



Servicio con calor humano



Caribe Federal Credit Union
Annual Report/Reporte Anual **2011**

PROGRAM

1. Registration 7:30 A.M. - 11:30 A.M.

2. Business Agenda 9:00 A.M. - 11:30 A.M.

a. Call to Order

b. Ascertain Quorum

c. Presentation of Head Table and Special Guests

d. Invocation

e. National and Commonwealth Anthems

f. Administrative Announcements

g. Approval of Minutes of the Last Annual Meeting

h. President's Report

i. Treasurer's Report

j. Credit Committee's Report

k. Supervisory Committee's Report

l. BAIA's Special Presentation

m. Construction Committee's Report

n. Nominations Committee's Report

o. Elections

p. Old Business

q. New Business

r. Adjournment

3. Lunch 11:30 A.M. - 1:00 P.M.

4. Social Activity 12:00 Noon - 6:00 P.M.

WELCOME
TO THE SIXTIETH ANNUAL MEETING OF
CARIBE FEDERAL CREDIT UNION

HELD THIS 3RD DAY OF JUNE 2012
AT THE EL SAN JUAN RESORT & CASINO
CAROLINA, PUERTO RICO

In the occasion of our 60th Annual Meeting we take special pleasure in greeting you as we meet again, to fulfill our legal regulations as a federal credit union and to share, as co-workers, in the examination of our yearly, financial and service report. Paramount among our responsibilities at this time, is the election of a Board of Directors, which will direct the activities of the credit union in accordance with the law.

Your Credit Union is growing in size, services and technology. We must keep up with the times while striving to offer our members, the best possible service in the most favorable terms.

Thank you for joining us in celebrating Caribe Federal Credit Union's 61th Anniversary.

Board of Directors
Caribe Federal Credit Union

Services Offered by CFCU

Regular Share Account
Share Certificate
Share Draft/Checking Account
Christmas Club Account
Cari Kid Share Saving's Account
Commercial Account

Personal Unsecured Loans
Personal Fully Secured Loan
Line of Credit
Business Loans
New Auto Loan
Used Auto Loan
Auto Transfer Loan
Auto Balloon
Boat Loan
Motorcycle Loan
Emergency Loan
IRA Loan
College Fund Loan
MasterCard
Student MasterCard
Conventional Mortgage Loan
Personal Mortgage Loan
Home Equity Loan
Land Loan
FHA Mortgage Loan
Reverse Mortgage Loan

Check Cashing
Money Orders
Traveler's Checks
Marbetes
Occasion Checks
Teller Station
Auto Bank
Direct Deposit
Wire Transfers
Hacienda Stamps
International ATM Card
Telecaribe
Caribe Online
Caribe Bill Pay-e
Share Branching

Supplementary Plans

Offered through Business Alliance
Insurance Agency, Inc. (BAIA)

- Auto Insurance Products
- Personal and Commercial Insurance Products
- Life Insurance Plan
- Dental Insurance Plan
- Members Financial Assistance
- College Fund
- IRA's

Mission

To satisfy our members financial needs.

Vision

Be the best option in financial products and services.

Know Your Officials

Board of Directors

Mr. Rafael A. Martínez	President	Retired, ATF
Mr. Juan M. Masini	First Vice President	Lawyer
Mrs. Celia Ruíz	Second Vice President	Retired, USDE
Mr. Porfirio Ríos	Treasurer	Retired, US Trustee
Mr. Alexis E. Agostini	Secretary	Retired, Cons. Farm Services
Mr. Heriberto J. Martínez	Member at Large	Retired, Cons. Farm Services
Mr. Iván O. Puig	Member at Large	Retired, USPS
Mrs. Nidza Hernández	Member at Large	Engineer
Mr. Emilio M. Colón	Member at Large	Retired, USACE
Mr. Wilfred Benítez	Member at Large	Retired, SBA
Mr. Juan O. Rodríguez	Member at Large	HUD

Supervisory Committee

Mr. Ramón A. Negrón	President	Ex-BOD ICPR FCU
Mr. Manuel Casellas	Member	Ex-BOD SJFCU
Mr. José Marrero	Member	CPA and Lawyer
Mr. Angel Pérez	Member	Lawyer
Mr. Iván O. Puig	Member	Retired. USPS

Credit Committee

Mr. Juan M. Masini	Chairperson	Lawyer
Mrs. Celia Ruiz	Member	Retired, USDE
Mrs. Heidi Miranda	Member	Lawyer
Mrs. Melanie P. Rodriguez	Member	Lawyer

Know Our Staff

Administrative

Jorge M. Vadell	General Manager
Carmen Ortiz	Compliance Officer
Dánely Pérez	Marketing Officer
Minerva Pérez	Administrative Assistant BOD
Elizabeth Espinet	Confidential Secretary

Branch Operations

Jorge R. Menéndez	Operation Manager
Jennifer Avilés	Branch Services Supervisor
Verónica Caldera	Branch Services Supervisor
Jorge Inle	Quality Control Specialist
Diana I. Pérez	Credit Card Officer
David Robinson	Security and Maintenance Specialist

Carmen L. Díaz	General Office Clerk
María Charriez	General Office Clerk
Jannette Centeno	General Office Clerk
David Morris	Messenger

Main Branch

Mark Flores	Branch Manager
Alma Gómez	Assistant Branch Manager
Vangie Hernaiz	Sales and Services Executive
Lilliam Ginés	Sales and Services Executive
Ricardo T. Gil	Sales and Services Executive
Zayra Maldonado	Sales and Services Executive
Gladys Morales	Sales and Services Executive
Claryvelise González	Sales and Services Executive
Steven Bernúdez	Sales and Services Executive
Edith Lorenzo	Sales and Services Executive
Primarie Olivera	Receptionist
Marisol Ríos	Receptionist
Ana E. González	Head Teller
Yolimar Vera	Teller
Stephanie Amadeo	Teller
Sullyannette Irizarry	Teller
Jelissa Torres	Teller
Airam Rosado	Teller
Shirley Colón	Teller
Karina Torres	Teller
Luis Prieto	Teller

Virtual Branch

Jenny Brito	Supervisor
Milagros Vélez	Sales and Services Executive
Michelle Burgos	Sales and Services Executive
Lillian Pérez	Sales and Services Executive
Lisa V. Rodríguez	Sales and Services Executive
Melissa Vázquez	Sales and Services Executive
Yamilee Osorio	Sales and Services Executive

Finance

Demarys H. Crespo	Finance Manager
Linnette Martínez	General Accountant
Vanessa Ferrero	Accountant
Mayanin Cuadrado	Accountant
Alvin Hernández	Accountant

Loan

José E. Febres	Loan Manager
Emma Y. Márquez	Mortgage Processing Specialist
Nereida Rivera	Mortgage Processing Specialist
Rubelisse Quiñones	Loan Clerk

Know Our Staff

Collections

Sol M. Morales	Collection Manager
Daisy I. Nieves	Collection Officer
Santa Aquino	Collection Officer
Julio Ostalaza	Collection Officer

ITS

Angel R. Escudero	IT Manager
Mario M. Domínguez	Network Administrator
Ronald Cancel	Senior Programmer
Kelvin Príncipe	Programmer II
Georgie Mera	IT Help Desk Specialist

BAIA

Victor Rosario	Acting General Manager
Lourdes Campos	Administrative Assistant



MINUTES OF THE 59th ANNUAL MEETING
JUNE 5, 2011

The 59th Annual Meeting of Caribe Federal Credit Union (CFCU) was held at the Caribe Hilton Hotel, in San Juan, P.R., on Sunday, June 5, 2011 at 9AM.

QUORUM DETERMINATION AND CALL TO ORDER

Secretary Alexis E. Agostini certified that quorum was established with more than 200 members present. Chairman Rafael A. Martínez called the meeting to order at 9:00 A.M. with a welcome to everyone present.

Chairman of the Board, Rafael A. Martínez welcomed everyone and expressed his appreciation to all the members for their attendance and participation. He then initiated the meeting. Chairman Martínez first presented all the members of the Board of Directors, Chairman of the Supervisory Committee, Chairman of the Credit Committee, the General Manager, and the Parliamentary Consultant, Miguel Santiago Meléndez. He then presented the special guests and wished everyone a pleasant experience at the 59th annual meeting and celebration of CFCU's 60th Anniversary.

Mr. Jorge Darío Ortíz delivered the invocation.

The National Anthems of the Commonwealth of Puerto Rico and the United States of America were played.

A moment of silence was held in memory of those members that passed away during 2010.

ADMINISTRATIVE ANNOUNCEMENTS

President of the Activities Committee and Second Vice-president of the Board of Directors, Celia A. Ruíz presented the administrative announcements concerning the annual meeting and the social activity to all the members present, followed by a raffle for the "early bird" attendees.

MINUTES

The Chairman presented last year's Annual Meeting minutes for consideration by the members. Since no comments or changes were proposed, the minutes were approved.

CHAIRMAN'S REPORT

Chairman Martínez presented his report. He began the presentation by dedicating Caribe Federal Credit Union's 60th anniversary to the eleven individuals that founded the institution on June 21, 1951. The founders also served as the first Board of Directors of CFCU. The names of

the eleven initial members were mentioned including that of Mr. Aaron Holman, who was the first member of the credit union.

Chairman Martinez then indicated that Puerto Rico has been going through a serious recession, the worst since the Great Depression of the 1930's. Economists have indicated that recovery is expected by 2012. Even then the recovery will be a slow one. CFCU has not been immune to the effects of the crisis, having experienced an increase in the delinquency rate and a decrease in the income on loans and investments. During 2010, several financial institutions in Puerto Rico were taken over by other financial institutions.

The Chairman indicated that because of the economic crisis, the board and management had to work aggressively and strategically. He described some of the steps that were taken to minimize the negative impact of the economy on CFCU operations and financial stability. The steps taken helped CFCU maintain its financial health and increase the products and services provided to its members while increasing its membership base as well as its income.

The Chairman informed on many of the goals completed during year 2010 that focused on the improvement of the products and services to members, improvement in the channels of delivery, decrease of the delinquency rate and the increase of the loan portfolio, investments and net income growth. He presented financial data for year 2010, comparing it to the 2009 financial data. Martínez stated that maintaining excellent products and services for our members is vital for CFCU's success. He informed that all CFCU employees have attended workshops offered by Quality for Business Success to continue providing excellent services to our members. He said that the last survey conducted on member satisfaction resulted in 90.7%. Martínez stated that a 90.7% for member satisfaction is very good; however, CFCU will continue to strive for 100%. The Chairman commented on the positive accomplishments of the Loan collection efforts, the increase of \$3 million in the loan portfolio, reduction of the delinquency rate and improvement in the flexibility on loan approval. During the presentation, Chairman Martinez talked about the alliance between CFCU and IRS (Vita Program) to provide free tax filing assistance to members and non-members.

The Chairman indicated that during 2010, CFCU paid NCUA \$431,281 for the Corporate Stabilization Plan. He also informed that CFCU's future goals are directed to continue improving products, services and communication with our members. CFCU has activated a facebook page which can be easily accessed by its members to increase mutual interaction. Martínez said that CFCU continues to have an extremely solid and healthy financial condition. He mentioned that during NCUA's last audit, they expressed that CFCU could be an example to other federal credit unions in the United States that are not performing as well. He concluded his report congratulating the General Manager, all CFCU employees and the board of Directors for a job well done.

EMPLOYEES' RECOGNITION PROGRAM

Chairman Martinez presented special recognition awards to several CFCU employees for work performance.

RESOLUTION

First Vice-president Juan M. Masini read a Board Resolution that recognized the achievement of ex-member of the Board of Directors, Honorable Roberto Feliberti Cintrón who was appointed by the Governor as Associate Judge of the Supreme Court of Puerto Rico.

TREASURER'S REPORT

Treasurer Porfirio Ríos welcomed everyone present. He began his presentation with CFCU's financial situation for year 2010, including a comparison to the 2009 financial situation. The financial statements were consolidated with CFCU's subsidiary Business Consortium Alliance and BCA's subsidiary Business Alliance Insurance Agency, which have been audited by Zayas, Morazzani & Co. CPA Auditors firm.

The Treasurer indicated that the financial statements have been available to members for their review since April 26, 2011 and expressed that year 2010 continues to be a period of a serious economic recession with no doubt, one of the most difficult periods that has affected every financial institution within Puerto Rico and the United States.

The Federal Reserve has maintained low interest rates in an effort to help the financial industry. The cost of living continues to increase as well as the bankruptcies and delinquencies in all banks and credit unions. Nonetheless, CFCU continues to develop strategies and initiatives to continue to increase collection efforts and provide for overall growth and stability.

NCUA established a mechanism to stabilize the Corporate Credit Union System which is an organization that provides services to the credit unions. NCUA mandates that credit unions contribute a certain amount of money to help in the effort to stabilize the Corporate System. CFCU's contribution for 2010 was \$431,282 and additional fees are expected to be determined by NCUA. Thereafter, the Treasurer informed on CFCU's financial condition for year ending on December 31, 2010, as follows:

TOTAL ASSETS

CFCU's total assets were \$217.9 million, an increase of \$3.2 million when compared to year 2009.

ASSET COMPOSITION

The total assets consist of \$74.6 million on Capital and Investment, \$133.7 million on loans and \$9.5 million on other assets.

The Liabilities and Membership savings amount to \$184.7 million, an increase of \$2.5 million. The Reserves amounts to \$33.1 million, an increase of \$607 thousand.

The Statement of Income shows the amount of income on loan interest and investment for \$10.2 million, when compared to year 2009, a decrease of \$269 thousand.

The dividend paid over shares and shares certificates amounts to \$3.1 million.

The operational expenses amounted to \$5.7 million in year 2010 when compared to 2009 there a decrease of \$208 thousand.

The Treasurer presented the distribution of income as follows: 27% for dividends, 41% for operational expenses, 16% for a provision for charged off accounts and 10% was net income due to the fact that 6% was imposed by NCUA for the corporate stabilization plan.

Finally, after the deduction of \$431,232 for NCUA's stabilization plan, NACUSIF, the net income for year 2010 was \$721,578 thousand.

The Treasurer concluded his report expressing that in spite of the economic crisis that Puerto Rico is enduring, CFCU continues to be solid thanks to all the members that use our products and services and the dedication of our Board of Directors, Management and employees.

RAFFLE

A raffle took place.

BUSINESS ALLIANCE INSURANCE AGENCY

The Chairman of Business Alliance Insurance Agency, (BAIA), Mr. Emilio M. Colon, presented the guests from the different insurance agencies. Thereafter, Mr. Colón indicated that BAIA's goal was to offer the best insurance options at the least cost for all members of CFCU. He presented the different products and services offered by BAIA and indicated that they were working with a health insurance plan for select employee groups who are members of CFCU.

CREDIT COMMITTEE REPORT

Credit Committee Chairman Juan M. Masini-Soler greeted and welcomed the members of the Annual Meeting. Mr. Masini-Soler introduced the members of the Credit Committee and the Loan Division, and recognized their outstanding performance throughout the year. Thereafter, he presented the statistics on the loan approvals and rejections for year 2010. He stated that a total of 3,971 loan applications were considered, of which 2,413 were favorable approved. The total amount of loans approved during 2010 had the following breakdown: \$11,482,956 on personal loans, \$636,700 on emergency loans, \$44,000 on line of credit; \$27,244,190 on auto and \$33,000 on boat loans; \$1,002,450 on Master Cards; \$1,510,000 on mortgage loans and \$1,963,000 on commercial loans.

Mr. Masini-Soler informed that the Credit Committee and CFCU's Management are constantly monitoring the changes in the market in order to provide members with the best products at the lowest cost and encouraged all members to take advantage of CFCU's excellent loan offerings. He commented that as everyone knows 2010 was a year of great challenges due to the economic

crisis and in particular Puerto Rico's situation. CFCU had to make adjustments to the Loan Policy in order to stay competitive. He thanked the Loan officers, Managers and the Credit Committee members and shared the following thoughts "It makes sense to think about CFCU as your first choice for your financial needs" and "remember that a good credit will open the door to a world of possibilities and CFCU is 100% committed to offer the best products and services and if by any reason you have clouds of economic situations in your horizons, do not hesitate to explain your problems to the Credit Committee who will be in the best spirit to try to help you as reasonably as possible". Mr. Masini concluded his report wishing everyone a wonderful evening and said that the best of CFCU is still to come.

SUPERVISORY COMMITTEE REPORT

Supervisory Committee Chairman, Carlos E. O'Neill, introduced the members of the committee and informed that according to the Credit Union Guide there are two essential goals: a) to assure that Management's financial reporting objective are met and, b) that the practices and procedures safeguard members' assets.

He explained that an annual audit of the financial statements is one of the methods used toward the safeguard of members' funds. He commented that to satisfy the Supervisory Committee audit requirements, the Committee contracts a Certify Public Accountant firm. The Firm - Zayas, Morazzani & Co. conducted our external audit for years 2009 and 2010. The examiners concluded that the financial statements present fairly, in all material respects, the financial position of CFCU and the results of the operations and its cash flows in conformity with Generally Accepted Accounting principles (GAAP) in the United States of America.

The Supervisory Committee Chairman also informed that during this year, the Committee was focused in securing the services of a Certified Public Accounting firm, Barreto & Vélez, PSC, as our internal auditor and technology advisor to assure compliance in banking regulations and to monitor the interventions of our full time Compliance Officer. The Committee and the internal auditor have continued to monitor the activities of the department of Electronic Data Processing (EDP), which is considered to be the heart of CFCU's accounting system. Until this day, Caribe Federal Credit Union has the latest software and hardware to provide for the financial accounting needs; and continues to provide secure electronic banking thru the Internet for the convenience of our members.

Mr. O'Neill expressed that it was with great sadness that he could no longer continue as a member of the Supervisory Committee due to family illness. He thanked everyone for the opportunity given and said that he felt honored to have worked with such a professional group of volunteers and recognized Management for the excellent work who have maintained CFCU competitive even in such a difficult economy.

ACTING CHAIRMAN

Mr. Juan M. Masini-Soler took the place of Chairman of the Board in view that Chairman Rafael A. Martínez was one of the candidates to run for member of the Board.

NOMINATIONS COMMITTEE REPORT

The President of the Nominations Committee, Juan O. Rodríguez informed on the election process as follows: Option A2 - In-person elections; nominating committee and nominations by petition. The new election process states that the nominating committee files its nominations with the secretary of the credit union at least 90 days prior to the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days prior to the annual meeting; and that nominations for vacancies may also be made by petition, said document should be accompanied with the signature of 1% of the active members with a minimum of 20 and a maximum of 500. The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date that the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, a signed certificate must accompany such nominations from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Such nominations must be filed with the secretary of the Board of Directors at least 40 days prior to the annual meeting and the secretary will ensure that nominations by petition along with those of the nominating committee are posted in a conspicuous place in each credit union office at least 35 days prior to the annual meeting.

Mr. Juan O. Rodríguez presented the four candidates for the Board of Directors for year 2011-2013; Mrs. Celia A. Ruíz, Mr. Rafael A. Martínez, Mr. Porfirio Ríos and Mr. José Marrero. Before the voting process each candidate presented their qualifications. Mr. Rodríguez informed that there were three vacancies for the Board of Directors.

RAFFLE

A raffle took place.

RECOGNITION OF FORMER CHAIRMEN OF THE BOARD OF DIRECTORS

Chairman Rafael A. Martínez presented plaques to former Chairmen of the Board of Directors, Heriberto J. Martínez and Emilio M. Colón in recognition of their service to CFCU.

VOTING PROCESS

The voting process took place.

NEW BUSINESS

Acting Chairman Juan M. Masini-Soler opened the session for new business.

Member José Pérez indicated that when he was given the voting ballot in the registration table, he was encouraged to vote at that time however, the candidates were presented now. He recommended that the voting process should be after the nominees are presented not prior to that.

The members of the Board agreed with the recommendation for future voting processes.

Mr. Rafael A. Martínez took his place as Chairman of the Board.

Member Nancy Fontán presented a concern on the fact that no special gift or activity was made for children who are members too. She commented that she remembered when she was a child her mom took her to credit union activities and there was always a gift or a souvenir for children. She recommended that CFCU include a special souvenir for children in future annual meetings. She also expressed that she and the members who arrived to the annual meeting at 7:00 AM should have priority to the lunch.

The members of the BOD agreed with the recommendations presented.

Member Rafael Del Río expressed his congratulations to the members of the BOD for changing the venue for the annual meeting.

Member Ada Rosario congratulated the members of the Board of Directors for the good work. She said that she can testify the dedication and the responsibility that it takes to be part of a Board of Directors, because she used to be part of the Board of EDUCOOP.

A Member who did not identify himself presented a motion to adjourn the meeting. The motion was seconded and approved without opposition.

ADJOURNMENT:

There being no further business discuss, the meeting was adjourned at 11:40AM.

Raffles, lunch and a social activity followed.

DECLARATION OF NOMINEES

During the social activity approximately at 2:00 PM, Mr. Juan O. Rodríguez announced the voting results and declared that Mr. Rafael A. Martínez, Mr. Porfirio Ríos and Mrs. Celia A. Ruíz were the elected candidates to fill the vacancies of the Board of Directors for year 2011-2013.

***CARIBE FEDERAL CREDIT UNION
Consolidated Financial Statements***

***December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)***

ZAYAS, MORAZZANI & Co.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225
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(787) 753-7038

ZAYAS, MORAZZANI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
Caribe Federal Credit Union:

We have audited the accompanying consolidated statements of financial condition of Caribe Federal Credit Union as of December 31, 2011 and 2010, and the related statements of income, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Caribe Federal Credit Union as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules A and B is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, and results of operations of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

March 23, 2012



Stamp. No. E24596 of the Puerto
Rico Society of Certified Public
Accountants was affixed to original.

CARIBE FEDERAL CREDIT UNION
Consolidated Statements of Financial Condition
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents (note 1)	\$ 44,267,131	20,625,317
Certificates of deposits (note 2)	3,198,071	8,451,942
Investments available for sale (note 3)	24,161,600	45,265,211
Investments held to maturity (note 3)	-	298,826
Loans to members, net (notes 1, 4 and 20)	145,316,647	133,728,636
Accrued interest receivable (note 20)	561,984	701,924
Insurance claim receivable	-	20,865
Accounts receivable, net	38,286	13,254
Prepaid expenses	155,518	151,542
Property and equipment, net (notes 1 and 6)	6,163,831	6,348,470
NCUSIF deposit (note 14)	1,675,545	1,675,782
Art Collections (note 1)	77,619	77,619
Other assets (note 7)	231,783	539,676
	<u>225,848,015</u>	<u>217,899,064</u>
<u>Liabilities and Members' Equity</u>		
<u>Liabilities</u>		
Member's shares accounts (note 8)	187,439,596	179,940,212
Accruals and other liabilities (note 9)	1,402,713	1,250,251
Accounts payable to auto dealers	1,877,306	3,548,819
	<u>190,719,615</u>	<u>184,739,282</u>
<u>Equity</u>		
Members' equity:		
Appropriated regular reserve (note 12)	3,811,746	3,811,746
Unappropriated earnings	31,134,696	29,277,275
Accumulated other comprehensive income (note 3)	181,958	70,761
	<u>35,128,400</u>	<u>33,159,782</u>
Total members' equity	<u>35,128,400</u>	<u>33,159,782</u>
Total liabilities and members' equity	<u>\$ 225,848,015</u>	<u>217,899,064</u>

See independent auditors' report and accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
Consolidated Statements of Income
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Interest income:		
Interest and fees on loans	\$ 9,030,727	8,996,289
Interest on investments	1,102,111	1,217,826
	10,132,838	10,214,115
Interest expense:		
Dividends on members' shares accounts (note 8)	3,244,767	3,130,113
	3,244,767	3,130,113
Net interest income	6,888,071	7,084,002
Provision for loan losses (notes 1 and 4)	(195,960)	(1,321,580)
	(195,960)	(1,321,580)
Net interest income after provision for loan losses	6,692,111	5,762,422
	6,692,111	5,762,422
Non-interest income (note 10)	701,044	733,826
	701,044	733,826
Non-interest expenses:		
Compensation and benefits	2,424,271	2,451,412
Occupancy and related (note 11)	1,237,736	1,358,708
Other (note 11)	1,454,841	1,533,268
Total non-interest expenses	5,116,848	5,343,388
Income before regulatory charges	2,276,307	1,152,860
	2,276,307	1,152,860
NCUSIF premium assessment (note 15)	-	(208,132)
TCCUSF premium assessment (note 15)	(418,886)	(223,150)
	(418,886)	(223,150)
Net income	\$ 1,857,421	721,578

See independent auditors' report and
accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
 Consolidated Statements of Members' Equity
 Years ended December 31, 2011 and 2010

	Appropriated Statutory	Unappropriated	Other Comprehensive Income	Total
Balances, December 31, 2009	\$ <u>3,811,746</u>	<u>28,555,697</u>	<u>184,555</u>	<u>32,551,998</u>
Comprehensive Income:				
Net income	-	721,578	-	721,578
Other comprehensive income:				
Net change in unrealized loss on available for sale securities	<u>-</u>	<u>-</u>	<u>(113,794)</u>	<u>(113,794)</u>
Total comprehensive income	<u>-</u>	<u>721,578</u>	<u>(113,794)</u>	<u>607,784</u>
Balance, December 31, 2010	\$ <u>3,811,746</u>	<u>29,277,275</u>	<u>70,761</u>	<u>33,159,782</u>
Comprehensive Income:				
Net income	-	1,857,421	-	1,857,421
Other comprehensive income:				
Net change in unrealized gain on available for sale securities	<u>-</u>	<u>-</u>	<u>111,197</u>	<u>111,197</u>
Total comprehensive income	<u>-</u>	<u>1,857,421</u>	<u>111,197</u>	<u>1,968,618</u>
Balance, December 31, 2011	\$ <u>3,811,746</u>	<u>31,134,696</u>	<u>181,958</u>	<u>35,128,400</u>

See independent auditors' report and
 accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	\$ 1,857,421	721,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	401,355	467,521
Loss on disposition of repossessed assets	149	70,242
Loss on disposition of property and equipment	11,337	-
Provision for possible loan losses	195,960	1,321,580
Dividends credited on members' saving (shares) accounts	3,271,711	3,170,262
Premium amortization and discount accretion (net)	27,725	27,273
Changes in assets and liabilities:		
Decrease on accrued interest receivable	139,940	49,566
(Increase)/decrease in insurance claim receivable	20,865	(20,865)
Increase in accounts receivable, net	(25,032)	(11,563)
(Increase)/decrease in prepaid expenses	(3,976)	199,572
Decrease/ (increase) in other assets	296,556	(474,487)
Increase in accruals and other liabilities	152,462	326,281
(Decrease)/increase in accounts payable to auto dealers	<u>(1,671,513)</u>	<u>2,433,904</u>
Total adjustments	<u>2,817,539</u>	<u>7,559,286</u>
Net cash provided by operating activities	<u>\$ 4,674,960</u>	<u>8,280,864</u>

(Continued)

See independent auditors' report and accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
 Consolidated Statements of Cash Flows
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from investing activities:		
Cash proceeds from maturities, disposition and return on principal over investments	\$ 40,489,780	56,917,192
Acquisition of securities held to maturity	-	(3,205,627)
Acquisition of Certificates of Deposit	(750,000)	-
Acquisition of investment securities available for sale	(13,000,000)	(62,290,000)
Net increase/(decrease) in loans from members	(11,783,971)	(3,759,197)
Acquisition of property and equipment	(216,865)	(267,037)
Deposit in NCUSIF	237	(24,402)
Net cash provided by/(used in) investing activities	14,739,181	(12,629,071)
Cash flows from financing activities:		
Net increase in savings (shares) accounts	4,227,673	(3,335,320)
Net cash provided by/(used in) by financing activities	4,227,673	(3,335,320)
Net increase/(decrease) in cash and cash equivalents	23,641,814	(7,683,527)
Cash and cash equivalents at beginning of year	20,625,317	28,308,844
Cash and cash equivalents at end of year	\$ 44,267,131	20,625,317

See independent auditors' report and
 accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

(1) Organization, Nature of Operations, Basis of Presentation and Significant Accounting Policies

Organization and Nature of Operations

Caribe Federal Credit Union (“Credit Union”) is a nonprofit organization established in 1951 organized and chartered under the Federal Credit Union Act. The Credit Union serves federal employees in Puerto Rico and the US Virgin Islands, members of the Liga de Estudiantes de Arte de San Juan, select employee groups in Puerto Rico and immediate family members. Its purpose is to promote thrift among its members by affording them an opportunity to accumulate their savings and create for them a source of credit for productive purposes.

Business Consortium Alliance, Inc. (BCA), is a wholly-owned subsidiary of Caribe Federal Credit Union (parent Company). It is a credit union service organization (“CUSO”) under the United States Credit Union Act. It was engaged in the development of its lines of business and in providing services to the Credit Union. Effective October 31, 2010, BCA ceased its active operations.

During the year ended December 31, 2008, Business Alliance Insurance Agency, Inc. (BAIA) was incorporated and began operations in 2009. The Company was created to conduct and operate a general insurance agency business for insurance companies organized or admitted to do business in the Commonwealth of Puerto Rico. It is a subsidiary of BCA.

Principles of Consolidation

The consolidated financial statements include the accounts of Caribe Federal Credit Union and Business Consortium Alliance, Inc. (BCA) (as consolidated with BAIA). All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

The accompanying financial statements are presented under accounting principles generally accepted in the United States of America.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements

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(1) Organization, Nature of Operations, Basis of Presentation and Significant Accounting Policies, Continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Credit Union to credit risk include cash balances and certificate of deposits with several financial institutions located in Puerto Rico and the United States; which were insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). For time to time, balances may exceed amounts insured by the FDIC.

Credit risk for loans receivable and share accounts are also concentrated since most of the Credit Union's members are located in the Puerto Rico geographical area.

Reclassifications

In the accompanying financial statements, certain 2010 figures were reclassified to conform to the 2011 presentation.

Significant Accounting Policies

Caribe Federal Credit Union has adopted the following significant accounting policies:

Investments

Held to maturity. Securities for which management has the intent and the ability to hold to maturity. These investments are reported at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income on investments.

Available for sale. Investment securities that could be sold at any time in response to economic and strategic factors. These securities are reported at fair market value. Unrealized gains and losses on securities available for sale are recognized as a direct increase or decrease in other comprehensive income.

Investments are made in accordance with the credit union's policies, which incorporate the regulations of NCUA, hence, they are principally in federally sponsored and guaranteed instruments. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method. Premiums and discounts are amortized or accreted using the effective interest method. Interest income is recorded on an accrual basis.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
- 3 -

(1) Organization, Nature of Operations, Basis of Presentation and Significant Accounting Policies, Continued

Loans to Members, Allowance for Loan Losses and Loan Origination Fees

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and net origination fees. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience.

The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions and collection efforts that the borrowers' financial condition is such that collection of interest is doubtful. Regularly, this is applied to loans with a delinquency greater than 90 days. The revenue for such interests not accrued is recognized when collected.

Loan origination fees are deferred and recognized over the life of the loan as an adjustment of yield. The unamortized balance of the net origination fees is reported as part of the loan balance to which it relates. The periodic amortization is reported on the income statement as interest income.

Accounts Receivable

Accounts receivable are stated at their net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on the straight-line method over the estimated useful life of the respective assets.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
- 4 -

(1) Organization, Nature of Operations, Basis of Presentation and Significant Accounting Policies, Continued

Art Collections

Art collections are capitalized at their cost at the date of purchase or, if the items were contributed, at their fair or appraised value at the contribution date.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the credit union considers all highly liquid investment securities acquired with an original or remaining maturity of three months or less to be cash equivalents.

The composition of cash and cash equivalents follows:

	2011	2010
Petty cash	\$ 400	400
Change fund	508,624	629,733
Regular and EFT account	41,506,457	17,995,184
Certificate of Deposit	250,000	-
U.S. Government and Agency obligations	2,001,650	2,000,000
Total cash and cash equivalents	\$ 44,267,131	20,625,317

Members' Shares Accounts

The dividend rates are set by the Board of Directors based on an evaluation of current and future market conditions. Dividends on members' shares accounts are based on available earnings at the end of the corresponding period and are not guaranteed by the Credit Union. Dividends are credited to the members' share accounts on the last day of the month for which dividends are declared. Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements

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(1) Organization, Nature of Operations, Basis of Presentation and Significant Accounting Policies, Continued

Federal and State Income Taxes

Caribe Federal Credit Union is exempt, by statute, from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Impairment of Long-lived Assets

The Credit Union periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No indications of impairment are evident at December 31, 2011 and 2010.

(2) Certificates of Deposits

At December 31, 2011, the Credit Union maintains certificates of deposits in denominations of \$200,000 or higher. The scheduled maturities are as follows:

Due in one year or less	\$ 1,449,703
Due after one year through three years	<u>1,748,368</u>
	\$ <u>3,198,071</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements

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(3) Investments

Investments Held to Maturity

The amortized cost and estimated market value of investments held to maturity as of December 31, 2010 was as follows:

	December 31, 2010		
	Amortized Cost	Unrealized Gains	Market Value
<u>Investments</u>			
U.S. Government and Agency Obligations	\$ <u>298,826</u>	<u>951</u>	<u>299,777</u>

As of December 31, 2011 no held to maturity securities exist as part of the investment portfolio.

Investments Available for Sale:

As of December 31, 2011 and 2010, the cost and fair values of investments securities available for sale are:

	December 31, 2011		
	Amortized Cost	Unrealized Gain	Market Value
U.S. Government Obligations	\$ <u>23,979,642</u>	<u>181,958</u>	<u>24,161,600</u>

	December 31, 2010		
	Amortized Cost	Unrealized Gain	Market Value
U.S. Government Obligations	\$ <u>45,194,450</u>	<u>70,761</u>	<u>45,265,211</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(3) Investments, Continued

The amortized cost and estimated fair value of investment securities, at December 31, 2011, by contractual maturity, 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
<u>Amounts maturing in:</u>		
Due in one year or less	\$ 3,000,716	3,015,400
Due after one year through five years	20,012,363	20,200,972
Due after five years through ten years	968,213	945,228
	\$ 23,981,292	24,161,600

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Comprehensive Income

As of December 31, 2011 and 2010, other comprehensive income consists of unrealized gain on investment in securities classified as available for sale as follows:

Balance as of December 31, 2010	\$ 70,761
Change during the year	111,197
Balance as of December 31, 2011	\$ 181,958

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements

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(4) Loans to Members

The composition of loans to members is as follows:

	2011	2010
Unsecured	\$ 22,021,580	25,008,333
Mortgage	21,449,610	22,278,392
Automobile	76,426,132	61,227,660
Share secured loans	4,674,907	4,416,655
Lines of credit	737,257	771,491
Master Card	14,059,024	14,724,867
Commercial loans	7,779,558	7,713,138
	147,148,068	136,140,536
Less: Net unamortized		
deferred origination fees	(526,152)	(561,345)
Allowance for loan losses	(1,305,269)	(1,850,555)
Subtotal	(1,831,421)	(2,411,900)
 Total loans to members, net	 \$ 145,316,647	 133,728,636

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

The following table summarizes the aging of the loans to members receivable portfolio:

Age Analysis of Loan to Members Receivables by Category As of December 31, 2011				
	0-60	61-90	Over 90 days and Non- accruing	Total
Consumer:				
Personal	\$ 21,894,788	69,893	56,899	22,021,580
Mortgage	21,384,801	-	64,809	21,449,610
Auto	76,395,711	30,421	-	76,426,132
Secured	4,641,628	23,107	10,172	4,674,907
Credit Cards	14,016,096	38,142	4,786	14,059,024
Lines of Credit	727,258	-	9,999	737,257
Total consumer loans	139,060,282	161,563	146,665	139,368,510
Commercial	7,779,558	-	-	7,779,558
Total loans to members	\$ 146,839,840	161,563	146,665	147,148,068

Age Analysis of Loan to Members Receivables by Category As of December 31, 2010				
	0-60	61-90	Over 90 days and Non- accruing	Total
Consumer:				
Personal	\$ 24,825,996	104,079	78,258	25,008,333
Mortgage	22,187,990	-	90,402	22,278,392
Auto	61,170,329	30,306	27,025	61,227,660
Secured	4,378,831	13,021	24,803	4,416,655
Credit Cards	14,621,961	82,493	20,413	14,724,867
Lines of Credit	747,622	23,869	-	771,491
Total consumer loans	127,932,729	253,768	240,901	128,427,398
Commercial	7,713,138	-	-	7,713,138
Total loans to members	\$ 135,645,867	253,768	240,901	136,140,536

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

Non-Accruing Loans

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred or the loans reach over 90 days past due.

Loans to members in which the accrual of interest has been discontinued or reduced amounted to \$146,665 and \$240,901 at December 31, 2011 and 2010, respectively. If interest on those loans had been accrued, such income would have approximated \$15,000 for each of the years then ended.

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Credit Union uses a disciplined methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the provision needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a collectively basis. The allowance for loan losses consists of amounts applicable to: (i) consumer loans (personal, auto, mortgage, line of credit and credit card) and (ii) commercial loans portfolios.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses.

The Credit Union's allowance for loan losses is sensitive to individually evaluated loans, economic conditions and delinquency trends. Individual loans are evaluated based on each situation by experienced collection officers.

Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged ("charge-off") against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

Loan Charge-Offs

Loans recommended for charge-off must meet at least one of the following standards:

- The borrower, including any co-maker or cosigner on the loan, has filed for bankruptcy protection.
- On the death of the debtor, there appears to be little hope that there are sufficient assets available from the estate or from insurance to recover the debt.
- On liquidation of the collateral, a deficiency balance exists and the borrower(s) has indicated that no further payments are forthcoming.
- The debt has been assigned to a third-party collector and no payments have been made within the past three months.
- The loan is 180 or 360 days delinquent and no monthly payments are being made.
- Reliable information has been received that the loan is uncollectible.
- The member has disappeared and, despite the best efforts of the collections department, the Credit Union has been unable to make contact with the debtor for 180 days.

When a loan meeting any of the above criteria is not recommended for charge-off, the collections department will report that fact to the board of directors in a separate written report. The report will include an explanation as to why the loan should be kept open and not assigned to nonperforming asset status (e.g., the debtor has agreed to and is making regular periodic payments).

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

A summary of the changes in the allowance for loan losses is as follows:

	2011	2010
Balance, beginning of year	\$ 1,850,555	1,951,303
Provision charged to operations	195,960	1,321,580
Loans charged-off	(1,241,249)	(1,864,390)
Recoveries	500,003	442,062
Balance, end of year	\$ 1,305,269	1,850,555

The following table presents by portfolio segment, the changes in the allowance for loan losses:

	For the Year Ended December 31, 2011		
Allowance for Loan Losses:	Consumer	Commercial	Totals
Beginning balance	\$ 1,791,076	59,479	1,850,555
Provision	207,015	(11,055)	195,960
Charge-offs	(1,241,249)	-	(1,241,249)
Recoveries	500,000	3	500,003
Ending balance	1,256,842	48,427	1,305,269
Ending balance: individually evaluated for impairment	285,522	38,785	324,307
Ending balance: collectively evaluated for impairment	971,320	9,642	980,962
Total	\$ 1,256,842	48,427	1,305,269

	For the Year Ended December 31, 2010		
Allowance for Loan Losses:	Consumer	Commercial	Totals
Beginning balance	\$ 1,951,303	-	1,951,303
Provision	1,243,162	78,418	1,321,580
Charge-offs	(1,845,451)	(18,939)	(1,864,390)
Recoveries	442,062	-	442,062
Ending balance	1,791,076	59,479	1,850,555
Ending balance: individually evaluated for impairment	380,936	38,811	419,747
Ending balance: collectively evaluated for impairment	1,410,140	20,668	1,430,808
Total	\$ 1,791,076	59,479	1,850,555

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
- 13 -

(4) Loans to Members, Continued

The following table includes the recorded investment and unpaid principal balances for impaired loans receivables with associated allowance amount. The Credit Union determined the specific allowance based on the net charge-off experience for the last two years, the specific losses estimated on an individual loan basis, the present net value of future cash flows, discounted at the loan's effective rate for troubled debt restructurings (TDR) and in cases of collateral depended loans, the fair value of the collateral less selling costs.

	Impaired Loans by Category For the Year Ended December 31, 2011		Impaired Loans by Category For the Year Ended December 31, 2010	
	Unpaid Principal of Impaired Loans (Cases)	Specific Associated Allowance for the Impaired Loan (Cases)	Unpaid Principal of Impaired Loans (Cases)	Specific Associated Allowance for the Impaired Loan (Cases)
Consumer:				
Personal	\$ 677,357	177,360	963,189	218,351
Mortgage	485,527	43,235	393,570	49,056
Auto	30,421	12,768	397,384	35,400
Credit Cards	49,637	42,160	102,906	66,195
Lines of Credit	9,999	9,999	23,869	11,934
Total consumer	<u>1,252,941</u>	<u>285,522</u>	<u>1,880,918</u>	<u>380,936</u>
Commercial	<u>387,858</u>	<u>38,785</u>	<u>388,109</u>	<u>38,811</u>
Total	<u>\$ 1,640,799</u>	<u>324,307</u>	<u>2,269,027</u>	<u>419,747</u>

Loans to members secured by collateral consist of \$110,326,964 and \$95,614,940 for 2011 and 2010, respectively. The remaining balance represents loans partially secured and unsecured. The collections from the majority of the members' loans are by direct deposit through payroll deduction.

Loans to Related Parties

Certain officers, directors, and employees of the Credit Union, had loans with the Credit Union during 2011 and 2010. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. Total loans outstanding to these members at December 31, 2011 and 2010, amounted to \$1,638,797 and \$1,729,124, respectively.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

Credit Quality Information

The Credit Union has established policies to evaluate application for loans using, among other information, credit scores available through service providers. The Credit Union is in the process of developing additional tools to update its internal credit worthiness grading system.

Troubled Debt Restructurings (TDR)

In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. In cases where the Credit Union grants to the member new terms that provide for a reduction of either interest or principal (on non-collateral dependent loans) measures any impairment based on the present value of expected future cash flows at the loan effective interest rate.

The following table presents the restructured loans by category:

For the Year Ended December 31, 2011						
	Restructured loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Personal	49	\$ 429,248	41,081	1	\$ 18,443	9,221
Mortgage	3	420,719	10,831	-	-	-
Total						
consumer loans	52	849,967	51,912	1	18,443	9,221
Commercial	-	-	-	-	-	-
Total	52	\$ 849,967	51,912	1	\$ 18,443	9,221

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(4) Loans to Members, Continued

For the Year Ended December 31, 2010						
	Restructured loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Personal	50	\$ 463,461	45,530	1	\$ 8,165	4,082
Mortgage	2	306,710	5,626	-	-	-
Total	52	770,171	51,156	1	8,165	4,082
consumer loans	52	770,171	51,156	1	8,165	4,082
Commercial	-	-	-	-	-	-
Total	52	\$ 770,171	51,156	1	\$ 8,165	4,082

(5) Accrued Interest Receivable

As of December 31, 2011 and 2010, the following are the components of accrued interest receivable:

	2011	2010
Accrued interests on loans	\$ 474,030	450,710
Accrued interests on investments	87,954	251,214
Total accrued interest receivable	\$ <u>561,984</u>	<u>701,924</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(6) Property and Equipment

Property and equipment is summarized as follows:

	2011	2010
Land	\$ 2,386,495	2,386,495
Building	4,697,742	4,697,742
Furniture and fixtures	693,786	718,671
Office equipment, principally computer system	2,586,451	2,748,837
Leasehold improvements	160,513	160,513
	10,524,987	10,712,258
 Accumulated depreciation and amortization	 (4,361,156)	 (4,363,788)
	\$ 6,163,831	6,348,470

Depreciation and amortization expense amounted to \$401,355 and \$467,521 for 2011 and 2010, respectively.

(7) Other Assets

As of December 31, 2011 and 2010, the following are the components of other assets:

	2011	2010
Real estates owned	\$ -	375,786
Deposits for the acquisition of land	100,000	-
Deposit in Banco Cooperativo de Puerto Rico	78,864	78,864
Others	52,919	85,026
	\$ 231,783	539,676

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(8) Members' Shares Accounts

Members' shares accounts are summarized as follows:

	Weighted-Average Rate at December 31, 2011		<u>2011</u>	<u>2010</u>
Share draft	0.15%	\$	9,574,012	8,844,931
Regular shares	1.58%		<u>116,786,967</u>	<u>99,731,247</u>
Share certificates				
0.0% - 2.00%			41,492,280	36,113,798
2.1% - 3.00%			9,521,349	17,964,311
3.1% - 4.00%			3,827,931	4,063,968
4.1% - 5.00%			1,151,457	2,620,280
5.1% - 5.83%			<u>5,085,600</u>	<u>10,601,677</u>
			<u>61,078,617</u>	<u>71,364,034</u>
Total shares accounts		\$	<u>187,439,596</u>	<u>179,940,212</u>

As of December 31, 2011 and 2010 the NCUA insured the Credit Union shares members' accounts to at least \$250,000. As of December 31, 2011 and 2010, the aggregate amount of members' shares accounts over \$250,000 were approximately \$16,139,790 and \$15,256,095, respectively. As of December 31, 2011 and 2010, the aggregate amount of members' insured shares accounts, including escrows were approximately \$171,439,752 and \$164,850,443, respectively.

At December 31, 2011, scheduled maturities of share certificates are as follows:

	Year Ending December 31					
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
0.0% - 2.00%	\$ 39,935,793	993,081	563,406	-	-	41,492,280
2.1% - 3.00%	2,895,288	954,621	485,556	1,448,934	3,736,950	9,521,349
3.1% - 4.00%	-	502,678	2,724,217	559,036	42,000	3,827,931
4.1% - 5.00%	643,237	452,000	56,220	-	-	1,151,457
5.1% - 5.83%	5,085,600	-	-	-	-	5,085,600
Total	<u>\$ 48,559,918</u>	<u>2,902,380</u>	<u>3,829,399</u>	<u>2,007,970</u>	<u>3,778,950</u>	<u>61,078,617</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(8) Members' Shares Accounts, Continued

Dividends expense on members' shares accounts is summarized as follows:

	2011	2010
Share savings	\$ 1,722,962	987,347
Share drafts	15,976	30,000
Share certificates	1,505,829	2,112,766
	\$ 3,244,767	3,130,113

(9) Accruals and Other Liabilities

The composition of accruals and other liabilities is as follows:

	2011	2010
Dividends payable	\$ 81,082	108,026
Accrued payroll and related	140,429	133,734
Annual members' meeting	100,000	100,000
Accounts payable - trade	71,495	61,984
Accounts payable - ATM	287,274	64,931
Escrow accounts	139,946	166,325
Other accruals	582,487	615,251
	\$ 1,402,713	1,250,251

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(10) Non-Interest Income

Non-interest income for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
ATM card fees and charges	\$ 235,201	215,436
Master card fees and charges	54,897	90,483
Other fees and charges	280,598	335,918
Sponsorships and other	25,556	47,019
Annual meeting	13,040	4,110
Net Non-interest income from CFCU	<u>609,292</u>	<u>692,966</u>
Non-interest income from BCA	<u>91,752</u>	<u>40,860</u>
	<u>\$ 701,044</u>	<u>733,826</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(11) Non-Interest Expenses by Category

For the years ended on December 31, 2011 and 2010, the non-interest expenses by category are as follow:

	<u>2011</u>	<u>2010</u>
Compensation and benefits	\$ 2,424,271	2,451,412
Occupancy and related:		
Depreciation and amortization (note 6)	401,355	467,521
Occupancy and utilities	219,512	192,503
Communications	201,491	265,363
Insurance	172,636	183,277
Rent (note 22)	118,613	138,743
Repair and maintenance	84,772	73,954
Security	39,357	37,347
	<u>\$ 1,237,736</u>	<u>1,358,708</u>
Other operating expenses:		
Professional services and contracted services	\$ 252,480	296,910
Advertising and promotion	181,070	156,336
Software support	176,856	172,670
Loan servicing & collection	150,755	160,253
Annual meeting	143,839	109,458
Monthly statements	110,069	105,813
Bank service charges	65,394	65,022
Directors' meetings and seminars	61,090	48,122
Federal operating	49,594	50,296
Office supplies	48,799	59,197
Insurance commission and fees	52,157	14,730
Educational expenses	37,519	94,612
Travel and conferences	21,883	19,128
Foreclosure expense	18,710	-
Employees activities	18,234	15,052
Loss on disposition of property and equipment	11,486	70,242
Amortization - license fees	-	12,836
Dues and subscriptions	8,840	9,337
Other miscellaneous	36,956	45,053
Other operating losses	9,110	28,201
	<u>\$ 1,454,841</u>	<u>1,533,268</u>

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(12) Members' Equity

Caribe Federal Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends. The statutory reserve consists of \$3,811,746 for 2011 and 2010.

(13) Deferred Compensation Plan

The employees of Caribe Federal Credit Union participate in a group pension plan through contributions to a life annuity accumulation contract administered by an insurance company. The plan was effective on October 1, 1993. Caribe Federal Credit Union matches the participant's contribution up to a 5% of the employee's compensation. All participants contribute at least 3% of their total gross compensation. In no event will the participants' annual deposit exceed 10% of the gross compensation or \$10,000.

Only full-time employees are eligible to enter the plan and must have attained eighteen (18) years old and completed twelve months of service. The normal retirement date is the first day of the month after the participants' 62nd birthday and after completing twenty (20) years of service.

The plan also provides for early retirement. A participant may elect to retire at any time after attaining fifty-five (55) years old and completing seven (7) years of service.

Vesting is accumulated after the second year on the plan for a period of five years at 20% per year.

At termination of employment, the vested portion of a participant's account will be paid following the next annual benefit payment date.

During the years ended December 31, 2011 and 2010, Caribe Federal Credit Union contributed \$65,605 and \$60,575, respectively, to the pension plan.

(14) NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent (1%) of its insured shares. The deposit is refunded to the credit union if its insurance coverage is terminated, it converts its insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(15) NCUSIF and TCCUSF Premium Assessments

NCUA Board authorized the billing and collection of certain premium (NCUSIF-National Credit Union Share Insurance Fund) and corporate (TCCUSF-Temporary Corporate Credit Union Stabilization Fund) assessments, using a percentage charge over insured shares. During 2011 and 2010, the charge rates were:

	2011	2010
NCUSIF charge rate	0.00%	0.12%
TCCUSF charge rate	0.25%	0.13%

(16) Subsidiaries

As stated in note 1, these consolidated financial statements, include the accounts of Caribe Federal Credit Union, and its subsidiaries, Business Consortium Alliance, Inc. and Business Alliance Insurance Agency, Inc.

The accompanying schedules A and B summarize the participation of CFCU and BCA (as consolidated with BAIA) in the consolidated financial statements of CFCU as of and for the year ended December 31, 2011.

The consolidated subsidiaries have sustained recurring losses from operations since their inception and have accumulated operational deficits. No additional investment is contemplated by the Credit Union. Also, BCA ceased its active operations effective October 31, 2010. These factors, among other, raise substantial doubt about the ability of the Subsidiaries to continue as going concerns.

Management and the Board of Directors of the Consolidated Subsidiaries are continuously working in the evaluation and implementation of plans regarding those matters.

The Management of CFCU understands that the effect, if any, of such conditions in the accompanying consolidated financial statements as of and for the year ended December 31, 2011, will not be significant. Accordingly, the accompanying financial statements do not include any adjustments that might result from the outcome of these conditions.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(17) Loan Commitments

At December 31, 2011, Caribe Federal Credit Union had outstanding commitments with its members for unused lines-of-credit and credit cards that are not reflected in the accompanying financial statements as follows:

Credit cards	\$ 15,566,729
Line-of-credits	<u>307,143</u>
	<u>\$ 15,873,872</u>

In addition, the Credit Union had pending to deliver certain payments to auto dealers subject to the presentation of required documents. As of December 31, 2011 and 2010 payments amounted to \$1,877,306 and \$3,548,819, respectively, and are recorded as accounts payable to dealers in the accompanying financial statements.

Caribe Federal 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. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contractual notional amounts of those instruments reflect the extent of involvement Caribe Federal Credit Union has in particular classes of financial instruments.

Caribe Federal 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 notional amount of those instruments. Caribe Federal Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Unless noted otherwise, Caribe Federal Credit Union does not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Caribe Federal Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Caribe Federal Credit Union upon extension of credit, is based on management's credit evaluation of the counterpart.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(18) Line of Credit

Caribe Federal Credit Union has a line of credit facility with financial institutions. As of December 31, 2011 and 2010 there are not outstanding balances in the subject line of credit. The unused amount is \$30,000,000 and \$10,000,000 as of December 31, 2011 and 2010, respectively. Interest is charged when applicable at prime rate.

(19) Litigation

In the normal course of businesses, the Credit Union is involved in litigation. Management, after consultation with its legal counsel firm, understands that the effect of any outstanding litigation will not be significant for the financial statements.

(20) Fair Values of Financial Instruments

FASB ASC 820, Fair Value Measurements, provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
- 25 -

(20) Fair Values of Financial Instruments, Continued

The estimated fair values of the Credit Union's financial instruments, none of which are held for trading purposes, are as follows:

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 44,267,131	44,267,131	20,625,317	20,625,317
Certificates of deposits	3,198,071	3,223,152	8,451,942	8,482,785
Investment securities	24,161,600	24,161,600	45,564,037	45,564,988
Loans receivable	146,621,916	146,621,916	135,579,191	135,579,191
Less: allowance for loan losses	(1,305,269)	(1,305,269)	(1,850,555)	(1,850,555)
Accrued interest receivable	561,984	561,984	703,618	703,618
	\$ 217,505,433	217,530,514	209,073,550	209,105,344
Financial liabilities				
Members' shares accounts	\$ 187,439,596	187,439,596	179,940,212	179,940,212
Off-Balance-Sheet Financial Instruments				
Commitments to extend credit	\$ 15,873,872	15,873,872	15,471,692	15,471,692

The carrying amounts in the preceding table are included in the statement of financial condition under the applicable captions.

The Credit Union has no financial instruments that are held or issued for trading purposes.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term nature of these instruments.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(20) Fair Values of Financial Instruments, Continued

Certificates of Deposit

For long-term certificates of deposit, fair value has been determined discounting the principal and interest to be received at rates currently offered by other financial institutions for certificates with similar terms and characteristics.

Investment Securities

Fair values have been determined using quoted market prices for all investment securities.

Loan Receivables

The fair value of the loan receivables approximates the carrying amount in the financial statements.

Accrued Interest Receivable

The fair value of the accrued interest receivable approximates the carrying amount in the financial statements.

Members' Shares Accounts

- Regular Shares and Share Drafts Accounts -The fair value of members' regular shares and share drafts having no fixed maturity is the amount payable on demand at the reporting date.
- Share Certificates -The fair value of fixed maturity members' share certificates is estimated using the rates currently offered for deposits with similar remaining maturities.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(20) Fair Values of Financial Instruments, Continued

Commitments to Extend Credit

The fair value of commitments to extend credit was determined using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest and the committed rates.

Fair Value of Financial Instruments Measured on a Recurring Basis

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2011</u>				
Available-for-sale securities	\$ 24,161,600	24,161,600	-	-
<u>December 31, 2010</u>				
Available-for-sale securities	\$ 45,265,211	45,265,211	-	-
Held-to-maturity securities	299,777	299,777	-	-
Total investment securities	\$ 45,564,988	45,564,988	-	-

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(21) Regulatory Capital

The Credit Union is subject to: (i) a regulatory net worth to total assets ratio and to (ii) a Risk Based Net-Worth (RBNW) ratio requirement, as administered by the NCUA (as defined in the regulations). Failure to meet any of these two ratios can initiate certain mandatory – and possibly additional discretionary – actions by the regulator that, if undertaken, could have a direct material effect on the Credit Union’s financial statements.

Net Worth to Total Assets Ratio

As of December 31, 2011 and 2010, the Credit Union’s net worth to total assets ratio is categorized as well capitalized. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7% as defined under the regulatory framework for prompt corrective action provisions of Section 702 of NCUA Rules and Regulations. The Credit Union's actual capital amounts and ratios at December 31, 2011 and 2010 are presented in the following table:

	CFCU Actual		Minimum amounts to be categorized as:			
			Well Capitalized		Adequately Capitalized	
			Capital Amount	Ratio	Capital Amount	Ratio
2011	\$ 35,128,400	15.47%	≥ 15,807,068	≥ 7%	13,548,915	≥ 6%
2010	\$ 33,159,782	15.19%	≥ 15,252,235	≥ 7%	13,073,344	≥ 6%

As of December 31, 2011, the most recent call reporting (“Call Report”) period, NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union does not meet the definition of a complex credit union as defined by the National Credit Union Administration.

In performing its calculation of total assets, the Credit Union used the quarter option.

(Continued)

CARIBE FEDERAL CREDIT UNION
Notes to Consolidated Financial Statements
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(21) Regulatory Capital, Continued

Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Risk Based Net-Worth (RBNW) ratio

The RBNW requirement only applies for complex Credit Unions with assets greater than \$10,000,000 and a RBNW ratio greater than 6%. The RBNW is based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. The Credit Union RBNW ratio for 2011 and 2010 is 4.96% and 5.19%, respectively.

(22) Lease Commitments

During the year ended December 31, 2008, Caribe Federal Credit Union entered into a lease agreement on facilities for the administrative area. The lease term is for the five (5) years ending February 2013. Monthly rent includes associated costs such as utilities, cleaning, insurance and property tax.

The future minimum lease payments required under such lease follow:

2012	\$ 102,695
2013	<u>17,213</u>
	<u>\$ 119,908</u>

BAIA operates on leased premises under a month-to-month agreement with an entity related with a director, at a monthly charge of \$500.

During the years ended December 31, 2011 and 2010, the total rent expenses amounted to \$118,613 and \$138,743, respectively.

(23) Subsequent Events

Management has evaluated subsequent events through March 23, 2012, the date the financial statements were available to be issued. No material subsequent events requiring further disclosure have been identified.

CARIBE FEDERAL CREDIT UNION
Consolidating Statement of Financial Condition
December 31, 2011

<u>Assets</u>	<u>CFCU</u>	<u>BCA*</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 44,227,128	40,003	-	44,267,131
Certificates of deposits	3,198,071	-	-	3,198,071
Investments available for sale	24,161,600	-	-	24,161,600
Loans to members, net of allowance for loan losses and net of origination fees	145,316,647	-	-	145,316,647
Accrued interest receivable	561,984	-	-	561,984
Accounts receivable, net	-	38,286	-	38,286
Prepaid expenses	152,891	2,627	-	155,518
Property and equipment, net	6,158,264	5,567	-	6,163,831
NCUSIF deposit	1,675,545	-	-	1,675,545
Art Collections	77,619	-	-	77,619
Investment in unconsolidated subsidiary, net	55,252	-	(55,252)	-
Other assets	225,162	6,621	-	231,783
Total assets	\$ 225,810,163	93,104	(55,252)	225,848,015
 <u>Liabilities and Members' Equity</u>				
<u>Liabilities</u>				
Members' shares accounts	\$ 187,439,596	-	-	187,439,596
Accruals and other liabilities	1,364,861	37,852	-	1,402,713
Account payable to auto dealers	1,877,306	-	-	1,877,306
Total liabilities	\$ 190,681,763	37,852	-	190,719,615
 <u>Equity</u>				
Members' equity:				
Capital stock – authorized 10,000 shares with a par value of \$100, issued and outstanding 5,000 shares	\$ -	500,000	(500,000)	-
Additional paid-in capital	-	1,000,000	(1,000,000)	-
Appropriated regular reserve (note 12)	3,811,746	-	-	3,811,746
Unappropriated earnings	31,134,696	-	-	31,134,696
Accumulated deficit	-	(1,444,748)	1,444,748	-
Accumulated other comprehensive income	181,958	-	-	181,958
Total members' equity	35,128,400	55,252	(55,252)	35,128,400
Total liabilities and members' equity	\$ 225,810,163	93,104	(55,252)	225,848,015

* BCA consolidated with its subsidiary, BAIA.

See independent auditors' report and accompanying notes to financial statements.

CARIBE FEDERAL CREDIT UNION
Consolidating Statement of Income
Years ended December 31, 2011

	<u>CFCU</u>	<u>BCA*</u>	<u>Eliminations</u>	<u>Consolidated</u>
Interest income:				
Interest and fees on loans	\$ 9,030,727	-	-	9,030,727
Interest on investments	1,102,111	-	-	1,102,111
	<u>10,132,838</u>	<u>-</u>	<u>-</u>	<u>10,132,838</u>
Interest expense:				
Dividends on members' shares accounts	3,244,767	-	-	3,244,767
	<u>6,888,071</u>	<u>-</u>	<u>-</u>	<u>6,888,071</u>
Provision for loan losses	(195,960)	-	-	(195,960)
	<u>6,692,111</u>	<u>-</u>	<u>-</u>	<u>6,692,111</u>
Non-interest income	609,292	91,752	-	701,044
Non-interest expenses:				
Compensation and benefits	2,423,526	745	-	2,424,271
Occupancy and related	1,223,352	14,384	-	1,237,736
Other operating expenses	1,361,734	93,107	-	1,454,841
Total non-interest expenses	<u>5,008,612</u>	<u>108,236</u>	<u>-</u>	<u>5,116,848</u>
Income/(loss) before participation in losses of unconsolidated subsidiary and regulatory charges	2,292,791	(16,484)	-	2,276,307
Participation in losses of unconsolidated subsidiary	(16,484)	-	16,484	-
TCCUSF premium assessment	(418,886)	-	-	(418,886)
Net income/(loss)	<u>\$ 1,857,421</u>	<u>(16,484)</u>	<u>16,484</u>	<u>1,857,421</u>

* BCA consolidated with its subsidiary, BAIA.

See independent auditors' report and accompanying notes to financial statements.

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