

Second Quarter 2005 Financial Review



**Tricorp**
Federal Credit Union

Quarterly Report
July 31, 2005
Management Commentary

Tricorp FCU continues 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 and liquidity risk remain very low. Tricorp also continues to employ strict financial discipline in order to maintain a strong financial condition.

Tricorp's assets ended the second quarter down 16.58% from the same period a year ago and this is mainly the result of the continued decrease in liquidity in the latter half of 2004 and that trend has continued in the first half of 2005. Tricorp manages its balance sheet in accordance with member liquidity needs in order to fulfill its main mission of being a member liquidity provider. The results from the NEV testing demonstrate a balance sheet that is well positioned for any interest rate environment.

Net income is down 22% and is a result of the decrease in assets. Operating expenses are up slightly, 3.5%, from the same period last year but interest and dividend income are up 53%. Tricorp maintains strict financial discipline as evidenced by the increase of dividend expenses up 78% from the prior year. This increase is possible because of Tricorp's financial discipline of its balance sheet management which in turn, contributes to our members' success by giving back to our members in the form of dividends.

Tricorp FCU has always protected the value of membership by making it easy to manage your liquidity. We maintain 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 and we do it in a hassle free straight forward manner. We continue to make sure that we 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 FCU
Statement of Financial Position (Unaudited)
June 30, 2005 and 2004

	06/30/05	06/30/04	Change
Assets			
Loans to Members	22,254,932	17,852,698	24.66%
Cash	1,182,006	938,884	25.89%
CLF Deposit	-	17,689,986	-100.00%
Investments	399,367,735	471,055,526	-15.22%
Accrued Interest	2,024,511	1,486,349	36.21%
Fixed Assets	872,313	894,005	-2.43%
NCUSIF Deposit	172,563	163,563	5.50%
Other Assets	1,224,269	1,927,554	-36.49%
	<u>427,098,329</u>	<u>512,008,565</u>	<u>-16.58%</u>
Liabilities			
Accounts Payable	251,254	535,734	-53.10%
CLF Notes Payable	-	17,689,986	-100.00%
Line of Credit Loan (US Central)	11,000,000	80,125,201	
Dividends Payable	645,836	394,395	63.75%
Accrued Expenses	73,413	68,861	6.61%
Other Liabilities	14,885	514,086	-97.10%
	<u>11,985,388</u>	<u>99,328,263</u>	<u>-87.93%</u>
Members' Shares and Deposits			
Overnight Deposits	228,832,776	219,419,352	4.29%
MCS D	28,121,789	26,437,527	6.37%
Share Certificates	141,981,211	151,144,261	-6.06%
	<u>398,935,776</u>	<u>397,001,140</u>	<u>0.49%</u>
Members' Shares & Deposits	398,935,776	397,001,140	0.49%
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	10,287,508	9,672,177	6.36%
Unrealized Gain/Loss AFS	(170,270)	(52,942)	221.62%
	<u>427,098,329</u>	<u>512,008,565</u>	<u>-16.58%</u>
Total Liabilities & Members' Equity	<u>427,098,329</u>	<u>512,008,565</u>	<u>-16.58%</u>

Income Statement

Periods Ended June 30, 2005 and 2004

	06/30/05	06/30/04	Change
Interest Income from Loans	283,258	104,362	171.42%
Interest and Dividend Income from Investments	<u>6,657,836</u>	<u>4,346,108</u>	53.19%
Total Interest Income	6,941,094	4,450,470	55.96%
Dividend Expense	5,645,435	3,168,471	78.18%
Interest on Borrowed Money	<u>247,748</u>	<u>156,043</u>	58.77%
Total Interest Expense	5,893,183	3,324,514	77.26%
Net Interest Income	1,047,911	1,125,956	-6.93%
Fees and Other Operating Income	<u>234,864</u>	<u>214,340</u>	9.58%
Gross Operating Margin before Operating Expenses	1,282,775	1,340,296	-4.29%
Operating Expenses:			
Salaries and Benefits	487,870	445,074	9.62%
Office Occupancy	38,826	36,796	5.52%
Office Operations	120,948	123,815	-2.32%
Travel and Conference	45,814	51,152	-10.44%
Educational and Promotional	69,652	71,695	-2.85%
Professional and Outside Services	175,976	177,780	-1.01%
Others	33,049	32,477	1.76%
Total Operating Expenses	<u>972,135</u>	<u>938,789</u>	3.55%
Net Income Before Transfers	310,640	401,507	-22.63%
Required Transfer to Regular Reserves	<u>-</u>	<u>-</u>	0.00%
Net Change to Undivided Earnings	<u>310,640</u>	<u>401,507</u>	-22.63%

Statistical Changes in Financial Position

	As of 06/30/05	As of 06/30/04
* Operating Expense Ratio	0.39%	0.35%
* ROA	0.12%	0.15%
* Equity Ratio	3.41%	2.88%
Average Assets	497,485,177	533,711,867
Net Economic Value (NEV)	05/31/05	Reg 704 Requirements
+ 300 BP Shock		
Actual Dollar Change	43,897,475	Minimum = 38,505,164
% Change	-3.10%	***
NEV Ratio	8.56%	
Base Level Dollar Amount	45,300,193	N/A
Base Level NEV Ratio	8.70%	
- 200 BP Shock		
Actual Dollar Change	45,463,882	Maximum = 52,095,222
% Change	0.36%	***
NEV Ratio	8.67%	

* 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.

Portfolio Diversification by Investment Issuer
March 31, 2005

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	84.27%	336,533,415	335,531,806	(1,001,609)	*
SBA Pools	11.20%	44,718,882	44,718,882	-	AAA
Total U.S. Government Agency	11.20%	44,718,882	44,718,882	-	
CMO's - Fixed Rate	0.15%	582,266	582,266	-	AAA
CMO's - Floating Rate	1.92%	7,676,176	7,676,176	-	AAA
MBS's - Fixed Rate	1.57%	6,251,863	6,251,863	-	AAA
Total CMO's & MBS	3.63%	14,510,305	14,510,305	-	
CUSO and Other	0.79%	3,142,240	3,142,240	-	
Asset-Backed Securities:					
SPSAC 1998-2 AI	0.12%	462,893	462,893	-	AAA
Total Asset-Backed Securities	0.12%	462,893	462,893	-	
Total Investments	100.00%	398,367,735	398,366,126	(1,001,609)	

* 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 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

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