




**TRICORP**  
FEDERAL CREDIT UNION



2002 ANNUAL REPORT

*Tradition  
Reliability  
Integrity*





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From inception, TRICORP has been committed to serving the needs of its members the "Credit Union Way". Much has changed in the way we deliver products and services. We believe that the "Credit Union Way" today means providing a level of service that is unequaled regardless of the means of delivery. We remain committed to our mission of "Making a decided difference in the success of credit unions".

In 2002, TRICORP's Board and Management carefully considered the elements of our success. A comprehensive membership survey was conducted and a focus group was held represented by a cross section of our members. Combined with a Strategic Planning Session, we reaffirmed that the following core competencies are as important today as they have been in the past - The Overnight Account, Settlement Services, and Personal Service. We believe that these core competencies must be in the forefront of our minds when making decisions.

The Overnight Account leverages on the strength of the Corporate Network allowing credit unions of all

sizes to gain access to this very important market. Few credit unions have the resources to access the Fed Funds Market with their individual level of liquidity. The practice of pooling liquidity provides meaningful returns on liquid funds with no constraints on accessibility. While competitors have chosen to separate settlement funds from an overnight account, TRICORP has maintained the one rate structure so that credit unions do not have to manage daily funds. TRICORP's Overnight Account provides a competitive rate of return, is easy to manage, and above all, is virtually risk free.

TRICORP's Settlement Services provides settlement/payment services on the local and national level for business activities critical to credit union functions. Payment/Settlement services utilized by credit unions on a daily basis can include Check Processing, ACH, ATMs and VISA. TRICORP provides for settlement services to be cleared through the Overnight Account and does not require credit unions to manage funds between multiple accounts. This significantly eases the credit union's daily funds



Steven A. Roy, *President/CEO*  
Beth Oliver, *Chairperson, Board of Directors*

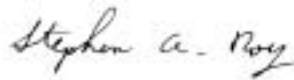
management by not having to carefully monitor available balances for rates, which are dependent on various balances.

Personal Service is the cornerstone of our existence. While a credit union can transact business anywhere in the nation, TRICORP provides a level of local personal service that is as close as a phone call. We go the extra mile to ensure that your service experience is second to none. Member satisfaction is the guiding principle of TRICORP's Board of Directors and Staff and a staple of the Business Plan.

As always, we must extend a heartfelt and grateful "Thank You" to our hard working, dedicated and professional staff. Personal service is a cornerstone of our philosophy, and our staff keeps member service a

priority every day. Every organization knows that the pyramid is really upside down and that the most important members of the staff are the ones at the foundation of the pyramid.

Above all else, the Board and Staff would like to thank our members for their continued support. We realize that any success achieved could not be accomplished without the commitment and involvement of our members. Therefore the success is yours, not ours.



Stephen A. Roy,  
*President/CEO*



Beth Oliver,  
*Chairperson, Board of Directors*



## BOARD OF DIRECTORS

### STANDING:

Terence Field  
Paul Roy  
Matt Walsh

### SEATED:


Joe Finnigan, *Secretary*  
Beth Oliver, *Chairperson*  
Don Casco, *Vice Chairman*  
Roland Maheux, CCUE,  
*Principal Financial Officer*

In accordance with NCUA regulations, the annual audit of TRICORP Federal Credit Union was conducted by a Certified Public Accounting firm. The CPA firm of Macdonald, Page, Schatz, Fletcher & Co., LLC, performed the audit under the direction and control of the supervisory committee. The audited financial statements are included in this annual report.

On the basis of Macdonald, Page, Schatz, Fletcher & Co.'s audit, the National Credit Union Administration examination process, the internal auditor's findings, and the committee's own observations, we conclude that TRICORP Federal Credit Union is financially and operationally safe and sound.

In closing, the Committee would like to commend the Board of Directors, management and staff for their support and commitment, and for their outstanding service to member credit unions.

Respectfully submitted,



Paul Roy, *Chairperson*

Peter Kavalauskas

David Tozier

#### SUPERVISORY COMMITTEE

Peter Kavalauskas (*left*)  
Paul Roy, *Chairperson* (*right*)  
David Tozier (*not pictured*)



Board of Directors  
TRICORP Federal Credit Union  
Westbrook, Maine

We have audited the balance sheets of TRICORP Federal Credit Union as of December 31, 2002 and 2001, and the related statements of income, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRICORP Federal Credit Union as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in United States of America.

*Meredith Page Sibley Fletcher & Co., LLC*

South Portland, Maine  
January 17, 2003

FOR THE YEARS ENDING DECEMBER 31,	2002	2001
<b>ASSETS</b>		
Cash	\$ 737,144	\$ 756,787
Cash - Federal Reserve Bank	395,367	312,396
National Credit Union Share Insurance Fund Capitalization	175,019	173,362
Loans	8,426,506	6,427,814
Investment securities		
Securities available-for-sale	28,775,929	6,882,721
Securities held-to-maturity	3,989,030	4,983,898
Securities carried at cost	145,216	145,216
Securities - U.S. Central	426,543,659	390,270,352
Accrued interest receivable	1,507,199	1,096,570
Deferred and prepaid expenses	55,473	35,662
Property and equipment - net	954,162	979,037
Other assets	1,087,888	899,784
<b>TOTAL ASSETS</b>	<b>\$ 472,792,592</b>	<b>\$ 412,963,599</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 257,178	\$ 76,059
Dividends and accrued interest payable	178,541	211,295
Note payable - U.S. Central	13,583,334	12,324,771
Members' share accounts	444,374,348	387,051,641
<b>TOTAL LIABILITIES</b>	<b>458,393,401</b>	<b>399,663,766</b>
<b>MEMBERS' EQUITY</b>		
Regular reserves	6,059,927	5,326,527
Undivided earnings	8,355,840	7,983,249
Accumulated other comprehensive income	(16,576)	(9,943)
	14,399,191	13,299,833
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 472,792,592</b>	<b>\$ 412,963,599</b>

See accompanying independent auditors' report  
The accompanying notes are an integral part of these statements

YEARS ENDED DECEMBER 31,	2002	2001
<b>INTEREST INCOME</b>		
Investment income	\$ 10,920,067	\$ 18,624,648
Interest on loans	215,043	172,669
Interest - CLF	276,498	443,758
	11,411,608	19,241,075
<b>COST OF FUNDS</b>		
Dividends on members' share accounts	8,695,058	16,701,444
Interest expense - CLF and Loans	282,046	437,840
	8,977,104	17,139,284
<b>NET INTEREST INCOME</b>	2,434,504	2,101,791
<b>OPERATING EXPENSES</b>		
Employee compensation	588,695	560,116
Data processing and accounting services	167,981	164,082
Employee benefits	121,971	111,231
Education and promotional expense	141,061	109,961
Travel and conference expense	92,186	86,192
Depreciation and amortization	95,924	81,720
Bank charges and fees	132,023	81,569
Communications	47,350	56,323
Office operations expense	42,831	45,735
Payroll taxes	47,271	44,331
Insurance	39,211	42,836
Professional and outside services	28,011	33,973
Information systems	55,025	24,538
Operating and examination fees	26,641	21,599
Building maintenance	19,845	17,792
Backup site	14,253	16,378
Miscellaneous	17,605	14,660
Annual meeting	6,000	12,462
Building taxes	18,152	9,685
Association dues	5,547	8,638
Office occupancy	11,801	7,817
	1,719,384	1,551,638
<b>OPERATING INCOME</b>	715,120	550,153
<b>OTHER INCOME</b>	390,871	334,904
<b>NET INCOME</b>	\$ 1,105,991	\$ 885,057

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# STATEMENTS OF CHANGES IN MEMBERS' EQUITY

YEARS ENDED DECEMBER 31,				
	REGULAR RESERVES	UNDIVIDED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
<b>BALANCE AT JANUARY 1, 2001</b>	\$ 4,888,401	\$ 7,536,318		\$ 12,424,719
Comprehensive Income				
Net income		885,057		885,057
Other comprehensive income:				
Unrealized losses on securities available for sale			\$ (9,943)	(9,943)
<b>Total Comprehensive Income</b>				<b>875,114</b>
Transfers, net	438,126	(438,126)		
<b>BALANCE AT DECEMBER 31, 2001</b>	<b>5,326,527</b>	<b>7,983,249</b>	<b>(9,943)</b>	<b>13,299,833</b>
Comprehensive Income				
Net income		1,105,991		1,105,991
Other comprehensive income:				
Unrealized losses on securities available for sale			\$ (6,633)	(6,633)
<b>Total Comprehensive Income</b>				<b>1,099,358</b>
Transfers, net	733,400	(733,400)		
<b>BALANCE AT DECEMBER 31, 2002</b>	<b>\$ 6,059,927</b>	<b>\$ 8,355,840</b>	<b>\$ (16,576)</b>	<b>\$ 14,399,191</b>

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The accompanying notes are an integral part of these statements

YEARS ENDED DECEMBER 31,	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,105,991	\$ 885,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,924	81,720
(Increase) decrease in operating assets:		
National Credit Union Share Insurance		
Fund Capitalization	(1,657)	(10,919)
Accrued interest receivable	(410,629)	1,505,280
Deferred and prepaid expenses	(19,811)	(9,135)
Other assets	(188,104)	(451,731)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	181,119	(518,425)
Dividends and accrued interest payable	(32,754)	(515,406)
Total adjustments	(375,912)	81,384
Net cash provided by operating activities	730,079	966,441
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (increase) decrease in loans	(1,998,692)	2,836,820
Purchase of investment securities available for sale	(24,403,107)	(7,480,167)
Maturities of investment securities available for sale	2,503,267	587,499
Purchase of investment securities held to maturity	(9,292)	(15,312)
Maturities of investment securities held to maturity	1,004,160	1,904,202
Net increase in U.S. Central investments	(36,273,307)	(113,782,072)
Purchase of property and equipment	(71,050)	(739,562)
Net cash provided by (used in) investing activities	(59,248,021)	(116,688,592)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in note payable - U.S. Central	1,258,563	557,722
Net increase in members' share accounts	57,322,707	115,457,866
Net cash provided by (used in) financing activities	58,581,270	116,015,588
Increase in cash and cash equivalents	63,328	293,437
Cash and cash equivalents at beginning of year	1,069,183	775,746
Cash and cash equivalents at end of year	1,132,511	1,069,183
Components of cash and cash equivalents at end of year		
Cash	\$ 737,144	\$ 756,787
Cash - Federal Reserve Bank	\$ 395,367	\$ 312,396
	\$ 1,132,511	\$ 1,069,183
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest and dividends	\$ 9,009,858	\$ 17,654,690

See accompanying independent auditors' report  
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**NOTE 1 - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

TRICORP Federal Credit Union is a corporate Credit Union that serves member Credit Unions throughout the United States under a national field of membership. Its purpose is to provide a broad range of financial services and products to its members consistent with the philosophy of the Credit Union movement.

The Credit Union is chartered and supervised by the National Credit Union Administration (NCUA), an independent agency within the executive branch of the federal government.

*Basis of Accounting*

The records are maintained in accordance with the rules and regulations of the NCUA as prescribed in the "Accounting Manual for Federal Credit Unions" and in accordance with accounting principles generally accepted in the United States of America.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash - Federal Reserve Bank*

An average required cash reserve balance of \$300,000 was maintained at the Federal Reserve Bank of Boston during 2002 and 2001.

*Loans*

Loans are made to members through line-of-credit agreements. Loans are reported at the amount of unpaid principal outstanding. Interest on loans is accrued based on the amount of principal outstanding. No provision for loan losses is provided on these loans as historically there have been no loan losses and none are anticipated.

*Investment Securities*

The Credit Union's investments in securities are classified and accounted for as follows:

**Held-to-Maturity.** U.S. Government and government guaranteed obligations which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

**Available-for-Sale.** Asset backed securities, which include debt securities collateralized by real estate loans, are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, and availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Cost of securities sold is recognized using the specific identification method.

**Carried at cost.** Shares in corporate credit union service organizations are carried at their original cost, unless they become permanently impaired. Income is generally recognized to the extent of dividends received.

**U.S. Central.** Investment in U.S. Central Credit Union, consisting of overnight investments, such as daily shares and overnight certificates, and term investments with maturities of two days to five years and longer, such as liquidity, high-yield and redeemable shares, and variable-rate shares and certificates.

The Credit Union does not maintain a trading portfolio.

*Property and Equipment*

Property and equipment are recorded at cost. Items, which do not extend the useful lives of these assets, are charged to an appropriate expense account in the year incurred.

Depreciation is computed under the straight-line method utilizing the following lives:

Building	31.5 years
Building expansion	39.5 years
Furniture, fixtures and equipment	3-7 years

*Members' Share and Savings Accounts*

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

*Regular Reserves*

A statutory reserve is required by the Federal Credit Union Act. These reserves are appropriated from undivided earnings and are not available for the payment of dividends.

*Income Taxes*

The Credit Union is exempt from federal and state income taxes in accordance with the Federal Credit Union Act.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

*Reclassifications*

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Net income for the year ended December 31, 2001 was unchanged as a result of the reclassifications.

**NOTE 2 - CASH**

The Credit Union maintains its three cash accounts in a local Credit Union, a commercial bank and the Federal Reserve Bank. The accounts at the commercial bank and the Credit Union are guaranteed up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF), respectively. The account at the Federal Reserve Bank is uninsured. At various times throughout the year, the Credit Union had cash balances in excess of insurance.

**NOTE 3 - NATIONAL CREDIT UNION SHARE INSURANCE FUND CAPITALIZATION**

The Credit Union, through the National Credit Union Share Insurance Fund, insures the first \$100,000 of each member's account. The required capitalization is 1% of the total insured amount.

**NOTE 4 - FEDERAL RESERVE BANK COLLATERAL**

To cover potential overdrafts at the Federal Reserve Bank, the Credit Union is required to maintain a certain amount of collateral as determined by the Federal Reserve Bank of Boston. Beginning in 2001, the Federal Reserve Bank required the collateral to be held in marketable securities. The Credit Union has pledged as collateral three investment securities held-to-maturity with an estimated fair value of \$2,995,570 and two investment securities available-for-sale with an estimated fair value of \$2,209,632. These securities are held by U.S. Central. In 2002, the Credit Union has also pledged as collateral two investment securities held-to-maturity that are currently being held in safekeeping at the Federal Reserve Bank of Boston. The estimated fair value of these securities is \$1,042,600.

**NOTE 5 - INVESTMENT SECURITIES - AVAILABLE FOR SALE**

The amortized cost and estimated fair value of investment securities available-for-sale are as follows:

DECEMBER 31, 2002				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Yamaha Motor Master Trust 1999 -1 A	\$ 1,001,258		\$ 68	\$ 1,001,190
Southern Pacific Secured Asset Corp. 1998-2 A1	1,213,619		5,447	1,208,172
Southern Pacific Secured Asset Corp. 1998-2 A2	269,890	\$ 907		270,797
FNR 2002-97-FA	5,000,000			5,000,000
SBA pools	21,307,738	9,717	21,683	21,295,772
	\$ 28,792,505	\$ 10,624	\$ 27,198	\$ 28,775,931

DECEMBER 31, 2001				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Yamaha Motor Master Trust 1999 -1 A	\$ 1,002,097		\$ 157	\$ 1,001,940
Southern Pacific Secured Asset Corp. 1998-2 A1	1,871,142		139	1,871,003
SBA pools	4,019,425		9,647	4,009,778
	\$ 6,892,664		\$ 9,943	\$ 6,882,721

The amortized cost and estimated fair value of investment securities available-for-sale by contractual maturity as of December 31, 2002 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	\$ 0	\$ 0
Due after one year through five years	2,182,853	2,181,930
Due after five years through ten years	8,049,826	8,046,037
Due after ten years	18,559,826	18,547,964
	\$ 28,792,505	\$ 28,775,931

There were no realized gains or losses on sales or maturities of investment securities available-for-sale during 2002 or 2001.

#### NOTE 6 - INVESTMENT SECURITIES - HELD-TO-MATURITY

The amortized cost and estimated fair value of investment securities held-to-maturity are as follows:

DECEMBER 31, 2002				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Federal Farm Credit Bank Note	\$ 498,687	\$ 16,113		\$ 514,800
Travelers Credit Card Master Trust I 98-1	1,000,347		\$ 14,119	986,228
First USA Credit Card Master Trust 1997-1 A	999,661		19,323	980,338
Federal National Mortgage Association Note (FNMA)	500,000	27,800		527,800
American Express Credit Master Trust 1999-1A	990,335	39,069		1,029,404
	\$ 3,989,030	\$ 82,982	\$ 33,442	\$ 4,038,570

DECEMBER 31, 2001				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Chase Manhattan Master Trust 1997-5 A	\$ 1,000,000	\$ 30,000		\$ 1,030,000
Federal Farm Credit Bank Note	497,111	14,999		512,110
Travelers Credit Card Master Trust I 98-1	1,004,507	24,863		1,029,370
First USA Credit Card Master Trust 1997-1 A	999,348	1,272		1,000,620
Federal National Mortgage Association Note (FNMA)	500,000	22,580		522,580
American Express Credit Master Trust 1999-1A	982,932	56,128		1,039,060
	\$ 4,983,898	\$ 149,842		\$ 5,133,740

The amortized cost and estimated fair value of investment securities held-to-maturity by contractual maturity as of December 31, 2002 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	\$ 498,687	\$ 514,800
Due after one year through five years	3,490,343	3,523,770
	\$ 3,989,030	\$ 4,038,570

There were no realized gains or losses on sales or maturities of investment securities held-to-maturity during 2002 or 2001.

#### NOTE 7 - INVESTMENT SECURITIES - CARRIED AT COST

The amortized cost and estimated fair value of investment securities carried at cost as of December 31, 2002 and 2001 are as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate Network Brokerage Services, Inc.	\$ 135,216			\$ 135,216
Synergent Corporation, Inc.	10,000			10,000
	\$ 145,216			\$ 145,216

There were no realized gains or losses on sales of investment securities carried at cost during 2002 or 2001.

#### NOTE 8 - INVESTMENT SECURITIES - U.S. CENTRAL

DECEMBER 31, 2002				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Central Share Certificates	\$ 112,542,583	\$ 1,440,001	\$ 18	\$ 113,982,566
U.S. Central Community Investment Certificates	425,000	635	520	425,115
U.S. Central Community Investment Fund - variable rate	200,000	4		200,004
U.S. Central Daily Funding Account	21,500,000		215	21,499,785
U.S. Central Share Certificates - daily high-yield	17,650,751		70	17,650,681
U.S. Central Membership Capital Shares	19,346,610			19,346,610
U.S. Central Paid In Capital	3,300,000			3,300,000
U.S. Central Step Up Certificates	2,650,000	13,221		2,663,221
U.S. Central ACP - Amortizing Certificates	7,032,337	48,579		7,080,916
CNBS Compensating Fixed Callable Certificates	2,063,044			2,063,044
	15,250,000	127,157		15,377,157
USC FRAP Certificates	211,000,000	479,717	2,340	211,477,377
Central Liquidity Facility	13,583,334			13,583,334
	\$ 426,543,659	\$ 2,109,314	\$ 3,163	\$ 428,649,810

DECEMBER 31, 2001				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Central Share Certificates	\$ 87,917,010	\$ 461,874	\$ 8,627	\$ 88,370,257
U.S. Central Community Investment Fund	425,000	28		425,028
U.S. Central Daily Funding Account	17,500,000			17,500,000
U.S. Central Share Certificates - daily high -yield	18,675,622			18,675,622
U.S. Central Membership Capital Shares	14,544,388			14,544,388
U.S. Central Paid In Capital	2,300,000			2,300,000
U.S. Central Step Up Certificates	1,349,000	3,325	3,488	1,348,837
U.S. Central ACP - Amortizing Certificates	3,600,000	30,841	515	3,630,326
CNBS Compensating Fixed Callable Certificates	1,484,559			1,484,559
	19,150,000		15,599	19,134,401
USC FRAP Certificates	211,000,000	292,285	12,729	211,279,556
Central Liquidity Facility	12,324,773			12,324,773
	\$ 390,270,352	\$ 788,353	\$ 40,958	\$ 391,017,747

There were no realized gains or losses on sales or maturities of U.S. Central investment securities during 2002 or 2001.

The amortized cost and estimated fair value of investment securities held-to-maturity by contracted maturity as of December 31, 2002 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	\$ 85,793,473	\$ 85,749,357
Due after one year through five years	327,166,852	329,272,119
Due after five years	13,583,334	13,583,334
	\$ 426,543,659	\$ 428,649,810

#### NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31:

	2002	2001
Land	\$ 22,802	\$ 22,802
Building (condominium unit in office complex)	891,359	887,230
Furniture, fixtures and equipment	474,776	481,443
	1,388,937	1,391,475
Less: Accumulated depreciation	434,775	412,438
Property and equipment - net	\$ 954,162	\$ 979,037

#### NOTE 10 - INVESTMENT - CENTRAL LIQUIDITY FACILITY

The Credit Union invested, through U.S. Central, in the Central Liquidity Facility (CLF). The investment was funded through a loan from U.S. Central. The investment and corresponding note payable were \$13,583,334 and \$12,324,771 for the years ended December 31, 2002 and 2001, respectively. Interest on the note payable is charged monthly at the equivalent rate of return on the investment.

The CLF is an agency of the federal government designed to be a liquidity resource for the Credit Union industry.

#### NOTE 11 - LINE OF CREDIT

The Credit Union has an approved line-of-credit with U.S. Central Credit Union totaling \$200,000,000 as of December 31, 2002 and 2001. No amounts were outstanding as of December 31, 2002 or 2001.

#### NOTE 12 - MEMBERS' SHARE ACCOUNTS

Members' share accounts at December 31 are as follows:

	WEIGHTED AVERAGE YIELD	2002	2001
Shares		\$ 327,998,420	\$ 291,571,891
Amortizing share certificates	↑	4,544,178	2,600,000
Share certificates	1.54%-2.01%	81,431,750	62,130,750
Step-up certificates	↓	2,650,000	1,349,000
FRAP certificates		12,500,000	10,250,000
Fixed callable certificates		15,250,000	19,150,000
		\$ 444,374,348	\$ 387,051,641

The aggregate amount of deposit accounts with balances over \$100,000 was approximately \$383,994,761 at December 31, 2002.

At December 31, 2002, the scheduled maturities of certificates of deposit are as follows:

2003 .....	\$ 50,302,750
2004 .....	30,704,000
2005 .....	19,438,886
2006 .....	4,944,581
Thereafter .....	10,985,711
	\$ 116,375,928

#### NOTE 13 - REGULATORY CAPITAL

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain a minimum capital ratio (capital divided by its moving daily average net assets) of 4%. The Credit Union's capital ratios of 7.49% and 7.55% for the years ended December 31, 2002 and 2001, respectively, were in compliance with the regulatory minimums.

#### NOTE 14 - PENSIONS

The Credit Union participates in a money purchase defined contribution plan, which covers substantially all of its employees. The contribution is based on 8% of eligible salary. The total pension expense for 2002 and 2001 was \$48,078 and \$41,984, respectively.

On January 1, 2001, the Credit Union implemented a 401(k) plan, which covers substantially all of its employees. Employees may contribute a percentage of their annual wages up to the annual limit established by the Internal Revenue Service. Each year, the Credit Union may elect to make a discretionary contribution to the Plan. During 2002 and 2001, the Credit Union made contributions to the 401(k) plan of \$45,040 and \$0, respectively.

Effective January 1, 2001, the money purchase plan merged into the 401(k) plan.

During 2002 the Credit Union implemented a supplemental executive retirement plan covering the chief operating officer. The plan will be funded using a split dollar life insurance arrangement that requires the Credit Union to pay annual life insurance premiums of \$63,000 for a ten-year period. The Credit Union received a collateral assignment of the cash surrender value from the insured and is carrying a \$61,034 other asset balance at December 31, 2002.

#### NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

##### *Fair Value of Financial Instruments*

The following methods and assumptions were used by the Credit Union in estimating its fair value disclosures for financial instruments in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments":

##### *Cash and Cash Equivalents*

The carrying amounts reported in the balance sheets for cash and short-term instruments approximate those assets' fair values.

##### *Loans*

Loans to members generally reprice according to the prime rate of interest or reprice frequently. Accordingly, the fair values of loans are based on carrying values.

##### *Investment Securities - Available-for-Sale and Held-to-Maturity*

Fair values for investment securities available-for-sale and held-to-maturity are based on quoted market prices obtained from U.S. Central.

##### *Investment Securities - U.S. Central*

Fair values for amortizing certificates and other certificates are based on quoted market prices obtained from U.S. Central. Fair values for certificates with a maturity of greater than three months are based on discounted cash flows using interest rates currently being offered by U.S. Central for certificates with similar terms and similar credit quality. The estimated amount of accrued income on these certificates is backed out since this is disclosed separately. The carrying amounts reported in the balance sheets for certificates with a maturity of less than three months and investment securities with interest rates that reprice daily or monthly approximate those investments' fair values.

##### *Investment - Central Liquidity Facility*

This investment has an interest rate that reprices monthly. The carrying value approximates its fair value.

##### *Synergent Corporation Stock*

The carrying value of the Synergent Corporation stock is based on book value per share and approximate fair value.

##### *CNBS Stock*

The carrying values of the Corporate Network Brokerage Services, Inc. common stock Class A and Class B are based on book value per share and approximate fair value.

#### *Accrued Income Receivable*

Accrued income receivable results from a contractual agreement to receive interest. It is estimated that the fair value of interest receivable in the short term will approximate the carrying amount.

#### *Dividends and Accrued Interest Payable*

Dividends and accrued interest payable result from a contractual agreement to pay interest and dividends. It is estimated that the fair value of dividends and accrued interest payable in the short term will approximate the carrying amount.

#### *Note Payable - U.S. Central*

This note has an interest rate that reprices monthly. The carrying value approximates its fair value.

#### *Members' Shares*

Members' share accounts generally have interest rates that reprice daily or monthly. The carrying amount approximates its fair value.

#### *Members' Amortizing Share Certificates*

Fair values for members amortizing share certificates are based on estimated market prices obtained from U.S. Central.

#### *Members' Share Certificates*

The fair value of variable rate certificates that reprice daily or monthly will be valued at cost. The fair value of fixed rate certificates due in less than three months will be valued at the carrying amount as of the report date. The fair values of fixed rate certificates with a maturity of greater than three months are estimated based on discounted cash flows using interest rates currently being offered by the Credit Union for certificates with similar terms and similar credit quality. The estimated amount of dividends and interest payable on these certificates is backed out since this is disclosed separately.

#### *Standby Letters of Credit*

The fair value of the Credit Union's letter of credit agreements is considered to be immaterial.

#### *Line-of-Credit Agreements*

The Credit Union has outstanding loan commitments under open lines of credit to members. However, the Credit Union in essence approves the continuation of the lines. Accordingly, the fair value of the outstanding loan commitments is based on carrying values.

The estimated fair values of the Credit Union's financial instruments are as follows at December 31, 2002:

	CARRYING AMOUNT	FAIR VALUE
<b>Financial assets</b>		
Cash	\$ 1,132,511	\$ 1,132,511
Loans	8,426,506	8,426,506
Investments - Available-for-Sale	28,775,929	28,775,929
Investments - Held-to-Maturity	3,989,030	4,038,570
Investments - U.S. Central	412,960,325	415,066,476
Investment - Central Liquidity Facility	13,583,334	13,583,334
Synergent Corporation Stock	10,000	10,000
CNBS Stock A	86,290	86,290
CNBS Stock B	48,926	48,926
Accrued interest receivable	1,507,199	1,507,199
<b>Financial liabilities and members' share accounts</b>		
Dividends and accrued interest payable	178,541	178,541
Note payable - U.S. Central	13,583,334	13,583,334
Members' shares	327,998,420	327,998,420
Members' amortizing share certificates	4,544,178	4,575,569
Members' share certificates	81,431,750	82,478,170
Members' step-up certificates	2,650,000	2,663,221
Members' FRAP certificates	12,500,000	12,528,281
Members' fixed callable certificates	15,250,000	15,377,157

The estimated fair values of the Credit Union's financial instruments are as follows at December 31, 2001:

	CARRYING AMOUNT	FAIR VALUE
<b>Financial assets</b>		
Cash	\$ 1,069,183	\$ 1,069,183
Loans	6,427,814	6,427,814
Investments - Available-for-Sale	6,882,721	6,882,721
Investments - Held-to-Maturity	4,983,898	5,133,740
Investments - U.S. Central	377,945,579	378,692,974
Investment - Central Liquidity Facility	12,324,771	12,324,773
Synergent Corporation Stock	10,000	10,000
CNBS Stock A	86,290	86,290
CNBS Stock B	48,926	48,926
Accrued interest receivable	1,096,570	1,096,570
<b>Financial liabilities and members' share accounts</b>		
Dividends and accrued interest payable	194,281	194,281
Note payable - U.S. Central	12,324,771	12,324,771
Members' shares	291,571,891	291,571,891
Members' amortizing share certificates	2,600,000	2,621,902
Members' share certificates	62,130,750	62,451,059
Members' step-up certificates	1,349,000	1,348,837
Members' FRAP certificates	10,250,000	10,263,580
Members' fixed callable certificates	19,150,000	19,134,401

#### NOTE 16 - COMMITMENTS

The Credit Union had outstanding commitments for approved lines of credit totaling \$304,421,891 and \$294,946,583 at December 31, 2002 and 2001, respectively.

#### NOTE 17 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The contract amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Credit Union had no outstanding letters of credit at December 31, 2002 or 2001.



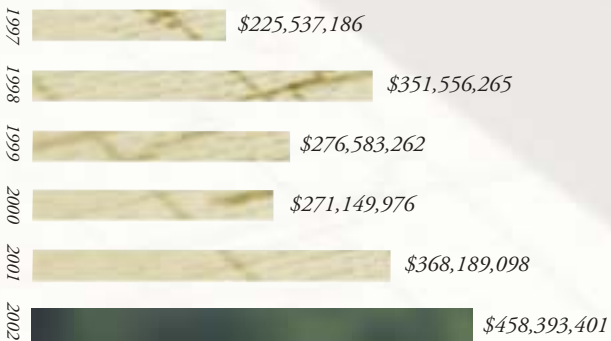
TOTAL ASSETS



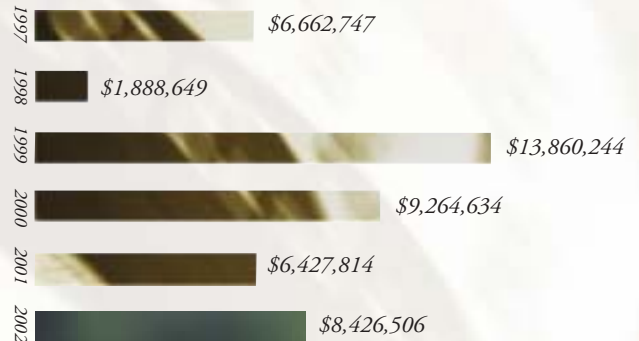
RETAINED EARNINGS



MEMBERS SHARES



LOANS TO MEMBERS



DISTRIBUTION OF TRICORP'S INVESTMENTS



## BOARD OF DIRECTORS



FROM TOP LEFT TO RIGHT:  
 Beth Oliver, *Chairperson*  
 Don Casko, *Vice Chairman*  
 Paul Roy  
 Terence Field  
 Joe Finnigan, *Secretary*  
 Roland Maheux, CCUE,  
*Principal Financial Officer*  
 Matt Walsh



## ALM COMMITTEE

STANDING FROM LEFT TO RIGHT:

Steve Roy  
 Fred Johnson  
 Don Casko

SEATED FROM LEFT TO RIGHT:

Roland Maheux, CCUE, *Chairman*  
 Terence Field

## EARNINGS DISTRIBUTION FOR 2002

Interest and Dividends	\$ 8,977,104	79%
Operating Expenses	\$ 1,719,384	14%
Reserves and Undivided Earnings	\$ 1,105,991	7%

INVESTMENT

- ALM & Brokerage Services - CNBS
- Certificates of Deposit
- 90 Day Notice Account
- Overnight Account
- Regular Share Account
- Reverse Repurchase Transactions
- Securities Safekeeping
- Structured Certificates
  - Amortizing Certificates - ACPs
  - Fixed Callable Certificates
  - Floating Rate Asset Certificates - FRAPs
  - Multi Step-Up Certificates
  - Step-Up Certificates

FUNDS TRANSFER

- Automatic Debit Transfer - ADT
- Cash Concentration - CNCC
- Foreign Wire Transfer
- REACH - ACH Origination
- Member to Member Transfer
- Wire Transfer Service
- Western Union Quick Cash

CORRESPONDENT

- Automated Settlement:
  - ACH/NEACH transactions
  - ATM cards
  - 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®
- Bill Payment Product
- Check Collection -
  - U.S., Canadian and Foreign
- Coin & 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 Loans

INFORMATION

- Bank Statement Analysis
- Breakfast Meetings Presentations
- Chapter Meeting Presentations
- Inroads - E-Forms & Open Door
- Market Valuations for Securities
- Monthly Statements
- On-Site Visits
- Newsletter - TRICORP Times
- Quarterly Financial Review
- Seminars
- Toll Free Telephone Line
- Weekly Statements

TRICORP STAFF



FRONT ROW FROM LEFT TO RIGHT:  
 Deb Vogt, Pauline Ossander, Christina Lessor, Gwynne Barter  
 BACK ROW FROM LEFT TO RIGHT:  
 Steve Roy, Sonja Nielsen, Vassar Laughton, Kevin Winfrey, Denise Nowinski, Carol Anne Lamontagne, Diane Goff, Stacy Roy, Fred Johnson





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