

Second Quarter 2004 Financial Review



TRICORP FEDERAL CREDIT UNION

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TRICORP
FEDERAL CREDIT UNION

Quarterly Report
June 30, 2004
Management Commentary

“Making the decided difference in the success of credit unions.”

TRICORP FCU continues to maintain a low financial risk profile with asset quality, capital adequacy, interest rate risk, and liquidity risk, all well within a safe and sound operating range.

Recent trends indicate that liquidity has begun to decline with slower share growth and increases for loan demand. This puts emphasis on short term investments for some and short term borrowing on others. In keeping with our mission statement, TRICORP continues to meet the needs of our members with products and services second to none.

TRICORP's overnight account remains a strong viable option for short term investments, paying an overall higher rate of return than any other corporate in the area. Our overnight has no limits on withdrawals and is managed for members at the corporate level. This combined with our regular CD's and investment specials offered twice monthly provide solutions for all members' short term investing needs.

For members in need of short term borrowing TRICORP remains unique in the corporate world with our very popular loan buy down program. For rates as low as 20 BP over Fed Funds this product can satisfy any liquidity needs and is automatically maintained at the corporate level, thus avoiding valuable extra time and effort on our members' part to keep track of liquidity daily.

TRICORP FCU has always protected the value of member benefits, better than anyone else, by maintaining a one-rate overnight account structure, free automated settlement, investment offerings, and loan programs that accommodate a wide array of cash flow, return needs, and liquidity for our membership. By maintaining our direction of success for our members, TRICORP has literally returned hundreds of thousands of dollars back to its membership, contributing to their success. TRICORP FCU is very proud of its simple straightforward approach, protecting the value for which the Corporate network was originally created, and ultimately the relationship value that all members enjoy. We look forward to expanded offerings without compromising our mission or the value our members currently realize.

TRICORP Services

INVESTMENT

ALM Reporting Services
Certificates of Deposit
Corporate Network
· Brokerage Services - CNBS
Notice Accounts - 30 Day and 90 Day
Overnight Accounts
Regular Share Accounts
Reverse Repurchase Transactions
Securities Safekeeping
Structured Certificates
Amortizing Certificates - ACPs
Fixed Callable Certificates
Multi Step-Up Certificates
Step-Up Certificates
Variable Rate Certificates - VRCs

FUNDS TRANSFER

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

CORRESPONDENT

Automated Settlement
ACH Receipt/Origination
ACH/NEACH Transactions
ATM Cards
Electronic Bill Payment
Federal Reserve Reg. D
Food Stamp Redemption
MasterCard®

Member Share Drafts
Money Orders
Student Loan Program
Traveler's Checks
Treasury Tax & Loan TT&L
U.S. Savings Bonds
VISA®
Check Collection - U.S., Canadian and Foreign
Coin and Currency
Corporate Share Drafts
Express Currency

LIQUIDITY

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

INFORMATION

Bank Statement Analysis
Breakfast Meeting Presentations
Chapter Meeting Presentations
CUFS-Credit Union Financial System
Market Valuations Securities
Monthly Statements
On-Site Visits
Newsletter - TRICORP Times
Seminars
Quarterly Financial Review
Toll Free Telephone Lines
Weekly Statements
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Portfolio Diversification by Investment Issuer
June 30, 2004

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	87.30%	411,218,161	410,683,580	(534,581)	*
SBA Pools	9.00%	42,413,548	42,413,548	0	AAA
Total U.S. Government Agency	9.00%	42,413,548	42,413,548	0	AAA
CMO's Floating Rate	2.51%	11,829,560	11,829,560	-	AAA
MBS Fixed Rate	0.94%	4,425,488	4,425,488	-	AAA
Total MBS and CMOs	3.45%	16,255,048	16,255,048	-	AAA
CUSO and Other	0.09%	445,241	445,241	0	
Asset-Backed Securities:	0.15%	723,528	723,528	0	AAA
Total Asset-Backed Securities	0.15%	723,528	723,528	0	AAA
Total Investments	100%	471,055,526	470,520,945	(534,581)	

* 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)
June 30, 2004 and 2003

	06/30/04	06/30/03	Change
Assets			
Loans to Members	17,852,698	7,200,175	147.95%
Cash	938,884	1,725,427	-45.59%
CLF Deposit	17,689,986	16,219,911	9.06%
Investments	471,055,526	582,250,593	-19.10%
Accrued Interest	1,486,349	1,450,412	2.48%
Fixed Assets	894,005	944,931	-5.39%
NCUSIF Deposit	163,563	163,897	-0.20%
Other Assets	1,927,554	1,698,251	13.50%
Total Assets	512,008,565	611,653,597	-16.29%
Liabilities			
Accounts Payable	535,734	1,554,237	-65.53%
CLF Notes Payable	17,689,986	16,219,911	9.06%
Line of Credit Loan (US Central)	80,125,201	-	-
Dividends Payable	394,395	195,719	101.51%
Accrued Expenses	68,861	50,687	35.86%
Other Liabilities	514,086	1,135,072	-54.71%
Total Liabilities	99,328,263	19,155,626	418.53%
Members' Shares and Deposits			
Overnight Deposits	219,419,352	434,908,576	-49.55%
MCS D	26,437,527	24,970,992	5.87%
Share Certificates	151,144,261	117,784,669	28.32%
Members' Shares & Deposits	397,001,140	577,664,237	-31.27%
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	9,672,177	8,824,703	9.60%
Unrealized Gain/Loss AFS Sec	(52,942)	(50,896)	4.02%
Total Liabilities & Members' Equity	512,008,565	611,653,597	-16.29%

Income Statement
Periods Ended June 30, 2004 and 2003

	06/30/2004	06/30/03	Change
Interest Income from Loans	104,362	85,327	22.31%
Interest and Dividend Income from Investments	<u>4,346,108</u>	<u>5,113,594</u>	<u>-15.01%</u>
Total Interest Income	4,450,470	5,198,921	-14.40%
Dividend Expense	3,168,471	3,941,376	-19.61%
Interest on Borrowed Money	<u>156,043</u>	<u>98,919</u>	<u>57.75%</u>
Total Interest Expense	3,324,514	4,040,295	-17.72%
Net Interest Income	1,125,956	1,158,626	-2.82%
Fees and Other Operating Income	<u>214,340</u>	<u>207,100</u>	<u>3.50%</u>
Gross Operating Margin before Operating Expenses	1,340,296	1,365,726	-1.86%
Operating Expenses:			
Salaries and Benefits	445,074	426,109	4.45%
Office Occupancy	36,796	39,957	-7.91%
Office Operations	123,815	120,477	2.77%
Travel and Conference	51,152	45,925	11.38%
Educational and Promotional	71,695	62,017	15.61%
Professional and Outside Services	177,780	165,499	7.42%
Others	32,477	36,878	-11.93%
Total Operating Expenses	938,789	896,862	4.67%
Net Income Before Transfers	401,507	468,864	-14.37%
Required Transfer to Regular Reserves	<u>-</u>	<u>-</u>	<u>0.00%</u>
Net Change to Undivided Earnings	401,507	468,864	-14.37%

Statistical Changes in Financial Position

	As of 06/30/04	As of 06/30/03	
* Operating Expense Ratio	0.35%	0.30%	
* ROA	0.15%	0.16%	
* Equity Ratio	2.88%	2.70%	
Average Assets	533,711,867	604,068,158	
Net Economic Value (NEV)	5/31/04		Reg 704 Requirements
+ 300 BP Shock			
Actual Dollar Change	41,254,919		Minimum = 36,823,825
% Change	-4.77%		***
NEV Ratio	7.25%		
Base Level Dollar Amount	43,322,147		N/A
Base Level NEV Ratio	7.50%		
- 100 BP Shock			
Actual Dollar Change	43,754,287		Maximum = 49,820,469
% Change	1.00%		***
NEV Ratio	7.54%		
* 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.			