

Second Quarter 2008 Financial Review



The purpose of providing you, our members, quarterly reports is to allow you to compare this quarter's financials with those of the same quarter the previous year. It gives you a good indication of how Tricorp has progressed. With the current uncertainty of the country's economic situation and the turbulent financial conditions it is especially important to review this quarter's financials to see how your corporate has preformed on your behalf.

Tricorp is especially pleased and proud to disclose this quarter's financials. Safety and soundness continue to be priority number one at Tricorp FCU and is demonstrated with the results of this report.

Tricorp's retained earnings ended this quarter extremely strong with a positive gain of \$2.3M, an increase of 13% over the same period last year. Tricorp is also showing an unrealized gain of \$124,089 which is very favorable given current market conditions. The NEV Ratio remains well above the regulatory minimum at 5.36% and the percent change of -4.02% in an up 300 shock scenario is very conservative. This gives Tricorp a very strong position of equity and is the result of a continued high quality balance sheet and solid investments. This is all done in concert with the fact that our interest rate, liquidity and credit risk continue to remain very low.

Return on assets at 0.37% as compared to 0.13% one year ago is very strong and at a historical high. This is good news as Tricorp continues to maintain a capital level that is safely above the regulatory minimum. The strong earnings also keep Tricorp in a sound financial position to support future growth.

Tricorp has remained true to our core competencies for which the Corporate Network was created, therefore we are able to provide quality products and services for our members even in these uncertain times. We are here to serve our members no matter which way the liquidity cycle turns with investment and loan strategies that are cost effective, convenient, ready and available.

Tricorp's management team and staff strive to provide services that will enable our member credit unions to serve their members well. Tricorp's mission 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 appreciate our members' support and confidence. This report reflects our goal to always act in the best interest of our members no matter how challenging the economic conditions. We will continue to strive for your benefit and are proud that all members turn to Tricorp as their resource for their liquidity needs as is reflected in this report.

Summary

The second quarter of 2008 ended with assets down slightly (6.56%) over the second quarter in 2007 to end at \$771,914,058. However, the average assets of \$865,867,910 are up from average assets in 07 of \$778,380,585.

Share certificates ended the quarter at \$332,374,000, basically level with second quarter last year. Liquidity is beginning to tighten as evidenced by the slight decrease in overnight deposit balances and loan volumes to members showing an increase of 28.96% from one year ago.

Net income for this quarter was significantly up 213.25% over the same 12 month period last year. Tricorp FCU posted a return on average assets of 37 basis points, 24 basis points higher than the prior year, stable and well beyond our expectations. Operating expenses remain equal to the same period last year at 0.28%. Interest and dividend income are down 17.40% while dividend expense is down 26.90% from the same period a year ago, indicative of lower interest rates.

NEV results remain well within both NCUA's and Tricorp's limitations. The regulatory minimum for the NEV ratio in a base case scenario is 3% while Tricorp's base case ratio is 5.36% - another strong indicator of the safety and soundness position of Tricorp. The maximum allowable decline in NEV is a negative 15% and the positive 300 scenario is a minus 4.02%, well within the limitation as noted above.

Statement of Financial Position (Unaudited)
 June 30, 2008 and 2007

	6/30/08	6/30/07	Change
Assets			
Loans to Members	11,215,066	8,696,496	28.96%
Cash	1,397,355	997,644	40.07%
Investments	751,792,433	809,025,513	-7.07%
Accrued Interest	4,619,437	5,142,238	-10.17%
Fixed Assets	736,260	799,228	-7.88%
NCUSIF Deposit	157,181	178,522	-11.95%
Other Assets	<u>1,996,324</u>	<u>1,234,600</u>	61.70%
Total Assets	<u>771,914,058</u>	<u>826,074,241</u>	-6.56%
Liabilities			
Accounts Payable	375,088	359,990	4.19%
Line of Credit Loan (US Central)	11,000,000	11,000,000	
Dividends Payable	3,221,295	3,738,241	-13.83%
Accrued Expenses	44,744	62,244	-28.12%
Other Liabilities	102,300	58,971	73.48%
Total Liabilities	<u>14,743,428</u>	<u>15,219,446</u>	-3.13%
Members' Shares and Deposits			
Overnight Deposits	375,253,901	431,848,394	-13.11%
MCSD	29,197,894	28,617,463	2.03%
Share Certificates	<u>332,374,000</u>	<u>332,534,563</u>	-0.05%
Members' Shares & Deposits	736,825,795	793,000,420	-7.08%
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	14,160,818	11,820,080	19.80%
Unrealized Gain/Loss AFS	124,089	(25,632)	-584.12
Total Liabilities & Members' Equity	<u>771,914,058</u>	<u>826,074,241</u>	-6.56%

Income Statement

Periods ended June 30, 2008 and 2007

	06/30/08	06/30/07	Change
Interest Income from Loans	137,761	281,237	-51.02%
Interest and Dividend Income from Investments	15,730,808	19,043,619	-17.40%
Total Interest Income	15,868,569	19,324,856	-17.89%
Dividend Expense	12,970,522	17,743,667	-26.90%
Interest on Borrowed Money	<u>339,102</u>	<u>209,191</u>	<u>62.10%</u>
Total Interest Expense	13,309,624	17,952,858	-25.86%
Net Interest Income	2,558,945	1,371,998	86.51%
Fees and Other Operating Income	<u>267,550</u>	<u>247,894</u>	<u>7.93%</u>
Gross Operating Margin before Operating Expenses	<u>2,826,495</u>	<u>1,619,892</u>	<u>74.49%</u>
Operating Expenses:			
Salaries and Benefits	598,982	563,254	6.34%
Office Occupancy	44,384	40,685	9.09%
Office Operations	142,037	132,566	7.14%
Travel and Conference	72,007	66,540	8.22%
Educational and Promotional	83,452	76,948	8.45%
Professional and Outside Services	225,694	179,912	25.45%
Others	<u>53,618</u>	<u>43,208</u>	<u>24.09%</u>
Total Operating Expenses	<u>1,220,174</u>	<u>1,103,113</u>	<u>10.61%</u>
Gain/(Loss) Investment Sales	12,500	-	
Net Income Before Transfers	1,618,821	516,779	213.25%
Required Transfer to Regular Reserves	-	-	0.00%
Net Change to Undivided Earnings	<u>1,618,821</u>	<u>516,779</u>	<u>213.25%</u>

Portfolio Diversification by Investment Issuer · June 30, 2008

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	91.54%	688,213,592	688,003,191	(210,401)	*
SBA Pools	7.56%	56,864,801	56,864,801		AAA
Total U.S. Government Agency	7.56%	56,864,801	56,864,801	-	
CMO's - Floating Rate	0.16%	1,217,122	1,217,122	-	AAA
MBS's - Fixed Rate	0.51%	3,840,751	3,840,751	-	AAA
Total CMO's & MBS	0.67%	5,057,874	5,057,874	-	
CUSO and Other	0.20%	1,511,837	1,511,837	-	
Asset-Backed Securities:					
SPSAC 1998-2 A1	0.02%	144,330	144,330	-	AAA
Total Asset-Backed Securities	0.02%	144,330	144,330	-	
Total Investments	100.00%	751,792,433	751,582,032	(210,401)	

* 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 6/30/08	As of 6/30/07
* Operating Expense Ratio	0.28%	0.28%
* ROA	0.37%	0.13%
* Equity Ratio	2.45%	2.69%
Average Assets	865,867,910	778,380,585
Net Economic Value (NEV)	5/31/08	Reg 704 Min/Max Requirements
+ 300 BP Shock		
Actual Dollar Change	49,490,280	43,826,259
% Change	-4.02%	***
NEV Ratio	5.36%	
Base Level Dollar Amount	51,560,305	N/A
Base Level NEV Ratio	5.48%	
- 300 BP Shock		
Actual Dollar Change	52,218,877	59,294,351
% Change	1.28%	***
NEV Ratio	5.53%	

* Based on Average Assets

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