

OUR VISION

Our Vision is to enrich the lives of members through the benefits of membership.

This Vision will be accomplished through education, quality services, and technology.

Financial strength will be maintained while providing the highest level of service to our members.



A

ANNUAL REPORT

2003



At AEA Federal Credit Union, bringing the best to you is our greatest reward.



"We Belong to You"

WEB SITE

www.aeafcu.org

EMAIL

membercare@aeafcu.org

TELEPHONE

928.783.8881

TOLL-FREE

888.783.8881

IN PARKER

928.669.9854



"We Belong to You"

Chairman and President's Report

We belong to you. As a member-owned financial cooperative, our members' best interests are at the heart of every decision and every strategic action taken at AEA Federal Credit Union. Your faith in us to care for your financial needs is a responsibility we enthusiastically embrace. We are proud to share with you the milestones reached in 2003 in our ongoing quest to bring the best to you.

For the third consecutive year, AEA Federal Credit Union earned the prestigious Best of Yuma Award. Your vote of approval energizes us to further heights. Members deserve our best and we are working hard to continue to earn your vote.

Formed in 2003, our partnership with Albertsons resulted in our first in-store branch in 2004, bringing services into a growing Yuma neighborhood. To provide financial services to surrounding, under served communities, your Board unanimously approved the purchase of AEAExpress, our new mobile branch, which will also begin service in 2004.

Numerous family-friendly financial services were announced in 2003. Four lifestyle based checking programs were introduced, each tailored to meet today's need for convenience, speed and ease. Youth programs were expanded to include a Surf'n Savers Club for our e-savvy early teenagers and free New Generation Checking was custom designed for young adults new to the world of checking.

Members who favor online convenience were treated to a new website, complete with online applications, calculators, useful forms, youth and family financial magazines, and more. AEAonline's new single sign-on feature put access to online statements and bill payment behind one, simple password. New enhancements to AEAbillpay were also introduced at no expense to members.

Overdraft Privilege, which prevents accidental overdrafts from being returned, became a source of comfort for many members this year. We appreciate that balancing errors occur and want to protect our members from undue embarrassment and expense.

Record low interest rates created a mortgage lending boom. Your Credit Union met the demand with AEA mortgage, providing 3-minute mortgage approval. Specialty mortgage programs were introduced as a result of our partnership with Fannie Mae.

Finally, to expedite service speed for members, cash dispensing and signature capture technology was installed at all branch locations. We understand your time is precious.

We thank you, our valued members, for your faith and loyalty over the past 62 years. You have made us *Yuma's Best* and we pledge to continue to seek ways to provide services of the greatest value to you. After all, we belong to you!

Pat Wicks, Chairman of the Board
Ken Bredemeyer, President/CEO



Management's Report on the Results of Operation

For the year 2003, AEA Federal Credit Union followed a strategic plan leading to excellent earnings performance and improved overall financial condition. A significant event for the year was the sale of the VISA portfolio and partnership with MBNA to offer enhanced credit card products. The sale resulted in a net gain of \$1,643,193, which the Credit Union retained as Members' Equity. The increase in equity has allowed the Credit Union to further fulfill its commitment of providing members with the very best in products, convenience, access and service.

Net Income for the period ending December 31, 2003 was \$5,010,012, which was an increase of 221% over the previous year. The Return on Assets for 2003 was 2.18% compared to 1.09% in 2002. Along with the sale of the VISA portfolio, strong loan demand, quality loan underwriting, continued focus on streamlining and expense control and favorable economic conditions all contributed to the positive results for 2003.

Total Assets at December 31, 2003 were \$229,641,266, representing growth of 10% from December 31, 2002. Total Member Loans were \$177,560,138, up 9% from the previous year. Total Members' Equity as a percent of Total Assets at December 31, 2003 was 10.5%, indicating that the Credit Union is considered "Well Capitalized" according to the Credit Union Membership Access Act.

Supervisory Committee Report

The Supervisory Committee is responsible for making sure that members' funds and interests are protected, as well as the interests of Credit Union officials.

Your Supervisory Committee is responsible for having the Credit Union's financial statements audited by a certified public accountant on an annual basis. The firm of Clifton Gunderson, LLP was selected as the independent auditor for the year 2003. Their report is available at the Yuma Central Office for review by any member.

Robert Bernhard,
Supervisory Committee Chairman

Statement of Financial Condition December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Loans to Members (net)	\$177,560,138	\$163,360,443
Cash	3,845,499	3,394,496
Investments	36,672,020	31,047,185
Accrued Interest Receivable	752,606	769,163
Property &		
Equipment (net)	7,747,163	7,425,053
NCUSIF Deposit	1,972,355	1,839,524
Other Assets	<u>1,091,485</u>	<u>907,696</u>
Total Assets	<u>\$229,641,266</u>	<u>\$208,743,560</u>

Liabilities and Members' Equity

Liabilities		
Share Accounts	\$204,118,391	\$188,159,701
Accrued Dividends	300,489	388,720
Other Liabilities	1,159,560	1,142,325
Total Liabilities	\$205,578,440	\$189,690,746
Members' Equity		
Substantially Restricted	<u>\$24,062,826</u>	<u>\$19,052,814</u>
Total Liabilities and Members' Equity	<u>\$229,641,266</u>	<u>\$208,743,560</u>

Statements of Income Period Ending December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Income		
Interest on Loans	\$13,302,300	\$13,742,122
Interest on Investments	551,943	526,034
Other Income	<u>3,506,024</u>	<u>2,865,863</u>
Total Income	<u>\$17,360,267</u>	<u>\$17,134,019</u>
Expenses		
Dividends	\$4,069,187	\$5,196,140
Other Expenses	9,924,261	9,666,064
Total Expenses	<u>\$13,993,448</u>	<u>\$14,862,204</u>

Non-Operating Income

Gain on Sale of Loan Portfolio	<u>\$1,643,193</u>	-
--------------------------------	--------------------	---

NET INCOME

	<u>\$5,010,012</u>	<u>\$2,271,815</u>
--	--------------------	--------------------