

*Tradition  
Reliability  
Integrity*

4th Quarter  
Financial Review  
2003

**TRICORP**

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FEDERAL CREDIT UNION

Quarterly Report  
December 31, 2003  
*Management Commentary*

Tricorp FCU continued to maintain a low financial risk profile in the year 2003 with asset quality, capital adequacy, interest rate risk, and liquidity risk all well within a safe and sound operating range. Investments are of high quality and continue to be centered in U.S. Central, with a moderate volume in CMO's, asset-backed securities and U.S. Government and Agencies all rated AAA. Average Assets increased 15.17%, or \$76.6 Million from year-end 2002 to 2003 due to the liquidity cycle increases. While increased liquidity has caused the capital ratio to decline in recent years it has stabilized and ended 2003 at 2.63%. Most significant in capital considerations is the fact that the risk profile remains conservative and there is little more risk in Tricorp FCU's balance sheet than when the ratio was nearly 4%.

Tricorp FCU's low overhead and fee structure and willingness to accept lower levels of ROA compared to other Corporate peers, affords our membership the highest value relationship in the industry. We have compared and documented our performance with peers in our industry in previous quarterly reports, Newsletter Articles, and Marketing materials. On a relative asset size basis, we literally return hundreds of thousands of dollars back to our membership that some of our peers utilize to support their overhead structures, expensive initiatives, and ultimately the volatility inherent in their ROA levels. Tricorp FCU is very proud of the relationship value that our members enjoy and look forward to expanded offerings without compromising the value our member's currently realize.

**TRICORP FCU**  
**Statement of Financial Position (Unaudited)**  
December 31, 2003 and 2002

	12/31/03	12/31/02	Change
<b>Assets</b>			
Loans to Members	13,016,401	8,426,506	54.47%
Cash	466,405	1,132,511	-58.82%
CLF Deposit	16,219,911	13,583,334	19.41%
Investments	497,953,064	445,870,525	11.68%
Accrued Interest	1,493,860	1,507,199	-0.89%
Fixed Assets	906,658	954,162	-4.98%
NCUSIF Deposit	179,454	175,019	2.53%
Other Assets	<u>1,388,173</u>	<u>1,143,336</u>	<u>21.41%</u>
<b>Total Assets</b>	<u><b>531,623,926</b></u>	<u><b>472,792,592</b></u>	<u><b>12.44%</b></u>
<b>Liabilities</b>			
Accounts Payable	45,586	224,335	-79.68%
CLF Notes Payable	16,219,911	13,583,334	19.41%
Overnight Borrowings	91,370,562	0	N/A
Dividends Payable	351,171	146,476	139.75%
Accrued Expenses	14,081	13,541	3.99%
Other Liabilities	<u>711,434</u>	<u>776,394</u>	<u>-8.37%</u>
<b>Total Liabilities</b>	<u><b>108,712,745</b></u>	<u><b>14,744,080</b></u>	<u><b>637.33%</b></u>
<b>Members' Shares and Deposits</b>			
Overnight Deposits	247,848,705	304,053,862	-18.49%
MCS D	25,037,092	23,444,538	6.79%
Share Certificates	<u>134,749,094</u>	<u>116,150,921</u>	<u>16.01%</u>
<b>Members' Shares &amp; Deposits</b>	<b>407,634,891</b>	<b>443,649,321</b>	<b>-8.12%</b>
Regular Reserves	6,059,927	6,059,927	0.00%
Undivided Earnings	9,270,672	8,355,840	10.95%
Unreal Gain/(Loss) AFS Sec	<u>(54,309)</u>	<u>(16,576)</u>	<u>227.64%</u>
<b>Total Liabilities &amp; Members' Equity</b>	<u><b>531,623,926</b></u>	<u><b>472,792,592</b></u>	<u><b>12.44%</b></u>

## Income Statement

### Periods Ended December 31, 2003 and 2002

	12/31/03	12/31/02	Change
Interest Income from Loans	175,461	215,043	-18.41%
Interest and Dividend Income from Investments	<u>9,624,913</u>	<u>11,196,565</u>	<u>-14.04%</u>
<b>Total Interest Income</b>	<b>9,800,374</b>	<b>11,411,608</b>	<b>-14.12%</b>
Dividend Expense	7,160,214	8,695,058	-17.65%
Interest on Borrowed Money	<u>321,276</u>	<u>282,046</u>	<u>13.91%</u>
<b>Total Interest Expense</b>	<b>7,481,490</b>	<b>8,977,104</b>	<b>-16.66%</b>
Net Interest Income	2,318,884	2,434,504	-4.75%
Fees and Other Operating Income	<u>422,588</u>	<u>390,871</u>	<u>8.11%</u>
<b>Gross Operating Margin before Operating Expenses</b>	<b>2,741,472</b>	<b>2,825,375</b>	<b>-2.97%</b>
<b>Operating Expenses:</b>			
Salaries and Benefits	881,840	757,937	16.35%
Office Occupancy	80,776	81,544	-0.94%
Office Operations	389,111	393,358	-1.08%
Travel and Conference	101,600	92,186	10.21%
Educational and Promotional	105,321	142,572	-26.13%
Professional and Outside Services	206,139	195,992	5.18%
Others	71,183	55,793	27.58%
<b>Total Operating Expenses</b>	<u>1,835,970</u>	<u>1,719,382</u>	<u>6.78%</u>
Gain/(Loss) Investment Sales	9,330	-	N/A
Net Income Before Transfers	914,832	1,105,993	-17.28%
Required Transfer to Regular Reserves	-	<u>733,401</u>	<u>-100.00%</u>
<b>Net Change to Undivided Earnings</b>	<u>914,832</u>	<u>372,592</u>	<u>145.53%</u>

## Statistical Changes in Financial Position

	As Of 12/31/03	As of 12/31/02	
* Operating Expense Ratio	<b>0.32%</b>	0.34%	
* ROA	<b>0.16%</b>	0.22%	
* Equity Ratio	<b>2.63%</b>	2.85%	
Average Assets	581,922,880	505,279,731	
Net Economic Value (NEV)	<b>11/30/03</b>		Reg 704 Requirements
+ 300 BP Shock			
Actual Dollar Change	<b>40,543,250</b>		Minimum = 35,577,412
% Change	<b>-3.14%</b>		***
NEV Ratio	<b>6.86%</b>		
<b>Base Level Dollar Amount</b>	<b>41,855,779</b>		N/A
<b>Base Level NEV Ratio</b>	<b>6.99%</b>		
- 100 BP Shock			
Actual Dollar Change	<b>42,158,329</b>		Maximum = 48,134,146
% Change	<b>0.72%</b>		***
NEV Ratio	<b>7.02%</b>		

\* 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  
December 31, 2003**

<b>Issuer</b>	<b>Percent</b>	<b>Carrying Value</b>	<b>Market Value</b>	<b>Unrealized Gain (Loss)</b>	<b>Weighted Ratings</b>
U.S. Central Credit Union	86.48%	430,610,791	431,730,124	1,119,333	*
FNMA	0.10%	500,000	508,281	8,281	AAA
SBA Pools	9.46%	47,127,472	47,127,472		AAA
Total U.S. Government Agency	9.56%	47,627,472	47,635,753	8,281	
CMO's - Floating Rate	2.49%	12,390,217	12,390,217	-	AAA
CMO's - Fixed Rate	0.59%	2,935,370	2,935,370	-	AAA
Total CMO's	3.08%	15,325,587	15,325,587	-	
CUSO and Other	0.09%	445,241	445,241	-	
Asset-Backed Securities:					
American Express Credit - Master Trust	0.20%	997,738	1,012,709	14,971	AAA
SPSAC 1998-2 A1	0.19%	945,652	945,652	-	AAA
FUSAM1997-1A	0.20%	999,974	1,000,029	55	AAA
YMMT 1999-1 A	0.20%	1,000,609	1,000,609	-	AAA
Total Asset-Backed Securities	0.79%	3,943,973	3,958,999	15,026	
Total Investments	100%	<u>497,953,064</u>	<u>499,095,704</u>	<u>1,142,640</u>	

\*CU does maintain an issuer rating of "A" from Bankwatch.\*

# 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  
REACH®  
Share to Share Transfer  
Western Union Quick Start  
Wire Transfer Service

## ***CORRESPONDENT***

Automated Settlement  
ACH 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  
Travelers 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  
[www.tricorp.org](http://www.tricorp.org)

TRICORP FEDERAL CREDIT UNION

2 Ledgeview Drive, Westbrook, Maine 04092

1-800-346-1936

[www.tricorp.org](http://www.tricorp.org)