

**SunCorp Corporate Credit Union
and Subsidiaries
Audit of the Consolidated
Financial Statements
For the Years Ended
December 31, 2007 and 2006**

McGladrey & Pullen

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Supervisory Committee
SunCorp Corporate Credit Union and Subsidiaries
Westminster, Colorado

We have audited the accompanying consolidated statements of financial condition of SunCorp Corporate Credit Union (a Colorado state chartered credit union) and Subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, members' equity and comprehensive income, 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 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 SunCorp Corporate Credit Union and Subsidiaries as of December 31, 2007 and 2006 and the consolidated 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.

McGladrey & Pullen, LLP

Minneapolis, Minnesota

April 11, 2008

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SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2007 AND 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 21,289,784	\$ 53,958,560
Uncollected cash items	120,735,527	150,541,706
Interest bearing deposits in financial institutions (Note 2)	2,052,570,660	2,156,017,297
Investment securities (Note 3)		
Available-for-sale	604,162,660	548,737,431
Investment in credit union service organization (Note 1)	2,017,355	2,670,409
Loans to members (Note 4)	97,636,287	108,939,680
Accrued interest and fee income receivable	20,537,347	24,388,450
Intangible assets, net (Note 1)	6,052,243	6,643,692
Office properties and equipment, net (Note 5)	979,615	1,404,559
National Credit Union Share Insurance Fund Deposit	385,932	369,602
Other assets	5,588,355	16,786,790
	<u>5,588,355</u>	<u>16,786,790</u>
Total assets	<u>\$ 2,931,955,765</u>	<u>\$ 3,070,458,176</u>
 LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' accounts (Note 6)		
Shares and certificates	\$ 2,463,852,222	\$ 2,363,878,614
Membership capital shares	80,245,124	75,811,752
Paid-in capital shares	32,672,221	32,672,221
Total members' accounts	<u>2,576,769,567</u>	<u>2,472,362,587</u>
Borrowings and other liabilities		
Borrowed funds (Note 7)	\$ 169,504,312	\$ 364,358,740
Uncollected deposits due to member accounts	120,716,271	150,528,842
Accrued interest and dividends payable	16,731,757	15,388,738
Accrued expenses and other liabilities	5,109,027	9,316,563
Total borrowings and other liabilities	<u>312,061,367</u>	<u>539,592,883</u>
Total liabilities	<u>2,888,830,934</u>	<u>3,011,955,470</u>
Commitments and contingent liabilities (Note 8)		
Members' Equity		
Statutory reserve (Note 10)	20,167,463	20,167,463
Undivided earnings (Note 10)	43,104,713	39,622,230
Accumulated other comprehensive loss	(20,147,345)	(1,286,987)
Total members' equity	<u>43,124,831</u>	<u>58,502,706</u>
Total liabilities and members' equity	<u>\$ 2,931,955,765</u>	<u>\$ 3,070,458,176</u>

The accompanying notes are an integral part of these statements.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
INTEREST AND DIVIDEND INCOME		
Interest on investments	\$ 143,250,528	\$ 107,093,703
Interest on loans	5,965,613	7,564,737
Interest income	<u>149,216,141</u>	<u>114,658,440</u>
INTEREST AND DIVIDEND EXPENSE		
Dividends on members' accounts	121,994,701	91,789,921
Borrowed funds	16,685,795	14,856,934
Interest and dividend expense	<u>138,680,496</u>	<u>106,646,855</u>
Net interest and dividend income	<u>10,535,645</u>	<u>8,011,585</u>
NON-INTEREST INCOME		
Fees and other income	9,752,800	10,183,468
Loss on sale of investments	(172,860)	(897,330)
Gain on sale of assets	12,000	244,959
Non-interest income	<u>9,591,940</u>	<u>9,531,097</u>
Income before general and administrative expenses	<u>20,127,585</u>	<u>17,542,682</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	7,719,522	6,554,551
Office operations	1,883,746	2,303,253
Education and promotion	812,757	776,320
Occupancy	931,154	1,010,711
Data processing	2,561,107	2,920,674
Office property and equipment maintenance	961,411	896,168
Outside services	970,789	942,779
Intangible asset amortization	591,449	613,083
Association fees	148,872	156,011
Operating fees	57,298	52,180
Miscellaneous expense	6,997	4,849
Total general and administrative expenses	<u>16,645,102</u>	<u>16,230,579</u>
NET INCOME	<u>\$ 3,482,483</u>	<u>\$ 1,312,103</u>

The accompanying notes are an integral part of these statements.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Comprehensive Income	Statutory Reserve	Undivided Earnings	Total	Accumulated Other Comprehensive Loss
Balance, December 31, 2005		\$ 20,167,463	\$ 38,310,127	\$ 58,477,590	\$ (3,857,893)
Net income	\$ 1,312,103		1,312,103	1,312,103	
Unrealized gains on available-for-sale securities	4,336,571				4,336,571
Reclassification adjustment for realized losses on investments previously included in comprehensive income	(1,765,665)				(1,765,665)
Comprehensive income (loss)	<u>\$ 3,883,009</u>				
Balance, December 31, 2006		20,167,463	39,622,230	59,789,693	(1,286,987)
Net income	\$ 3,482,483		3,482,483	3,482,483	
Unrealized losses on available-for-sale securities	(18,787,712)				(18,787,712)
Reclassification adjustment for realized losses on investments previously included in comprehensive income	(72,646)				(72,646)
Comprehensive income (loss)	<u>\$ (15,377,875)</u>				
Balance, December 31, 2007		<u>\$ 20,167,463</u>	<u>\$ 43,104,713</u>	<u>\$ 63,272,176</u>	<u>\$ (20,147,345)</u>

The accompanying notes are an integral part of these statements.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,482,483	\$ 1,312,103
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,415,357	1,596,337
Net gain on sale of fixed assets	(12,000)	(244,959)
Net loss on sale of investment securities	172,860	897,330
Net amortization of premiums on investment securities	61,592	99,266
Decrease (increase) in accrued interest and fee income receivable	3,851,103	(16,030,774)
Decrease (increase) in other assets and National Credit Union Share Insurance Fund deposit	12,594,159	(9,497,524)
(Decrease) increase in accrued expenses and other liabilities	(4,207,536)	3,061,723
Increase in accrued interest and dividends payable	1,343,019	9,279,845
Net cash provided by (used in) operating activities	<u>18,701,039</u>	<u>(9,526,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in interest bearing deposits and investments	84,586,279	(525,354,006)
Purchases of available-for-sale investments	(337,183,914)	(411,716,055)
Proceeds from maturities of available-for-sale investments	118,997,689	294,022,608
Proceeds from sales of available-for-sale investments	162,526,543	85,087,001
Decrease in federal funds sold	-	343,046
Net decrease in loans to members	10,544,393	40,114,896
Proceeds from sale of fixed assets	12,000	247,773
Purchases of property and equipment	(398,964)	(441,849)
Net cash provided by (used in) investing activities	<u>39,084,026</u>	<u>(517,696,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in deposits in collection	(29,812,571)	13,409,846
Net (decrease) increase in borrowed funds	(194,854,429)	163,624,074
Net increase in members' accounts	104,406,980	385,888,705
Net cash (used in) provided by financing activities	<u>(120,260,020)</u>	<u>562,922,625</u>
(Decrease) increase in cash and cash equivalents and uncollected cash items	(62,474,955)	35,699,385
Cash and cash equivalents and uncollected cash items at beginning of year	204,500,266	168,800,881
Cash and cash equivalents and uncollected cash items at end of year	<u>\$ 142,025,311</u>	<u>\$ 204,500,266</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Dividends paid on deposits and interest on borrowed funds	<u>\$ 138,680,496</u>	<u>\$ 106,646,855</u>

**SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

SunCorp Corporate Credit Union (SunCorp) is a Colorado state chartered corporate credit union, organized to provide liquidity, financial, payment and other correspondent services, under a national field of membership, to its members who are primarily Colorado, Utah, Wyoming, Nebraska and Idaho credit unions. The corporate credit union provides these services at two locations in Westminster, Colorado, and Salt Lake City, Utah. SunCorp operates in an environment that is regulated by the State of Colorado's Division of Financial Services (CDFS) and the National Credit Union Administration (NCUA).

Subsidiaries: The accompanying financial statements include the accounts of the credit union's subsidiaries: Primary Financial Company, LLC (PF), Centennial Lending, LLC (CL), and Members Trust Company (MTC).

PF was organized by corporate credit unions to sell non-corporate certificates of deposit to credit union members through the corporate credit union network. The credit union purchased eight membership units for \$400,000 on January 10, 2003. The carrying amount of this investment as of December 31, 2007 and 2006 was \$455,351 and \$465,309, respectively. SunCorp started using the equity method in 2006 to account for this subsidiary.

CL was organized in 2000 to provide mortgage lending services to various credit unions. SunCorp owns 850 Class A shares, which represents 20.5165% of CL's ownership equity and 25 Class B shares which represents 0.6034% of CL's ownership equity. Accordingly, SunCorp utilizes the equity method to account for the subsidiary activity. The carrying amount of this investment as of December 31, 2007 is \$1,562,004.

Members Trust Company (MTC) was organized in 2001 to educate and inform credit union members about trusts and its benefits. MTC provides trust services to natural person members with net worth from \$150,000 to \$1,000,000 and above. Members Trust was sold in January 2007 and SunCorp's preferred stock was converted to a promissory note. After an initial payment of \$151,800, the balance outstanding is \$759,000 as of December 31, 2007.

Basis of financial statement presentation and accounting estimates:

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and revenues and expenses for the period. Actual results could differ from those estimates.

Cash, cash equivalents, and cash flows:

For purposes of reporting the consolidated statement of cash flows, cash and cash equivalents include cash on hand, non-interest-bearing deposits due from correspondent institutions and uncollected cash items. Cash flows from loans, U.S. Central share and certificate accounts, members' accounts and borrowed funds are reported net.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Uncollected cash items and uncollected deposits due to member accounts:

Uncollected cash items represent deposits made by SunCorp's members that have not cleared the Credit Union's various financial institutions. Such amounts generally become available for investment or withdrawal by members within one to three business days. Uncollected deposits due to member accounts represents related amounts due SunCorp's members when funds become available. These amounts are not interest bearing.

Available-for-sale securities:

Securities classified as available-for-sale are those debt securities that SunCorp intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of SunCorp's assets and liabilities, liquidity needs, change in credit profile and other similar factors. Securities classified as available for sale are carried at fair value. Unrealized gains or losses are reported as a separate component of other comprehensive income. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings.

Purchased premiums and discounts are recognized in interest income using the interest method over the terms of the securities. When declines in the fair value of individual available-for-sale securities below their cost, management reviews the security to determine if an other than temporary impairment exists. Management considers many factors in this review, including (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 issue for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Interest bearing deposits in financial institutions are classified separately and are stated at cost.

Loans to members:

Loans to members are stated at the unpaid principal amount. At December 31, 2007 and 2006, no allowance for loan losses was deemed necessary. Management's periodic evaluation of the adequacy of or need for an allowance is based on SunCorp's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay and current economic conditions. In addition, member credit union assets generally collateralize all loans.

Intangible assets:

Assets and liabilities of businesses acquired in transactions accounted for as purchases are recorded at their estimated fair value at the acquisition date. Acquired intangible assets arising from contractual or other legal rights, and those that are separable from the acquired entity are recorded at their estimated fair value, and are amortized using the sum-of-the-digits method over the shorter of the contractual or estimated life of the assets. As of January 2006, the estimated useful life was decreased based on a study performed by an independent third party. As such, the useful life was decreased from 40 to 24 years.

**SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Property and Equipment:

Leasehold improvements and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

NCUSIF deposits and premiums:

SunCorp is federally insured by the National Credit Union Share Insurance Fund (NCUSIF). National Credit Union Administration (NCUA) regulations require the maintenance of a deposit by each insured credit union in an amount equal to 1 percent of its insured shares. SunCorp's NCUSIF deposit aggregated \$385,932 and \$369,602 at December 31, 2007 and 2006, respectively. The deposit would be refunded to SunCorp if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. SunCorp is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured accounts, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the 2007 and 2006 insurance premiums.

Members' accounts:

Members' accounts have been classified as liabilities. Members' accounts are subordinated to all other liabilities of SunCorp upon liquidation. Interest on members' accounts is based on available earnings at the end of an interest period and is not guaranteed by SunCorp. Interest rates on members' accounts and certificates are set by management and approved by the Board of Directors, based on an evaluation of current and future market conditions.

Member capital shares (MCS) have a three-year maturity, once notice has been given by a member credit union. Paid-in capital (PIC) is a form of membership capital subject to the following terms. SunCorp's paid in capital has a scheduled maturity of 20 years, is callable by SunCorp, and is not subject to share insurance coverage by the NCUSIF. Dividends on paid in capital are noncumulative and are paid quarterly. Rates are declared quarterly by the board of directors based upon market conditions with the objective that rates are higher than member accounts.

Capital requirements:

SunCorp is subject to various regulatory capital requirements administered by the NCUA and the Colorado State Banking Department. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by the NCUA that, if undertaken, could have a direct material effect on SunCorp and the financial statements. As of December 31, 2007, SunCorp meets all capital adequacy requirements to which it is subject.

Income taxes:

SunCorp is exempt, by statute, from federal and state income taxes. However, SunCorp is subject to unrelated business income tax as further discussed in Note 8. The credit union's subsidiaries are organized as multiple member limited liability companies and, therefore are also exempt, by statute, from federal and state income taxes and their earnings and losses are incurred by the members.

**SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the statements of financial condition.

Reclassifications:

Selected 2006 amounts have been reclassified to conform to the 2007 presentation. These reclassifications had no effect on net income or members' equity.

NOTE 2. INTEREST BEARING DEPOSITS IN FINANCIAL INSTITUTIONS

	Years Ended December 31	
	2007	2006
U.S. Central Daily and overnight share accounts	\$ 729,226,162	\$ 576,779,706
U.S. Central Term certificates	551,444,500	1,138,587,702
U.S. Central Structured certificates	279,290,346	362,601,418
U.S. Central Membership capital shares (MCS)	100,743,920	62,418,471
U.S. Central Member paid-in capital (PIC)	15,400,000	15,400,000
Certificates of deposit and shares in other credit unions	376,465,732	230,000
Total interest-bearing deposits	\$ 2,052,570,660	\$ 2,156,017,297

Contractual maturities of U.S. Central share and certificate accounts are between zero and six years. All other interest bearing deposits have maturities between zero and five years .

Subscriptions to PIC were voluntary and were funded by a conversion on a dollar-for-dollar basis for SunCorp's existing MCS with U.S. Central. PIC has no maturity and can only be called by U.S. Central. MCS are subordinate to other members' shares, certificates and liabilities and can only be withdrawn after giving U.S. Central three years written notice.

Certificates are generally non-negotiable and non-transferable, and would incur a market-based adjustment for withdrawal prior to maturity.

NOTE 3. INVESTMENT SECURITIES

December 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Asset-backed securities	\$ 257,321,042	\$ 306,414	\$ (16,235,256)	\$ 241,392,200
Collateralized mortgage obligations	346,970,467	1,061,465	(4,762,872)	343,269,060
Corporate note	20,018,496	-	(517,096)	19,501,400
Total available-for-sale	\$ 624,310,005	\$ 1,367,879	\$ (21,515,224)	\$ 604,162,660

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Asset-backed securities	\$ 158,887,555	\$ 300,357	\$ (200,205)	\$ 158,987,707
Collateralized mortgage obligations	391,136,864	875,153	(2,262,293)	389,749,724
Total available-for-sale	<u>\$ 550,024,419</u>	<u>\$ 1,175,510</u>	<u>\$ (2,462,498)</u>	<u>\$ 548,737,431</u>

Gross realized gains and losses on investments available for sale were \$370,658 and \$543,518 for the year ended December 31, 2007; and \$266,465 and \$1,163,795 for the year ended December 31, 2006.

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2007 and 2006 are as follows:

December 31, 2007	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
		Available-for-sale		
Asset-backed securities	\$ 207,417,155	\$ (11,813,473)	\$ (4,421,783)	\$ (16,235,256)
Collateralized mortgage obligations	233,301,298	(3,307,241)	(1,455,631)	(4,762,872)
Corporate note	19,501,400	(517,096)	-	(517,096)
Total available-for-sale	<u>\$ 460,219,853</u>	<u>\$ (15,637,810)</u>	<u>\$ (5,877,414)</u>	<u>\$ (21,515,224)</u>

December 31, 2006	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
		Available-for-sale		
Asset-backed securities	\$ 95,281,214	\$ (151,692)	\$ (48,513)	\$ (200,205)
Collateralized mortgage obligations	255,107,778	(529,109)	(1,733,184)	(2,262,293)
Total available-for-sale	<u>\$ 350,388,992</u>	<u>\$ (680,801)</u>	<u>\$ (1,781,697)</u>	<u>\$ (2,462,498)</u>

At December 31, 2007, the investment portfolio included 56 securities, 44 of which have current unrealized losses which have existed for longer than one year. At December 31, 2006, the investment portfolio included 55 securities, 38 of which have current unrealized losses which have existed for longer than one year. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, the Credit Union has the intent and ability to hold these investment securities for a period of time sufficient to allow for an anticipated recovery.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment securities by maturity as of December 31, 2007 are summarized as follows:

	Available-for-sale	
	Amortized Cost	Fair Value
Less than 1 year maturity	\$ 206,030	\$ 206,716
1 – 5 years maturity	36,158,825	35,693,659
Over 5 years maturity	240,974,683	224,993,225
Collateralized mortgage obligations	346,970,467	343,269,060
 Total investment securities	 <u>\$ 624,310,005</u>	 <u>\$ 604,162,660</u>

Expected maturities of collateralized mortgage obligations may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

NOTE 4. LOANS TO MEMBERS

Loans to members consist of the following:

	December 31	
	2007	2006
Settlement	\$ 70,456,925	\$ 6,586,267
Fixed-rate term	15,425,000	35,316,895
Open end variable	6,804,362	5,359,577
Certificate secured	4,950,000	8,600,000
Security liquidity	-	3,076,942
Floating rate	-	50,000,000
 Total loans to members	 <u>\$ 97,636,287</u>	 <u>\$ 108,939,680</u>

With the exception of fixed rate term loans, all loans made by SunCorp are at variable short-term market interest rates and all outstanding advances and accrued interest are due on demand.

NOTE 5. OFFICE PROPERTIES AND EQUIPMENT

	December 31	
	2007	2006
Furniture, fixtures and equipment	\$ 8,095,497	\$ 7,711,479
Leasehold improvements	370,720	364,841
Automobiles	104,779	119,747
	8,570,996	8,196,067
Accumulated depreciation and amortization	<u>(7,591,381)</u>	<u>(6,791,508)</u>
 Net office properties and equipment	 <u>\$ 979,615</u>	 <u>\$ 1,404,559</u>

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2007, SunCorp was obligated under a noncancelable-operating lease for office space. SunCorp leases its Westminster and Salt Lake City office space under operating leases which expire in 2013 and 2008, respectively.

Minimum lease payments with initial or remaining terms of one year or more at December 31, 2007 are approximately as follows:

<u>Years Ending December 31</u>	
2008	\$ 790,732
2009	612,582
2010	616,918
2011	664,612
2012	668,948
Subsequent years (Through January 2013)	<u>55,746</u>
Total lease commitments	<u>\$ 3,409,538</u>

Rent expense for the year ended December 31, 2007 under operating leases totaled approximately \$748,669.

NOTE 6. MEMBERS' ACCOUNTS

Members' accounts are summarized as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Money market shares	\$ 818,707,764	\$ 859,721,738
Certificates	1,541,419,717	1,342,577,636
Cash management shares	101,924,241	159,685,540
Membership shares	80,245,124	75,811,752
Investment shares	1,800,500	1,893,700
Paid-in capital accounts	<u>32,672,221</u>	<u>32,672,221</u>
Total member accounts	<u>\$ 2,576,769,567</u>	<u>\$ 2,472,362,587</u>

Shares by maturity are summarized as follows as of December 31, 2007:

Overnight deposits	\$ 920,647,416
0 – 1 year maturity	1,185,677,928
1 – 2 years maturity	220,510,155
2 – 3 years maturity	155,238,764
3 – 4 years maturity	62,023,083
4 – 5 years maturity	-
Over 5 years maturity	<u>32,672,221</u>
Total members' accounts	<u>\$ 2,576,769,567</u>

**SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Paid-in capital accounts have a stated maturity of 20 years and may be called by SunCorp. Paid-in capital accounts were issued in years 2000, 2002, and 2003. Paid-in capital accounts bear interest at 4.25% as of December 31, 2007.

The aggregate amount of members' accounts with balances in excess of \$100,000 as of December 31, 2007 and 2006 is approximately \$2,425,927,424 and \$2,437,050,220, respectively.

NOTE 7. BORROWED FUNDS

SunCorp's commercial paper has received the highest rating of A-1+ by Standard and Poor's and P-1 by Moody's Investors Service. Outstanding commercial paper is uncollateralized, bears interest at current market rates and matures in varying amounts, with maturities not exceeding 270 days from date of issuance. SunCorp had been authorized by its board of directors and its rating agencies to issue up to \$150,000,000 of commercial paper as of December 31, 2007 and 2006. By statute, the claims of creditors, including commercial paper note holders, are senior to those of uninsured member deposits. Commercial paper outstanding at December 31, 2007 and 2006 totaled \$0 and \$149,358,740, respectively, with a weighted average yield of 5.27% in 2007. SunCorp has a commercial paper dealer agreement, which contains certain covenants and disclosure requirements. At December 31, 2007 and 2006, SunCorp is in compliance with all such requirements.

To maintain the commercial paper program, SunCorp is committed to paying certain annual rating agency and advisory fees. For the years ended December 31, 2007 and 2006, \$300,215 and \$282,621, respectively, of expenses were incurred to maintain the commercial paper program and are included in general and administrative expenses in the accompanying consolidated statements of income.

In 2002, SunCorp began participating in the Department of Treasury Investment Program (TIP). The TIP is used to temporarily invest excess operating funds in open-end notes of financial institutions designated as Investor Depositories. The TIP payable is callable by the Federal Reserve Bank and accrues interest at the Fed Funds rate less 0.25% (3.96% and 4.99% at December 31, 2007 and 2006). As of December 31, 2007 and 2006, SunCorp had pledged asset-backed securities with a carrying amount of \$10,435,541 and \$11,971,728, respectively.

SunCorp also has available an advised line of credit and demand loan with U.S. Central secured by certain assets of SunCorp. Each line of credit advance is subject to approval by the lender. The terms of the agreement provide for aggregate borrowings up to \$500,000,000 with interest payable at a rate determined by the lender. U.S. Central is under no obligation to make advances under the advised line of credit and either party may cancel the agreement at any time. The balance outstanding under this agreement at December 31, 2007 and 2006 was \$169,504,312 and \$215,000,000, respectively. These borrowings have rates ranging from 5.46% to 5.83% and maturity dates ranging from .67 to 3.5 years as of December 31, 2007.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The Credit Union is a state-Chartered credit union described in Internal Revenue Code ("IRC") section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purposes. However, IRC Section 511 imposes a tax on the unrelated business income (as defined in Section 512) derived by state-chartered credit unions. The specific application of section 512 to the various activities conducted by state-chartered credit unions has been at issue for many years. During 2007, the Internal Revenue Service ("IRS") issued a series of Technical Advice Memoranda ("TAM") to a number of state-chartered credit unions located throughout the country. In these TAMs the IRS ruled certain products and services to be subject to taxation as unrelated business income. In light of the TAMs, the Credit Union has assessed its

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activities and any potential federal or state income tax liability. In the opinion of management, any liability arising from federal or state taxation of activities deemed to be unrelated to its exempt purposes is not expected to have a material effect on the Credit Union's financial position or results of operation.

NOTE 9. OFF-BALANCE SHEET ACTIVITIES

Financial instruments with off-balance-sheet risk:

SunCorp 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 primarily include advised lines of credit to member credit unions. As of December 31, 2007, SunCorp did not have any outstanding committed lines of credit to its member credit unions.

SunCorp's exposure to credit loss in the event of nonperformance by the party to which the line of credit has been extended is represented by the contractual amount of those lines. SunCorp uses the same credit policies in making commitments as it does for on-balance-sheet instruments such as loans to members.

Lines of credit extended by SunCorp generally have no fixed expiration date and are cancelable at any time at the option of SunCorp. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. SunCorp evaluates each member credit union's creditworthiness on a case-by-case basis. The amount of collateral deemed necessary by SunCorp upon extension of credit is based on management's credit evaluation of the member credit union. Collateral held varies but generally includes member shares on deposit with SunCorp. Lines of credit totaling \$2,047,745,305 and \$2,044,940,305 to member credit unions were authorized at December 31, 2007 and 2006, respectively, of which \$1,950,109,017 and \$1,936,000,625 were available for use.

As of December 31, 2007 and 2006, SunCorp has outstanding irrevocable stand-by letters of credit for the purposes of guaranteeing obligations of certain members in the maximum amount of \$708,809 and \$329,746, respectively. These letters of credit expire on various dates through 2008 and are guaranteed by all of the committed members' assets. No amounts had been drawn upon under these letters of credit as of December 31, 2007 and 2006.

NOTE 10. RESERVES AND UNDIVIDED EARNINGS

Reserves are established at the discretion of the Board of Directors to protect the interest of its members and meet regulatory requirements. The Board of Directors authorizes the transfer from undivided earnings to the reserve.

NCUA Regulation 704 is the regulation governing corporate credit unions. The regulation, among other provisions, defines classifications of required capital and includes a minimum net economic value ratio. The regulation requires a capital ratio of 4% and a reserve and undivided earnings (RUDE) ratio of 2%.

As of December 31, 2007 and 2006, SunCorp computed its capital ratio to be 5.95% and 6.62%, its net economic value ratio to be 5.04% and 5.40%, its RUDE ratio to be 2.15% and 2.36%, and its CORE ratio to be 3.26% and 3.65%, respectively. SunCorp is in compliance with all minimum requirements provided in the regulation.

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NOTE 11. CONCENTRATIONS OF CREDIT RISK

Participation in the credit union is limited to those credit unions that qualify under its state charter. All SunCorp's members are affiliated with the credit union industry and the majority of the member credit unions are located in the states of Colorado, Utah, Wyoming, Nebraska and Idaho.

NOTE 12. RELATED PARTY TRANSACTIONS

SunCorp serves as a central credit union for its members and substantially all transactions (except certain banking transactions and the purchase and sale of securities through outside brokers) are with other credit unions and related organizations, many of which are affiliated through common membership. Transactions with such affiliated organizations include the borrowing and lending of money and sale of securities under agreements to repurchase.

Each of the directors of SunCorp is affiliated with credit unions that, in the ordinary course of business, may engage in financial transactions with SunCorp. All such credit union transactions have been made on the same terms, including interest rates, as those prevailing at the time for comparable transactions with unrelated parties.

NOTE 13. EMPLOYEE BENEFITS

Substantially all employees are eligible to participate in a defined contribution 401(k) program. All full-time employees are eligible to receive a matching contribution from SunCorp equal up to six percent of their annual contribution after at least one full year of continuous service. Under the plan, participants may make contributions up to 50 percent of the participant's gross earnings. Contributions to the plan by SunCorp totaled \$204,894 and \$189,675 during 2007 and 2006, respectively.

SunCorp has several deferred compensation plans for eligible employees. These plans have been developed to attract and retain key employees. During 2007 and 2006, SunCorp has recorded expense of \$750,142 and \$185,262, respectively, related to the plans, which has been included as a component of salary and benefits expense in the accompanying consolidated statement of income. Under the plans, SunCorp agrees to pay out various amounts at given dates to the covered employees over time if they remain in continuous employment through those dates. At December 31, 2007 and 2006, the balance of accrued compensation related to the plans was \$1,017,067 and \$782,803, respectively, which has been included as a component of the other liabilities on the accompanying consolidated statements of financial condition.

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Credit Union's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in any immediate settlement of the instrument. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Credit Union.

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Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value.

U.S. Central Credit Union share and certificate amounts

The carrying amount of daily shares and short-term certificates (three months or less) approximates fair value as the balances are due on demand or reprice frequently based on current market rates. For fixed-term certificates with maturities beyond three months, fair value is estimated by discounting the future cash flows under rates currently available for similar share certificates.

Available-for-Sale Investments

Fair values for investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans to members

The fair value of loans to members are estimated using discounted cash flow analyses of homogenous groupings of loans, with discount rates equal to the interest rates currently being offered for loans with similar terms to members of similar credit quality.

Accrued Interest

Accrued interest receivable represents interest on loans and investments. The carrying amount of accrued interest receivable approximates fair value.

Members' accounts

The fair value of accounts maturing within the next three months or that reset to market rates at least quarterly are estimated to approximate the carrying value of such accounts. The fair value of fixed-maturity certificates is estimated based on the present value of the future cash flows discounted at interest rates currently offered for certificates of similar maturities.

For certificates that do not have fixed terms, the fair values are estimated based on the fair value of related matched assets. Those values are adjusted for the present value of the estimated earnings to be retained by SunCorp over the weighted average life of the related certificates.

Borrowed Funds

The fair values of the Credit Union's borrowed funds are estimated using discounted cash flow analyses based on the Credit Union's incremental borrowing rates for similar types of borrowing arrangements.

Off-Balance-Sheet Financial Instruments

The fair values for the credit union's off-balance sheet commitments are estimated based on fees charged to others to enter into similar agreements taking into account the remaining terms of the agreements and credit standing of the members. The estimated fair value of these commitments is not significant.

SUNCORP CORPORATE CREDIT UNION AND SUBSIDIARIES
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The estimated fair values of the credit union's financial instruments are summarized as follows:

	December 31			
	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	\$ 21,289,784	\$ 21,290,000	\$ 53,958,560	\$ 53,959,000
Interest bearing deposits in financial institutions	2,052,570,660	2,058,674,000	2,156,017,297	2,153,588,000
Investment securities available-for-sale	604,162,660	604,163,000	548,737,431	548,737,000
Loans to members	97,636,287	97,769,000	108,939,680	108,758,000
Accrued interest and fee income receivable	20,537,347	20,537,000	24,388,450	24,388,000
Liabilities:				
Members' accounts	\$ 2,576,769,567	\$ 2,583,088,000	\$ 2,472,362,587	\$ 2,468,756,000
Borrowed funds	169,504,312	169,504,000	364,358,740	364,359,000
Accrued interest and dividends payable	16,731,757	16,732,000	15,388,738	15,389,000