

# First Quarter 2007 Financial Review



## Management Commentary

Tricorp FCU continues to make safety and soundness priority number one. Despite the constant challenges of the liquidity cycle and increased rates producing tighter margins, we continue to maintain a high quality balance sheet while also seeking to pay competitive rates. 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.

The first quarter of 2007 ended with assets of \$881,092,037, up \$253.7 million or 40% from the same period in 2006. Several factors contributed to this increase. Rising interest rates and increased liquidity are the two biggest contributors. Member share certificates increased to \$304,810,957 or 59.78% from March 2006 and member shares and deposits increased to \$849,713,542 or 42.11%. In support of the increased liquidity shown by the increased deposits, loan volumes have significantly decreased over the past 12 months by 78.66% or \$ 30,557,224.

Net income for this first quarter of 2007 was up 50.79% over the same 12 month period last year. Tricorp FCU posted a return on average assets of 15 basis points, two basis points higher than the prior year. Operating expenses are up only slightly, 3.56%, from the same period last year while interest and dividend income are up 84.26% which is due to the increase in rates and liquidity. This translates into a substantial increase in the amount of dividend expenses which are up 76.27% or \$ 3,434,121 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 5.40% — another strong indicator of the safety and soundness position of Tricorp.

Tricorp's management team and staff strive to provide services that will enable our member credit unions to serve their members well. "The mission of Tricorp FCU is to provide quality financial products and services to meet the needs of its credit union members, while maintaining a strong financial position." Our strong financial position is reflected in this report. The rest we do by protecting the value of membership by making it easy to manage your liquidity.

We are proud that in times of greater liquidity, members turn to Tricorp as their resource for their investment needs as is reflected in this report. With an increase in assets, Tricorp has maintained low operating expenses, an increase in ROA and higher dividend expenses, which properly reflects our philosophy of giving back to our membership, our owners.

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.

**Statement of Financial Position (Unaudited)**  
**March 31, 2007 and 2006**

	03/31/07	03/31/06	Change
<b>Assets</b>			
Loans to Members	8,288,051	38,845,275	-78.66%
Cash	2,914,946	1,007,508	189.32%
Investments	863,564,373	582,572,484	48.23%
Accrued Interest	4,194,023	2,548,476	64.57%
Fixed Assets	784,058	817,459	-4.09%
NCUSIF Deposit	171,506	170,503	0.59%
Other Assets	<u>1,175,080</u>	<u>1,421,398</u>	<u>-17.33%</u>
<b>Total Assets</b>	<b><u>881,092,037</u></b>	<b><u>627,383,103</u></b>	<b><u>40.44%</u></b>
<b>Liabilities</b>			
Accounts Payable	140,653	597,113	-76.44%
Notes Payable: Term Borrowing	11,000,000	11,000,000	n/a
Dividends Payable	2,551,037	1,110,527	129.71%
Accrued Expenses	35,748	87,746	-59.26%
Other Liabilities	<u>39,088</u>	<u>25,650</u>	<u>52.39%</u>
<b>Total Liabilities</b>	<b><u>13,766,526</u></b>	<b><u>12,821,036</u></b>	<b><u>7.37%</u></b>
<b>Members' Shares and Deposits</b>			
Overnight Deposits	516,517,023	378,858,204	36.34%
MCSD	28,385,562	28,316,742	0.24%
Share Certificates	<u>304,810,957</u>	<u>190,771,468</u>	<u>59.78%</u>
Members' Shares & Deposits	849,713,542	597,946,414	42.11%
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	11,567,904	10,767,020	7.44%
Unrealized Gain/Loss AFS Sec	<u>(15,862)</u>	<u>(211,294)</u>	<u>-92.49%</u>
<b>Total Liabilities &amp; Members' Equity</b>	<b><u>881,092,037</u></b>	<b><u>627,383,103</u></b>	<b><u>40.44%</u></b>

**Income Statement**  
Periods ended March 31, 2007 and 2006

	03/31/07	03/31/06	Change
Interest Income from Loans	165,357	601,661	-72.52%
Interest and Dividend Income from Investments	<u>8,525,843</u>	<u>4,626,979</u>	<u>84.26%</u>
<b>Total Interest Income</b>	<b>8,691,200</b>	5,228,640	66.22%
Dividend Expense	7,936,518	4,502,397	76.27%
Interest on Borrowed Money	<u>103,784</u>	<u>182,648</u>	<u>-43.18%</u>
<b>Total Interest Expense</b>	<b>8,040,302</b>	4,685,045	71.62%
Net Interest Income	650,898	543,595	19.74%
Fees and Other Operating Income	<u>122,231</u>	<u>122,946</u>	<u>-0.58%</u>
<b>Gross Operating Margin before Operating Expenses</b>	<b>773,129</b>	666,541	15.99%
<b>Operating Expenses:</b>			
Salaries and Benefits	286,830	259,540	10.51%
Office Occupancy	19,880	19,801	0.40%
Office Operations	56,187	47,814	17.51%
Travel and Conference	15,978	22,216	-28.08%
Educational and Promotional	24,886	28,312	-12.10%
Professional and Outside Services	87,081	94,790	-8.13%
Others	<u>17,683</u>	<u>18,593</u>	<u>-4.89%</u>
<b>Total Operating Expenses</b>	<b>508,525</b>	491,066	3.56%
Gain/(Loss) Investment Sales	-	-	n/a
Net Income before Transfers	264,604	175,475	50.79%
Required Transfer to Regular Reserves	<u>-</u>	<u>-</u>	<u>n/a</u>
<b>Net Change to Undivided Earnings</b>	<b><u>264,604</u></b>	<b><u>175,475</u></b>	<b><u>50.79%</u></b>

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### Portfolio Diversification by Investment Issuer · March 31, 2007

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	95.02%	820,550,388	820,284,187	(266,201)	*
SBA Pools	4.01%	34,589,458	34,589,458		AAA
Total U.S. Government Agency	4.01%	34,589,458	34,589,458	-	
CMOs - Floating Rate	0.30%	2,612,852	2,612,852	-	AAA
MBSs - Fixed Rate	0.48%	4,135,666	4,135,666	-	AAA
Total CMOs & MBSs	0.78%	6,748,518	6,748,518	-	
CUSO and Other	0.16%	1,413,447	1,413,447	-	
Asset-Backed Securities:					
SPSAC 1998-2 A1	0.03%	262,562	262,562	-	AAA
Total Asset-Backed Securities	0.03%	262,562	262,562	-	
<b>Total Investments</b>	<b>100.00%</b>	<b>863,564,373</b>	<b>863,298,172</b>	<b>(266,201)</b>	

\* 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.

### Statistical Changes in Financial Position

	As of 03/31/07	As of 03/31/06
* Operating Expense Ratio	<b>0.29%</b>	0.38%
* ROA	<b>0.15%</b>	0.13%
* Equity Ratio	<b>2.94%</b>	3.48%
Average Assets	<b>711,806,671</b>	522,815,507
Net Economic Value (NEV)	<b>02/28/07</b>	Reg 704 Requirements
+ 300 BP Shock		
Actual Dollar Change	<b>44,823,235</b>	Minimum = 39,908,478
% Change	<b>-4.53%</b>	***
NEV Ratio	<b>5.21%</b>	
Base Level Dollar Amount	<b>46,951,151</b>	N/A
Base Level NEV Ratio	<b>5.40%</b>	
- 300 BP Shock		
Actual Dollar Change	<b>49,062,537</b>	Maximum = 53,993,824
% Change	<b>4.50%</b>	***
NEV Ratio	<b>5.61%</b>	

\* Based on Average Assets

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