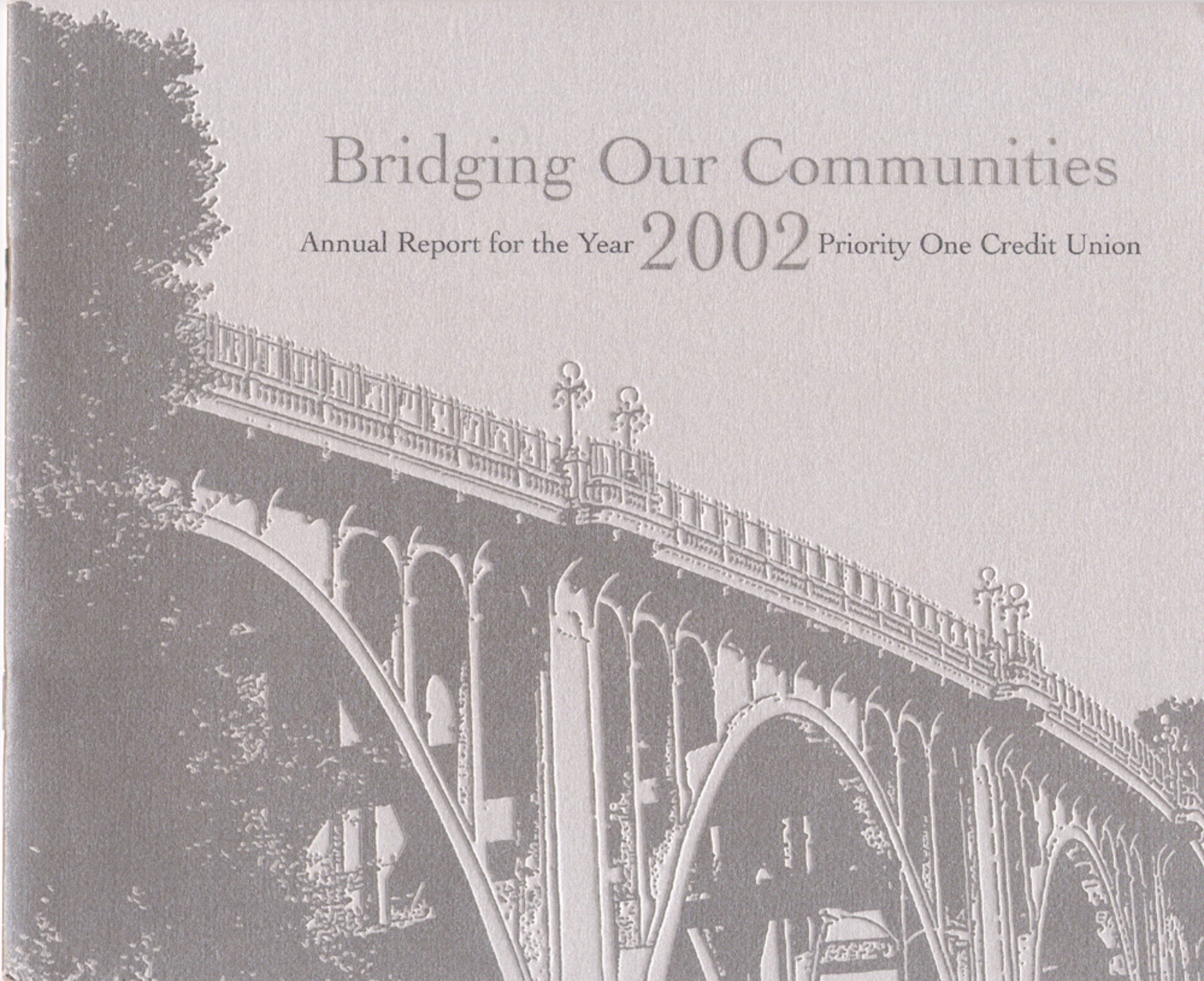


Bridging Our Communities

Annual Report for the Year **2002** Priority One Credit Union



THE ARCHITECTS OF GROWTH

Nothing in this life gets done single-handedly. Take for example our theme for this year's report: the architecturally and aesthetically stunning Colorado Street Bridge, or as some refer to it still, Pioneer's Bridge. Dedicated to all Pasadena pioneers, namely the twenty-seven who founded the city on the site of the bridge in 1874, the making of this and any landmark is history in itself.

And in many ways, so is the making of an annual report. More precisely, the making of 'what makes up' an annual report. It takes a team of craftsman of the credit union world to undertake and accomplish what we refer to so casually as 2002's achievements. In our reports you will read some impressive figures and proud observations. We didn't get there single-handedly, and we know it. Here's to the folks who put the steel and mortar together.

MESSAGE FROM THE PRESIDENT

As President/CEO of Priority One Credit Union, I take pride in the many goals and achievements we realized in 2002. Like a band of explorers surveying the lands to the east of the Arroyo more than a hundred years ago, we took up the challenge of going beyond the comfort of our own front yard to bridge new communities.

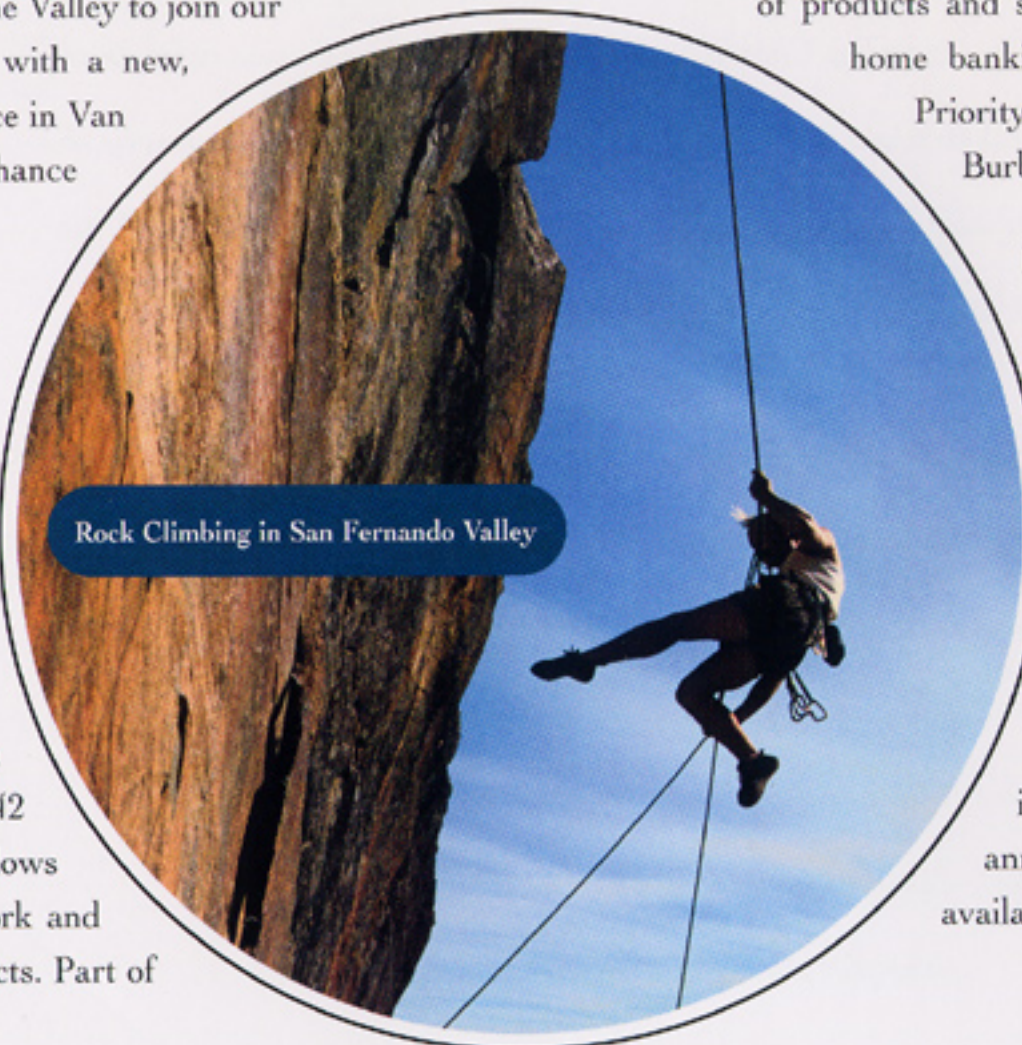
One of our greatest accomplishments came in establishing a new community charter for the San Fernando Valley, one that allows any one who works or lives in the Valley to join our credit union. We followed up with a new, ATM-equipped, full-service office in Van Nuys to increase service and enhance visibility in the community.

In mid 2003, we will complete a merger with Providence First Credit Union. Nearly 3,200 members from Providence First will become members of Priority One, raising our total membership from 23,000 to 26,000. As a result, our asset size will also increase, from \$125.7 million to over \$142 million. This added strength allows us to expand our branch network and provide new services and products. Part of

the vision of building bridges is to ensure a solid foundation, one that will endure well into the future for the next wave of travelers. By growing, we ensure our core strength and achieve another basic goal: providing members with a complete, one-stop financial institution.

This merger proves a momentous opportunity for both credit unions: Providence First members will now have a larger variety of products and services to select from—including home banking and electronic bill pay—and Priority One secures a new branch in the Burbank area for expanded service.

Part of bridging new frontiers means discovering more and better ways to get things done. And because we are always looking for new occasions to serve members, 2002 marked the beginning of our research into the provision of Small Business Loans. Many of our members have requested this type of loan in the past, and we are pleased to announce that this product will be available in the very near future.



Rock Climbing in San Fernando Valley

...continued on page 4

Colorado Street (Pioneer's) Bridge Built in 1874



MESSAGE FROM THE PRESIDENT

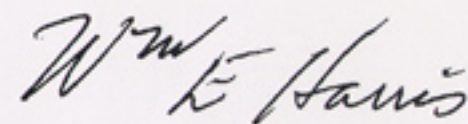
Of course, bridges cannot be built without tools and good materials. A major part of our growth in 2002 can be contributed to a new computer enhancement that enables our employees to be more efficient and effective in serving our members. We can now view your credit score and qualify you for loans almost instantaneously, so you don't have to wait for the good news. And, with identity theft on the rise, we will populate your screen file with all of your personal information to ensure that your privacy is protected at all times.

All of us at Priority One strive to serve our members in a professional manner and enable our employees to help our members have a solid financial foundation. With this in mind, I would like to make the commitment to constructing as successful a 2003 as its

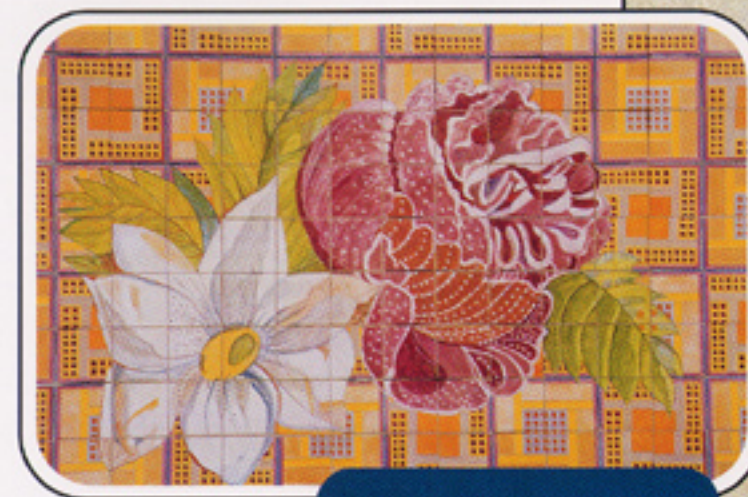
predecessor. We are off to a great start, growing each day with even more new products, services, branches, ATM locations and a great group of highly dedicated employees.

I would like to express my gratitude to all of our members, with whom I am proud to have worked for these last 34 years. Thank you for your loyalty and trust in your credit union and your credit union's leaders.

We've only just begun to bridge the future!



William E. Harris
President/CEO



Pasadena Craftsman Design



Skyline of the City of Los Angeles



Santa Clarita City Hall

CHAIRMAN'S REPORT

In all my years as a Chairman of the Priority One Credit Union Board of Directors, I don't believe there has been a more challenging and exciting year than 2002.

I think the metaphor of the Pioneer's Bridge for the 2002 annual report is perfect, because this last year we set our sights on what was ahead, or "on the other side" and we made the strides to get ourselves there. When you think about everything a bridge does, getting people where they need and want to go, eliminating detours and delays and symbolizing expansion, we have been doing some pretty significant bridge building at Priority One and the landscape tells the story.



Pasadena City Hall, an Exquisite Landmark Since 1927

With the full support of the Board of Directors, our highly motivated, pro-active management team brought in new services, opened up a new office in Van Nuys, finalized a merger with Providence First Credit Union (which will be completed by July 2003), and brought in new upgraded software for our computer system. Through all of this, they also managed the credit union efficiently and effectively, never forgetting to maintain our hallmark of great member service and our brand promise of "making members our first priority".

Yet we are not finished. There still remains much to do, more bridges to build. One of our first priorities is providing additional training for our team members. Another focus is paving the way for small business loans and other new products. We know our business representatives are out in the field every day spreading the word about the good things awaiting folks at Priority One and we want to give them plenty to brag about!

You can be certain that your credit union, with its excellent leadership and dedicated employees, plus your continued loyalty and support, will continue to grow and prosper. We're building a better bridge to your future at Priority One and I feel very proud and thankful that I have had the opportunity to be a part of it.

Norbert L. Petris

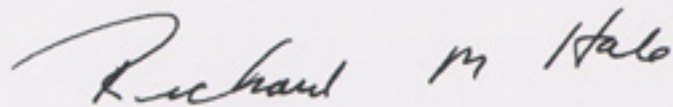
Norbert L. Petris
Board Chair

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is responsible for monitoring and evaluating credit union activity on behalf of the membership. Through a series of ongoing checks and balances, it is our duty to assure that the highest degree of integrity is maintained in operations and that the credit union is performing in accordance with policies and procedures.

One of our most important functions is to oversee the performance of an independent external audit of the credit union records and to submit a report to the Board of Directors. This audit must be conducted at least once each year to ensure the assets of the credit union, and to safeguard the best interests of our members.

This year's audit confirmed the excellent financial condition of Priority One Credit Union and underscored once again the prudent management decisions made by the Board and our President/CEO.



Richard Hale
Chair



The Vineyards of San Fernando Valley

TREASURER'S REPORT

2002 was a year I feel we can all be proud of. In an economic climate full of doubt and unhappy news, I am pleased to announce that Priority One Credit Union's financial position is gamely maintaining its foothold. In fact, we grew to over \$142 million in assets.

Some people would say that when times are tentative the best action plan for growth is to sit still and wait. That's not an option for us at Priority One, since our members rely on us to keep up with them. That's why we keep our eyes on the future, look for ways to broaden our prospects and build bridges when we see the opportunity. For example, loan rates were some of the lowest ever in 2002, and our members once again took advantage of them through our auto, home and personal loan programs. This growth illustrates once again that our members have complete trust in Priority One Credit Union, a trust that is well-placed and secure.

In summary, we are moving in the right direction, both logistically and financially. By growing our member base, we enhance our profile and gain the momentum we need to offer even better products and services. It's an exciting time for Priority One Credit Union and our vision of bridging the valley communities is taking off. With our great employees, dedicated Board Members, and a superb Senior Management Team, we have what it takes to make the vision we share today the successful reality we will enjoy tomorrow.



Joseph Marchica
Treasurer

The Unique Castle Green Built in 1898



STATEMENT OF CONDITION

For the years ending March 31, 2003 and 2002

	(Unaudited) 2003	(Audited) 2002
ASSETS		
Cash and Equivalents	\$ 4,754,813	\$ 9,645,966
Investments	51,936,518	35,761,200
Loans to Members (net of the allowance for loan losses)	79,496,116	75,170,906
Accrued Income Receivable	387,531	499,914
Property and Equipment	4,105,784	3,832,578
Federal Share Insurance Fund Deposit	1,103,314	940,445
Other Assets	569,697	1,667,194
	<u>\$ 142,353,773</u>	<u>\$ 127,518,203</u>
LIABILITIES AND EQUITY		
Liabilities		
Notes Payable	\$ 0	\$ 8,000,000
Accrued and Other Liabilities	781,963	333,429
	<u>\$ 781,963</u>	<u>\$ 8,333,429</u>
Commitments and Contingent Liabilities	0	0
Equity		
Members' Shares	127,996,266	108,624,529
Retained Earnings (substantially restricted)	13,575,544	10,560,245
Total Equity	<u>\$ 141,571,810</u>	<u>\$ 119,184,774</u>
	<u>\$ 142,353,773</u>	<u>\$ 127,518,203</u>

STATEMENT OF INCOME

For the years ending March 31, 2003 and 2002

	(Unaudited) 2003	(Audited) 2002
INTEREST INCOME		
Interest on Loans to Members	\$ 6,564,113	\$ 6,914,474
Interest on Investments and Cash Equivalents	1,468,759	1,910,284
	<u>\$ 8,032,872</u>	<u>\$ 8,824,758</u>
INTEREST EXPENSE		
Dividends on Members' Shares	2,173,358	2,954,468
Interest Expense on Borrowed Funds	348,333	730,693
NET INTEREST INCOME	5,511,181	5,139,597
PROVISION FOR LOAN LOSSES	507,495	373,362
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,003,687	4,766,235
NON-INTEREST INCOME	1,999,325	1,808,127
	<u>\$ 7,003,012</u>	<u>\$ 6,574,362</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	2,586,720	2,442,069
Operations	3,592,568	3,089,980
	<u>\$ 6,179,288</u>	<u>\$ 5,532,049</u>
NET INCOME	<u>\$ 823,724</u>	<u>\$ 1,042,313</u>

\$2,954,468 in 2002

\$2,173,358 in 2003

\$10,560,245 in 2002

\$13,575,544 in 2003

\$75,170,906 in 2002


\$79,496,116 in 2003

DIVIDENDS

RESERVES

LOANS

William S. Hart Park in San Fernando Valley



Valencia Oranges of Santa Clarita

EXECUTIVE MANAGEMENT STAFF

William E. Harris, President/CEO
Charles R. Wiggington, Vice President, Operations
Manuel C. Gatmaitan, Chief Financial Officer
Rodger D. Smock, Vice President, Human Resources

BOARD OF DIRECTORS

Norbert L. Petris, Chair
Thomas Gathers, Vice Chair
Donald Ericson, Secretary
Joseph Marchica, Treasurer
Welton L. Irving, Director
Art Now, Director
Yolanda Porter, Director
O. Glen Saffold, Director
Diedra Harris-Brooks, Director

SUPERVISORY COMMITTEE

Richard Hale, Chair
Anna Smith, Secretary
Cornelia Simmons, Member
I.D. Williams, Member



Robinson Ranch Golf Course in Santa Clarita

HEADQUARTERS EMPLOYEES

MARKETING

Maggie Rios, Director
Hector Correa, Business Development
Joe Stowell, Business Development
Elizabeth Campos, Business Development

ADMINISTRATION

Esmeralda Sandoval,
Administrative Assistant

ACCOUNTING

Vivian Echon, Manager
Jennifer Kelly
Cecibel Ponce
Ratana Boonma
Mohid Khandker

INFORMATION SERVICES

Rose Stewart, Supervisor
Alan Santos,
Computer Analyst/LAN Administrator
Ariel Macaraig
Erica Hernandez

LENDING/CARD SERVICES

Aaron Cavazos, Supervisor
Patti Loiacano, Assistant
Kimberly Burke
Georgina Dueñas
Nora Neale
Whitni Johnson
Colleen Greaves
Dorothy Urena
Angelina Montoya
Jennifer Garingan

BRANCH EMPLOYEES

SOUTH PASADENA

Bettie Helaire, Manager
Gema Pleitez, Assistant
Virginia Contreras
Nandy Romero
Wendy Duran
Karla Bonilla
Genevieve Rodriguez
Amanda Reynaga
Michael Guillen

LAPDC

Lynnette Fortson, Manager
Lucy Burnette, Assistant
Claudia Esquivel, Acting Asst.
Fae Ryan-Jennings
Virginia Medford
Denise Lambert
Patricia Pasillas-Lopez
Joanne Balbuena
Leonor Vega
Tramika Tingle
Jazzie Miller
Pakisha Carr

MARINA/WORLD WAY

Generis Kirby, Manager
Gerardo Vasquez, Assistant
Mary Bowens
Rochelle Chandler

VALENCIA/ SANTA CLARITA

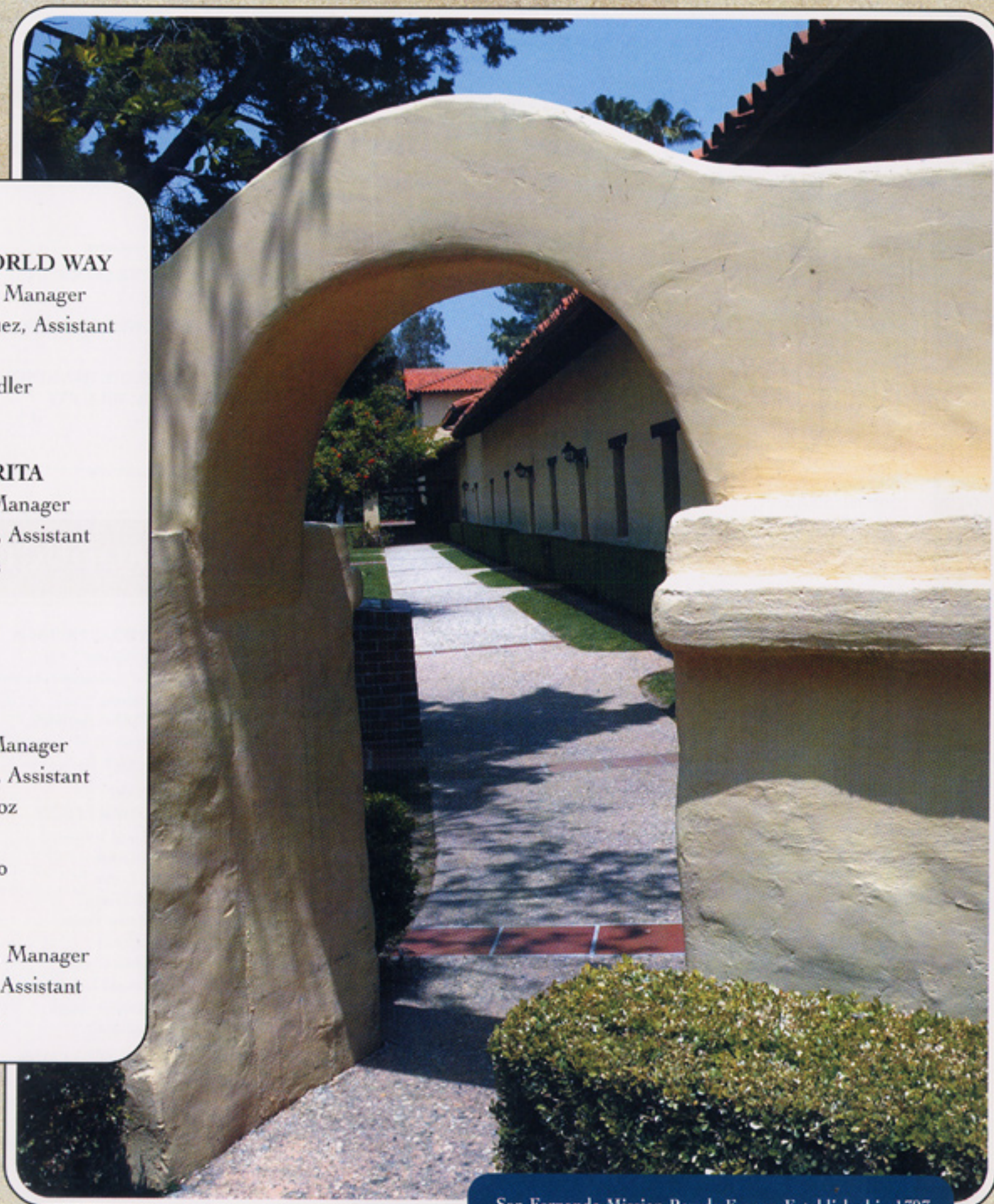
Kathy Stone, Manager
Ana Cervantes, Assistant
Henry Campos
James Perry
Leah Schilleci
Nita Rege

VAN NUYS

Sylvia Perez, Manager
Neelam Verma, Assistant
Humberto Lahoz
Mirna Ariza
Silvano Rubatto

BURBANK

Victor Gladysz, Manager
Martha Aviles, Assistant
Lillian Vasquez



San Fernando Mission Rey de Espana Established in 1797

DIRECTORY OF LOCATIONS AND SERVICE NUMBERS

BRANCH LOCATIONS

MAIN OFFICE

1631 Huntington Drive
South Pasadena, CA 91030
(626) 441-1999
(323) 682-1999

BURBANK

400 W. Magnolia Boulevard
Burbank, CA 91505
(818) 556-2650

LAPDC*

7001 South Central Avenue
Los Angeles, CA 90001
(323) 581-3012

MARINA DEL REY MPC*

13031 W. Jefferson
Boulevard, Rm. 2136
Inglewood, CA 90311
(310) 823-7279

VAN NUYS*

15701 Sherman Way
Van Nuys, CA 91406
(818) 787-9163

WORLDWAY POSTAL CENTER*

5800 W. Century Boulevard
Los Angeles, CA 90009
(310) 670-3271

VALENCIA*

24510 Town Center Drive
Valencia, CA 91355
(661) 255-6210

*ATM available at these locations

†These ATMs do not accept deposits.

MORE PRIORITY ONE ATMS

Members can use the STAR, PLUS
and CO-OP ATM networks.

LOS ANGELES BULK MAIL CENTER

5555 Bandini Boulevard
Bell, CA 90201

SANTA CLARITA PROCESSING CENTER

28201 Franklin Parkway
Santa Clarita, CA 91383

MARINA (CAFETERIA)†

13031 W. Jefferson Boulevard
Inglewood, CA 90311

LAPDC (CAFETERIA)†

7001 South Central Avenue
Los Angeles, CA 90001

SAN ANTONIO WINERY†

737 Lamar Street
Los Angeles, CA 90031

VAN NUYS POST OFFICE

15701 Sherman Way
Van Nuys, CA 91406

PROVIDENCE HOLY CROSS MEDICAL CENTER

15031 Rinaldi Street
Mission Hills, CA 91345

PROVIDENCE ST. JOSEPH'S

501 S. Buena Vista Street
Burbank, CA 91505

CONVENIENT ACCESS

OVER 15,000 CO-OP ATMs

(888) SITECOOP

(888) 748-3266

www.co-opnetwork.org

PRIORITY ONE CONNECT

(800) 262-8383

PRIORITY ONE LOANLINE

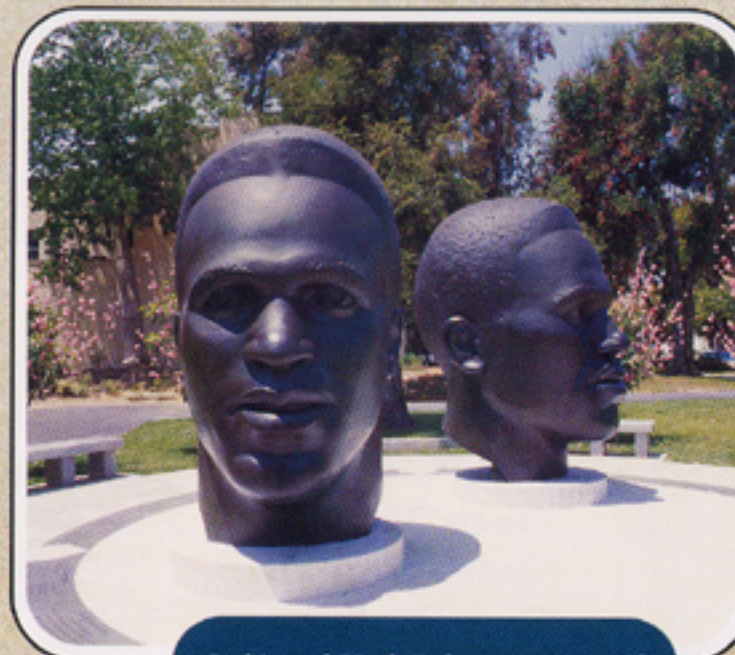
(800) 211-3831

WEB SITE/HOME BANKING/ ELECTRONIC BILL PAY

priorityonecu.org

E-MAIL

info@priorityonecu.org



Jackie and Mack Robinson Memorial

PRODUCTS AND SERVICES

HIGH-YIELD SAVINGS

Term Certificates
Individual Retirement Accounts
Club Accounts
Money Market Accounts
P1-4k Youth Club
Platinum Club for Seniors

LOW-COST CONSUMER LOANS

New & Used Vehicles
Personal Loans
Vacation Loans
Computer Loans
Consolidation Loans
Lines of Credit
VISA Credit Cards
Pre-Approved Loans
Small Business Loans
(coming soon)

REAL ESTATE LOANS

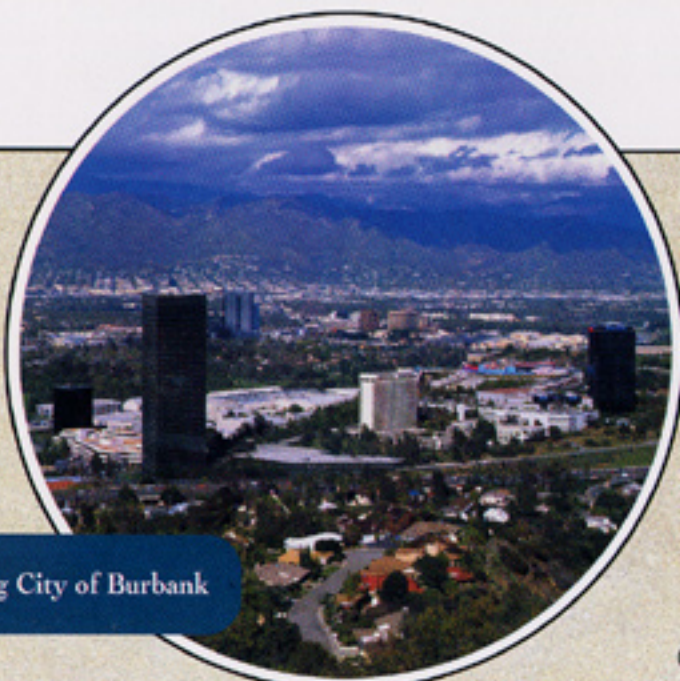
First Trust Deeds
First-Time Home Buyer Loans
Second Trust Deeds
Home Equity Loans and Lines

CONVENIENT ACCOUNT ACCESS

Convenience and Premier Checking
VISA CheckCard
Direct Deposit
Payroll Deduction
24-Hour ATMs
Free Deposits and No Surcharges at Over
15,000 CO-OP ATMs
24-Hour Loan Applications
Priority One Connect – Anytime Access By Phone
Priority One LoanLine – Anytime Loans-by-Phone
PriorityOne@Home – Internet Banking and
Electronic Bill Pay
Web site – priorityonecu.org
Indirect Lending – Auto Purchases

OTHER SERVICES

Special Auto Sales
Family Membership
Credit Life & Disability Insurance
Term Life Insurance
Accidental Death & Dismemberment Insurance
Mechanical Breakdown Insurance (MBI)
Guaranteed Auto Protection (GAP)
Travelers Cheques
Cashier's Checks
Notary Services



Aerial View of the Exciting City of Burbank