

The Credit Union continued to grow in 2003, through a year that saw some historically low interest rates in conjunction with a slow economic recovery. Through this period, the Credit Union continued to grow and strive to meet the financial needs of the membership. The membership continues to use the many services provided by the Credit Union to enhance their financial well-being.

The assets at year's end were \$111,626,023, with net loans to members of \$66,862,396. The loan portfolio showed a change of less than 1% from the prior year. However, the makeup of the portfolio showed significant changes. During 2003, the Credit Union saw its loan holdings in the fixed-rate first mortgage product decline by 27%, as many members took advantage of the historically low interest rates to refinance their loans. The Credit Union made a financial decision not to retain on its books a significant amount of fixed-rate 30-year mortgage loans as a specific strategy to control interest rate risk. As an alternative to the first mortgage product, the Credit Union took a very pro-active position in aggressively pricing a very favorable home equity loan product, which generated twice as much loan volume as that not retained in the fixed-rate first mortgage portfolio. This strategy provided the members with an excellent product and, at the same time, allowed the Credit Union to manage its interest rate risk. Loans to members represent 61% of all assets, and the Credit Union continues to maintain a well-diversified and financially sound mix of loan products. The loan portfolio breakdown is 48% in home equity loans, 23% in closed-end mortgages, 19% in secured loans such as new and used autos and 10% in signature products. Approximately 90% of the loan portfolio is in secured loans. Also, over \$33.4 million in new money loan advances were processed in 2003.

Member deposits that are not immediately used to fund loan demand are placed in the investment portfolio, which has grown to \$26 million in 2003. The invested funds represent 23% of all assets.

The Credit Union provides ACH/Direct Deposit origination services for some employers served by the Credit Union. The Credit Union receives credit for the total amount of the ACH/Direct Deposit one day prior to the effective date of the payroll. This credit causes the balance sheet to show an equal amount of increase in cash equivalents and accounts payable. When the ACH/Direct Deposit is processed on the next business day, the cash equivalents and accounts payable revert back to their normal level. Due to the timing of payroll ACH/Direct Deposit, the Credit Union's financial statements show an additional \$9.0 million in cash equivalents and accounts payable on December 31, 2003. These funds were disbursed on the first business day of 2004. Excluding the timing of the ACH/Direct Deposit, the net asset growth

for the fiscal year 2003 was \$1.9 million, and is attributed primarily to the share growth. The year-end share balances totaled \$92,413,271. The mix of deposit products changed slightly, with an increase in the regular savings and a slight decrease in checking and money market balances.

The members' equity continues to remain strong, with a net capital ratio of 9.07%. The total members' equity showed an increase of \$350,651. This increase is attributed to the \$108,862 of income from operations along with a \$241,789 favorable change in market value of certain investments.

The members continue to use the many financial products and services that are designed to meet their financial needs. The use of electronic services continues to be in great demand. During 2003 the membership performed over 3.3 million electronic transactions. These transactions were performed via ATM/Debit cards, "Toni" The Touch-Tone-Teller, the free Internet home banking service, e22nd Street, and ACH/Direct Deposit. All of these electronic transactions are performed at the convenience of the member.

The Credit Union is proud of the diversified products and services that are available to the membership and the quality personal service provided. These quality services are designed to meet the primary financial needs of all members.

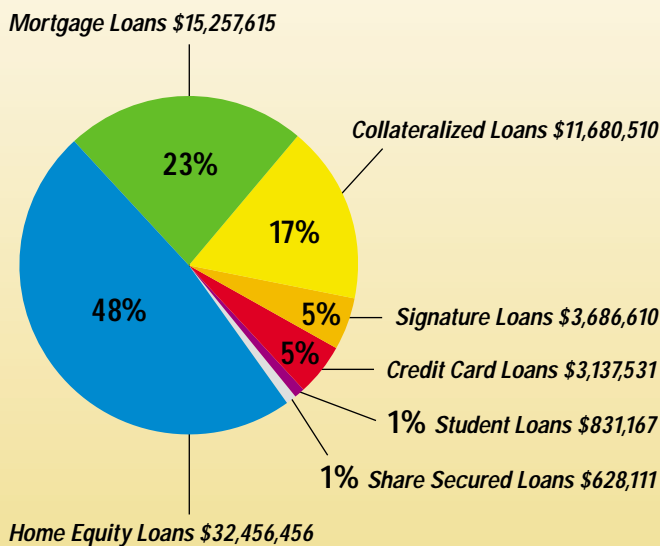
The continued support of the Credit Union membership has resulted in the success of the Credit Union. We hope that you, as one of the owners of the Credit Union, will take advantage of the many services provided for your benefit. The Credit Union continues to work for the purpose of assisting and educating its membership in establishing and maintaining their financial well-being.

Respectfully submitted,

Robert Gale, Treasurer

Jerome R. Valco, Chief Executive Officer

LOAN PORTFOLIO



DEPOSIT PORTFOLIO

