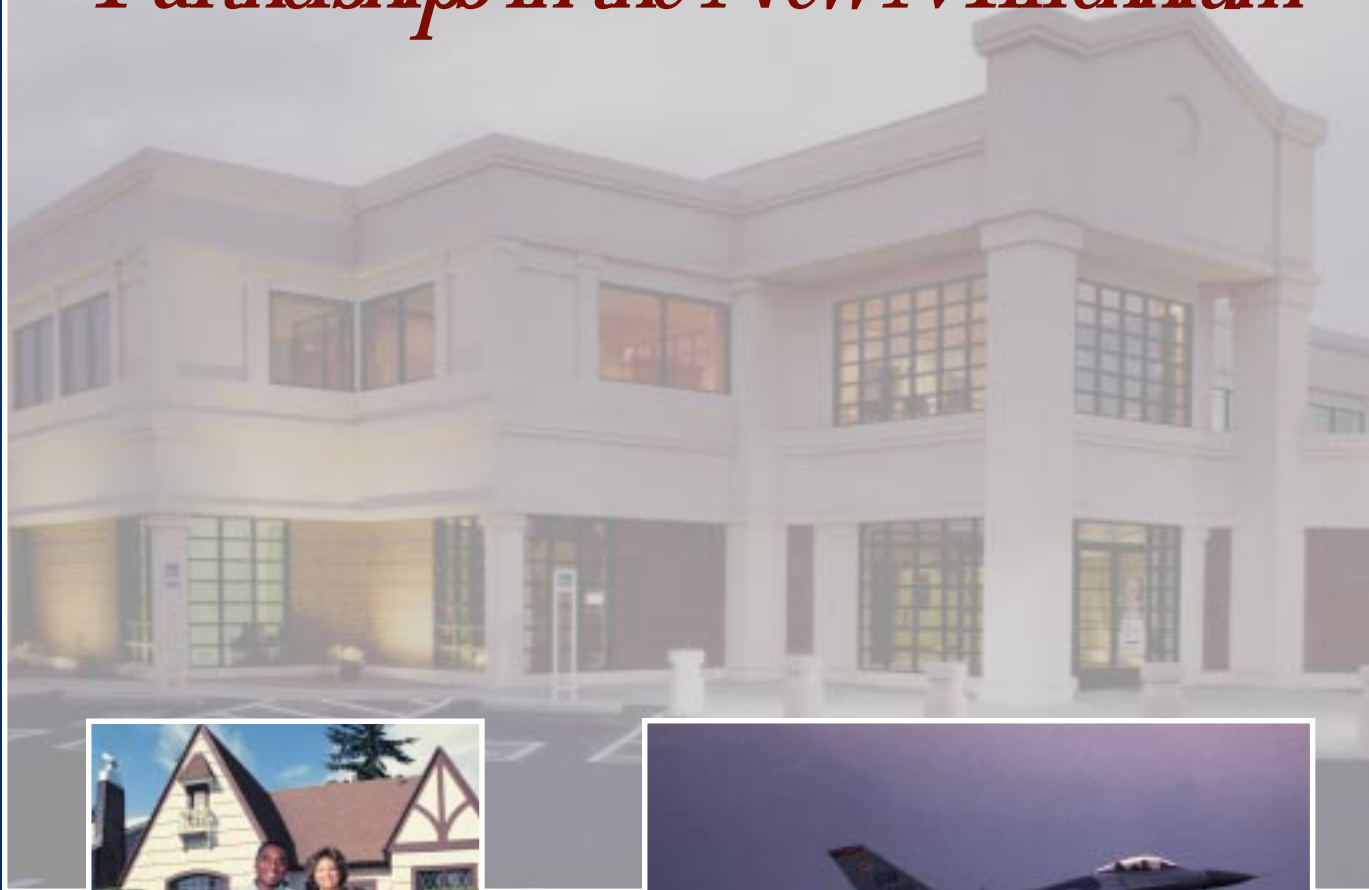


Partnerships in the New Millennium



 **KIRTLAND**
FEDERAL CREDIT UNION

1999 Annual Report

Two enduring philosophies will carry us through the coming century, our unwavering commitment to our member-owners, and our support of the community.

As we enter a new century, we glimpse back to the past. Kirtland Federal Credit Union began as a small credit union with ten founding charter members serving a handful of military personnel in 1958. The founding members embraced the unique philosophy of credit unions. As a democratic not-for-profit financial cooperative, the “people helping people” philosophy has always been the basis of our existence.

While many financial institutions are becoming multi-billion dollar financial conglomerates focusing on the needs of corporations, stockholders and wealthy individuals, we have remained **centered on the local community and focused on the unique needs of our individual members**. Our commitment to high value, quality member service continues to be the number one priority. We pride ourselves in forming meaningful, long-lasting partnerships with members and the surrounding community. Over the past 42 years, a solid foundation of understanding and trust has been established, as the credit union has grown and served a greater number of members. After all, it is about people, not about computers, buildings or money.

As technological advances progress at a staggering pace, it is difficult to look beyond one year, much less at an entire new century. However, one thing is clear: Kirtland Federal Credit Union will be here for you as a trusted financial partner. We thank you for your loyalty and support, and look forward to serving you in the new millennium.

Chairman's Report

Kirtland Federal Credit Union entered into the new millennium with no disruptions of service to our members. All of our Y2K preparations, testing and planning proved to be invaluable in getting ready for the century date change. All systems functioned properly and there was a smooth transition into the new year.

During 1999, your credit union continued to develop and enhance products and services offered to members, improved our audio response system, created a new checking account structure, and increased our focus on employee training.

The Board and Senior Management met in October for the annual Strategic Planning Session. Several core concepts were identified, as they are each year. This year the planning team identified the necessity for a better defined e-commerce strategy, as well as the need to be more innovative and flexible in developing products and services to meet the changing demands of the membership.

Plans for the year 2000 also include the implementation of an Internet home banking system to serve members who want to access the credit union from the convenience of their computer. Many members prefer 24 hour electronic access to their accounts, while others still prefer to visit one of our locations and deal with our employees. We intend to provide for all members by maintaining all of our current delivery systems.



John Tondl

For the past several years, we have been concerned about the limitations of our branch located on Juan Tabo. We have carefully evaluated all options in providing better service to members who use this facility, and have decided to build a new state-of-the-art branch in the northeast heights. The new branch will better accommodate members who use traditional services such as drive up tellers, and will also provide electronic services and information through a new "cyber center" concept. The branch facility is planned to open in the fall of 2000.



Lawrence Desonier

In closing, I wish to state that your credit union is continuing to grow and prosper in a very safe and sound manner as attested by our most recent CPA audit and NCUA examination reports.



Eva Wallace

A handwritten signature in blue ink that reads "John A. Tondl".

John Tondl
Chairman of the Board



William Hovey



Donald Bortner



Brian McDonald



Dennis Robinson

President's Report

Kirtland Federal Credit Union ended 1999, as well as the century, in a very solid and sound financial posture and is now well prepared to face the challenges of the future. After 42 years of operation, the credit union has grown to more than \$200 million in assets and serves more than 32,000 members. Since being organized in 1958, the credit union has made more than \$850 million in low cost loans to members. We have also paid millions back to members in dividends on share deposits, and have saved members substantial amounts of money with lower transaction fees for services.

Kirtland Federal Credit Union is recognized by our member-owners as being a better alternative to profit-driven banks and other organizations who seem focused only on becoming bigger through mergers and consolidations. Members trust the credit union as a partner which is dedicated to their financial success, rather than the success of shareholders. As a member-owned financial cooperative, the credit union is only committed to providing exceptional service at the lowest possible price.

During 1999, the Board of Directors adopted an innovative service philosophy and new account structure which should serve the credit union and the membership well into the future. The new philosophy is designed to reward members who contribute to the success of the organization, and to encourage all members to play a role in the achievement of sound financial performance. In simple terms, members who save and borrow at the credit union are rewarded with higher dividends, lower loan rates, and substantially reduced fees for transaction services. Other members are expected to at least pay for a portion of the cost of the services they use, and not be subsidized by members who save and borrow at the credit union. This is the fairest and most democratic way to offer services in a financial cooperative. Further refinements and enhancements to this service philosophy can be expected in the future.

Looking forward, the new century provides many new challenges and promises a great deal of fresh opportunity. Most of the excitement is due to the possibilities offered by employing advanced technologies to further enhance member services. These technologies will allow members greater access, convenience and control over their accounts and related information. More and more transactions will be performed 24 hours a day, and 7 days per week by members located around the world. However, members who wish to deal face-to-face with our friendly and helpful employees will still have that opportunity as well.

Because the credit union is member-owned, we will always be committed to providing the best value through exceptional service. It's a partnership based on trust that has worked well over the last 42 years, and will continue to work well into the next century.

Thank you for your continued support.



A blue ink handwritten signature of David R. Seely, written in a cursive style.

David R. Seely
President/CEO

Supervisory Committee's Report

The Supervisory Committee is comprised of five volunteers and an internal auditor who conducts independent evaluations of all credit union operations. It is the committee's responsibility to ascertain that the credit union's financial statements accurately reflect its financial position, and that proper internal controls are maintained to protect and safeguard the credit union's assets.

The committee retains the services of Cotton, Parker, Johnson and Company to perform the annual formal audit of the financial statements. In addition, the credit union is examined annually by the National Credit Union Administration (NCUA), the federal agency that insures and regulates all federally chartered credit unions. Having evaluated the credit union's capital adequacy, asset and management quality, earnings and liquidity, the NCUA has given Kirtland Federal Credit Union the highest possible overall rating.

The new millennium will bring new challenges in competition and technical innovations. The first challenge of the new millennium was the "Year 2000" computer date anomaly which KFCU passed with flying colors. KFCU's commitment to technology will ensure that your credit union will continue to operate as a state of the art financial institution.

The committee and internal auditor are pleased to report that, through efficient operations and prudent fiscal management, your credit union deposits are safe and secure.



Joe Garcia
Chairman, Supervisor Committee



Joe Garcia



Truett Scarborough



Nicholas Karnezis



Lionel Schmemmann



Luella Wallace

The Advisory Committee

In early 1999, Kirtland Federal Credit Union formed the Advisory Committee. This committee's purpose is to offer advice and suggestions on how the credit union can best respond to opportunities to better serve our members.

This committee provides valuable information on how well KFCU is serving the needs of various segments of the membership.

They also offer recommendations about the credit union's operations and related topics.

Advisory Committee Member, Dr. E. Michael Del Papa is the Director of History and Research at Headquarters Air Force Operational Test and Evaluation Center (AFOTEC), Kirtland AFB. (Photo not available.)



Advisory Committee Member, Rory Ogle is an analyst for Science Applications International Corporation (SAIC). SAIC is contracted by AFOTEC for the Test Resource Analysis and Planning Program.

Advisory Committee Member, Steve Gonzales is employed by the State of New Mexico as the Project Administrator of the Industrial Development Training Program. He also currently serves as the Flight Commander of the 150th Services Flight, part of the New Mexico Air Guard that is located on KAFB. This Flight is represented in both the dining and lodging facilities on the base.



The Advisory Committee (continued)



Advisory Committee Member, Raymond T.L. Ching is the Deputy Base Civil Engineer, 377th Civil Engineer Group, KAFB. This group plans, organizes and directs all facility programs to support the wing mission. It also has the responsibility of CE emergency services in the areas of fire protection, explosive ordnance disposal and disaster preparedness.

Advisory Committee Member, Kaye Pearson-Hall is employed by Allied Signal as a Training Specialist. Allied Signal is a major defense contractor to the U.S. Air Force at Kirtland Air Force Base.

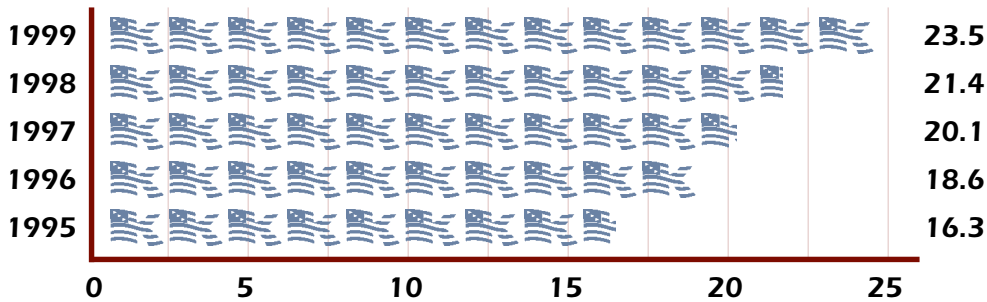
(Photo not available.)



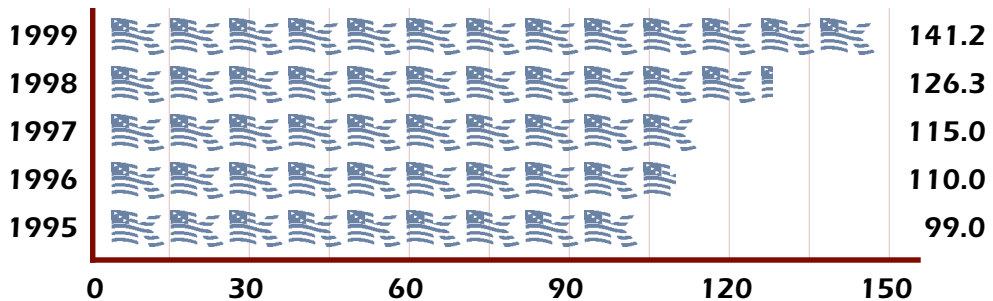
Advisory Committee Member, Leonard M. Contreras is the Chief of Integration and Operations Division, AFRL/DED. This organization heads up the financial management program control and support functions required for a 700 person and \$200 million budget Directorate.

Credit Union Growth Report

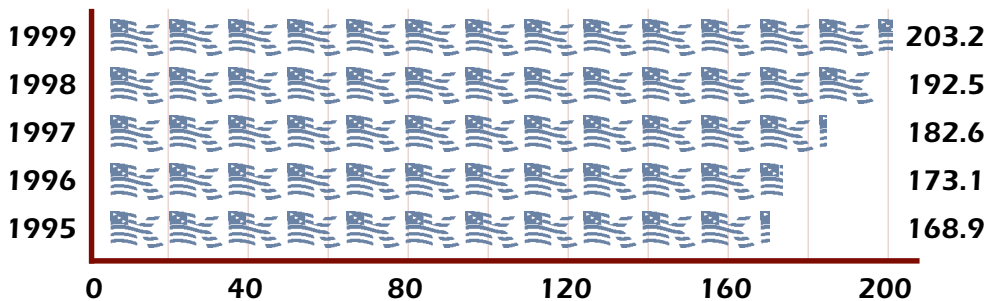
Capital Growth (in millions)



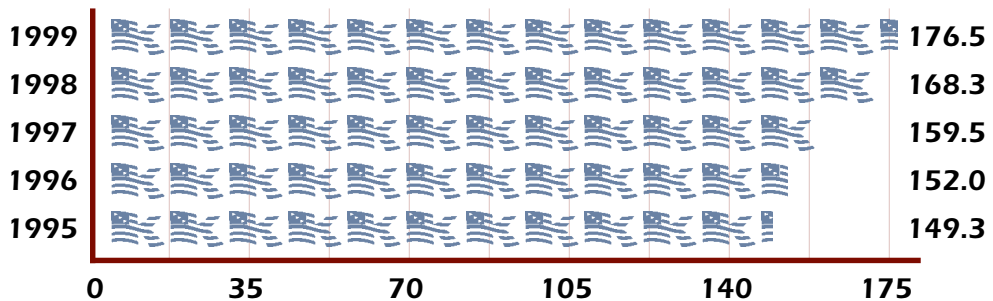
Loan Growth (in millions)



Average Assets Growth (in millions)



Share Deposit Growth (in millions)



Statement of Financial Condition

As of December 31, 1999 (unaudited)

Assets

Loans to Members	141,194,960	
Allowance for Loan Losses	<u>(953,628)</u>	
NET LOANS		\$140,241,332
Notes & Contracts Receivable		130,310
Cash on Hand and In Bank		4,165,243
Investments:		
U.S. Government Obligations	2,002,138	
Federal Agency Securities	36,251,433	
Corporate FCU Deposit & Certificates	10,466,259	
Other Investments	<u>1,849,413</u>	
TOTAL INVESTMENTS		50,569,243
Accrued Income		1,333,918
Fixed Assets (Net)		6,076,076
Other Assets		<u>705,465</u>
TOTAL ASSETS		<u>\$203,221,587</u>

Liabilities and Equity

Accounts and Drafts Payable	1,825,764	
Dividends Payable	495,314	
Other Liabilities	<u>866,212</u>	
TOTAL LIABILITIES		3,187,290

Member Equity

Regular Shares	40,391,898	
Share Drafts	27,938,702	
Insured Money Management Accounts	40,816,098	
Individual Retirement Accounts	16,761,216	
Share Certificates	<u>50,579,491</u>	
TOTAL SHARES	176,487,405	
Regular Reserves	7,592,477	
Undivided Earnings	<u>15,954,415</u>	
TOTAL RESERVES	23,546,892	
TOTAL EQUITY		<u>200,034,297</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY		<u>\$203,221,587</u>

Statement of Operations

As of December 31, 1999 (unaudited)

Operating Income

Interest on Loans	\$10,429,718
Interest on Investments	<u>2,897,700</u>
TOTAL INTEREST INCOME	13,327,418
Dividends on Members' Shares	<u>5,810,115</u>
TOTAL COST OF FUNDS	5,810,115
Net Interest Margin	7,517,303
Provision for Loan Losses	<u>628,479</u>
NET INTEREST MARGIN AFTER PROVISION	6,888,824
Fees and Charges	1,567,557
Other Operating Income	<u>409,242</u>
TOTAL FEE & OTHER INCOME	1,976,799
OPERATING INCOME	8,865,623

Operating Expenses

Compensation & Employee Benefits	3,502,816
General & Administrative Expense	<u>3,220,322</u>
TOTAL OPERATING EXPENSES	6,723,138
NET OPERATING INCOME	2,142,485
TOTAL NON-OPERATING GAINS (LOSSES)	0
NET INCOME	2,142,485
Regular Reserve Transfers	901,943
Provision For Losses	<u>628,479</u>
Change To Undivided Earnings Resulting From Operations	<u><u>\$1,869,021</u></u>

Kirtland Federal Credit Union is creating a partnership with our members by providing products and services for their financial well-being.

Member Rewards[®] Program

*F*or those KFCU member households who have total deposit or total loan* balances of \$20,000 or more, many services are offered free of charge or at a discount, including a free Freedom Checking Account[®].

With a Freedom Checking Account[®] you receive:

- No monthly service charge
- Unlimited ATM use
- Free check printing
- Free travelers checks
- Three free Cashier's checks per day
- Six free Stop payments per year
- 20% discount on safe deposit boxes and outgoing wire transfers
- No charge for account history printouts or statement copies
- No charge for In-person Teller or Phone Center Services
- And much, much more!

You will also receive:

- A new mortgage loan interest rate discount of .125%
- New consumer loans will be discounted .25%**

* KFCU credit card balances are not included in loan totals.
** Some loans and KFCU credit cards excluded from rate reduction.

Rapid Remodel Loans

- No closing Costs!
- We will lend up to 90% Loan to Value
- For Home Improvements from \$5,000 to \$25,000
- Quick loan approval.

**RAPID REMODEL
RAPID REMODEL
RAPID REMODEL**

More Products and Services Offered

- Savings
 - Basic Share/Savings
 - IRA's
 - Certificates of Deposit (CDs)
- IMMA (Insured Money Management Account)
- Koala Club (for children up to 12 years)
- Club F.I.T. (for teens 13 - 19 years)
- Holiday Accounts
- Checking Accounts - 3 types to suit you
 - Freedom Checking Account[®]
 - Value Plus Checking Account[®]
 - CU Anytime Checking Account[®]
- VISA Check Card
- ATM Cards
- TellerPhone (24/7 audio response)
- Worldwide ATM access
- Investment opportunities
- Loans
 - New & Used Auto, Boat, RV, Motorcycle, Aircraft
 - Lines of Credit
 - Signature Loans
 - Real Estate Loans
- Visa/MasterCard Credit Cards
- VISA Gold
- Overdraft Protection
- Safe Deposit Boxes
- Four convenient locations

Locations and Hours

Main Office:

6440 GIBSON BOULEVARD SE

Monday - Thursday	9:00 am-4:30 pm
Drive-up	9:00 am-5:00 pm
Friday (including Drive-up)	9:00 am-6:00 pm
Saturday	9:00 am-3:00 pm

Base Branch:

3650 SHERMAN AVENUE (BUILDING 498)

Monday - Thursday	9:00 am-4:30 pm
Friday	8:00 am-4:30 pm

Juan Tabo Branch:

2901 JUAN TABO BOULEVARD NE

Monday - Thursday	9:00 am-4:30 pm
Drive-up	9:00 am-5:00 pm
Friday (including Drive-up)	9:00 am-6:00 pm
Saturday	9:00 am-3:00 pm

West Alameda Branch:

10200 CORRALES ROAD NW

Monday - Thursday	9:00 am-4:30 pm
Drive-up	9:00 am-5:00 pm
Friday (including Drive-up)	9:00 am-6:00 pm
Saturday	9:00 am-3:00 pm

Mailing Address:

Kirtland Federal Credit Union
 P.O. Box 80570
 Albuquerque, New Mexico 87198-0570

Internet Address:

<http://www.kirtlandfcu.org>
 E-mail: kirtland@kirtlandfcu.org

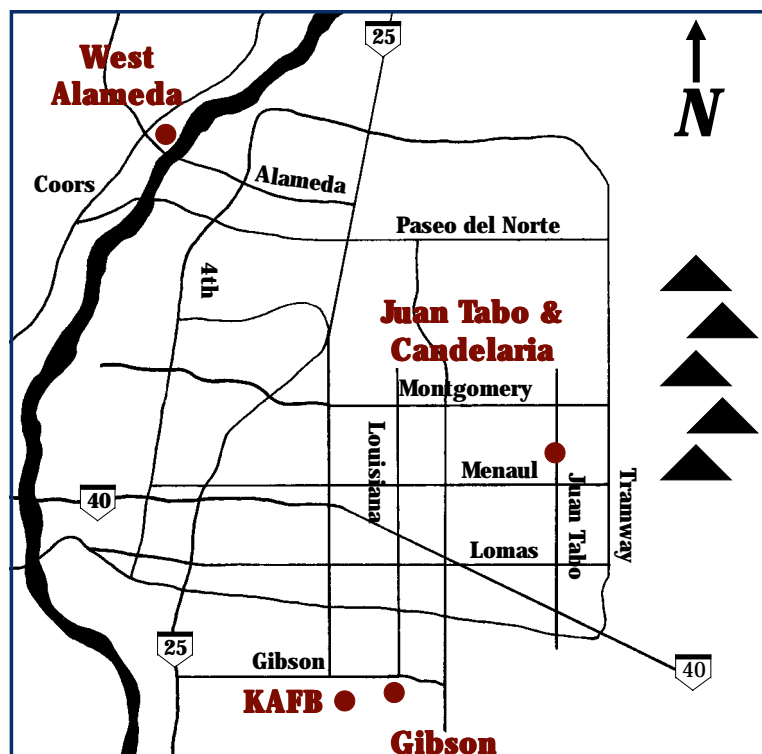
Telephone Numbers:

Telephone Service Center
 505-254-4369
 Toll-free 800-880-KFCU (5328)
 Monday - Thursday ... 8:30 am-5:30 pm
 Friday 8:30 am-6:00 pm
 Saturday 9:00 am-3:00 pm

24 Hours a Day / 7 Days a Week
 Loans-by-Phone 505-254-4368
 800-732-CASH(2274)

TellerPhone 505-254-4367
 800-880-8277

Four Convenient Locations



Dora Maxwell Award

*I*n 1999, Kirtland Federal Credit Union was awarded First Place in the New Mexico Dora Maxwell Social Responsibility Program. The program was established to encourage credit union involvement in community projects and activities. KFCU won the award in the \$100 - \$200 million asset size category.

Community Involvement (partial listing)

- Join-a-school partner with Van Buren Middle School
- Join-a-school partner with Highland High School
- Employment cooperative program
- Partners in America's Promise - The Alliance for Youth
- Members of the Albuquerque Economic Development Committee
- Kirtland Air Force Base
 - Spouses Appreciation Week
 - Military Family Week
 - Military Hearts-Apart Dinner
 - Military Quarterly Awards
 - Civilian Quarterly Awards
 - Kirtland Management Association
- Raise funds for local charities
 - Diabetes Association
 - Heart Association
 - Leukemia Association
- Participate in the Combined Federal Campaign
- Members of the Albuquerque Chamber of Commerce and Military Affairs Committee
- Provide on-going support for the Phil Chacon Memorial Police Sub-Station
 - Weed & Seed Youth Program
 - Operation Great Pumpkin
- Kirtland Partnership Committee



Photo of F-16 on front cover is a "U.S. Air Force Photo."



