

# First Quarter 2006 Financial Review



TRICORP FEDERAL CREDIT UNION

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Quarterly Report  
March 2006  
*Management Commentary*

Tricorp FCU has stayed the course in terms of how our members' funds are managed. We continue to maintain a high quality balance sheet, which adheres to strict asset liability management guidelines. Asset quality and capital adequacy remain very strong while interest rate, liquidity and credit risk remain very low. Our balance sheet management also includes a strict financial discipline to keep the growth of operating expenses to a very appropriate level.

Tricorp's assets ended the first quarter up 26.70% from the same period last year, mostly due to continued record high loan volumes. Tricorp manages its balance sheet in accordance with member liquidity needs in order to fulfill its main mission of being a member liquidity provider and to that end, we continue to experience the highest loan balances in our history.

Net income is up by 4.94% and is a result of an increase of interest income from loans and increased income from investments over the same quarter last year. Operating expenses are up, 5.63%, from the same period last year but interest and dividend income are up 52.05% which is due in large part to the increase in rates. This also translated into a substantial increase in the amount of dividend expenses which are up 76.75% from the prior year. The results from the NEV testing demonstrate a balance sheet that is well positioned for any interest rate environment. The regulatory minimum for the NEV ratio in a base case scenario is 3% while Tricorp's base case ratio is 7.77% - another strong indicator of the safety and soundness position of Tricorp.

Tricorp FCU has always protected the value of membership by making it easy to manage your liquidity. We implemented a tiered rate overnight account structure, and a new Premium Overnight Investment Account during the first quarter, and continue to offer free automated settlement, investment offerings and loan programs that accommodate a wide array of cash flow, return needs and liquidity for our membership and we do it in a hassle free straight forward manner. We consistently strive to meet the needs of all members in all situations with quality products and services. We look forward to continuing to work with you, our members, in a trusted partnership.

**TRICORP Services**

***INVESTMENT***

ALM Reporting Services - CNBS  
Brokerage Services - CNBS  
Certificates of Deposit  
Member Capital Share Accounts  
Overnight Accounts  
Reverse Repurchase Transactions  
SimpliCD  
Securities Safekeeping  
Structured Certificates  
Amortizing Certificates - ACPs  
Fixed Callable Certificates  
Step-Up Certificates  
Variable Rate Certificates - VRCs

***FUNDS TRANSFER***

Automatic Debit Transfer - ADT  
Cash Concentration - CNCC  
Foreign Wire Transfer  
Member to Member Transfer  
Western Union Quick Start  
Wire Transfer Service

***CORRESPONDENT***

ACH Receipt/Origination  
ACH/NEACH Transactions  
Automated Settlement  
ATM/Debit Cards  
Federal Reserve Reg. D  
Food Stamp Redemption  
MasterCard®/Visa®  
Member Share Drafts  
Money Orders

Student Loan Program  
Traveler's Checks  
Treasury Tax & Loan  
U.S. Savings Bonds  
Check Collection - U.S., Canadian and Foreign  
Coin and Currency  
Corporate Share Drafts  
Electronic Bill Payment  
Express Currency

***LIQUIDITY***

CLF Loans  
Demand Loans  
Irrevocable Letter of Credit  
Loan Buy Down  
Reverse Repurchase Loans  
Secured Loans - Certificate and Security Collateralized  
Settlement Loans  
Term Loan

***INFORMATION***

Bank Statement Analysis  
Breakfast Meeting Presentations  
Chapter Meeting Presentations  
Market Valuations Securities  
Monthly Statements  
Open Door  
On-Site Visits  
Newsletter - TRICORP Times  
Seminars  
Quarterly Financial Review  
[www.tricorp.org](http://www.tricorp.org)

**Portfolio Diversification by Investment Issuer  
March 31, 2006**

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	92.23%	537,320,475	535,239,209	(2,081,266)	*
SBA Pools	5.67%	33,034,410	33,034,410	-	AAA
Total U.S. Government Agency	5.67%	33,034,410	33,034,410	-	
CMO's - Floating Rate	0.68%	3,946,730	3,946,730	-	AAA
MBS's - Fixed Rate	0.85%	4,973,096	4,973,096	-	AAA
Total CMO's & MBS's	1.53%	8,919,826	8,919,826	-	
CUSO and Other	0.51%	2,942,241	2,942,241	-	
Asset-Backed Securities:					
SPSAC 1998-2 AI	0.06%	355,532	355,532	-	AAA
Total Asset-Backed Securities	0.06%	355,532	355,532	-	
Total Investments	100.00%	582,572,484	580,491,218	(2,081,266)	

\* U.S. Central CU carries a Medium Term Note Program rating of "AAA", the Commercial Paper Program carries a rating of "A-1+/P-1". These ratings do not apply to member shares and share certificates. U.S. Central CU does maintain an issuer rating of "A" from Bankwatch.

**TRICORP FCU  
Statement of Financial Position (Unaudited)  
March 31, 2006 and 2005**

	3/31/06	3/31/05	Change
<b>Assets</b>			
Loans to Members	38,845,275	11,172,571	247.68%
Cash	1,007,508	914,224	10.20%
Investments	582,572,484	478,320,235	21.80%
Accrued Interest	2,548,476	1,910,922	33.36%
Fixed Assets	817,459	881,984	-7.32%
NCUSIF Deposit	170,503	172,563	-1.19%
Other Assets	1,421,398	1,814,486	-21.66%
Total Assets	<u>627,383,103</u>	<u>495,186,985</u>	<u>26.70%</u>
<b>Liabilities</b>			
Accounts Payable	597,113	86,755	588.28%
Notes Payable	11,000,000	11,000,000	N/A
Dividends Payable	1,110,527	470,569	136.00%
Accrued Expenses	87,746	80,160	9.46%
Other Liabilities	25,650	21,253	20.69%
Total Liabilities	<u>12,821,036</u>	<u>11,658,737</u>	<u>9.97%</u>
<b>Members' Shares and Deposits</b>			
Overnight Deposits	378,858,204	289,654,783	30.80%
MCS D	28,316,742	27,362,536	3.49%
Share Certificates	190,771,468	150,475,793	26.78%
Members' Shares and Deposits	<u>597,946,414</u>	<u>467,493,112</u>	<u>27.90%</u>
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	10,767,020	10,144,086	6.14%
Unrealized Gain/(Loss)AFS Sec.	(211,294)	(168,877)	25.12%
Total Liabilities & Members' Equity	<u>627,383,103</u>	<u>495,186,985</u>	<u>26.70%</u>

**Income Statement**  
**Periods Ended March 31, 2006 and 2005**

	3/31/06	3/31/05	Change
Interest Income from Loans	601,661	148,666	304.71%
Interest and Dividend Income from Investments	4,626,979	3,043,098	52.05%
<b>Total Interest Income</b>	<b>5,228,640</b>	3,191,764	63.82%
Dividend Expense	4,502,397	2,547,370	76.75%
Interest on Borrowed Money	182,648	130,188	40.30%
<b>Total Interest Expense</b>	<b>4,685,045</b>	2,677,558	74.97%
Net Interest Income	543,595	514,206	5.72%
Fees and Other Operating Income	122,946	117,891	4.29%
<b>Gross Operating Margin before Operating Expenses</b>	<b>666,541</b>	632,097	5.45%
<b>Operating Expenses:</b>			
Salaries and Benefits	259,540	246,303	5.37%
Office Occupancy	19,801	19,421	1.96%
Office Operations	47,814	47,199	1.30%
Travel and Conference	22,216	13,259	67.55%
Educational and Promotional	28,312	28,097	0.77%
Professional and Outside Services	94,790	86,529	9.55%
Others	18,593	24,070	-22.75%
<b>Total Operating Expenses</b>	<b>491,066</b>	464,878	5.63%
Net Income Before Transfers	175,475	167,219	4.94%
Required Transfer to Regular Reserves	-	-	0.00%
<b>Net Change to Undivided Earnings</b>	<b>175,475</b>	167,219	4.94%

**Statistical Changes In Financial Position**

	As Of 3/31/06	As Of 3/31/05	
* Operating Expense Ratio	0.38%	0.38%	
* ROA	0.13%	0.14%	
* Equity Ratio	3.48%	3.31%	
Average Assets	522,815,507	490,559,768	
Net Economic Value (NEV)	2/28/2006		Reg 704 Requirements
+ 300 BP Shock			
Actual Dollar Change	43,685,973		Minimum = 38,503,010
% Change	-3.56%		***
NEV Ratio	7.59%		
<b>Base Level Dollar Amount</b>	<b>45,297,659</b>		N/A
<b>Base Level NEV Ratio</b>	<b>7.77%</b>		
- 300 BP Shock			
Actual Dollar Change	46,792,581		Maximum = 52,092,308
% Change	3.30%		***
NEV Ratio	7.95%		

\* Based on Average Assets

\*\*\* NEV cannot fluctuate more than eighteen percent in either rate shock scenario.  
Minimum and maximum amounts are based on current year levels.