

Third 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 year to date income ended this quarter extremely strong with a positive gain of *\$2.116 million versus \$905,000* over the same period last year. This is due in large part to the wide spread between Libor and Fed Funds. There is no way to know how long this spread difference will last but given the current economic situation that we are in, this is a good time for Tricorp to be building capital. While we do have the opportunity to build capital, we also have the opportunity to pass on some very favorable rates on our deposit products. Many of our term products are being passed on with *no spread* taken from US Central rate's so please give us a look if you have some liquidity to invest.

Tricorp continues to invest a majority of its surplus funds in US Central. US Central has not been immune from the troubles in the mortgage securities market. However, US Central's net income for the first nine months of 2008 was \$46 million. This amount is *net* of the \$27 million in losses related to investment operations during the period. Despite that loss US Central remains one of the *highest rated* financial institutions in the country. If you would like further information regarding US Central's financial position you can visit their web site at uscentral.org. For your convenience, we have attached a copy of the ratings assigned to US Central by Fitch, Standard & Poors and Moody's with this report. Tricorp is not a rated corporate because we do not hold on our balance sheet the types of investments that would generate a rating so you can look at Tricorp with an implied rating equal to US Central's.

Tricorp's NEV Ratio remains well above the regulatory minimum at 7.28% and the percent change of -3.98% 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.

These are very unsettling times and we sincerely 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 third quarter of 2008 ended with assets down slightly (4.43%) over the third quarter in 2007 to end at \$738,053,199. However, the average assets of \$823,767,001 are up from average assets in 07 of \$785,180,427.

Share certificates ended the quarter at \$308,139,394 down 14.46% from third quarter last year. Much of this is due to a shift of investments into the brokered certificates offered with the SimpliCD program. Liquidity has begun to tighten as evidenced by the decrease in overnight deposit balances and member loan volumes increasing by 163.11% from one year ago.

Net income for this quarter was significantly up 133.83% over the same 12 month period last year. Tricorp FCU posted a return on average assets of 34 basis points, 19 basis points higher than the prior year, stable and well beyond our expectations. Operating expenses increased 19.10%. Interest and dividend income are down 25.61% while dividend expense is down 35.63% 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 7.28% - 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 3.98%, well within the limitation as noted above.

Statement of Financial Position (Unaudited)
September, 2008 and 2007

	09/30/08	09/30/07	Change
Assets			
Loans to Members	25,332,297	9,628,137	163.11%
Cash	4,227,591	1,003,741	321.18%
Investments	701,988,968	753,580,103	-6.85%
Accrued Interest	4,007,014	5,642,671	-28.99%
Fixed Assets	705,419	784,828	-10.12%
NCUSIF Deposit	157,181	159,493	-1.45%
Other Assets	<u>1,634,728</u>	<u>1,489,073</u>	<u>9.78%</u>
Total Assets	<u>738,053,199</u>	<u>772,288,047</u>	<u>-4.43%</u>
Liabilities			
Accounts Payable	1,290,740	569,894	126.49%
Line of Credit Loan (US Central)	129,754,201	11,000,000	1079.58%
Dividends Payable	2,493,327	3,904,105	-36.14%
Accrued Expenses	68,179	63,544	7.29%
Other Liabilities	67,400	63,740	5.74%
Total Liabilities	<u>133,673,847</u>	<u>15,601,282</u>	<u>756.81%</u>
Members' Shares and Deposits			
Overnight Deposits	246,126,997	349,507,393	-29.58%
MCSD	29,197,894	28,617,463	2.03%
Share Certificates	<u>308,139,394</u>	<u>360,232,181</u>	<u>-14.46%</u>
Members' Shares & Deposits	583,464,286	738,357,038	-20.98%
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	14,658,145	12,208,312	20.07%
Unrealized Gain/Loss AFS	196,993	61,488	220.38
Total Liabilities & Members' Equity	<u>738,053,199</u>	<u>772,288,047</u>	<u>-4.43%</u>

Income Statement
 Periods ended September 30, 2008 and 2007

	09/30/08	09/30/07	Change
Interest Income from Loans	214,417	419,830	-48.93%
Interest and Dividend Income from Investments	21,649,735	29,101,758	-25.61%
Total Interest Income	21,864,152	29,521,588	-25.94%
Dividend Expense	17,181,046	26,692,724	-35.63%
Interest on Borrowed Money	<u>1,034,739</u>	<u>655,090</u>	<u>57.95%</u>
Total Interest Expense	18,215,785	27,347,814	-33.39%
Net Interest Income	3,648,367	2,173,774	67.84%
Fees and Other Operating Income	<u>410,853</u>	<u>373,231</u>	<u>10.08%</u>
Gross Operating Margin before Operating Expenses	<u>4,059,220</u>	<u>2,547,005</u>	<u>59.37%</u>
Operating Expenses:			
Salaries and Benefits	892,025	854,010	4.45%
Office Occupancy	73,106	61,928	18.05%
Office Operations	300,296	184,686	62.60%
Travel and Conference	124,590	98,824	26.07%
Educational and Promotional	111,224	100,481	10.69%
Professional and Outside Services	382,911	282,449	35.57%
Others	<u>71,420</u>	<u>59,616</u>	<u>19.80%</u>
Total Operating Expenses	<u>1,955,572</u>	<u>1,641,994</u>	<u>19.10%</u>
Gain/(Loss) Investment Sales	12,500	-	
Net Income Before Transfers	2,116,148	905,011	133.83%
Required Transfer to Regular Reserves	-	-	0.00%
Net Change to Undivided Earnings	<u><u>2,116,148</u></u>	<u><u>905,011</u></u>	<u><u>133.83%</u></u>

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Portfolio Diversification by Investment Issuer · September 30, 2008

Issuer	Percent	Carrying Value	Market Value	Unrealized Gain (Loss)	Weighted Ratings
U.S. Central Credit Union	91.54%	641,952,389	639,418,672	(2,533,717)	*
SBA Pools	7.65%	53,732,393	53,732,393	-	AAA
Total U.S. Government Agency	7.65%	53,732,393	53,732,393	-	
CMO's - Floating Rate	0.14%	1,011,231	1,011,231	-	AAA
MBS's - Fixed Rate	0.52%	3,639,968	3,639,968	-	AAA
Total CMO's & MBS	0.66%	4,651,199	4,651,199	-	
CUSO and Other	0.22%	1,511,837	1,445,241	-	
Asset-Backed Securities:					
SPSAC 1998-2 A1	0.02%	141,150	141,150	-	AA
Total Asset-Backed Securities	0.02%	141,150	141,150	-	
Total Investments	100.00%	701,988,968	59,969,983	(2,533,717)	

* U.S. Central CU carries a Medium Term Note Program rating of "AA+", 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 09/30/08	As of 09/30/07
* Operating Expense Ratio	0.32%	0.28%
* ROA	0.34%	0.15%
* Equity Ratio	2.55%	2.51%
Average Assets	823,760,701	785,180,427
Net Economic Value (NEV)	8/31/08	Reg 704 Min/Max Requirements
+ 300 BP Shock		
Actual Dollar Change	49,942,650	44,211,450
% Change	-3.98%	***
NEV Ratio	7.14%	
Base Level Dollar Amount	52,013,471	N/A
Base Level NEV Ratio	7.28%	
- 100 BP Shock		
Actual Dollar Change	52,685,934	59,815,492
% Change	1.29%	***
NEV Ratio	7.33%	

* 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.