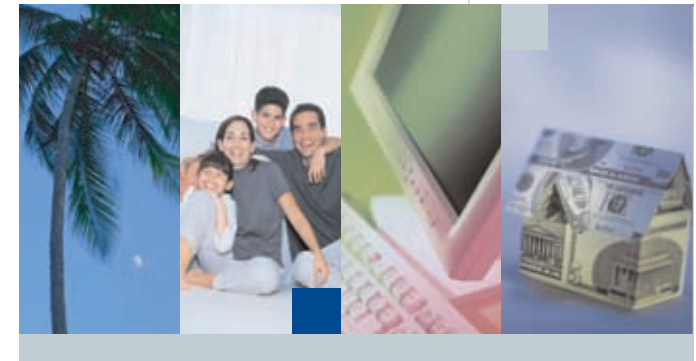


OUR VISION

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.



WEB SITE

www.aeafcu.org

TELEPHONE

928.783.8881

TOLL-FREE

888.783.8881

IN PARKER

928.669.9854

EMAIL

membercare@aeafcu.org

Yuma Central Office
1780 S. First Avenue

Albertsons Branch
2378 W. 24th Street

Foothills Branch
11252 N. Frontage Road

Somerton Branch
530 E. Main Street

Parker Branch
916 14th Street, Suite F

AEAEExpress Mobile Branch
Serving Wellton & San Luis, Arizona

As a community credit union, we are dedicated to enriching the lives of our members.
We belong to you.



Chairman and President's Report

AEA Federal Credit Union celebrated another outstanding year in 2004. We achieved a record high of \$257 million in assets, opened the new Albertsons Branch, brought financial services to rural communities with Yuma's first mobile branch, and introduced a new Business Services division. But, that's not all.

For the fourth consecutive year, AEA Federal Credit Union earned the prestigious Best of Yuma Award. This honor inspires us to raise the bar of excellence even higher. We are challenged and motivated to bring members more value, more quality services. As your community Credit Union, we accept this vote from the community with pride.

Our heart-strings remain tied to our founding sponsor, the educational community, even though membership now spans Yuma and La Paz Counties. In 2004, AEA Federal Credit Union was inducted into the Education Foundation of Yuma County's Hall of Fame as the Outstanding Organization Contributing to Yuma County.

The Credit Union's core values are reflected in its dedication to the communities it serves. Our new AEAExpress Mobile Branch represents – *Member service on the move!* AEAExpress delivers financial services to Wellton, Arizona and to the border town of San Luis.



Yuma valley residents also received a new branch in 2004. Doors opened on our Albertsons Branch on 24th Street in April, representing the Credit Union's first in-store service center. Members now enjoy the convenience of one-stop-shopping for financial services and family groceries.

True to our mission to serve the underserved, AEA Federal Credit Union established a first-ever partnership with Fannie Mae to form The Arizona Border Alliance. This initiative makes home ownership possible for many lower income and credit challenged members. A new AEA mortgage™ Community of Home Loans program was also introduced, providing a variety of new mortgage options and loan approval in as few as 3-minutes.

Saving time and money is important. To give both to members, our Board of Directors decided to offer free checking with free, time-saving e-services. Free checking is now available to members along with free AEAonline™ and free AEAbillpay™. Financial affairs can be managed from the convenience of a home computer.

We Belong to You, has been AEA Federal Credit Union's statement of commitment for many years. Now, we belong to your business, too. A new Business Services Department was established in 2004 under the experienced leadership of Bill Liddle, Business Services Manager. Bill brings international expertise in business lending and investment banking to local business owners.

Milestones for 2004 were many. Each one represents another step toward bringing you our best. Thank you for your membership and your loyal friendship. It is with pride that we say – We belong to you.

Warm regards,

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



Management's Report on the Results of Operation

We reached higher and discovered new potentials in the year 2004. Members asked, and the Credit Union delivered faster, lower priced, and more convenient services. We expanded our locations and brought new business and mortgage loan products to the community. As a result, the Credit Union grew from \$229,641,226 in assets at December 31, 2003 to \$257,559,051 at December 31, 2004, representing an increase of 12%. Over \$129 million new consumer and mortgage loans were made during the year. Total member loans at 2004 year end were \$216,887,268, up 22% from the previous year. Total deposits of \$223,903,823 grew 10% from last year.

Net income for the period ending December 31, 2004 was \$2,869,908. The return on assets for 2004 was 1.11%. In the previous year, there was an extraordinary gain from the sale of assets of \$1,643,193 that resulted in higher net income and return on assets when compared to the current year. Operating expenses were up in 2004 by 16%, primarily due to increased investments in new locations, ATMs, advanced technologies, higher staffing levels, and improved employee training. Net income from operations is retained as equity in order to allow the Credit Union to further grow and provide members with the best in products, convenience, access and service. Total members' equity as a percent of total assets at December 31, 2004 was 10.5%, indicating that the Credit Union is considered "Well-Capitalized" according to the Credit Union Membership Access Act.

Management is proud to present the financial results for 2004 and believes the well-being of our membership is the most important accomplishment.

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 2004. 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, 2004 and 2003

	2004	2003
Assets		
Loans to Members (net)	\$217,887,268	\$177,560,138
Cash	3,909,524	3,845,499
Investments	22,522,779	36,672,020
Accrued Interest Receivable	847,142	752,606
Property &		
Equipment (net)	8,741,979	7,747,163
NCUSIF Deposit	2,143,835	1,972,355
Other Assets	1,506,524	1,091,485
Total Assets	\$257,559,051	\$229,641,266

Liabilities and Members' Equity

Liabilities		
Share Accounts	\$223,903,823	\$204,118,391
Accrued Dividends	306,739	300,489
Other Liabilities	1,415,755	1,159,560
Borrowed Funds	5,000,000	—
Total Liabilities	\$230,626,317	\$205,578,440
Members' Equity		
Substantially Restricted	\$26,932,734	\$24,062,826
Total Liabilities and Members' Equity	\$257,559,051	\$229,641,266

Statements of Income Period Ending December 31, 2004 and 2003

	2004	2003
Income		
Interest on Loans	\$14,057,550	\$13,302,300
Interest on Investments	466,485	551,943
Other Income	3,401,602	3,506,024
Total Income	\$17,925,637	\$17,360,267
Expenses		
Dividends	\$3,486,845	\$4,069,187
Interest on Borrowed Funds	37,723	—
Other Expenses	11,531,161	9,924,261
Total Expenses	\$15,055,729	\$13,993,448
Non-Operating Income		
Gain on Sale of Loan Portfolio	—	\$1,643,193
NET INCOME	\$2,869,908	\$5,010,012