

Audited Consolidated Financial Statements

**XCEL FEDERAL CREDIT UNION
AND SUBSIDIARY**

December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
XCEL Federal Credit Union
Bloomfield, New Jersey

Opinion

We have audited the consolidated financial statements of XCEL Federal Credit Union and its subsidiary (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Sirley, Moran, Green & Esser, CPA, P.C.

Syracuse, New York
May 7, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	December 31,	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 12,899,226	\$ 12,199,158
Deposits in other financial institutions	1,223,962	4,069,529
Certificates of deposit	6,225,000	6,474,000
Investments--available for sale (\$31,013,835 and \$32,584,462 amortized cost, respectively)	28,523,164	28,454,911
Loans	121,936,830	119,773,242
Allowance for loan credit losses	<u>(1,044,216)</u>	<u>(1,000,266)</u>
Loans, net	120,892,614	118,772,976
Accrued interest receivable	488,284	523,054
Federal Home Loan Bank Stock, at cost	562,100	585,100
Property and equipment, net	5,074,826	5,418,072
NCUSIF deposit	1,568,937	1,573,814
Defined benefit pension asset	6,980,184	6,377,467
Other assets	<u>2,058,948</u>	<u>1,895,163</u>
TOTAL ASSETS	<u><u>\$ 186,497,245</u></u>	<u><u>\$ 186,343,244</u></u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Share accounts and nonmember deposits	\$ 168,591,171	\$ 169,694,365
Accrued expenses and other liabilities	<u>600,125</u>	<u>1,611,935</u>
TOTAL LIABILITIES	169,191,296	171,306,300
MEMBERS' EQUITY	<u>17,305,949</u>	<u>15,036,944</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 186,497,245</u></u>	<u><u>\$ 186,343,244</u></u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME
XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	Year ended December 31,	
	2025	2024
Interest income:		
Loans	\$ 8,400,836	\$ 8,296,705
Investments	1,188,474	1,405,810
TOTAL INTEREST INCOME	<u>9,589,310</u>	<u>9,702,515</u>
Interest expense:		
Dividends on share accounts and interest on nonmember deposits	<u>2,260,772</u>	<u>2,154,218</u>
NET INTEREST INCOME	7,328,538	7,548,297
Provision for loan credit losses	<u>524,466</u>	<u>505,022</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN CREDIT LOSSES	6,804,072	7,043,275
Non-interest income:		
Service fees	1,220,073	1,145,344
Other	<u>308,689</u>	<u>156,262</u>
	1,528,762	1,301,606
Non-interest expense:		
Compensation and employee benefits	4,204,239	4,026,776
Office occupancy and operations	2,375,985	2,355,283
Loan servicing	906,515	971,914
Professional and outside services	537,930	565,597
Education and promotion	<u>223,710</u>	<u>221,417</u>
	<u>8,248,379</u>	<u>8,140,987</u>
NET INCOME	<u>\$ 84,455</u>	<u>\$ 203,894</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	Year ended December 31,	
	2025	2024
Net income	\$ 84,455	\$ 203,894
Other comprehensive income:		
Unrealized holding gain on investments--available for sale arising during the period, net	1,638,881	515,942
Net gain on pension plan	545,669	1,308,645
Other Comprehensive Income	<u>2,184,550</u>	<u>1,824,587</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,269,005</u>	<u>\$ 2,028,481</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

XCEL FEDERAL CREDIT UNION AND SUBIDIARY

For the years ended December 31, 2025 and 2024

	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2023	\$ 20,752,075	\$ (6,888,905)	\$ 13,863,170
Prior period adjustment (see Note L)	(854,707)		(854,707)
Adjusted balances at December 31, 2023	19,897,368	(6,888,905)	13,008,463
Net income	203,894		203,894
Other comprehensive income		1,824,587	1,824,587
BALANCES AT DECEMBER 31, 2024	20,101,262	(5,064,318)	15,036,944
Net income	84,455		84,455
Other comprehensive income		2,184,550	2,184,550
BALANCES AT DECEMBER 31, 2025	<u>\$ 20,185,717</u>	<u>\$ (2,879,768)</u>	<u>\$ 17,305,949</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	Year ended December 31,	
	2025	2024
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net income	\$ 84,455	\$ 203,894
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	381,395	351,384
Amortization of investment premiums, net	66,605	89,665
Provision for loan credit losses	524,466	505,022
Changes in operating assets and liabilities:		
Accrued interest receivable	34,770	(61,228)
Defined benefit pension asset	(57,048)	172,932
Other assets	(163,785)	(479,035)
Accrued expenses and other liabilities	(1,011,810)	671,960
Prior period adjustment (see Note L)	-0-	(854,707)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(140,952)	599,887
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Decrease (increase) in deposits in other financial institutions	2,845,567	(2,427,363)
Purchase of certificates of deposit	(5,229,000)	(5,727,000)
Maturities of certificates of deposit	5,478,000	6,225,000
Purchase of investments--available for sale	(2,205,605)	-0-
Maturities and calls of investments--available for sale	3,709,628	4,135,644
Decrease in Federal Home Loan Bank stock	23,000	42,800
Increase in loans, net	(2,644,104)	(3,628,174)
Purchases of property and equipment	(38,149)	(776,009)
Decrease in NCUSIF deposit	4,877	18,959
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,944,214	(2,136,143)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Net (decrease) increase in share accounts and nonmember deposits	(1,103,194)	1,170,406
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,103,194)	1,170,406
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	700,068	(365,850)
Cash and cash equivalents at beginning of year	12,199,158	12,565,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$12,899,226	\$12,199,158

CONSOLIDATED STATEMENTS OF CASH FLOWS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	Year ended December 31,	
	<u>2025</u>	<u>2024</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash payments paid during the year:		
Dividends on share accounts and nonmember deposits	<u>\$ 2,260,772</u>	<u>\$ 2,154,218</u>
Non-cash investing and financing activities:		
Unrealized holding gain on investments --available for sale	<u>\$ 1,638,881</u>	<u>\$ 515,942</u>
Net gain on pension plan	<u>\$ 545,669</u>	<u>\$ 545,669</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: XCEL Federal Credit Union and subsidiary (the Credit Union) is chartered under the Federal Credit Union Act and is administratively responsible to the National Credit Union Administration (NCUA). It promotes thrift among, and creates a source of credit for, its field of membership which primarily includes employees of the Port Authority of New York and New Jersey, various federal agencies and several employee and community groups located in New York and New Jersey.

Principles of Consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of the Credit Union and its wholly owned subsidiary, Credit Union Service Initiative LLC (CUSI). CUSI is a credit union service organization (CUSO) incorporated in 2013 for the primary purpose of providing certain services to members and nonmembers of the Credit Union. The CUSO has been inactive since inception. All significant intercompany accounts and transactions have been eliminated in the financial statements.

Significant Accounting Policies: The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations and cash flows of the Credit Union. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (FASB ASC).

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand and interest-bearing operating accounts and money market funds. For purposes of the statements of cash flows, the Credit Union considers cash on hand and certain operating bank account balances to be cash. Certain items which meet the definition of cash equivalents, such as certificates of deposit with maturities of three months or less, are included in certificates of deposit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments--Available For Sale: The Credit Union is required to categorize each investment as either held to maturity, available for sale, or trading. At December 31, 2025 and 2024, the Credit Union did not maintain trading or held to maturity portfolios. Investments classified as available for sale are recorded at fair value, with net unrealized holding gains and losses excluded from earnings and reported in members' equity as a component of accumulated other comprehensive income. Purchase premiums and discounts are recognized in interest income using the effective interest method, with premiums amortized through the earlier of call date or maturity of the security and discounts accreted through maturity. The Credit Union performs a qualitative assessment to determine whether investments are impaired. Adjustments are recognized through the statement of income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Expected credit losses on available for sale debt securities are measured on an individual basis for securities in an unrealized loss position. The Credit Union will assess whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through the statement of income. If the aforementioned criteria is not met, the Credit Union will consider other criteria, including the extent to which fair value is less than amortized cost, changes to the security's rating by the rating agency, adverse conditions specifically related to the security, failure of the issuer of the debt security to make scheduled principal or interest payments and relevant independent industry research, analysis, and forecasts. This assessment involves a high degree of subjectivity and judgment that is based on the information available to management at a point in time. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded. This is limited by the amount that fair value is less than amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Federal Home Loan Bank Stock (FHLB): The Credit Union purchased FHLB stock to gain access to the services provided by the FHLB. The stock is considered restricted, as it may only be resold back to the FHLB at cost. To maintain and draw upon the Credit Union's line of credit with the FHLB, the Credit Union may be required, at times, to invest in additional amounts of FHLB stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Loans: Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at amortized cost. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest is discontinued on loans when the loan becomes more than ninety days past due and management believes, based on collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Past due status is based on the contractual terms of the loan. All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income.

A loan is considered to be impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all interest and principal payments due according to the originally contracted terms of the loan agreement.

Allowance for Loan Credit Losses: The Credit Union establishes an allowance for loan credit losses (ACL) upon origination of all loans through a provision for loan credit losses charged to earnings. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Credit Union's relevant financial assets. There are two components of the allowance for loan credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment.

To determine the total allowance for credit losses related to loans, on a monthly basis management estimates the reserves needed for each portfolio segment, including loans analyzed individually and loans with similar risk factors analyzed on a pooled basis. For purposes of determining the allowance for loan credit losses, the Credit Union segments loans into member business, real estate and consumer portfolios. The Credit Union also sub-segments these portfolios into classes of loans with similar characteristics.

The expected credit losses for loans are typically estimated using quantitative methods that consider a variety of factors from internal and external sources, relating to past events, current conditions (i.e. qualitative adjustments) and reasonable and supportable forecasts of the economic outlook over the life of the loan. Historical loss experience provides the basis for the estimation of the expected credit losses. Adjustments are made based on differences in current loan-specific risk characteristics which can include changes in lending policies or underwriting standards; changes in local or national economic factors; changes in the volume and severity of past due loans; and changes in the nature and volume of the portfolio and in the terms of loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Allowance for Loan Credit Losses--Continued: Loans that do not share risk characteristics are evaluated on an individual basis and excluded from the pooled evaluation. Individual loan risk ratings are evaluated based on each situation by experienced credit officers. When management determines that foreclosure or repossession is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs, as appropriate. If the loan is not collateral dependent, the allowance for credit losses related to individually assessed loans is based on discounted expected cash flows using the loan's initial effective interest rate.

Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio class. The Credit Union uses both vendor-supplied and internally developed models in this process. Management must use judgment in establishing additional input metrics for the modeling process. Because of uncertainties inherent in the estimation process, management's estimate of loan losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible, if any, cannot be estimated.

Management monitors differences between estimated and actual incurred loan credit losses. This monitoring process includes periodic assessment by management of loan portfolios and the models used to estimate incurred losses in those portfolios. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for credit losses. Additions to the allowance for loan credit losses are made by charges to the provision for loan credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan credit losses. Recoveries of previously charged off amounts are credited to the allowance for loan credit losses.

Allowance for Off-Balance Sheet Credit Exposures for Unfunded Commitments: An allowance for expected credit losses for off-statement of financial condition (off-balance sheet) credit exposures for unfunded loan commitments and unused lines of credit is estimated by the Credit Union over the contractual period in which it has exposure to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as an expense in other non-interest expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated lives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Allowance for Off-Balance Sheet Credit Exposures for Unfunded Commitments--Continued: Estimating credit losses on unfunded commitments requires the Credit Union to consider off-balance sheet credit exposure as it relates to unfunded commitments to extend credit and unfunded lines of credit. Each of these unfunded commitments is then analyzed for a probability of funding to calculate a probability funding amount. The life of loan loss factor by related portfolio class from the allowance for loan credit loss calculation is then applied to the probability funding amount to calculate a reserve on unfunded commitments. The liability for the allowance for expected credit losses for off-balance sheet commitments was determined to be immaterial at December 31, 2025 and 2024, respectively.

Loan Charge-offs: The Credit Union's charge-off policy for all loans is to review the loan for charge-off when it reaches 180 days past due. If it is deemed uncollectible it may be charged off at any time prior to 180 days past due. Generally, the Credit Union requires a charge-off to be taken no later than the end of the month in which it is approved by the CEO, CFO and/or the Board. The Credit Union may postpone a charge-off if conditions indicate that payment is likely or for other reasons that are recorded and documented. Any full payment received after the 180-day charge-off threshold, but before month end charge-off, may be considered in determining whether the charge-off remains appropriate.

Loan Servicing: Servicing assets are recognized as separate assets when servicing rights are retained as loans are sold. When sold, a portion of the basis in the loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses.

Capitalized servicing rights are reported in other assets on the statements of financial condition and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If the Credit Union later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of loan servicing rights is netted against loan servicing fee income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Loan Modifications: In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a loan modification. The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral, if any. The allowance for credit losses on loan modifications is measured using the same method as all other loans. The Credit Union did not grant any material loan modifications during the year ending December 31, 2025, or prior.

Property and Equipment: Property and equipment are carried at cost, less accumulated depreciation and amortization. Office furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is less.

National Credit Union Share Insurance Fund Deposit and Premiums: The deposit in the National Credit Union Share Insurance Fund ("NCUSIF") is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it obtains insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

The Credit Union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of total insured shares, unless the payment is waived or reduced by the NCUA Board. The Credit Union recognizes NCUSIF premiums when approved by the NCUA. The NCUA Board voted in 2025 and 2024 to waive the annual insurance premium.

Share Accounts and Nonmember Deposits: Share accounts and nonmember deposits are subordinated to all other liabilities of the Credit Union upon liquidation; however, their accounts are insured up to specified limits through the NCUSIF. Dividends on members' share and interest on nonmembers' accounts are based on available earnings at the end of a dividend/interest period and are not guaranteed by the Credit Union. Dividend rates on members' share and interest rates on nonmembers' accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes in accordance with Section 122 of the Federal Credit Union Act. The Credit Union's subsidiary CUSI, is a limited liability company and is disregarded as a separate tax entity for federal and state income taxes.

Defined Benefit Pension Plan: The Credit Union follows the Defined Benefit Plans Topic 715-30 of the FASB ASC which requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The FASB ASC Topic also requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial condition and to recognize any changes in the year in which the changes occur through its comprehensive income.

Advertising Costs: The Credit Union follows the policy of expensing its advertising costs (including any production costs) as incurred. Advertising expense was approximately \$133,000 and \$132,000 for the years ended December 31, 2025 and 2024, respectively.

Service Fees: Service fee income streams are comprised of various deposit and loan related fees consisting of share account activity fees, such as overdraft protection, monthly service fees assessed on member accounts, ATM fees and interchange and foreign exchange fees earned at the time the Credit Union's debit and credit cards are processed through card payment networks. Additionally, other service fee income streams relate to charges for processing wire transfers, late payment fees, bill pay service requests and cashier's checks, and income from insurance related products promoted during the lending process (GAP, life and disability insurance). The Credit Union's performance obligation for service fees is generally satisfied, and the related revenue recognized, when the services are rendered or the transaction has been completed. Payment for service fees is typically received at the time it is assessed through a direct charge to member's accounts or on a monthly basis.

Leases: Operating and finance lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term using an appropriate discount rate. The discount rate is determined using the rate implicit in a lease if it is readily determinable. Generally, the rate used by the lessor is not provided to the Credit Union and in these cases the incremental borrowing rate is used, which is an estimated secured interest rate as of the commencement date of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Leases--Continued: Operating lease payments are expensed on a straight-line basis over the term of the lease while finance lease payments are segregated between amortization of the ROU asset and the interest on the lease liability. In addition, some leases require additional variable lease payments, which are based on factors specific to the individual agreement. These payments are expensed as incurred. Currently, the Credit Union has no material leases that require disclosure in the financial statements.

Events Occurring After Reporting Date: The Credit Union has evaluated events and transactions that occurred between December 31, 2025 and May 7, 2026, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no such events or transactions identified by Credit Union management.

NOTE B--CERTIFICATES OF DEPOSIT

Certificates of deposit represent federally insured non-negotiable certificates with contractual maturities as follows:

	December 31,	
	2025	2024
Due in one year or less	\$ 5,229,000	\$ 5,229,000
Due after one year through 5 years	996,000	747,000
Due greater than 5 years	-0-	498,000
	<u>\$ 6,225,000</u>	<u>\$ 6,474,000</u>

The certificates of deposit have a weighted average yield of 4.0% and 4.5% at December 31, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE C--INVESTMENTS--AVAILABLE FOR SALE

Investments have been classified in the consolidated statements of financial condition according to management's intent. The amortized cost and estimated fair value of investments are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<u>December 31, 2025</u>			
Mortgage-backed securities	\$10,603,766	\$ 139	\$ 946,956	\$ 9,656,949
Collateralized mortgage obligations	5,562,757	5,250	571,859	4,996,148
Federal agency securities	14,847,312		977,245	13,870,067
	<u>\$31,013,835</u>	<u>\$ 5,389</u>	<u>\$2,496,060</u>	<u>\$28,523,164</u>
	<u>December 31, 2024</u>			
Mortgage-backed securities	\$11,758,888	\$ 92	\$1,540,961	\$10,218,019
Collateralized mortgage obligations	6,245,291		966,922	5,278,369
Federal agency securities	14,580,283		1,621,760	12,958,523
	<u>\$32,584,462</u>	<u>\$ 92</u>	<u>\$4,129,643</u>	<u>\$28,454,911</u>

Certain investments are pledged as collateral to secure the Credit Union's line of credit (see Note G).

Mortgage-backed securities and collateralized mortgage obligations have contractual maturity dates ranging from 2026 through 2055. However, these investments historically have prepayment characteristics that are expected to occur sooner than the contractual maturity dates. As such, these investments have not been grouped by contractual maturity. The amortized cost and estimated fair value of federal agency securities by contractual maturity, at December 31, 2025, are as follows:

	Amortized Cost	Fair Value
Due from one to five years	\$ 11,980,238	\$ 11,270,842
Due from five to ten years	2,867,074	2,599,225
	<u>\$ 14,847,312</u>	<u>\$ 13,870,067</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE C--INVESTMENTS--AVAILABLE FOR SALE--Continued

Information pertaining to investments--available for sale with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	2025			
Mortgage-backed securities	\$ 5,470	\$ 739,162	\$ 941,486	\$ 8,905,953
Collateralized mortgage obligations	-0-	-0-	571,859	4,172,315
Federal agency securities	1,130	498,870	976,115	13,371,197
	<u>\$ 6,600</u>	<u>\$1,238,032</u>	<u>\$ 2,489,460</u>	<u>\$ 26,449,465</u>
	2024			
Mortgage-backed securities			\$ 1,540,961	\$ 10,205,093
Collateralized mortgage obligations			966,922	5,278,369
Federal agency securities			1,621,760	12,958,523
	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,129,643</u>	<u>\$ 28,441,985</u>

At December 31, 2025 there are 37 securities with unrealized losses, represented by 29 that have depreciated between 1% and 10% and 8 that have depreciated between 11% and 20% from the Credit Union's amortized cost. At December 31, 2024 there are 40 securities with unrealized losses, represented by 26 that have depreciated between 1% and 10%, 13 that have depreciated between 11% and 20%, and 1 that has depreciated 26% from the Credit Union's amortized cost.

The Credit Union's available for sale investment portfolio are in securities that are sponsored by U.S. government agencies that are implicitly guaranteed by the U.S. government as to timely repayment of principal and interest, are highly rated by major rating agencies and have a long history of no credit losses. Gross unrealized losses are primarily attributable to changes in interest rates relative to when the investment securities were purchased and mature, not due to the credit quality of the investment securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE C--INVESTMENTS--AVAILABLE FOR SALE--Continued

The Credit Union does not intend to sell, nor is it more likely than not, that the Credit Union will be required to sell the securities prior to recovery of their amortized cost basis, which may be at maturity. As of December 31, 2025 and 2024, the Credit Union has determined that no allowance for credit losses for available for sale investments is required.

NOTE D--LOANS AND RELATED PARTY TRANSACTIONS

The composition of loans is as follows:

	December 31,	
	2025	2024
Member Business Loans	\$ 2,166,830	\$ 2,770,058
Real estate:		
First mortgage loans	31,344,410	29,604,384
Home equity closed	18,360,346	16,716,243
Home equity lines of credit	25,073,492	20,620,287
Purchased participations	843,774	926,706
	<u>75,622,022</u>	<u>67,867,620</u>
Consumer:		
New auto	5,179,005	5,940,281
Used auto	9,973,452	10,969,063
Auto participations	2,937,154	4,742,388
Other secured	3,525,195	4,835,662
Credit cards	7,724,881	8,379,187
Other unsecured	14,808,291	14,268,983
	<u>44,147,978</u>	<u>49,135,564</u>
	<u>\$ 121,936,830</u>	<u>\$ 119,773,242</u>

Included in loans at December 31, 2025 and 2024 are loans of approximately \$1,907,000 and \$1,750,000, respectively, to the Credit Union's board of directors, supervisory committee members and senior management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY

For purposes of calculating the allowance for loan credit losses, the Credit Union segregates its loan portfolio into three general segments: member business, real estate and consumer. The Credit Union also sub-segments the real estate and consumer portfolios into classes based on loan type as documented in Note D.

The Credit Union utilizes a third-party developed model and has selected the Probability of Default (PD) methodology within that model for all loans, with the exception of loans purchased with recourse and share secured loans. For loans purchased with recourse and share secured loans the Credit Union has selected a zero percent loss rate method as these loan classes are either guaranteed by the originating credit union or are fully secured by share account deposits. Loans purchased with recourse and share secured loans are included within the other secured class of loans.

Under the PD methodology, the Credit Union converts observed credit losses into a probability of default rate through the use of segment/class specific loss given default risk factors that convert default rates to loss severity. The historical probability of default rates experienced, together with corresponding economic conditions, establish a quantitative relationship between those economic conditions and loan performance through an economic cycle. The PD calculation model utilizes three distinct variables when estimating lifetime losses and performs various statistical analyses of historical information that are used in developing these variables. The three variables used to calculate the PD methodology are as follows:

Loss Given Default Rate (LGD): LGD measures the expected loss, net of any recoveries, expressed as a percentage and is unique to each loan segment/class. The LGD is the percentage of total exposure at the time of default and is the monetary amount the Credit Union will need to write-off whenever a borrower defaults on a loan. Collateral values and position are major drivers in the determination of the write-off amount. The model uses cumulative losses and monetary exposures after a review of all outstanding loans, to calculate its total LGD. The Credit Union's LGD rate can be adjusted for qualitative and forecasted factors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

Probability-of-Default: After defining a default, the model calculates the likelihood of a loan in a pool of loans defaulting. This is accomplished by analyzing the historical performance of the pool. Once the probability-of-default is established the factor is adjusted for qualitative and forecasted factors.

Exposure: The exposure at default is the value of the balance of the loan that will be due when it defaults.

These three established variables are multiplied to calculate expected lifetime credit losses. Additionally, the allowance for loan credit losses calculation includes subjective adjustments for qualitative risk factors and reasonable and supportable forecasts based on management's expectations of future loan performance over a forecasting period. Beyond the period over which a reasonable, supportable forecast can be developed, the model will revert to long-term average economic conditions using a straight-line, time based methodology. Subjective adjustments and forecasting are likely to cause estimated credit losses to differ from historical experience. These adjustments may increase or reduce reserve levels and include adjustments for differences in current loan-specific risk characteristics.

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

The allowance for loan credit losses is an estimate made by management that includes an amount of uncertainty, which may change from period to period. This amount is the result of management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Credit Union's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for credit losses. Changes in the allowance for loan credit losses and the related provision expense can materially affect the net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

The following is a summary of the activity in the allowance for loan credit losses by segment during the year ended December 31, 2025 and 2024:

	Member Business	Real Estate	Consumer	Total
Balances at December 31, 2023	\$ 8,366	\$ 37,847	\$ 996,742	\$ 1,042,955
Charge-offs	-0-	-0-	(666,307)	(666,307)
Recoveries	-0-	-0-	118,596	118,596
Provision	(1,886)	5,113	501,795	505,022
Balances at December 31, 2024	6,480	42,960	950,826	1,000,266
Charge-offs	-0-	-0-	(601,503)	(601,503)
Recoveries	-0-	-0-	120,987	120,987
Provision	(2,654)	(395)	527,515	524,466
Balances at December 31, 2025	<u>\$ 3,826</u>	<u>\$ 42,565</u>	<u>\$ 997,825</u>	<u>\$ 1,044,216</u>

Loan Credit Quality Indicators: The Credit Union has developed an internal loan grading system to evaluate and quantify the loan portfolio with respect to quality and credit risk. The Credit Union's internal credit quality grading system is based on experiences with similarly graded loans, the financial strength of borrowers, payment history and other external statistics and factors. Category ratings are reviewed quarterly, at which time management analyzes the resulting scores, to track loan performance migration. The use of credit quality indicators to grade loans permits management's use of migration analysis to estimate a portion of credit risk of the entire loan portfolio. Loans that trend upward toward higher levels generally have a lower risk factor associated whereas loans that migrate towards lower ratings generally will result in a higher risk factor associated.

The Credit Union's internal risk ratings for loans are primarily based on FICO scores and are as follows:

Member poses little to no additional risk	A
Member poses a nominal risk of loss	B
Member could pose additional risk based on migration analysis	C
Member poses additional risk; utilize migration analysis	D
Member shows above average risk; utilize migration analysis	E, No score

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

The following presents the credit quality indicator category by loan class:

	Credit Risk Profile by Credit Rating Category						
	A	B	C	D	E	No Score	Total
	December 31, 2025						
Member Business Loans	\$ 1,323,406	\$ 330,236	\$ 183,524	\$ -0-	\$ 329,664	\$ -0-	\$ 2,166,830
Real estate:							
First mortgage loans	26,616,875	3,224,886	1,309,285	-0-	193,364	-0-	31,344,410
Home equity closed	12,653,763	2,640,292	1,698,190	398,191	961,928	7,982	18,360,346
Home equity lines	17,407,648	5,153,928	1,340,914	134,575	611,245	425,182	25,073,492
Purchased participations	449,998	393,776	-0-	-0-	-0-	-0-	843,774
Consumer:							
New auto	4,334,256	576,935	236,284	-0-	31,530	-0-	5,179,005
Used auto	7,359,993	1,488,600	782,756	112,820	223,827	5,456	9,973,452
Auto participations	1,809,048	1,044,264	83,842	-0-	-0-	-0-	2,937,154
Other secured	1,107,531	1,225,093	1,056,147	48,666	69,562	18,196	3,525,195
Credit cards	3,488,105	2,157,996	950,365	302,135	816,419	9,861	7,724,881
Other unsecured	8,930,342	3,390,609	1,376,552	598,559	498,595	13,634	14,808,291
	<u>\$ 85,480,965</u>	<u>\$ 21,626,615</u>	<u>\$ 9,017,859</u>	<u>\$ 1,594,946</u>	<u>\$ 3,736,134</u>	<u>\$ 480,311</u>	<u>\$ 121,936,830</u>
	December 31, 2024						
Member Business Loans	\$ 1,688,229	\$ 392,687	\$ 188,854	\$ -0-	\$ 500,288	\$ -0-	\$ 2,770,058
Real estate:							
First mortgage loans	25,431,754	2,512,125	1,454,033	-0-	206,472	-0-	29,604,384
Home equity closed	11,894,162	2,123,302	1,628,327	193,937	853,783	22,732	16,716,243
Home equity lines	14,956,687	3,649,664	672,470	368,413	529,459	443,594	20,620,287
Purchased participations	521,423	405,283	-0-	-0-	-0-	-0-	926,706
Consumer:							
New auto	5,257,919	443,589	195,145	4,017	39,611	-0-	5,940,281
Used auto	8,170,145	1,793,383	560,806	116,250	319,878	8,601	10,969,063
Auto participations	2,830,118	1,773,127	139,143	-0-	-0-	-0-	4,742,388
Other secured	1,534,361	1,758,376	1,325,489	82,600	91,938	42,898	4,835,662
Credit cards	3,935,190	2,260,663	963,429	279,728	929,875	10,302	8,379,187
Other unsecured	8,712,574	3,034,865	1,327,091	502,081	684,362	8,010	14,268,983
	<u>\$ 84,932,562</u>	<u>\$ 20,147,064</u>	<u>\$ 8,454,787</u>	<u>\$ 1,547,026</u>	<u>\$ 4,155,666</u>	<u>\$ 536,137</u>	<u>\$ 119,773,242</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

The following presents, by loan segment, loans that were evaluated for the allowance for loan credit losses individually and those that were evaluated collectively:

	Member Business	Real Estate	Consumer	Total
<u>December 31, 2025</u>				
<u>Allowance for loan credit losses by segment:</u>				
Balance of allowance allocated to loans individually evaluated for impairment	\$ -0-	\$ 21,620	\$ 64,303	\$ 85,923
Balance of allowance allocated to loans collectively evaluated for impairment	<u>3,826</u>	<u>20,945</u>	<u>933,522</u>	<u>958,293</u>
	<u>\$ 3,826</u>	<u>\$ 42,565</u>	<u>\$ 997,825</u>	<u>\$ 1,044,216</u>
<u>Gross loans to members by segment:</u>				
Balance of loans individually evaluated for impairment	\$ -0-	\$ 72,068	\$ 64,303	\$ 136,371
Balance of loans collectively evaluated for impairment	<u>2,166,830</u>	<u>75,549,954</u>	<u>44,083,675</u>	<u>121,800,459</u>
	<u>\$ 2,166,830</u>	<u>\$ 75,622,022</u>	<u>\$ 44,147,978</u>	<u>\$121,936,830</u>
<u>December 31, 2024</u>				
<u>Allowance for loan credit losses by segment:</u>				
Balance of allowance allocated to loans individually evaluated for impairment	\$ -0-	\$ -0-	\$ 62,848	\$ 62,848
Balance of allowance allocated to loans collectively evaluated for impairment	<u>6,480</u>	<u>42,960</u>	<u>887,978</u>	<u>937,418</u>
	<u>\$ 6,480</u>	<u>\$ 42,960</u>	<u>\$ 950,826</u>	<u>\$ 1,000,266</u>
<u>Gross loans to members by segment:</u>				
Balance of loans individually evaluated for impairment	\$ -0-	\$ -0-	\$ 62,848	\$ 62,848
Balance of loans collectively evaluated for impairment	<u>2,770,058</u>	<u>67,867,620</u>	<u>49,072,716</u>	<u>119,710,394</u>
	<u>\$ 2,770,058</u>	<u>\$ 67,867,620</u>	<u>\$ 49,135,564</u>	<u>\$119,773,242</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

The following tables show additional information about those loans individually identified as impaired at December 31:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment (Per Loan)</u>
	<u>2025</u>			
Real Estate:				
Home equity line of credit (1 loan)	\$ 72,068	\$ 72,068	\$ 21,620	\$ 72,068
Consumer:				
Other unsecured (3 loans)	21,570	21,570	21,570	7,190
Credit cards (4 loans)	29,782	29,782	29,782	7,446
Auto participation (1 loan)	<u>12,951</u>	<u>12,951</u>	<u>12,951</u>	12,951
	<u>\$ 136,371</u>	<u>\$ 136,371</u>	<u>\$ 85,923</u>	
	<u>2024</u>			
Consumer:				
Other unsecured (8 loans)	\$ 29,211	\$ 29,211	\$ 29,211	\$ 3,651
Credit cards (3 loans)	16,891	16,891	16,891	5,630
Auto participation (1 loan)	<u>16,746</u>	<u>16,746</u>	<u>16,746</u>	16,746
	<u>\$ 62,848</u>	<u>\$ 62,848</u>	<u>\$ 62,848</u>	

Non-Accrual and Past Due Loans: Loans are considered past due and non-performing if the required principal and interest payments have not been received within thirty days of the payment due date. A factor considered in its efforts to evaluate credit quality is the aging and performing status of the loans. An analysis of past due loans, the performance status of loans and loans on non-accrual, segregated by class is presented on the following page.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE E--ALLOWANCE FOR LOAN CREDIT LOSSES AND LOAN QUALITY--Continued

	Non-Performing			Total Past Due	Performing		Total Loans on Non-Accrual
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due		Current	Total Loans	
	December 31, 2025						
Member Business Loans	\$ -0-	\$ 329,664	\$ -0-	\$ 329,664	\$ 1,837,166	\$ 2,166,830	\$ -0-
Real estate:							
First mortgage loans	239,369	-0-	-0-	239,369	31,105,041	31,344,410	-0-
Home equity closed	266,196	-0-	151,056	417,252	17,943,094	18,360,346	151,056
Home equity lines of credit	828,012	-0-	250,762	1,078,774	23,994,718	25,073,492	250,762
Purchased participation	-0-	-0-	-0-	-0-	843,774	843,774	-0-
Consumer:							
New auto	9,202	-0-	-0-	9,202	5,169,803	5,179,005	-0-
Used auto	74,131	14,393	7,268	95,792	9,877,660	9,973,452	7,268
Auto participations	70,149	-0-	25,981	96,130	2,841,024	2,937,154	25,981
Other secured	92,777	71,701	55,596	220,074	3,305,121	3,525,195	55,596
Credit Cards	70,117	41,338	86,915	198,370	7,526,511	7,724,881	86,915
Other unsecured	91,940	102,119	112,031	306,090	14,502,201	14,808,291	110,484
	<u>\$ 1,741,893</u>	<u>\$ 559,215</u>	<u>\$ 689,609</u>	<u>\$ 2,990,717</u>	<u>\$ 118,946,113</u>	<u>\$ 121,936,830</u>	<u>\$ 688,062</u>
	December 31, 2024						
Member Business Loans	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,770,058	\$ 2,770,058	\$ -0-
Real estate:							
First mortgage loans	543,894	470,821	-0-	1,014,715	28,589,669	29,604,384	-0-
Home equity closed	401,229	-0-	79,291	480,520	16,235,723	16,716,243	79,291
Home equity lines of credit	76,962	59,835	197,381	334,178	20,286,109	20,620,287	197,381
Purchased participations	-0-	-0-	-0-	-0-	926,706	926,706	-0-
Consumer:							
New auto	102,500	-0-	-0-	102,500	5,837,781	5,940,281	-0-
Used auto	13,509	-0-	27,051	40,560	10,928,503	10,969,063	27,051
Auto participation	30,530	26,379	98,619	155,528	4,586,860	4,742,388	98,619
Other secured	56,924	85,331	55,432	197,687	4,637,975	4,835,662	55,432
Credit Cards	64,230	37,692	243,124	345,046	8,034,141	8,379,187	243,124
Other unsecured	93,057	60,908	81,184	235,149	14,033,834	14,268,983	79,126
	<u>\$ 1,382,835</u>	<u>\$ 740,966</u>	<u>\$ 782,082</u>	<u>\$ 2,905,883</u>	<u>\$ 116,867,359</u>	<u>\$ 119,773,242</u>	<u>\$ 780,024</u>

Loans to members on which the accrual of interest has been discontinued or reduced amounted to \$688,062 and \$780,024 at December 31, 2025 and 2024, respectively. If interest on those loans to members had been accrued, such income would have been \$39,800 and \$25,220 for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the Credit Union has loans to members amounting to \$1,547 and \$2,058, respectively that are past due greater than 90 days and still accruing interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE F--PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	December 31,	
	2025	2024
Land	\$ 919,100	\$ 919,100
Buildings	5,947,774	5,947,774
Furniture and equipment	1,814,607	1,776,458
Leasehold improvements	332,102	332,102
	<u>9,013,583</u>	<u>8,975,434</u>
Accumulated depreciation and amortization	<u>(3,938,757)</u>	<u>(3,557,362)</u>
	<u><u>\$ 5,074,826</u></u>	<u><u>\$ 5,418,072</u></u>

Depreciation and amortization expense for the years ended December 31, 2025 and 2024 amounted to \$381,395 and \$351,384, respectively.

NOTE G--CREDIT FACILITIES

FHLB Line of Credit Agreement: The Credit Union has a line of credit agreement with the FHLB. Borrowings are secured by certain investments held and deposits maintained with the FHLB and certain eligible mortgage loans held by the Credit Union. There were approximately \$30,800,000 of investments (at par value) and \$29,200,000 of mortgage loans, eligible to be pledged as collateral at December 31, 2025. There were approximately \$32,300,000 of investments (at par value) and \$26,200,000 of mortgage loans, eligible to be pledged as collateral at December 31, 2024. The interest rate for borrowings is determined by the FHLB and is established based on current market rates. There were no outstanding borrowings under this agreement as of December 31, 2025 or 2024.

Federal Reserve Bank of New York Advance Agreement: The Credit Union has an advance collateral and security agreement with the Federal Reserve Bank of New York ("FRB"). The agreement allows the Credit Union to obtain advances within the limits of pledged collateral, with availability approximating \$10,000,000 and \$10,300,000 at December 31, 2025 and 2024, respectively. Advances are due on demand and are secured by certain eligible consumer loans held by the Credit Union with a carrying value of approximately \$13,000,000 and \$13,800,000 at December 31, 2025 and 2024, respectively. Interest on advances is determined by the FRB at the time of borrowing and is established based on current market rates. There were no outstanding borrowings under this agreement as of December 31, 2025 or 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE H--SHARE ACCOUNTS AND NONMEMBER DEPOSITS AND RELATED PARTY TRANSACTIONS

Share accounts and nonmember deposits are as follows:

	December 31,	
	2025	2024
Regular and club shares	\$ 64,421,470	\$ 67,867,785
Share drafts	39,614,925	37,592,409
Money Market	16,493,460	17,796,742
IRA shares	899,316	970,310
	<u>121,429,171</u>	<u>124,227,246</u>
Share and IRA certificates	33,447,453	29,368,120
Nonmember deposits--certificates	13,714,547	16,098,999
	<u>47,162,000</u>	<u>45,467,119</u>
	<u>\$ 168,591,171</u>	<u>\$ 169,694,365</u>

The aggregate amounts of uninsured members' share accounts approximated \$15,100,000 and \$13,900,000 at December 31, 2025 and 2024, respectively. At December 31, 2025, scheduled maturities of members' share, nonmember deposits and IRA certificates are as follows:

2026	\$ 31,154,063
2027	14,755,389
2028	637,542
2029	301,321
2030	<u>313,685</u>
	<u>\$ 47,162,000</u>

Included in members' share accounts are shares deposited from the Credit Union's board of directors, supervisory committee members and senior management, which amounted to approximately \$1,039,000 and \$940,000 at December 31, 2025 and 2024, respectively. These individuals are members of, and transact business with, the Credit Union in the ordinary course of business. It is the Credit Union's policy that all such transactions be on substantially the same terms as those for comparable transactions with its members.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE I--ACCUMULATED OTHER COMPREHENSIVE LOSS

The balances and changes in the components of accumulated other comprehensive loss are as follows:

	Unrealized Losses on Available- For-Sale Securities	Pension and Postretirement Benefits	Accumulated Other Comprehensive Loss
Balances on December 31, 2023	\$ (4,645,492)	\$ (2,243,413)	\$ (6,888,905)
Other comprehensive income	515,942	1,308,645	1,824,587
Balances on December 31, 2024	(4,129,550)	(934,768)	(5,064,318)
Other comprehensive income	1,638,881	545,669	2,184,550
Balances on December 31, 2025	<u>\$ (2,490,669)</u>	<u>\$ (389,099)</u>	<u>\$ (2,879,768)</u>

NOTE J--FAIR VALUE MEASUREMENTS

The Credit Union uses fair value measurements to record fair value adjustments to certain assets. FASB ASC Topic 820, "Fair Value Measurement", clarifies that fair value is an exit price, representing the amount that would be received to sell an asset in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. Guidance under GAAP establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of financial instruments within the three-tier hierarchy as noted below:

Level 1 - quoted prices in active markets for identical inputs

Level 2 - other significant observable inputs

Level 3 - significant unobservable inputs (including the Credit Union's own assumptions in determining fair value)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE J--FAIR VALUE MEASUREMENTS--Continued

The Credit Union uses Level 2 inputs to fair value its investments--available for sale. These inputs are from sources other than quoted prices including; quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and, inputs other than quoted prices, which provide a reasonable basis for fair value determination. Such inputs may include interest rates and yield curves, volatilities, prepayment speeds, credit risks and default rates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Credit Union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, the Credit Union's investments--available for sale that were accounted for at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>December 31, 2025</u>			
Investments--available for sale	<u>\$ -0-</u>	<u>\$ 28,523,164</u>	<u>\$ -0-</u>	<u>\$ 28,523,164</u>
	<u>December 31, 2024</u>			
Investments--available for sale	<u>\$ -0-</u>	<u>\$ 28,454,911</u>	<u>\$ -0-</u>	<u>\$ 28,454,911</u>

NOTE K--EMPLOYEE BENEFIT PLANS

Defined Contribution 401(k) Plan: The Credit Union maintains a defined contribution 401(k) plan, which covers substantially all employees. The Plan allows employees to defer a portion of their salary through contributions to the Plan. Employee contributions may be matched as defined in the Plan Document. The Plan also provides for discretionary contributions to be made to the participants' accounts by the Credit Union. There were no discretionary employer contributions made by the Credit Union during the years ending December 31, 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE K--EMPLOYEE BENEFIT PLANS--Continued

Defined-Benefit Plan: The Credit Union sponsors a non-contributory defined-benefit pension plan (the “Plan”) that covers all regular employees who meet certain age and service requirements as specified in the Plan agreement. The Plan calls for benefits to be paid to employees at retirement based primarily upon each employee’s years of service with the Credit Union and their compensation rates. The Plan is closed for entry to any employee hired on or after June 30, 2020. Plan participants entered into the Plan prior to June 30, 2020 continue to accrue benefits. Contributions to the Plan reflect benefits attributable to each employee’s services to date, as well as services expected to be earned in the future. The Credit Union makes any required contributions to the Plan when the annual actuarial valuations are reported. The Credit Union’s funding policy is to periodically pre-fund contributions as allowed.

The following sets forth information regarding the defined benefit plan, using a measurement date of December 31:

	<u>2025</u>	<u>2024</u>
Change in obligation:		
Projected benefit obligation at beginning of year	\$ 6,251,181	\$ 6,563,952
Service cost	279,526	381,032
Interest cost	326,337	299,411
Actuarial loss (gain)	241,915	(782,533)
Benefits paid	<u>(223,034)</u>	<u>(210,681)</u>
Projected benefit obligation at end of year	6,875,925	6,251,181
Change in plan assets:		
Fair value of plan assets at beginning of year	12,628,648	11,805,706
Actual return on plans - gain	1,450,495	1,033,623
Benefits paid	<u>(223,034)</u>	<u>(210,681)</u>
Fair value of plan assets at end of year	<u>13,856,109</u>	<u>12,628,648</u>
Funded status at end of year	<u>\$ 6,980,184</u>	<u>\$ 6,377,467</u>
Accumulated benefit obligation at end of year	<u>\$ 5,886,085</u>	<u>\$ 5,314,379</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE K--EMPLOYEE BENEFIT PLANS--Continued

	<u>2025</u>	<u>2024</u>
Assumptions used to determine benefit obligation:		
Weighted average discount rate (pre and post retirement)	5.75%	5.75%
Rate of compensation increase	3.75%	3.75%
Expected long-term return on plan assets	5.50%	5.50%
Average future working lifetime	9.45 yrs.	9.99 yrs.
The components of net periodic pension (benefit) cost are as follows:		
Service cost	\$ 279,526	\$ 381,032
Interest cost	326,337	299,411
Expected return on plan assets	(662,910)	(617,648)
Amortization of net loss	-0-	110,139
	<u>\$ (57,047)</u>	<u>\$ 172,934</u>

FASB ASC Topic 715, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”, requires the recognition of the funded status of its pension plan on the Credit Union’s consolidated statement of financial condition. The Credit Union amortized net periodic pension costs of \$-0- and \$110,139 for the years ended December 31, 2025 and 2024, respectively. Net periodic pension cost is calculated based on assumptions in effect at the beginning (January 1) of each fiscal year. Other significant Plan assumptions are as follows:

Basis used to determine discount rate: The discount rate for 2025 and 2024 is determined using the FTSE Pension Liability Index (Double A Above Median). The result is rounded to the nearest quarter percent.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE K--EMPLOYEE BENEFIT PLANS--Continued

Other assumptions:

Funding method	Projected Unit Credit				
Asset valuation method	Fair Market Value of Assets				
Pre-retirement mortality	PRI 2012 Mortality Table Projected by Scale MP 2021ADJ for Employees				
Post-retirement mortality	PRI 2012 Mortality Table Projected by Scale MP 2021ADJ for Annuitants				
Expenses to be paid from fund	\$67,209				
Percentage electing lump sums if eligible for a lump sum	95% if terminating before early retirement; 80% if terminating after early retirement				
Assumed retirement age	Normal retirement age				
Withdrawal rates	<u>Probability of Termination</u>				
		<u>Age 25</u>	<u>Age 40</u>	<u>Age 55</u>	
	Male/Female	T7 Table	9.7%	7.8%	1.6%

Amounts recognized in accumulated other comprehensive income that have not been recognized in net periodic pension cost:

	<u>2025</u>	<u>2024</u>
Amortization of net loss	\$ -0-	\$ 110,139
Other gains	<u>545,669</u>	<u>1,198,506</u>
	<u>\$ 545,669</u>	<u>\$ 1,308,645</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE K--EMPLOYEE BENEFIT PLANS--Continued

Description of Investment Policies and Strategies: The targeted asset allocation is determined by a board of trustees who oversee the Retirement Pension Plan Collective Investment Trust. The current allocation is targeted at approximately 60% equity and 40% debt investments. The Credit Union's pension plan weighted-average asset allocations by asset category are as follows at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equity based mutual funds	41%	44%
Debt based mutual funds	55	55
Cash/money market funds	<u>4</u>	<u>1</u>
	<u>100%</u>	<u>100%</u>

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows, for the years ended December 31:

2026	\$ 934,106
2027	607,752
2028	288,193
2029	285,007
2030	1,182,987
2031 - thereafter	3,089,562

NOTE L--PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

During the year ended December 31, 2025, the Credit Union identified a misjudgment of facts regarding the recognition of income from insurance proceeds that were received prior to December 31, 2023. The Credit Union received insurance claim proceeds for insured student loan losses and recorded those proceeds as revenue during the years 2020 to 2023. However, in 2025 it was determined that the Credit Union misjudged the nature of the claim proceeds, resulting in \$854,707 of those proceeds being required to be redistributed to other student loan loss insurance claimants. As a result, the consolidated statements of financial condition and members' equity, as previously reported, were restated to decrease "members' equity" as of December 31, 2024 and 2023, and to increase "accrued expenses and other liabilities" as of December 31, 2024 by \$854,707. This restatement had no impact on net income as of December 31, 2024, as previously reported.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE M--RISKS AND COMMITMENTS

Financial Instruments with Off-Balance Sheet Risk: The Credit Union enters into commitments to extend credit in the normal course of meeting the financial needs of its members. Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to a member (as long as there is no violation of any condition established in the contract). These commitments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition.

Credit risk is the possibility that loss may occur from counterpart failure to perform according to the terms of the contract. Interest rate risk is due to fluctuations in interest rates that may decrease the market value of a financial instrument. Liquidity risk is the risk that the Credit Union will not be able to meet its contractual obligations as they come due. The Credit Union uses the same credit policies in making commitments as it does for its instruments recorded within the consolidated statements of financial condition.

The Credit Union controls the credit risk of commitments to extend credit through credit approvals, credit limits, monitoring procedures, and management's evaluation of each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the member. The Credit Union's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amounts of the commitments.

A summary of the contract amounts of the Credit Union's commitments to extend credit to its members as of December 31, 2025 is as follows:

Home equity lines	\$ 19,011,768
Unused credit card lines	14,867,274
Overdraft protection program commitments	1,815,630
Commercial lines	65,554
Unsecured share draft lines and other	797,444
	<u>\$ 36,557,670</u>

Since portions of the above commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE M--RISKS AND COMMITMENTS--Continued

Concentrations of Credit Risk: The Credit Union has identified certain credit risk concentrations in relation to its on and off statement of financial condition financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

The Credit Union, at times, maintains deposits with depository financial institutions that exceed federally insured limits. The Credit Union originates residential real estate loans throughout the New York metropolitan area. These loans are underwritten to comply with secondary market standards and are secured by the underlying collateral. The Credit Union also grants various secured and unsecured consumer type loans to members within these regions.

The Credit Union may be exposed to credit risk to the extent that borrowers or potential borrowers are engaged in similar activities and from the geographic locations from which it does business. Although the Credit Union strives to mitigate this risk, borrowers' ability to repay loans may be affected by the financial condition of the New York metropolitan area, its municipalities, the economic climate of the region in which they reside as well as events occurring nationally.

NOTE N--LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans are approximately \$13,652,000 and \$14,700,000 at December 31, 2025 and 2024, respectively. Capitalized servicing rights retained approximated \$138,000 and \$141,000 at December 31, 2025 and 2024, respectively, and are reported in other assets on the consolidated statements of financial condition.

NOTE O--REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

December 31, 2025 and 2024

NOTE O--REGULATORY CAPITAL--Continued

Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under GAAP. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy requires the Credit Union to maintain minimum amounts and ratios of net worth to total assets.

Under the NCUA's Capital Adequacy Standards, credit unions with total assets less than \$500 million are not considered complex and are exempt from having to calculate or meet the new risk-based capital (RBC) ratio measurement of risk-based equity to risk-weighted assets. Credit Union's under the \$500 million threshold are only required to meet the net worth requirement. To be categorized as "adequately capitalized" the Credit Union must maintain a minimum net worth ratio of 6% of assets. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7% of assets. As of December 31, 2025, the Credit Union was categorized as "well capitalized" under the regulatory framework for prompt corrective action.

The Credit Union's actual capital amounts and ratios at December 31, 2025 and 2024 are presented in the following table (in 000's):

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions		To be Adequately Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2025</u>						
Net Worth	\$ 20,186	10.8%	\$ 13,055	7.0%	\$ 11,190	6.0%
<u>December 31, 2024</u>						
Net Worth	\$ 21,037	11.3%	\$ 13,050	7.0%	\$ 11,185	6.0%