

ANNUAL REPORT
2000


ALL PATHS LEAD TO YOU



OUR MEMBERS



"A Partnership You Can Trust"



Kirtland Federal Credit Union has enjoyed a long and rich history of serving our members with their diverse financial needs. The needs of our members are changing at a rapid pace. We realize our members are on different paths, some travel a simple, quiet route, while others are on the super highway taking them to unimaginable destinations. Our commitment has been to meet these ever-changing needs in the best possible ways.

This year has been a time of responding quickly and sensibly to what is required to continue bringing quality products and services to our members. The philosophy of anytime-anywhere access is now a reality for KFCU members. Emerging technologies coupled with a commitment to excellent member service proved a successful combination for our members.

So, whether you're on the path to retirement or just starting out, Kirtland Federal Credit Union will be with you every step of the way. We would welcome the opportunity to be your lifetime financial partner.

CHAIRMAN'S REPORT

Our paths to you are our products and services which we strive to improve each year as well as provide new ones. Our goal for the past several years has been to become the primary financial institution for the majority of our members. The more products and services our members use, the more benefits they have available to them.

KFCU offered several new products and service during the year 2000. We began testing PC home banking in March and it was made available about 30 days later. It is now available as KFCU Online with access through our newly designed Web page. Currently over 5,000 members are signed up for KFCU Online. This allows members to view 3 months' history on their accounts, transfer funds and check their KFCU credit card activity. Our Web page also offers Web Carbook.

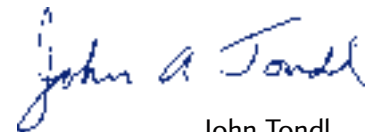
Later into the year, KFCU revamped the Member Rewards Program®. Members who have combined loan and /or deposit balances of \$10,000 may receive a free ValuePlus Checking® as well as discounts on loans, safety deposit boxes and other products or services. Members with loan and/or deposit balances of \$20,000 may receive a free Freedom Checking® and additional benefits such as unlimited ATM use, free check printing and free account history printouts or statement copies.

In September, your credit union began offering a series of competitively priced Share Certificates. Members welcomed and took advantage of these secured investments.

Our consumer and mortgage loan rates have been and continue to be very competitive. Your Board of Directors actually lowered loan interest rates to continue providing quality loans for members. In October, we introduced Anytime Access which allows our members to apply for loans 24 hours per day/7 days a week. Another product introduced in 2000 was the prestigious Visa Platinum credit card.

At our annual Strategic Planning Session in late October we reviewed our progress against our established goals of improving our operational efficiency, lowering loan rates and increasing deposit rates. The Board agreed we should continue with our efforts in these three areas.

In closing let me again assure you that your Credit Union continues to operate in a very safe and sound manner as attested by our most recent CPA Audit and NCUA Examination Report.



John Tondl
Chairman of
the Board



PRESIDENT'S REPORT

Kirtland Federal Credit Union started the year 2000 faced with a multitude of exciting new opportunities. With the Y2K issue behind us, we could begin to focus on innovative ways of serving member-owners even better than in the past.

One of the most significant developments of the year was the purchase of a parcel of land on Montgomery Boulevard, between Wyoming and Moon, in Albuquerque. In the later part of the year, we began construction of a new state-of-the-art branch facility that will replace the outdated and obsolete branch on Juan Tabo.

The new branch facility will be more efficient, secure, and cost effective than any other financial institution in Albuquerque. At the same time, members will have greater options in accessing their accounts, purchasing new services, and interacting with our friendly and knowledgeable branch personnel. Members will be able to transact business in the traditional ways, but will also be able to access account information and obtain products and services via the Internet, using credit union computers at the branch Cyber Center. Furthermore, the branch will have four drive-up lanes and both lobby and drive-up CU Anytime ATMs.

The innovative branch design is just one example of how the credit union is better responding to members' needs. After all, the credit union is owned by its members and providing high quality, low cost services is the only reason we exist.

Another innovation during the year was the full introduction of PC Home Banking Services. Members can now review their accounts, transfer funds, order checks, review credit card activity and statements, as well as obtain valuable consumer information ranging from new and used car prices to vacation packages. During 2000, thousands of members signed up for this service and are enjoying the benefits of having access to their accounts 24 hours a day, 7 days a week, via the Internet.

Yet another benefit added during 2000 was 24 hour access to our lending call center. Now members can call a toll-free 800 number and talk to a representative to apply for a consumer loan. Numerous members are finding this to be much more convenient than taking time to stop by one of our branch locations.

The above examples are just a few of the new ways members can now use their credit union. Members who choose to use traditional services will still be able to do so, but will also find that their credit union is never really closed, thanks to the many new ways of using their own institution.

Thank you for your continued support.



A blue ink handwritten signature of David R. Seely. The signature is stylized and cursive, written in a professional manner.

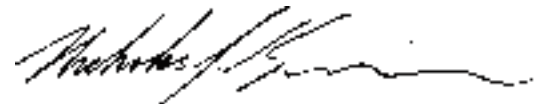
David R. Seely
President

SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee consists of five volunteers who supervise the activities of the Internal Auditor/Compliance Officer. It is the responsibility of the committee to determine the credit union's financial statements accurately reflect its financial position, and proper internal controls are in place to safeguard the members' assets.

The committee is again retaining Clifton Gunderson (formerly Cotton Parker Johnson and Company) to perform the annual formal audit of the financial statements. The National Credit Union Administration (NCUA), the federal agency that insures and regulates all federally chartered credit unions, conducted their annual examination of KFCU. Based on the credit union's capital adequacy, asset and management quality, earnings and liquidity, NCUA gave Kirtland Federal Credit Union the highest possible overall rating.

The committee and Internal Auditor/Compliance Officer are pleased to report that your credit union deposits are safe due to prudent fiscal management and improvements in the efficiency of operations.



Nicholas J. Karnezis



ADVISORY COMMITTEE

This committee consists of KFCU members who volunteer to review changes that would better serve our members. These volunteers are a representation of the membership KFCU serves. Their input provides valuable insight to help provide the most effective and competitive products and services available.

Your advisory committee members are:

Leonard Contreras - Air Force Research Laboratory, Directorate of Energy

Dr. E. Michael Del Papa - AFOTEC

Major Steve Gonzales - New Mexico Air National Guard

Kaye Pearson-Hall - Honeywell

Rory Ogle - Science Applications International Corporation (SAIC)

Col. Rod Reay - 58th Special Operations Wing



A great partnership - Civilian and Military Personnel

LOCATIONS & HOURS

KFCU Online www.kirtlandfcu.org

E-Mail kirtland@kirtlandfcu.org

Phone Center **505-254-4369**

..... **800-880-5328**

Mon - Thurs: 9:00am - 5:00pm

Fri: 9:00am - 6:00pm

Sat: 9:00am - 3:00pm

TellerPhone **505-254-4367**

..... **800-880-8277**

LOANS BY PHONE **505-254-4368**

..... **800-732-CASH**

LOBBY HOURS

West Alameda..... **10200 Corrales NE**

Mon - Thurs: 9:00am - 5:00pm

Drive-up: 9:00am - 5:00pm

Fri (incl. Drive-up): 9:00am - 6:00pm

Sat (incl. Drive-up): 9:00am - 3:00pm

Gibson..... **6440 Gibson SE**

Mon - Thurs: 9:00am - 5:00pm

Drive-up: 9:00am - 5:00pm

Fri (incl. Drive-up): 9:00am - 6:00pm

Sat (incl. Drive-up): 9:00am - 3:00pm

Juan Tabo..... **2901 Juan Tabo NE**

Mon - Thurs: 9:00am - 5:00pm

Drive-up: 9:00am - 5:00pm

Fri (incl. Drive-up): 9:00am - 6:00pm

Sat (incl. Drive-up): 9:00am - 3:00pm

Base (KAFB)..... **3650 Sherman Ave SE**

Mon - Thurs: 9:00am - 4:30pm

Fri: 8:00am - 4:30pm



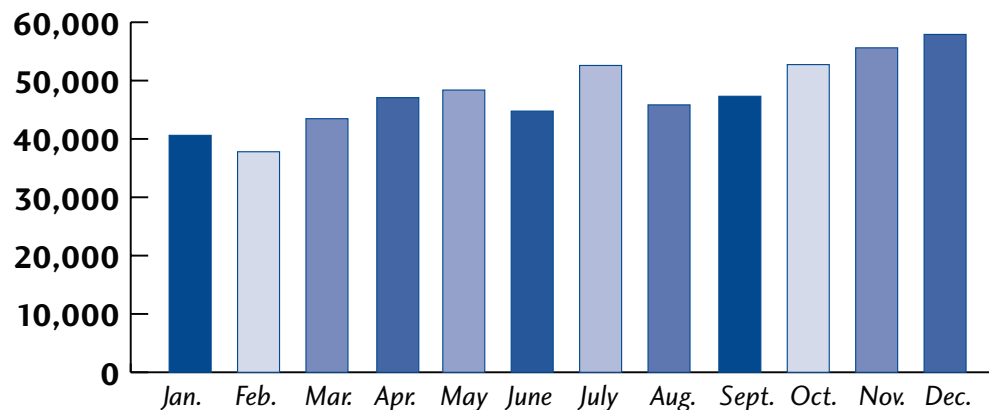
ELECTRONIC SERVICES

Many KFCU members chose to conduct their financial affairs in different ways. No path is wrong or right, just what is more convenient for their lifestyles. The credit union is able to provide alternatives to coming into a KFCU lobby to complete transactions.

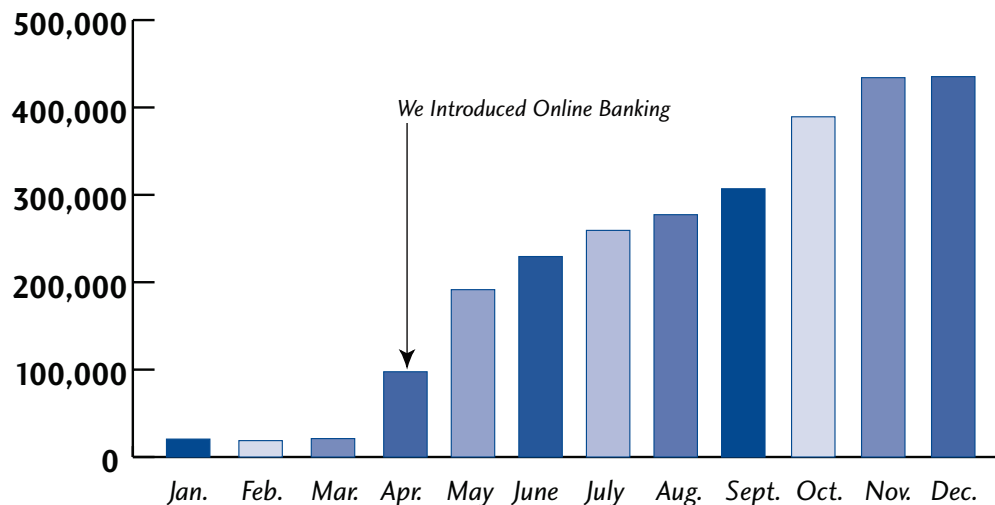
One of the most used channels is KFCU Online. It was introduced in early 2000 and was very well received. At KFCU Online, members can check account balances, transfer funds and even review credit card activity.

Some of the more popular “electronic” services are highlighted below.

Visa Check Cards transactions



KFCU Online Site Visits



MEMBERS SPEAK OUT



August 18, 2000

I have used the Web page for the first time. I absolutely love it. Thank you for providing this service. I greatly appreciate it.

Carol Robinson

September 18, 2000

I have found the on-line system very easy to use. It is so nice not to have to get in the car and drive to the credit union to conduct business. I can get to my accounts whenever I want.

Phyllis J. Thayer

October 17, 2000

KFCU! Way to go.....it is great you have moved into the Internet era. This is just the kind of service I was looking for! Thank you for the on-line banking.

No Name Given

November 6, 2000

New user to on-line banking service. Just completed first transfer. A big thank you for the on-line banking.

Bill Eichmann

December 7, 2000

I just love the on-line system. I recently ordered checks and just tonight checked my balances from the comfort of my home late at night. Thank you for offering this service. Although it does not take the place of meeting with the friendly, helpful staff of KFCU, it is truly a great service. I look forward to doing many years of business with you both locally and from abroad.

Robin Abbondanza



STATEMENT OF FINANCIAL CONDITION

As of December 31, 2000 (unaudited)

Assets

LOANS

Loans to Members	148,343,511	
Allowance for Loan Losses	(990,588)	
NET LOANS		\$147,352,923

Notes & Contracts Receivable		125,200
Cash on Hand and In Bank		1,919,203

Investments:

U.S. Government Obligations	2,999,200	
Federal Agency Securities	32,980,629	
Corporate FCU Deposit & Certificates	18,641,126	
Other Investments	2,061,993	
TOTAL INVESTMENTS		56,682,949

Accrued Income		1,417,633
Fixed Assets (Net)		6,909,479
Other Assets		733,778

TOTAL ASSETS		\$215,141,164
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Liabilities and Members' Equity

LIABILITIES

Member Share Accounts

Regular Shares	40,649,680	
Share Drafts	30,707,663	
Insured Money Market Accounts	35,550,075	
IRA's	16,970,006	
Share Certificates	61,725,059	
TOTAL MEMBER SHARE ACCOUNTS	185,602,483	

Other Liabilities

Accounts & Drafts Payable	1,983,271	
Dividends Payable	639,651	
Other Liabilities	945,217	
	3,568,139	

TOTAL LIABILITIES		189,170,622
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MEMBER'S EQUITY

Regular Reserves	7,713,660	
Undivided Earnings	18,256,882	
TOTAL MEMBERS' EQUITY		25,970,541

TOTAL LIABILITIES AND MEMBERS' EQUITY		\$215,141,164
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STATEMENT OF OPERATIONS

As of December 31, 2000 (unaudited)

Operating Income

Interest Income

Interest on Loans	\$11,504,376
Interest on Investments	<u>3,073,584</u>
TOTAL INTEREST INCOME	14,577,960

Cost of Funds

Dividends on Members' Shares	6,684,786
Interest on Borrowed Money	<u>3,809</u>
TOTAL COST OF FUNDS	6,688,595

Net Interest Margin	7,889,366
Provision for Loan Losses	595,147
NET INTEREST MARGIN AFTER PROVISION	<u>7,294,219</u>

Fees and Charges	1,538,348
Other Operating Income	<u>511,689</u>
TOTAL FEE & OTHER INCOME	2,050,038

OPERATING INCOME	9,344,256
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Operating Expenses

Compensation & Employee Benefits	3,691,651
General & Administrative Expenses	<u>3,228,956</u>
TOTAL OPERATING EXPENSES	6,920,607

NET INCOME FROM OPERATIONS	2,423,649
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TOTAL NON-OPERATING GAINS (LOSSES)	0
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NET INCOME	2,423,649
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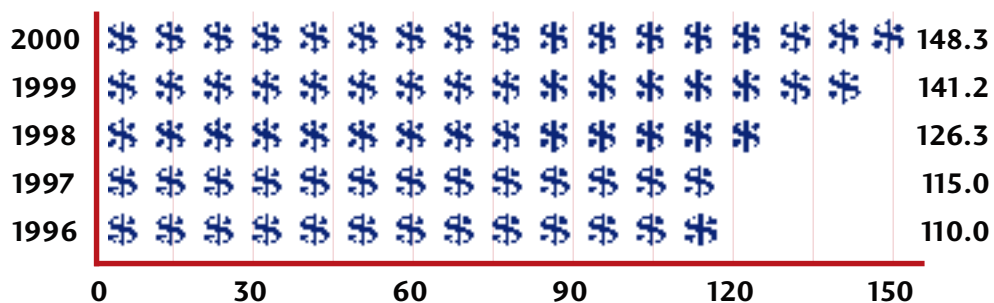
Regular Reserve Transfers	121,182
Change To Undivided Earnings Resulting From Operations	<u>121,182</u>
	<u>\$2,302,467</u>

CREDIT UNION GROWTH REPORT

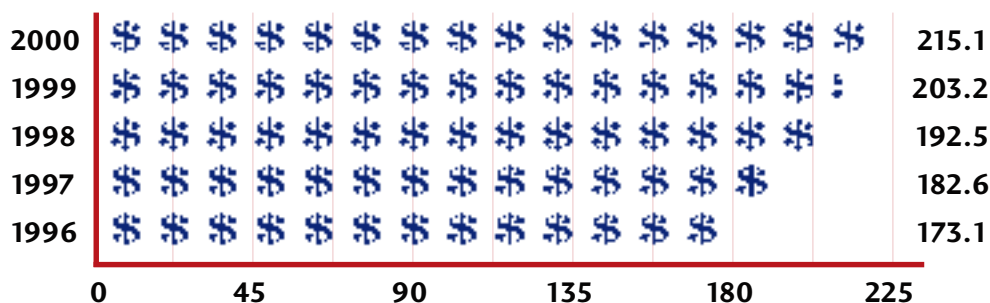
Capital Growth (in millions)



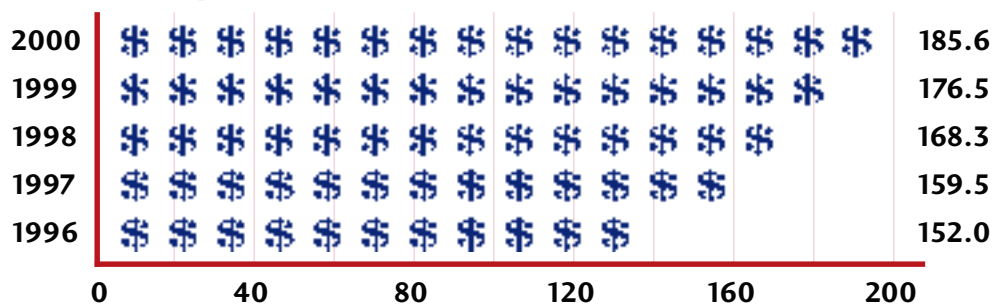
Loan Growth (in millions)



Asset Growth (in millions)



Share Deposit Growth (in millions)



ANOTHER MEMBER SPEAKS OUT

Gabriel Ogaldez hasn't been a member of Kirtland Federal Credit Union very long, but his experiences have left him feeling pretty good about his choice of financial institutions.

Gabe, an Albuquerque native, is twenty years old, has a wife and toddler son. He is very happy being stationed at Kirtland Air Force Base where he serves as a linguist for the Air Force. He translates conversations from audio and video tapes from Spanish to English. Most of his work is with the FBI, Drug Enforcement Agency and local police.

Gabe's first experience with KFCU's loan department came when he inquired about refinancing his 1996 Nissan. He was pleased with the quick approval for the loan which lowered his car payments by \$100 a month.

Next, Gabe went shopping and got a great price quote on a 1999 Ford Explorer. Although it was after business hours, he called the KFCU lending call

center and asked about financing the Explorer. According to Gabe he was treated with the "utmost respect" and was approved for the loan within 10 minutes. Gabe closed the loan the next day. He said that he felt this process of applying for the loan in the evening worked great for him and his family.



Gabriel Ogaldez,
U.S. Air Force

When asked how he knew about the 24-hour 7 days a week loan center, Gabe replied that a co-worker told him about it. For Gabe, it was very convenient to be able to talk to a KFCU representative about the loan when it was better suited to his schedule. He was very impressed with the service and staff of KFCU. He plans to use additional services in the future.

KFCU WINS NEW MEXICO QUALITY AWARD ROADRUNNER CATEGORY

Kirtland Federal Credit Union received the honor of being recognized at the Roadrunner level from Quality New Mexico for the year 2000.

This recognition is a milestone in KFCU's continuing journey to systematically improve its member service and quality processes. It follows the Piñon recognition we received in 1997.

The purpose of New Mexico's Quality Award System is to encourage organizations to accelerate their ability to improve their products, services, internal processes and capabilities. The New Mexico Quality Award uses the Malcom Baldrige National Quality Award Criteria for Performance Excellence as its measurement standard.

While consistent in form to the national awards, the New Mexico Quality Awards have been stratified into three levels to promote greater participation. The Zia Award carries the most stringent requirements of performance excellence. The Roadrunner Recognition is the second level. It denotes that the organization is progressing with a solid approach to quality management and is "on the run" toward implementing systems, processes and plans to improve quality at all levels of operation. The Piñon Recognition is the first of the three levels. It shows a commitment to using quality concepts and principles within an organization.

Having been given this prestigious recognition only serves to motivate the employees of Kirtland Federal Credit Union to continue to improve our processes and member service. It is often said that quality improvement is a journey without an end. We are proud to be using these stringent criteria to guide us in our improvement efforts, to be recognized for our progress, and are committed to continuing the effort.



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