

**BALANCE SHEETS**

December 31, 2004 and 2003

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
Cash and due from financial institutions	\$ 1,242,855	\$ 1,716,666
Federal funds sold	3,660,190	11,390,748
Total cash and cash equivalents	4,903,045	13,107,414
Interest-bearing time deposits with financial institutions	8,009,405	17,143,000
Securities available for sale	9,468,187	7,322,130
Net loans	75,311,095	66,968,680
Premises and equipment, net	3,555,673	3,512,441
Corporate One and WesCorp capital participation certificates	1,134,898	1,458,622
Accrued interest receivable	314,698	336,146
Member share insurance deposit	1,016,546	998,409
Member payroll deductions receivable	58,290	75,462
Prepaid expenses and other assets	510,217	703,719
Total assets	\$ 104,282,054	\$ 111,626,023
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities		
Members' shares	\$93,743,114	\$92,413,271
Accounts payable and accrued liabilities	848,013	9,910,123
Total liabilities	94,591,127	102,323,394
Members' equity		
Appropriated statutory reserve	3,259,357	3,259,357
Retained earnings	6,491,278	6,145,980
Accumulated other comprehensive income (loss)	(59,708)	(102,708)
Total members' equity	9,690,927	9,302,629
Total liabilities and members' equity	\$ 104,282,054	\$ 111,626,023

**STATEMENTS OF INCOME**

Years ended December 31, 2004 and 2003

Interest and dividend income	2004	2003
Loans	\$ 4,081,044	\$ 4,220,278
Securities	352,831	130,166
Federal funds sold	68,304	118,666
Interest bearing time deposits and other	306,855	384,323
Total interest and dividend income	4,809,034	4,853,433
Interest and dividend expense		
Share accounts	729,560	807,302
Borrowings	23,089	236
Total interest and dividend expense	752,649	807,538
Net interest income	4,056,385	4,045,895
Provision for loan losses	327,817	275,219
Net interest income after provision for loan losses	3,728,568	3,770,676
Noninterest income		
Fees and charges	2,065,108	1,606,272
Interchange fees	262,793	269,579
Other-than-temporary loss on securities available for sale	(49,900)	-
Loss on sale of securities and other investments	(508)	-
Other	79,099	135,988
Total noninterest income	2,356,592	2,011,839
Noninterest expense		
Compensation and benefits	2,340,769	2,404,522
Office operations	1,107,680	1,058,234
Service processing charges	996,338	849,183
Depreciation and amortization	245,688	331,914
Occupancy	363,441	346,418
Member education and promotion	199,564	282,607
Professional fees	83,402	83,503
Director and dues expenses	109,320	99,469
Insurance	39,924	39,621
Other	253,736	178,182
Total noninterest expense	5,739,862	5,673,653
Net income	\$ 345,298	\$ 108,862

See accompanying notes to financial statements

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

Years ended December 31, 2004 and 2003

	Appropriated Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance, January 1, 2003	\$ 3,259,357	\$ 6,037,118	\$ (344,497)	\$ 8,951,978
Comprehensive income				
Net income	-	108,862	-	108,862
Other comprehensive income	-	-	241,789	241,789
Total comprehensive income				350,651
Balance, December 31, 2003	3,259,357	6,145,980	(102,708)	9,302,629
Comprehensive income				
Net income	-	345,298	-	345,298
Other comprehensive income	-	-	43,000	43,000
Total comprehensive income				388,298
Balance, December 31, 2004	\$ 3,259,357	\$ 6,491,278	\$ (59,708)	\$ 9,690,927

See accompanying notes to financial statements

**STATEMENTS OF CASH FLOWS**

Years ended December 31, 2004 and 2003

<b>Cash flows from operating activities</b>	<b>2004</b>	<b>2003</b>
Net income	\$ 345,298	\$ 108,862
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	245,688	331,914
Provision for loan losses	327,817	275,219
Net amortization of securities	12,610	(2,892)
Loss on sale of securities	2,681	-
Other-than-temporary loss on security	49,900	-
Mutual funds dividends	(80,432)	(62,232)
Net change in:		
Deferred loan costs	(106,414)	(13,441)
Other assets	210,672	(377,156)
Accrued interest receivable	21,448	10,691
Accounts payable and other liabilities	(9,062,110)	8,982,769
Net cash from operating activities	(8,032,842)	9,253,734
Cash flows from investing activities		
Net change in interest-bearing time deposits	9,133,595	(1,385,453)
Securities available for sale		
Purchases	(8,453,806)	(4,282,355)
Maturities, calls and principal repayments	2,868,278	-
Proceeds from sale of available-for-sale securities	3,497,714	-
Net change in loans	(8,563,818)	(658,351)
Net change in share insurance deposits	(18,137)	37,850
Net change in capital participation certificates	323,724	(464,248)
Property and equipment expenditures, net	(288,920)	(87,648)
Net cash from investing activities	(1,501,370)	(6,840,205)
Cash flows from financing activities		
Net increase in members' shares	1,329,843	1,648,833
Net cash from financing activities	1,329,843	1,648,833
Net change in cash and cash equivalents	(8,204,369)	4,062,362
Cash and cash equivalents at beginning of year	13,107,414	9,045,052
Cash and cash equivalents at end of year	\$ 4,903,045	\$ 13,107,414
Supplemental cash flow information:		
Cash paid for interest and dividends	\$ 752,649	\$ 807,538