Partners in Your Success

PrimaryFinancial
a credit union service organization

2002 *Annual Report*

PRIMARY FINANCIAL COMPANY LLC
2002 ANNUAL REPORT

“Successes have

many fathers,

failures have none.”

Philip Caldwell,

former chairman, Ford Motor Co.

CHAIRMAN'S LETTER

In every great success story, lots of people play a part. Year after year, America's credit unions continue to succeed because of valuable partnerships.

And I'm proud to say that in 2002, America's credit unions continued to succeed with Primary Financial as their trusted investment partner.

With the low interest rate environment, flattened loan demand, and the surplus of liquidity that characterized 2002, Primary Financial served as an important resource for credit unions looking to squeeze every basis point out of their investment portfolio. And when the excess liquidity trend reverses, Primary Financial is also well positioned to succeed because of our key values – expertise, convenience and service.

As a wholly owned credit union service organization of Corporate One Federal Credit Union, Primary Financial is a trusted member of the credit union network. Credit unions nationwide continue to rely on the expertise of our licensed professionals because we understand the regulations and strategies involved in credit union investing. That knowledge makes a difference.

And with knowledge comes wisdom. We've been around long enough to know that while investing isn't always worry-free, it should always be convenient. That's why SimpliCD investors don't have to spend their time searching for the best rates in the country on federally insured CDs. We do that for them. And it's the same reason Primary Financial provides access only to those securities that are permissible under NCUA Reg. Part 703. Less time. Less worry. That's why credit unions choose Primary Financial.

Things like rates and selection certainly influence decisions about where credit unions invest. But service is just as important. Because we're member owned, we're not driven by profit or by the next sale — only by our desire to help credit unions make the most of their investment portfolio.

Our commitment to these key values has helped Primary Financial remain successful. I want to thank our dedicated volunteer Board of Directors, committed staff, and SimpliCD co-agents for another successful year of partnering with credit unions to help them maximize their yield.

Lee C. Butke

BOARD OF DIRECTORS

Mark D. Solomon,
Treasurer and Chief
Financial Officer

Tammy E. Cantrell,
Corporate One Federal
Credit Union, Director

Lee C. Butke,
Chairman

Gerald D. Guy,
Kemba Financial Credit
Union, Director

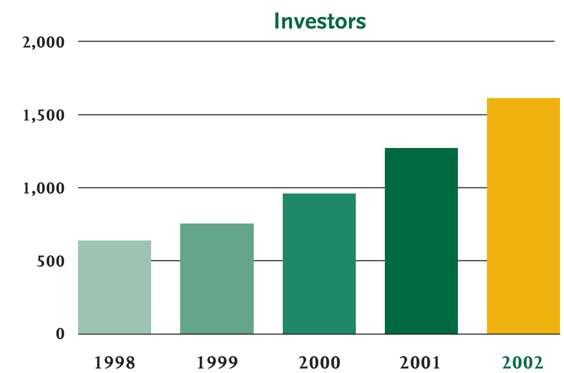
Janice L. Thomas,
PSE Credit Union,
Director

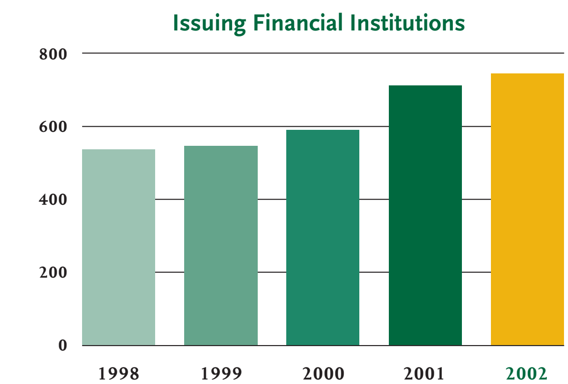
SimpliCD

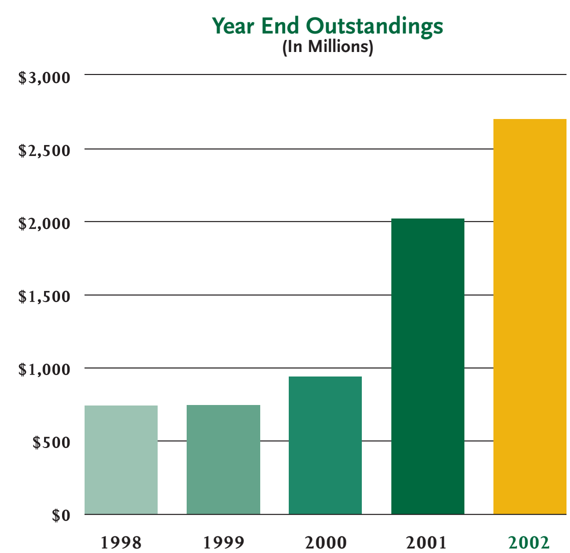
With the sustained influx of liquidity into the credit union network last year, credit union investors continued to depend on the SimpliCD program for convenient, nationwide access to competitive rates on federally insured CDs. Increased placements from existing investors, coupled with the addition of 340 new SimpliCD participants, drove year-end outstandings to a record $2.68 billion, up from $2 billion in 2001.

Much of that growth can be attributed to our growing network of corporate co-agents like Kansas Corporate and CenCorp, who joined the program in 2002. SimpliCD now counts 21 co-agents, including 16 corporate credit unions, as partners in its success.

In addition to adding more co-agent partners, Primary Financial continued to enlist even more issuers in the SimpliCD program. Financial institutions choose to issue with Primary Financial because, in one simple step, they become accessible to institutional investors nationwide and are able to raise substantial funds quickly. Last year, the number of issuing financial institutions grew to 729, up from 707 in 2001.







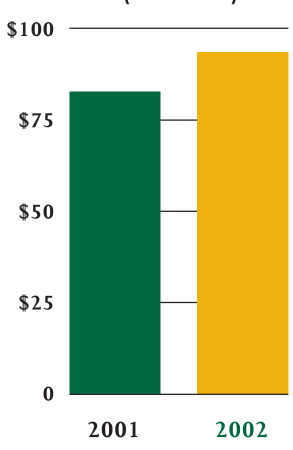
Securities

Primary Financial's securities program also continued to succeed in 2002. As an Office of Supervisory Jurisdiction (OSJ) of Westminster Financial Securities, Inc., Primary Financial provides investors with access to a significant inventory of new issue and secondary securities that have been filtered to only include bonds that are permissible under NCUA Reg. Part 703.

While SimpliCD has been Primary Financial's focal point in previous years, our securities program has begun to play a more integral role in our success. Last year saw the consolidation of our securities sales operations into a central facility, along with the addition of a dedicated securities portfolio manager. The program has also become more active and competitive in the secondary securities markets, where our expertise in finding the right security for the unique needs of our clients truly shines.

After two years of tremendous growth, Primary Financial's securities program saw an increase in trading volume of 12 percent in 2002, as more credit unions found Primary Financial to be a convenient, trusted source for securities trading. In addition to offering safekeeping options, Primary Financial also quotes competitive bids for credit unions looking to sell their securities.

Securities Sales Volume
(In Millions)



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Primary Financial Company LLC

We have audited the accompanying balance sheets of Primary Financial Company LLC (the Company) as of December 31, 2002 and 2001, and the related statements of income, changes in member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Columbus, Ohio
February 28, 2003

BALANCE SHEETS

	December 31,	
Assets	**2002**	**2001**
Cash	$ 7,145,726	$ 4,414,828
Gross spreads receivable	6,307,674	3,841,228
Advances to customers	1,448,000	848,000
Other assets	234,880	226,639
TOTAL ASSETS	$ 15,136,280	$ 9,330,695
Liabilities and Member's Equity		
Liabilities:		
Deferred spreads	$ 3,916,201	$ 2,857,604
Co-broker spreads payable	2,899,390	1,053,604
Amounts due to customers	1,693,931	1,150,591
Accounts payable and accrued expenses	1,100,851	617,884
TOTAL LIABILITIES	9,610,373	5,679,683
Member's Equity	5,525,907	3,651,012
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 15,136,280	$ 9,330,695

See accompanying notes to financial statements.

STATEMENTS OF INCOME

	Year ended December 31,	
	2002	**2001**
Revenue:		
Spread income:		
Gross spread income	$ 6,284,778	$ 4,484,679
Co-broker spread	(2,158,749)	(1,327,424)
NET SPREAD INCOME	4,126,029	3,157,255
Other income	46,235	53,650
TOTAL REVENUE	4,172,264	3,210,905
Expenses:		
Salaries and benefits	1,282,796	1,145,702
Office operations and occupancy	222,939	268,251
Settlement processing	268,776	205,878
Professional and other outside services	340,249	122,410
Other	182,609	103,998
TOTAL EXPENSES	2,297,369	1,846,239
NET INCOME	$ 1,874,895	$ 1,364,666

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

	Member's Equity
Balance at January 1, 2001	$ 2,286,346
Net income	1,364,666
Balance at December 31, 2001	3,651,012
Net income	1,874,895
Balance at December 31, 2002	$ 5,525,907

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2002	**2001**
Cash flows from operating activities:		
Net income	$ 1,874,895	$ 1,364,666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,136	34,247
Net change in:		
Gross spreads receivable	(2,466,446)	(2,073,995)
Certificates held for resale		100,000
Advances to customers	(600,000)	(49,000)
Other assets	(23,967)	(1,066)
Deferred spreads	1,058,597	1,595,571
Co-broker spreads payable	1,845,786	550,436
Amounts due to customers	543,340	359,803
Accounts payable and accrued expenses	482,967	(11,315)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,747,308	1,869,347
Cash flows from investing activities:		
Purchase of property and equipment	(16,410)	(20,358)
NET CASH USED IN INVESTING ACTIVITIES	(16,410)	(20,358)
Net increase in cash	2,730,898	1,848,989
CASH AT BEGINNING OF YEAR	4,414,828	2,565,839
CASH AT END OF YEAR	$ 7,145,726	$ 4,414,828

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Organization, Operations and Cash Flow Information*

Primary Financial Company LLC (the Company) is a single member limited liability company (LLC) and is a credit union service organization (CUSO) of the sole member, Corporate One Federal Credit Union (Corporate One). The Company was established in accordance with the provisions of the National Credit Union Administration (NCUA) regulations and the Ohio Revised Code. As an LLC, the Company is not subject to federal income tax.

The Company is registered with the State of Ohio as a licensed securities dealer. The Company is engaged primarily in the sale of non-negotiable certificates of deposit with credit unions and other depository institutions for which it earns a spread over the term of the certificate.

The Company sells SimpliCD via its own direct sales staff, Corporate One's sales staff, as well as other co-brokers, mainly other corporate credit unions. The co-brokers earn a portion of the spread for certificates of deposit sold by the co-brokers.

The Company is also an Office of Supervisory Jurisdiction (OSJ) of Westminster Financial Securities, Inc. (Westminster), a National Association of Securities Dealers (NASD) registered broker/dealer. As an OSJ, the Company is subject to the jurisdiction of the Securities and Exchange Commission under the Securities and Exchange Act of 1934. This agreement allows the Company to offer its customers access to the government, agency and collateralized mortgage obligation markets. The Company and Westminster share revenue generated from the sale of securities by the Company on a 92 percent and 8 percent basis, respectively. Such revenue sharing agreement was put in place in May 2002. Revenue recognized by the Company in 2002 under this agreement approximated $32,000. Prior to May 2002, Westminster reimbursed the company for certain administrative, marketing, record keeping, compliance and other costs. This expense reimbursement agreement was in lieu of the Company receiving revenue in connection with these activities. The dollar amount of such reimbursement was limited to a percentage of the revenue generated for Westminster from the sale of securities by the Company and amounted to approximately $43,000 and $77,000 in 2002 and 2001, respectively.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(b) *Cash*

Cash represents demand deposits with Corporate One and other financial institutions. At December 31, 2002, approximately $6.5 million was held in non-interest earning demand deposit accounts at Corporate One.

(c) *Gross Spreads Receivable and Deferred Spreads*

Gross spreads receivable represents the total amount of spread the Company expects to receive from the placement of the certificates of deposit over the term of the certificates. This receivable is recorded upon placement of the certificate, along with the corresponding deferred spreads and co-broker spreads payable. The gross spreads receivable is recognized as revenue over the term of the certificate.

(d) *Advances to Customers*

Principal from certificates of deposit that have matured is generally received on the day of maturity and remitted to the customer. Occasionally, there is a slight delay in the receipt of principal from the issuer. In those instances, as a service to its customers, the Company advances the principal to its customers.

(e) *Amounts Due to Customers*

Amounts due to customers represents interest that the Company has received on behalf of its customers, but has not yet remitted to its customers.

(f) *Co-broker Spreads Payable*

Co-broker spreads payable represents the amount of spread the Company expects the co-brokers will earn over the life of the certificates sold by the co-brokers.

(g) *Reclassification*

Certain 2001 amounts have been reclassified to conform with 2002 presentation. These reclassifications had no effect on total revenue, total expenses, or net income.

(2) RELATED PARTY TRANSACTIONS

During 2002, the Company and Corporate One operated under an agreement whereby Corporate One will earn a spread over the life of each certificate sold by Corporate One after 2001. Such spread approximated $387,000 in 2002 and is reported as part of co-broker spread in the statements of income. The terms of such agreements are similar to the terms of agreements with other co-brokers.

Corporate One provides various support to the Company including settlement, accounting, sales, personnel administration, data processing, and office space, all of which are reimbursed by the Company. Reimbursement for these services was $425,000 and $378,000 in 2002 and 2001, respectively. There is no assurance that such transactions would have occurred under the same terms and conditions with an unrelated party.

(3) COMMITMENTS AND CONTINGENCIES

The Company and Corporate One have an agreement whereby Corporate One has extended a $3 million line of credit to the Company to be used to facilitate the settlement of customer transactions. The line is secured by the assets of the Company and the interest rate on the line is equal to the fed funds rate plus 40 basis points. This is the same rate Corporate One charges to other borrowers under similar lending agreements. At December 31, 2002, no advances were outstanding on this line.

The Company leases certain office facilities under operating leases requiring the following minimum annual rentals:

2003	$ 35,539
2004	20,651
Total	$ 56,190

(4) NET CAPITAL REQUIREMENT

The Company, as a licensed securities dealer with the State of Ohio, is required to maintain net capital, as defined, of at least $25,000. The Company was in compliance with this requirement at December 31, 2002 and 2001.

(5) PENSION PLAN

The Company's employees participate in two defined contribution plans which cover substantially all of its employees and the employees of Corporate One. One of the plans is a contributory plan, to which employees can contribute a portion of their compensation on a pre-tax basis. In 2002 and 2001, for each eligible participant, the Company contributed a total of 11.5 percent of the participant's eligible compensation to the participant's accounts in the plans. Retirement plan expense was approximately $76,000 in 2002 and $86,000 in 2001.

Primary**Financial**
a credit union service organization

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Primary Financial is a registered trademark of Primary Financial Company LLC, a wholly owned CUSO of Corporate One Federal Credit Union and an Office of Supervisory Jurisdiction (OSJ) of Westminster Financial Securities, Inc. Securities offered through Westminster Financial Securities, Inc., 865 S. Dixie Dr., Vandalia, Ohio 45377. Member NASD-SIPC. Securities are not federally insured by the FDIC or NCUSIF and may fluctuate in value.