Credit Union did not recognize losses from impairment of fixed assets.

Dividends

The Board of Directors authorized the distribution in shares of unallocated surplus for the years ended December 31, 2025 and 2024, in the amounts of $1,466,487 and $1,500,000, respectively.

Recognition of Interest Income and Expense

Interest income on loans is recognized using the accrual method up to sixty (60) days. Interest is computed on the outstanding balance. Interest expense on certificates of deposit is computed and paid periodically as established in the agreement between the Credit Union and the member or customer at the time of opening. Interest expense on deposit accounts is computed daily based on the daily balance of the account.

Fair Value of Financial Instruments

The Credit Union adopted ASC 820 Fair Value Measurement, which defines the concept of fair value, establishes a consistent framework for measuring fair value, and expands disclosures about fair value measurements. In addition, this pronouncement amended ASC 825 Financial Instruments, and as such, the Credit Union follows ASC 820 in determining the disclosure of the fair value amount of financial instruments.

Determination of Fair Value:

In accordance with ASC 820 provisions, the Credit Union determines fair value based on the price that would be received to sell the asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

The Credit Union seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, following the fair value hierarchy provided by ASC 820.

The fair value hierarchy prioritizes unadjusted quoted prices in active markets for identical assets and liabilities Level 1 and assigns the lowest priority to unobservable inputs Level 3. In some cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy.

The level within the fair value hierarchy in which the fair value measurement is entirely based will be determined based on the lowest-level input that is significant to the entire fair value measurement. Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- Inputs Level 1

  Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and can be used without adjustment to measure fair value whenever available.

- Inputs Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Inputs Level 3

Level 3 inputs are unobservable data for the asset or liability. Unobservable information is used to measure fair value to the extent that relevant observable data is not available, allowing for situations where there is little or no market activity for the asset or liability at the measurement date. However, the objective of fair value measurement remains the same, meaning the exit price at the valuation date from the perspective of a market participant holding the asset or owing the liability. Therefore, unobservable inputs will reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Net Comprehensive Income

The Credit Union's Management applied ASC 220, Comprehensive Income, which requires the disclosure of comprehensive income. Comprehensive income is the total of: (1) net income plus (2) other changes in net assets that arise from other sources. Members' Equity presents the analysis of changes in the line item of accumulated other comprehensive income (loss).

3. CASH AND CASH EQUIVALENTS

The Credit Union considers cash and equivalents to be current accounts in banks, petty cash, cash held in branches, savings accounts, investments in money market funds, and investments in savings certificates with a maturity of less than ninety (90) days. As of December 31, 2025, and 2024, the balance of cash and cash equivalents consisted of the following:

	2025	2024
Non-interest bearing accounts:		
Operating fund and petty cash	$ 3,271,319	$ 2,455,644
Cash in banks	529,900	787,532
Interests-bearing accounts:		
Savings accounts	28,571,065	4,570,354
Total cash and cash equivalents	**$32,372,284**	**$ 7,813,530**

Concentration of Risks

The Credit Union maintains cash in various financial institutions (banks and credit unions) in Puerto Rico. Bank accounts in each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for $250,000 per institution, and accounts in Credit Unions are insured by COSSEC, up to a maximum of $250,000 per institution. As of December 31, 2025, and 2024, the Credit Union held deposits in the "Banco Cooperativo de Puerto Rico" ("hereinafter Bank") totaling $32,723,438 and $7,847,611, respectively, whose balances are uninsured. However, pursuant to Article 2.04 of Law 255, Credit Unions are authorized to make deposits in said institution. Additionally, the Credit Union complies with the requirement to maintain deposits in the Bank, the percentage of which is defined in Law Number 79 of September 25, 1992. Said law amends Law Number 88 of June 21, 1966, which created the Bank.

Below are the uninsured amounts by the FDIC, COSSEC, and the Bank as of December 31, 2025,and 2024.

	Uninsured Deposits	
	2025	**2024**
Cash in banks	$ 1,476,039	$ 3,845,772
Cash in Credit Unions	500,000	750,000
Cash in Banco Cooperativo de Puerto Rico	32,723,438	7,847,611
Total	$ 34,699,477	$ 12,443,383

Additional Disclosure to the Statement of Cash Flows

The following is additional supplementary information regarding the statement ofcash flows:

	2025	**2024**
Supplemental Disclosure:		
Cash payment for interests in deposits:	$ 4,668,302	$ 4,418,804
Financing and investment activities non involving cash:		
Capitalized dividends	$ 1,466,487	$ 1,500,000
Transfer to undistributed capital reserve	$ 931,406	$ 6,308,079
Transfer (withdrawals) of inactive accounts	$ 822,649	$ 93,976
Change in unrealized loss on investments	$ 1,795,463	$ 817,536
Loans charged off	$ 4,116,771	$ 2,784,045

4. SAVINGS CERTIFICATES

Certificates of deposit with an original maturity of three months or more consist of funds invested in Banks and Credit Unions. The maturities are presented below:

Maturity	2025	2024
More than three months to a year	$ 1,600,000	$ 2,350,000
More than one year	-	-
Total	**$ 1,600,000**	**$ 2,350,000**

5. INVESTMENTS IN SECURITIES

The Credit Union records investments in accordance with the requirements of ASC 942-320, Investments - Debt and Equity Securities, and classified them as available for sale and held to maturity. As of December 31, 2025, and 2024, the investments in securities were as follows:

December 31, 2025 – Available for sale

Type of investment	Amortized Cost	Unrealized Gain	Unrealized Loss less than 12 Month	Unrealized Loss Greater than 12 Month	Market Value
Corporate Bonds	$ 11,195,999	$ -	$ -	$ (391,185)	$ 10,804,814
Federal Home Loan Mortgage	405,242	-	-	(54,868)	350,374
Federal Home Loan Bank	1,289,269	-	-	(56,836)	1,232,433
US Treasury Notes	2,234,223	425	-	-	2,234,648
US Municipal Bonds	9,353,945	-	-	(846,530)	8,507,415
US Treasury Bills	38,777,438	31,411	-	-	38,808,849
Federal Farm Credit Bank	8,720,726	-	-	(584,169)	8,136,557
Federal National Mortg Assoc	2,781,455	-	-	(117,827)	2,663,628
Association (GNMA)	178,885	-	-	(20,566)	158,319
Total	**$ 74,937,182**	**$ 31,836**	**$ -**	**$ (2,071,981)**	**$ 72,897,037**

December 31, 2024 – Available for sale

Type of investment	Amortized Cost	Unrealized Gain	Unrealized Loss less than 12 Month	Unrealized Loss Greater than 12 Month	Market Value
Corporate Bonds	$ 11,301,763	$ -	$ -	$ (846,573)	$ 10,455,190
Federal Home Loan Mortgage	452,315	-	-	(78,470)	373,845
Federal Home Loan Bank	6,827,491	1,335	-	(198,615)	6,630,211
US Treasury Notes	9,356,477	4,861	(9,930)	-	9,351,408
US Municipal Bonds	26,111,135	580,620	(157,607)	(1,938,069)	24,596,079
US Treasury Bills	10,951,988	42,347	-	-	10,994,335
Federal Farm Credit Bank	8,770,805	-	-	(1,061,636)	7,709,169
Federal National Mortg Assoc	2,989,316	-	-	(267,831)	2,721,485
Association (GNMA)	199,808	-	-	(29,089)	170,719
Total	**$ 76,961,098**	**$ 629,163**	**$ (167,537)**	**$ (4,420,283)**	**$ 73,002,441**

December 31, 2025 – Held to Maturity

Type of investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Farm Credit Bank (FFCB)	$ 18,550,365	$ -	$ (4,948,510)	$ 13,601,855
Total	**$ 18,550,365**	**$ -**	**$ (4,948,510)**	**$ 13,601,855**

December 31, 2024 – Held to Maturity

Type of investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Farm Credit Bank (FFCB)	$ 18,554,613	$ -	$ (5,744,648)	$ 12,809,965
Total	**$ 18,554,613**	**$ -**	**$ (5,744,648)**	**$ 12,809,965**

The amortized cost and estimated market value of investments in securities as of December 31,2025, and 2024, by their maturity, are presented below:

	2025		2024	
Maturity	**Amortized Cost**	**Market Value**	**Amortized Cost**	**Market Value**
Less than one year	$41,770,375	$41,790,954	$25,588,930	$25,542,011
From one to five years	25,062,582	23,728,573	27,676,684	25,979,410
From five to ten years	15,045,065	12,308,969	19,520,263	17,666,418
More than ten years	11,609,525	8,670,395	22,729,834	16,624,567
Total	**$93,487,547**	**$86,498,891**	**$95,515,711**	**$85,812,406**

Expected maturities of investments may differ from contractual maturities because borrowers may have the right to call or prepay their obligations.

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6. LOANS

The Credit Union loan portfolio as of December 31, 2025, and 2024, consisted of the following types and classes of financing:

	2025	2024
Commercial:		
Not-profit entities	$ 5,637,261	$ 5,817,951
Corporations	27,574,388	24,918,717
Total commercial loans	33,211,649	30,736,668
Consumer:		
Personal	181,573,645	165,684,779
Emergency	28,426	32,669
Auto	102,697,995	104,090,876
Mortgage	40,983,469	40,659,897
Lines of credit	106,363	97,968
Credit cards	2,601,261	2,763,622
Total consumer loans	327,991,159	313,329,811
Total loans	361,202,808	344,066,479
Allowance for Credit Losses	(9,503,884)	(9,564,541)
Plus deferred costs in loans origination	1,821,252	1,072,344
Total loans, net	**$ 353,520,176**	**$ 335,574,282**

Allowance for Credit Losses

The movement of the provision for estimated credit losses of loans from the Credit Union as of December 31, 2025, and 2024, is as follows:

December 31, 2025	Commercial	Commercial	Total
Beginning balance	$ 2,265,742	$ 7,298,799	$ 9,564,541
Additional allowance for the year	-	2,433,590	2,433,590
Recovery of previously charged-off loans	-	1,622,524	1,622,524
Loans write-offs	(42,782)	(4,073,989)	(4,116,771)
Balance at the end of the year	**$ 2,222,960**	**$ 7,280,924**	**$ 9,503,884**

December 31, 2024	Commercial	Commercial	Total
Beginning balance	$ 2,271,265	$ 8,751,828	$ 11,023,093
Additional allowance for the year	-	732,647	732,647
Recovery of previously charged-off loans	-	592,846	592,846
Loans write-offs	(5,523)	(2,778,522)	(2,784,045)
Balance at the end of the year	**$ 2,265,742**	**$ 7,298,799**	**$ 9,564,541**

Quality Indicators for the Commercial Loan Portfolio

As part of the evaluation of concentration risk of the commercial loans portfolio, the Credit Union implemented a process to assess the quality of commercial credit. For commercial loans, Management conducted an individual risk assessment considering the probability of recovery and the quality of collateral. The Credit Union used the following classifications to evaluate its risk within the portfolio:

Without Exception – The debtor has adequate capital and the ability to repay the debt in the normal course of business.

Follow-up – The loan is adequately secured with collateral as of December 31, 2025, and 2024, but there is potential for deterioration. The debtor's financial information is inconsistent or underbudget, presenting the possibility of short-term liquidity problems. Other typical characteristics of this classification include lack of recent financial information, low capitalization, or industry risks. The primary repayment source remains in good condition, but there is a possibility of needing to use collateral or the assistance of a guarantor to repay the debt. Although this type of loan is current and recovery is understood not to be in doubt, the frequency of payments could be affected.

Sub-Standard – This type of loan is not adequately protected due to deterioration in the debtor's net capital or collateral impairment. The debtor has clear weaknesses in their financial condition that affect loan recovery. It is likely that the Credit Union will not recover the full amount of the loan. Loans classified in this category are considered impaired and do not accrue interest, so payments received are applied to the principal.

Doubtful – The loan has deficiencies of those presented in the "Sub-standard" category. In addition, the collectability of part or all the loans is highly improbable. The possibility of loss is extremely high, but there are some specific conditions that could be resolved in favor of the debtor and therefore strengthen the likelihood of loan recovery. The loan has not been written off until a clearer view of the effect of the specific conditions mentioned above is obtained. These conditions may include additional capital injection, new collateral, refinancing, or liquidation process. Loans classified in this category are considered impaired and do not accrue interest, so payments received are applied to the principal.

Below is the commercial loan portfolio classified by risk category:

December 31, 2025	**Without exception**	**Follow-up**	**Sub-standard**	**Doubtful**	**Total**
Corporations	$ 25,855,979	$ 1,164,143	$ 333,314	$ -	$ 27,353,436
Non-profit organizations	5,637,261	220,952	-	-	5,858,213
Total commercial	**$ 31,493,240**	**$ 1,385,095**	**$ 333,314**	**$ -**	**$ 33,211,649**

December 31, 2024	**Without exception**	**Follow-up**	**Sub-standard**	**Doubtful**	**Total**
Corporations	$ 23,421,260	$ 1,164,143	$ 333,314	$ -	$ 24,918,717
Non-profit organizations	5,596,999	220,952	-	-	5,817,951
Total commercial	**$ 29,018,259**	**$ 1,385,095**	**$ 333,314**	**$ -**	**$ 30,736,668**

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The Credit Union monitors the aging of its commercial loans portfolio in order to manage credit risk. Below are the categories of aging for the commercial portfolio:

December 31, 2025	Current or 0-60	61-181	181-361	361 or more	Total	90+ & Not Accrued
Corporations	$27,353,436	$ -	$ -	$ -	$27,353,436	$ -
Non-profit Organizations	5,858,213	-	-	-	5,858,213	-
Total commercial	**$33,211,649**	**$ -**	**$ -**	**$ -**	**$33,211,649**	**$ -**

December 31, 2024	Current or 0-60	61-181	181-365	361 or more	Total	90+ & Not Accrued
Corporations	$24,890,591	$ 15,000	$ 13,126	$ -	$24,918,717	$ 15,000
Non-profit Organizations	5,817,951	-	-	-	5,817,951	-
Total commercial	**$30,708,542**	**$ 15,000**	**$ 13,126**	**$ -**	**$30,736,668**	**$ 15,000**

Consumer and mortgages loan portfolio credit quality indicators

The Credit Union maintains various types of consumer loans, which carry different credit risks. Delinquency, charge-off experience, and loan-to-collateral value are key credit quality indicators that the Credit Union monitors and uses in evaluating the allowance for expected credit losses on its consumer loan portfolio. The factors used in assessing the allowance for expected credit losses for the consumer portfolio are determined based on Accounting Standards Codification (ASC) 326, as discussed in Note 2 to these financial statements, and include assigning risk to each consumer loan product based on its aging.

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The following presents the aging categories of the consumer and mortgages loans portfolio as of December 31, 2025 and 2024:

December 31, 2025	**Current or 0-60**	**61-180**	**181-365**	**365 o more**	**Total**	**90+ & Not Accrued**
Personal and emergency	$178,376,005	$ 1,538,290	$ 977,372	$ 3,088	$ 180,894,755	$2,518,750
Mortgages	39,104,878	672,127	401,893	804,571	40,983,469	1,878,591
Auto	102,065,126	535,735	97,134	-	102,697,995	632,869
Credit cards and lines of credit	2,611,151	53,546	42,927	-	2,707,624	96,473
Restructured loans	674,095	29,315	3,906	-	707,316	33,221
Total	**$322,831,255**	**$ 2,829,013**	**$ 1,523,232**	**$ 807,659**	**$ 327,991,159**	**$ 5,159,904**

December 31, 2024	**Current or 0-60**	**61-180**	**181-365**	**365 o more**	**Total**	**90+ & Not Accrued**
Personal and emergency	$161,569,534	$ 3,233,169	$ 53,142	$ -	$ 164,855,845	$ 3,286,311
Mortgages	39,480,716	245,382	25,149	908,651	40,659,898	1,179,182
Auto	103,326,564	764,312	-	-	104,090,876	764,312
Credit cards and lines of credit	2,760,959	22,354	78,277	-	2,861,590	100,631
Restructured loans	845,179	15,171	1,252	-	861,602	16,423
Total	**$307,982,952**	**$ 4,280,388**	**$ 157,820**	**$ 908,651**	**$ 313,329,811**	**$ 5,346,859**

The following presents the types of loans that comprise the consumer loan portfolio, classified based on their charge-off experience at the time of origination:

	Charge-off distribution				
December 31, 2025	**Less than 600**	**Between 600-650**	**Between 651-700**	**More than 701**	**Total**
Personal and emergency	$ 16,956,743	$ 9,125,052	$ 27,653,720	$127,160,224	$ 180,895,739
Mortgages	38,306,854	2,881,604	7,466,889	18,219,604	66,874,951
Auto	27,714,145	2,044,376	7,105,651	69,358,214	106,222,386
Credit cards and lines of credit	3,892,768	165,764	427,203	1,869,321	6,355,056
Restructured loans	528,341	116,029	126,538	83,768	854,676
Total	**$ 87,398,851**	**$ 14,332,825**	**$ 42,780,001**	**$216,691,131**	**$ 361,202,808**

	Charge-off distribution				
December 31, 2024	**Less than 600**	**Between 600-650**	**Between 651-700**	**More than 701**	**Total**
Personal and emergency	$ 15,183,097	$ 9,639,228	$ 29,192,802	$110,840,718	$ 164,855,845
Mortgages	33,651,366	2,336,482	13,742,977	21,665,740	71,396,565
Auto	28,246,913	2,522,985	8,037,267	65,283,713	104,090,878
Credit cards and lines of credit	25,381	16,570	46,782	2,772,857	2,861,590
Restructured loans	510,583	124,759	132,434	93,825	861,601
Total	**$ 77,617,340**	**$ 14,640,024**	**$ 51,152,262**	**$200,656,853**	**$ 344,066,479**

The Loan to Value (LTV) ratio of the collateral is the percentage calculated by dividing the principal balance of the loan, by the collateral value at the time of origination. In recent years, residential real estate markets have experienced declines in property values. The loan-to-value ratio does not necessarily reflect the repayment performance but provides an indicator of collateral value and exposure for the Credit Union. In cases where the loan cannot be recovered, the loss the Credit Union would incur should be limited to the excess of the net realizable value of the property compared to the loan balance. The distribution of the mortgage loan portfolio according to the aforementioned ratio is presented below.

December 31, 2025	Loan-to-Value (LTV) Ranges				
	0-80%	81-90%	91-100%	>100%	Total
Mortgages	$37,678,953	$ 2,539,333	$ 765,183	$ -	$40,983,469

December 31, 2024	Loan-to-Value (LTV) Ranges				
	0-80%	81-90%	91-100%	>100%	Total
Mortgages	$37,019,696	$ 3,046,074	$ 594,127	$ -	$40,659,897

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Delinquent loans

The following presents a summary of delinquent loans by loan type as of December 31, 2025 y 2024:

	2025		2024	
	Unpaid Principal Balance	**Specific allowance**	**Unpaid Principal Balance**	**Specific allowance**
Corporations	$ -	$ -	$ 28,126	$ -
Personal	2,518,750	586,313	3,286,311	919,321
Mortgages	1,878,592	522,482	1,179,182	569,456
Auto	632,869	83,692	764,312	171,144
Credit cards and lines of credit	96,473	30,564	100,630	25,491
Other	33,221	33,221	16,423	16,423
Total	**$ 5,159,905**	**$ 1,256,272**	**$ 5,374,984**	**$ 1,701,835**

The following presents a summary of modified loans classified as restructurings, and those restructured loans that subsequently became delinquent, as of December 31, 2025.

	Restructured Loans			Delinquent Restructured Loans		
December 31, 2025	**Quantity of Loans**	**Principal Balance**	**Reserve Impact**	**Quantity of Loans**	**Principal Balance**	**Reserve Impact**
Consumer:						
Personal	66	$ 726,855	$ 218,056	4	$ 33,221	$ 9,966
Total	**66**	**$ 726,855**	**$ 218,056**	**4**	**$ 33,221**	**$ 9,966**

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7. OFF BALANCE SHEETS FINANCIAL INSTRUMENTS RISK IN THE STATEMENT OF FINANCIAL POSITION

In the normal course of business, the Credit Union uses certain risk instruments that are not recognized in the balance sheet to meet the financing needs of its members. These financial instruments include commitments to extend credit and credit cards. These instruments possess, at various levels, elements of credit risk exceeding those recognized in the balance sheet. The nominal or contractual amounts of such instruments, which are not included in the balance sheet, are indicative of the Credit Union's activities in a particular financial instrument.

The Credit Union uses credit standards similar to those used for financial instruments reported in the statement of financial condition, when making commitments and conditional credit guarantees. Commitments to extend credit are contractual obligations to lend funds to members at a predetermined interest rate for a specific period of time. Because many of these commitments expire without any disbursement being made, the total balance of commitments does not necessarily represent future disbursements required.

The Credit Union evaluates the creditworthiness of its members individually before extending credit and determines, through credit assessment of the applicant, the amount of collateral to be obtained as a condition to the requested credit. The amount of commitment to extend credit as of December 31, 2025, and 2024, is composed of the following:

	2025	2024
Credit cards	$4,654,917	$5,109,782
Lines of credit	$6,690,441	$7,617,239

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8. INVESTMENTS IN COOPERATIVE ENTITIES

Investments in cooperative entities represent deposits made in cooperative organizations and entities in Puerto Rico. The investment is recorded at cost, plus dividends received on such investments. Investments in cooperative entities as of December 31, 2025 and 2024 are composed of the following:

	2025	2024
Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC)	$ 4,793,154	$ 4,670,438
Cooperativa de Seguros Múltiples de Puerto Rico	6,740,517	6,241,220
Banco Cooperativo de Puerto Rico (BANCOOP)	8,751,146	7,998,318
Cooperativa de Seguros de Vida de Puerto Rico (COSVI)	2,139,520	2,439,520
Fondo de Inversión y Desarrollo Cooperativo (FIDECOOP)	502,081	502,081
USICOOP	75,000	75,000
Liga de Cooperativas de Puerto Rico	2,560	2,560
Cooperativa de Servicios Fúnebres	57,318	57,318
CSM Mortgage	20,000	20,000
Circuito Cooperativo	-	1,000
Total	**$ 23,081,296**	**$ 22,007,455**

9. PROPERTY AND EQUIPMENT

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

	2025	2024
Property and equipment subject to depreciation		
Buildings and improvements	$ 12,936,486	$ 12,126,979
Furniture, equipment, and software	4,455,341	4,265,636
Vehicles	95,972	83,972
Total depreciable assets	17,487,799	16,476,587
Accumulated depreciation	(9,663,703)	(9,059,830)
Total property and equipment, net of accumulated depreciation	7,824,096	7,416,757
Property and equipment not subject to depreciation		
Construction in progress	393,911	32,296
Land	1,573,897	1,573,897
Total property and equipment, net	**$ 9,791,904**	**$ 9,022,950**

10. OTHER ASSETS

Other assets as of December 31, 2025 and 2024 are presented below:

	2025	2024
Interests receivable on loans, certificates, and others	$ 1,763,256	$ 1,815,814
Insurance, and other prepaid and deferred expenses	579,107	265,206
Repossessed vehicles and properties, net of allowance	1,182,262	800,707
Operating lease, net of amortization (See Note 13)	170,636	273,415
Deferred acquisition costs or goodwill, net	5,691,327	6,566,916
COSSEC prepaid regulatory fee	519,643	559,046
Other accounts receivable and ACH transactions in transit	695,335	2,151,814
Total	**$10,601,566**	**$12,432,918**

11. DEPOSITS

As of December 31, 2025, savings accounts earned an average interest rate ranging from 0.10% for non-members up to 0.25% for members. The interest rate may vary depending on the account balance, type of account, membership status (member or non-member), and compliance with minimum balance requirements, among other factors. At that date, interest rates on savings certificates averaged 3.48% for members and 1.73% for non-members, except for cooperatives, for which the applicable average rate was 3.84%. Interest rates on deposits for specific-purpose events averaged 3.00% for both members and non-members. In summary, the total deposit portfolio as of December 31, 2025 and 2024 bore an average interest rate of 1.02% and 0.86%, respectively.

Members may withdraw their savings at any business day. However, when deemed necessary by the Board of Directors of the Cooperative, members may be required to provide thirty (30) days' advance notice of their intention to make withdrawals.

Deposits in the summer and Christmas savings plans are paid annually in April and October, respectively. Deposits as of December 31, 2025 and 2024 are composed of the following:

	2025	2024
Deposit accounts	$ 230,182,818	$ 231,488,970
Checking accounts	37,676,676	32,807,216
Savings accounts for youth	217,912	215,282
NaviCoop	592,799	467,057
VeraCoop	546,159	409,140
Total	**$ 269,216,364**	**$ 265,387,665**

As disclosed in Note 1, the maximum combined amount of shares and deposits insured per member or depositor by the Puerto Rico Credit Union Insurance and Supervision Corporation (COSSEC) is $250,000 for credit unions. As of December 31, 2025, members and customers of the Credit Union maintained $52,399,989 in deposits, certificates of deposit, and shares in excess of the amount covered by COSSEC insurance.

12. CERTIFICATES OF DEPOSITS

The interest rates on certificates of deposit vary based on the amount and the negotiated term. In accordance with ASC 942-405-50, time deposits in denominations of $250,000 or more totaled $31,109,367 as of December 31, 2025. In accordance with ASC 470-10-50, the following presents time deposits by maturity:

For the year ending December 31,	Amount
2026	$ 104,102,461
2027	6,726,841
2028	835,870
2029	597,737
2030 en adelante	3,459,313
Total	**$ 115,722,222**

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2025 and 2024, consist of the following:

	2025	2024
Service providers, materials, and others	$ 1,741,779	$ 5,418,056
Accrued expenses	161,097	216,795
Mortgage loan prepayments (escrow accounts)	253,442	268,130
Salaries, bonuses, vacation, incentives, and withholdings	361,254	368,629
Operating lease	170,636	273,415
Loans insurance	42,988	436,120
Other	1,297,733	1,540,512
Total	**$ 4,028,929**	**$ 8,521,657**

Operating Lease Agreements

The Credit Union maintains one (1) lease agreement for a facility used as a branch in Ponce, with an area of 3,750 square meters, including a building and parking area, located on Ave. Tito Castro (PR-14) in Ponce, Puerto Rico. The lease term, classified as an operating lease, is for five (5) years and expires on April 4, 2027. Beginning April 4, 2023, the Credit Union is required to make monthly payments of $9,258 during the initial five (5) years of the lease term through April 4, 2027.

The projected lease payments to be made through the expiration of the lease agreement for the following years, attributable to principal, are as follows:

Year ending December 31:	
2026	111,096
2027	64,806
Total	$ 175,902

The lease expense for capitalizable leased assets under real estate rental agreements for the years ended December 31, 2025 and 2024 amounted to $22,607 and $24,705, respectively. Operating lease expense is included in the statement of income and expenses. Notwithstanding that the lease agreements are classified as operating leases and include step-up payment provisions for future periods, the Credit Union recognizes rental expense as incurred in accordance with the contractual terms for each period and records deferred rent under operating leases, as presented in Note 10.

14. OTHER INCOME

Other income as of December 31, 2025 and 2024, consist of the following:

	2025	**2024**
Service charges	$ 1,476,068	$ 1,477,986
Commissions	258,029	222,747
"ATM" and credit card fees	189,119	192,812
Dividends and refunds	1,821,679	1,582,201
Mortgage closing services	99,142	166,057
(Loss) Gain on sale of investments	(27,860)	47,526
Gain on sale of land	1,746	223,180
Others	1,469,549	1,841,932

Total	**$ 5,287,472**	**$ 5,754,441**

15. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of general and administrative expense of the Credit Union for the period ending December 31, 2025 and 2024, consists of the following items:

	2025	**2024**
Salaries, employer contributions, and benefits	$ 4,914,506	$ 3,624,263
Pension plan	253,025	525,000
Health Insurance	605,347	678,301
Insurance	1,581,907	1,516,826
Depreciation and amortization	602,876	633,481
Rent	353,049	324,528
Amortization of special investments	-	1,331,317
Goodwill amortization	875,589	875,589
Education and dues	23,806	22,724
Marketing	1,079,045	714,583
Assemblies	114,000	149,176
Board of Directors	200,168	197,716
Professional Services	2,734,100	2,409,764
Repairs and maintenance, licenses, and software programming	410,820	558,343
Utilities	362,461	348,153
Postage and mailing	96,669	97,172
Office and administrative supplies	15,498	13,625
Mastercard maintenance fees	926,972	843,514
Credit inquiries	77,710	67,592
Bank charges	158,979	166,944
Losses on repossessions, disposal of investments, and other	62,352	63,370
Others	1,358,451	1,305,683
Total	**$ 16,807,330**	**$ 16,467,664**

16. GROUP LIFE INSURANCE ON SHARES AND LOANS

Members who meet the eligibility requirements are covered by share insurance, which provides coverage up to a maximum of $7,000. Loan insurance is paid by the members and provides coverage up to a maximum of $50,000. These insurance coverages are maintained with the Cooperativa de Seguros de Vida (COSVI).

The loan insurance premium is paid by the members, while the share insurance premium is paid by the Credit Union. Insurance expense for the years ended December 31, 2025 and 2024 amounted to $112,683 y $109,500, respectively.

17. HEALTH INSURANCE

The Credit Union provides a health insurance plan for its employees and contributes one hundred percent (100%) of the cost of individual coverage. Health insurance expense for the years ended December 31, 2025 and 2024 amounted to $605,347 and $678,301, respectively.

18. COOPERATIVE EDUCATION PROVISION

The Credit Union is required under Act No. 255 to set aside annually, for educational purposes and the promotion of cooperativism in Puerto Rico, not less than one-tenth of one percent (0.10%) of total business volume. Within three (3) months following the close of each fiscal year, credit unions shall determine the amount resulting from this calculation, up to a maximum of $4,000. Any credit union whose total business volume exceeds $4,000,000 annually is required to contribute an additional five percent (5%) of its net surplus, up to a maximum of $10,000.

The Credit Union accrued the expense related to the cooperative education provision as of December 31, 2025 and 2024.

19. PENSION PLAN

The Credit Union maintains a defined contribution pension plan covering all eligible employees. The Credit Union contributes on behalf of employees up to a maximum of four percent (4%) of monthly salary, depending on various factors, and also pays for plan administration costs. It is the Credit Union's policy to make monthly deposits of the accumulated pension costs into a trust established for this purpose with EMPOWER. Pension expense for the years ended December 31, 2025 and 2024 amounted to $253,025 and $525,000, respectively.

20. COMMITMENTS AND CONTINGENCIES

Agreements for Share Draft Accounts Maintenance

As part of other services provided to its members, the Credit Union maintains checking accounts or share draft accounts. The Credit Union is responsible for all risks associated with the operation of share draft accounts, including, but not limited to, customer acceptance, account opening, acceptance of overdraft deposits, establishment of holds on deposited checks, customer credit risk assessment, and all other risks inherent to this type of service. The administrative costs of these accounts are borne by the Credit Union. The Credit Union establishes charges for its services to customers. The Credit Union maintains an agreement with Banco Cooperativo to represent it in the clearing and return of checks, in accordance with the regulations of the Puerto Rico Clearinghouse Association.

Compliance with State and Federal Laws

Credit unions are subject to compliance with state and federal laws and regulations governing regulatory matters, consumer protection laws related to consumer and mortgage lending, and other applicable financial institution regulations. These include anti-money laundering procedures, due diligence processes, required consumer disclosures, among others. Management of the Credit Union maintains a program designed to reasonably ensure compliance with applicable laws and regulations. The Credit Union has not been subject to interventions by federal or state agencies for noncompliance. Failure to comply with such laws and regulations could result in fines or other legal or criminal actions. The accompanying financial statements do not include any adjustments related to these uncertainties.

Legal Actions

The Credit Union is a plaintiff in legal actions commonly associated with financial institutions of its nature in the collection process of delinquent loans. In addition, the Credit Union is not a party to any legal action against it that is considered significant as of year-end.

Loan Purchase and Servicing Agreement

The Credit Union entered into a loan purchase and servicing agreement with several loan sales companies (the selling parties), whereby such selling companies are responsible for the administration and collection of the loans.

Loans are primarily originated for the acquisition of vehicles and commercial equipment. The Credit Union holds title to the purchased loans.

The loan selling parties retain responsibility for the collection of principal and interest payments, contributions, insurance, and reserves on a monthly basis. These payments are remitted to the Credit Union in accordance with the agreed-upon terms. If any of these loans become delinquent, the selling parties are responsible for following up with the borrower, contacting the customer, and performing collection efforts to bring the loan current, including legal proceedings if necessary.

For the services described above, the selling parties charge the Credit Union a monthly fee equal to 0.25% of the average principal payments received monthly from customers, plus 50% of various fees, such as late payment charges, extensions, among others.

Interest Rate Risk

Interest rate risk is the exposure of a credit union's current or future earnings and capital to adverse changes in market interest rates. This risk is a normal part of the risks managed by financial institutions and credit unions.

Proper management of this risk is an important source of profitability and value for credit unions. However, excessive interest rate risk may place pressure on earnings, capital, liquidity, and the solvency of financial institutions.

During the year ended December 31, 2025, the effect of the monetary policy of the Federal Reserve of the United States, particularly the pace of interest rate increases, has placed pressure on financial institution statements of financial position in general, specifically on the aforementioned areas.

As of December 31, 2025, the Credit Union continued to closely measure and monitor this risk in order to anticipate and effectively manage any adverse effects that may arise from its exposure.

Credit Risk Concentration

There is a geographic concentration in the loan portfolio, as the Credit Union's operations are primarily conducted with members and customers in the municipalities of Barranquitas, Orocovis, Ponce, Bayamón, Toa Baja, and surrounding areas. Loan concentration by type is presented in Note 6 of these financial statements.

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21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to determine the fair value of financial instruments:

- The carrying amount of cash, financial liabilities, and shares approximates their fair value due to their short-term nature. As an industry practice in a merger, consolidation, or sale of assets and liabilities to another credit union, such items are recorded at carrying value in such transfer.

- The carrying amount of cash equivalents and certificates of deposit approximates their fair value due to their nature.

- The fair value of loans was estimated using the discounted value of impaired loans, based on their unreserved risk. The estimated value of loans, advances, and other receivable is net of the specific allowance. The Credit Union classifies these assets as Level 3 within the fair value hierarchy. Management determined that the most appropriate method available to estimate the fair value of loans is the methodology described above. The Credit Union's and industry practice is to hold loans in the portfolio; there are no recent purchases or sales of loans to support an alternative fair value estimate.

- The estimated value of investments is based on market prices when available (Level 1), quoted market prices for similar investments (Level 2), or the most recent transaction price for the instrument in an active market (Level 2), or the proportional net assets of related entities, as applicable.

- The value of investments in cooperative entities represents the original cost of the investments, plus capitalized dividends, less withdrawals or refunds. Management believes that the fair value of such investments approximates carrying value due to their regulatory nature. In a purchase or sale of financial assets within a credit union, the value assigned to these shares by the acquiring credit union equals their par value, in transactions supervised and executed by COSSEC.

- Repossessed vehicles and repossessed properties are recorded at the lower of cost (loan carrying value) or fair value less estimated costs to sell. Fair values are derived from property appraisals. If the property is recently acquired, it is recorded at fair value less costs to sell at the acquisition date. The Credit Union classifies these assets as Level 3 within the fair value hierarchy.

Financial Assets Recognized at Fair Value on a Recurring Basis

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

	December 31,2025			
Type of investment	Nivel 1	Nivel 2	Nivel 3	Total
Available-for-sale securities	$ -	$ 72,897,037	$ -	$ 72,897,037
Held-to-maturity securities	-	18,550,365	-	18,550,365
Total	$ -	$ 91,447,402	$ -	$ 91,447,402

	December 31, 2024			
Type of investment	Nivel 1	Nivel 2	Nivel 3	Total
Available-for-sale securities	$ -	$ 73,002,441	$ -	$ 73,002,441
Held-to-maturity securities	-	12,809,965	-	12,809,965
Total	$ -	$ 85,812,406	$ -	$ 85,812,406

Fair Value Determined

As of December 31, 2025 and 2024, the estimated fair value of financial instruments was determined as follows:

	2025		**2024**	
	Book Value	**Fair Value**	**Book Value**	**Fair Valuer**
Financial assets:				
Cash and cash equivalents	$ 32,372,284	$ 32,372,284	$ 7,813,530	$ 7,813,530
Certificates of deposit (due over three months)	1,600,000	1,600,000	2,350,000	2,350,000
Available-for-sale securities investments	72,897,037	72,897,037	73,002,441	73,002,441
Held-to-maturity securities investments	18,550,365	18,550,365	18,554,613	12,809,965
Loans, net of allowance for loan losses	353,520,176	349,616,543	335,574,282	330,199,298
Investment in cooperatives entities	23,081,296	23,081,296	22,007,455	22,007,455
	$ 502,021,158	**$ 498,117,525**	**$ 459,302,321**	**$ 448,182,689**
Financial liabilities:				
Deposits	$ 269,216,364	$ 269,216,364	$ 265,387,665	$ 265,387,665
Certificates of deposits	115,722,222	115,722,222	88,568,930	88,568,930
Shares	90,805,500	90,805,500	86,070,498	86,070,498
	$ 475,744,086	**$ 475,744,086**	**$ 440,027,093**	**$ 440,027,093**

GTC

22. RELATED PARTY TRANSACTIONS

Virtually, all the Credit Union's employees and members of the Board of Directors maintain savings accounts and loans payable to the Credit Union, and enjoy the services provided by the Institution. The terms of these transactions (interest charged and paid) are similar to those of accounts held by members in general.

Below is the movement of loans, and deposits and shares of employees and board members during the years ended December 31, 2025, and 2024:

	2025	2024
Loans, beginning balance	$ 3,379,006	$ 3,659,160
New loans, net of repayments	561,838	(280,154)
Loans, ending balance	$ 3,940,844	$ 3,379,006
Members' equity (shares)	$ 2,910,242	$ 2,646,390

23. SUBSEQUENT EVENTS

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

It specifically establishes the period following the date of the statement of financial position during which the Credit Union's management must evaluate events or transactions that may have occurred and that would require recognition or disclosure in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure to be provided for events occurring after the date of the statement of financial position. As of March 6, 2026, there are no subsequent events that require disclosure in the financial statements.

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24. RATIO OF UNDISTRIBUTED CAPITAL

As indicated in Note 1, the Credit Union must maintain a minimum of undistributed capital of eight percent (8%) of the total assets subject to risk. The calculation of the undistributed capital ratio over risk-weighted assets is determined as follows:

		2025	2024
	Elementos de Capital Indivisible:		
a	Undistributed capital reserve	$ 16,702,560	$ 15,771,154
b	Accumulated net losses	-	-
c	Reserve required by COSSEC	-	2,129,548
d	Institutional Resilience Regulatory Reserve	3,060,954	-
d	Other reserves	23,218,244	15,106,968
e	15% of the Credit Union's undistributed earnings	255,000	225,000
f	Portion of the allowance for loan losses for nondelinquent loans	3,358,673	3,242,449
g	Debt securities issued by the Credit Union	-	-
h	Other financial instruments authorized by COSSEC	-	-
i	Other elements COSSEC has established by regulation	-	-
	Total undistributed capital	$ 46,595,431	$ 36,475,119
	Elements of assets subject to risk:		
	Total assets, excluding allowance for loan losses of $9,503,884 and $9,564,541 for the years 2025 and 2024, respectively	$ 531,918,512	$ 490,322,729
	Less:		
	I. Assets with risk consideration of 0.00%:		
A	100% Cash in hand and in transit possessed by the Credit Union	3,271,319	2,455,644
B	100% Bonds and debt securities, including portions of all these, they are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies.	42,910,180	16,098,919
C	100% Loans, including all portions thereof which are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies.	-	-
D	100% of the loans fully secured by first mortgages on residential properties of one to four families.	-	-
E	100% Student loans insured under the "Higher Education Act" (1965)	-	-
F	100% Members' loans secured by shares, deposits or both that may NOT be withdraw from the Credit Union	46,239,180	43,278,803
G	100% of the Credit Union investment in the Corporation	4,793,154	4,670,438
H	100% Other Assets at Risk established by the Corporation	-	-

	II. Assets subject to risk with 20%	**2025**	**2024**
A	80% Items in collection process	23,280,773	11,928,061
B	80% Interest in collection process	635,494	727,024
C	80% Portion of loans to non-members guaranteed by liquid assets that is hold as collateral	-	-
D	80% Obligations and debt securities	38,829,778	60,417,978
E	80% Loans, obligations and debt securities	-	-
F	80% of deposits, loans, bonds and debt securities, including portions thereof, that are issued, insured or guaranteed by depository institutions in the United States and Puerto Rico	1,280,000	1,880,000
G	80% book value of real property or appraised value, whichever is less	10,750,379	10,306,119
H	80% of the prepaid insurance risk corresponding to the institution	635,492	656,176
I	80% of common or preferred stock investments supported by Banco Cooperativo, Cooperativa de Seguros Múltiples and COSVI	14,104,947	13,343,246
J	80% of other risk assets established by the Corporation	**2025**	**2024**
	III. Assets with risk consideration of fifty percent (50%)		
a	50% Fully Secured First Mortgage Loan on 1-4 Family Residential Properties	15,642,765	16,293,096
b	50% of that investment represents the participation in loans described in the previous subsection	-	-
c	50% of commercial loans completely guaranteed by first mortgages	5,837,954	6,323,054
d	50% of auto loan that not represent a rate in excess of 90 days	53,203,502	53,149,897
e	50% of investment in shares of the central cooperative organizations provided they have no current or accumulated losses	29,939	30,439
f	50% of other risk assets established by the Corporation	-	-
	TOTAL ASSETS NOT SUBJECT TO RISKS	$ 261,446,881	$ 241,560,918
	TOTAL ASSETS SUBJECT TO RISKS	$ 270,471,631	$ 248,761,811
	RATIO OF UNDISTRIBUTED CAPITAL TO ASSETS SUBJECT TO RISKS	17.23 %	14.66 %