

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION - UNAUDITED

Assets:	<u>12/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Cash	12,683,303	11,788,640	7.6%
Investments	138,813,303	168,934,992	-17.8%
Loans to Members	5,745,792	11,413,306	-49.7%
Other Assets and Accrued Receivables	1,137,713	860,013	32.3%
<b>Total Assets</b>	<b>158,380,111</b>	<b>192,996,951</b>	<b>-17.9%</b>
<b>Liabilities and Equity:</b>			
Liabilities and Accrued Expenses	13,233,156	32,360,209	-59.1%
Shares and MCS	142,029,603	158,106,839	-10.2%
Reserves and Undivided Earnings	3,461,262	2,919,059	18.6%
Unrealized Gain/(Loss) on AFS securities	(343,910)	(389,156)	-11.6%
<b>Total Liabilities and Equity</b>	<b>158,380,111</b>	<b>192,996,951</b>	<b>-17.9%</b>

### STATEMENT OF OPERATIONS-UNAUDITED

	<u>Year Ended 12/31/06</u>	<u>Year Ended 12/31/05</u>
Interest Income	\$ 7,606,065	\$ 4,183,337
Dividend and Interest Expense	<u>6,159,839</u>	<u>2,828,229</u>
Net Interest Income	1,446,226	1,355,108
Other Income	448,143	93,280
Service Fee Income	473,950	443,664
Income (less Interest Expense)	2,368,319	1,892,052
Operating Expense	<u>1,402,930</u>	<u>1,290,616</u>
Net Income before Dividend on Capital Shares	965,389	601,436
Dividends on Capital Shares	206,821	92,732
Net Income before Dividends on PIC	<u>758,568</u>	<u>508,704</u>
Dividends on PIC	216,365	149,127
Net Increase in Undivided Earnings	\$ <u>542,203</u>	\$ <u>359,577</u>

 **Louisiana Corporate**  
Credit Union

# 2006 YEAR-END FINANCIAL SOUNDNESS REPORT

 **Louisiana Corporate**  
Credit Union

3500 North Causeway Blvd.  
Suite 1510  
Metairie, LA 70002

Your savings federally insured to \$100,000

**NCUA**

National Credit Union Administration, a U.S. Government Agency

This report should be retained as part of the credit analysis required under Regulation 703.

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## EXECUTIVE SUMMARY

Louisiana Corporate continues to maintain a high quality investment portfolio which adheres to the corporate's strict asset liability management guidelines. Exposure to interest rate fluctuations (interest rate risk) is minimal, due to a high percentage of liquid and floating rate investments and an active and stringent asset liability management process.

Louisiana Corporate's total assets were \$158 million as of December 31, 2006. Net income for 2006 was \$542 thousand.

## ASSET LIABILITY MANAGEMENT

Louisiana Corporate's asset liability management policies are stricter than minimum regulatory requirements and require the corporate to closely match the maturity and repricing characteristics of its member liabilities to its assets. Louisiana Corporate operates at the "Base" level of NCUA Rules and Regulations Part 704, which provides for the most conservative of several operating levels available to Corporate Credit Unions. This effectively minimizes the corporate's interest rate risk, or its exposure to net income fluctuations during periods of changing market interest rates and liquidity levels.

Louisiana Corporate monitors its exposure to changing interest rate levels by performing a number of analytical procedures, including Net Economic Value (NEV) analysis. This analysis is performed quarterly and measures the effect of an immediate and sustained 300 basis point upward and 300 basis point downward change in interest rates on the corporate's net interest income and NEV. Louisiana Corporate's NEV ratio at December 31, 2006 exceeds regulatory requirements; equivalent to 216% of the regulatory minimum.

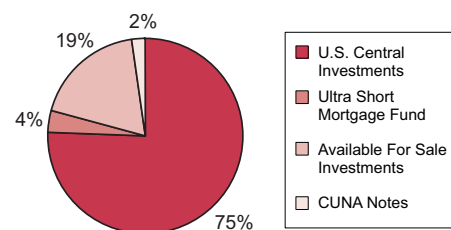
## CAPITAL

A corporate credit union's capital strength level is gauged in relation to the degree of investment risk it assumes. Louisiana Corporate continues to maintain a strong capital level combined with a low degree of credit and interest rate risk. As of December 31, 2006, Louisiana Corporate's retained earnings totaled \$3,461,262. Membership Capital Accounts totaled \$7,870,507. Member Paid-In-Capital was an additional \$3,984,021. Core Capital, as defined by NCUA Rules and Regulations equaled \$7,445,283 and the Core Capital Ratio was 4.30%; the Capital Ratio, as defined by NCUA Rules and Regulations was 8.71% and exceeded regulatory

requirements; equivalent to 218% of the regulatory minimum. The corporate's net income for the year ended December 31, 2006 of \$542,203 exceeded budget by 82.5%. The corporate exceeded the regulatory threshold for earnings retention requirements during December, 2006 and was not subject to earnings retention requirements at December 31, 2006

## CREDIT QUALITY

As of December 31, 2006, 88% of Louisiana Corporate's assets were invested, 8.0% were cash or cash equivalents, and 3.6% were in outstanding loans to member credit unions. Loans are secured by shares on deposit and assets of the credit unions. The following chart depicts the distribution of Louisiana Corporate's investments at December 31, 2006:



## U.S. CENTRAL INVESTMENTS

As of December 31, 2006, 75% of Louisiana Corporate's total investment portfolio was invested in liabilities of U.S. Central Federal Credit Union, Lenexa, Kansas. U.S. Central acts as a wholesale corporate credit union for corporate credit unions that are its member/owners. U.S. Central is insured by the National Credit Union Share Insurance Fund (NCUSIF), administered by the National Credit Union Administration. Louisiana Corporate's high level of participation at U.S. Central serves to minimize its risk. The following ratings serve as a testament to U.S. Centrals credit quality:

### Long-Term Debt

Rating Service	Rating
Standard & Poors	AAA
Moody's	Aa1
Fitch, Inc.	AAA

### Short-Term Debt

Rating Service	Rating
Standard & Poors	A1+
Moody's	P1
Fitch, Inc.	F1+

## ASSET BACKED SECURITIES (ABS)

Louisiana Corporate utilizes limited investment in asset backed securities to diversify its portfolio, and maximize return to members consistent with sound asset liability management policies. These securities comply with NCUA Rules and Regulations Part 704, as well as the corporate's investment policies, which further restrict the types and amounts of securities which may be held. All LaCorp ABS carry the highest credit ratings attainable from major ratings agencies, and are diversified by collateral type, geographic location of underlying collateral, and interest rate index type.

## MORTGAGE BACKED SECURITIES (MBS) AND OTHER INVESTMENTS

Like ABS, Mortgage Backed Securities (MBS) and other investments are utilized to provide further diversification of the portfolio, while enabling the corporate to maximize its return to members consistent with sound asset liability management principles. These securities must pass industry standard volatility tests at the time of purchase, and are subjected to monthly re-testing. These practices provide for a qualification and testing procedure which is even more stringent than required regulatory standards. In accordance with LaCorp policies, these securities are limited in amount and maturity and must be adequately diversified in terms of collateral type, geographic location, and interest rate indices. The remainder of LaCorp's investment portfolio is invested in CUNA Mutual Medium-Term Notes, the Shay

Ultra-Short Mortgage Fund, CNBS, LLC, Primary Financial, LLC, CU Business Group, LLC & the Federal Home Loan Bank (FHLB) of Dallas. CNBS, LLC is a CUSO, which provides brokerage & ALM services to financial institutions and is owned by a network of corporate and natural person credit unions. Primary Financial, LLC is a corporate credit union owned CUSO which provides certificate of deposit brokerage services to credit unions. CU Business Group, LLC is a corporate credit union owned CUSO providing business loan and services consulting to credit unions. The corporate membership in the FHLB of Dallas provides an additional potential source of liquidity and investment opportunity. The Shay Ultra-Short Mortgage Fund invests in mortgages with extremely short duration and carries a fund rating of AAAF, the highest credit rating attainable for mutual funds.

## LIQUIDITY

Louisiana Corporate acts to manage its investment portfolios in accordance with its member's needs for liquidity. Accordingly, LaCorp monitors the liquidity of member deposits on a monthly basis. Louisiana Corporate maintains a high percentage of its investments in overnight deposits and further strengthens its liquidity position by maintaining \$53 million in committed and advised lines of credit with U.S. Central Credit Union. Louisiana Corporate maintains membership in the Federal Home Loan Bank of Dallas which an additional alternative source of liquidity.

## OVERSIGHT

Louisiana Corporate Credit Union is chartered by the State of Louisiana and insured by the National Credit Union Share Insurance Fund (NCUSIF). The National Credit Union Administration, Office of Corporate Credit Unions, and the State of Louisiana, Office of Financial Institutions conduct annual Regulatory examinations and insurance reviews jointly. The corporate receives an annual CPA opinion audit, and engages an external firm to perform quarterly internal control reviews and an annual ACH compliance review. The corporate also engages an external financial advisory firm to perform quarterly asset-liability management reviews and net economic value modeling. An external computer-consulting firm performs monthly on-site network security services and an annual network intrusion test. An information technology security review was performed by a CPA firm in March, 2007.

*The following table summarizes the results of Louisiana Corporate's NEV analysis as of December 31, 2006:*

Interest Rate Scenario	NEV Ratio	NEV in \$	% Change from Base	Regulatory Requirement
+300 bps	9.10%	14,182,418	-5.61%	<-15%
Base	9.49%	15,026,064		> 3%
-300 bps	9.58%	15,380,570	+2.36%	<-15%