



SACRAMENTO

CREDIT UNION

2000

ANNUAL REPORT

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Board of Directors' and President's Report

Sacramento Credit Union's year in review is best summed up by our mission statement, "to provide prompt, competitive quality consumer financial services to our members in a friendly, professional and prudent manner". Although the year 2000 began with a high degree of concern as the clock approached midnight, we remained true to our course.

Year 2000 presented the first full year of regulatory compliance with Congressional legislation. This new legislation requires that credit unions maintain a certain level of capital. Unique to our industry capital can only be generated through current earnings. There is no other means available to enhance the capital position as with stock owned companies. Balancing growth with current earnings and maintaining strong capital ratios while simultaneously bridging member expectations became even more complex. The Board of Directors and management team of the credit union were focused on and met these crucial goals.

In order to meet our challenges, we once again called on our professional staff. We have learned over the years that our only sustainable, competitive edge is the collective performance and commitment of our staff. We strove to balance member service with state of the art delivery channels. Employees, as well as members, were surveyed to assure that we addressed the combined needs that drove our business and propelled us into yet another year of strong financial performance.

In addition to fulfilling the consumer financial needs of our membership, the credit union was actively involved in the community outside our core business. Through the efforts of members and staff, the holiday loan payment deferral program assisted local youth. Funds were raised to sponsor 40 children from the Sacramento Children's Home, unable to go home during the season, in their special holiday vacation trip. We also continued the annual Sacramento Food Bank campaign, a well known charitable enterprise in the greater Sacramento area. Once again, our staff team raised funds for the American Cancer Society by gathering sponsors and participating in the Strides Against Breast Cancer Walk. Not only do we want to make a difference in the quality of our members' lives, but we also want to serve the community in which we live.

Submitted by: Terry Tice
Chairman, Board of Directors

Jerrold A. Kinlock
President/CEO



Secretary-Treasurer's Report

For the fiscal year ended September 30, 2000, \$2,111,429 in net earnings were transferred to undivided profits, equivalent to \$1.27 on each \$100.00 in assets. This marks the twelfth year in the last fourteen in which your credit union has surpassed the \$1.00 benchmark. The same exemplary performance holds true for pre-transfer net earnings, which attained a record high of \$2,524,672, equivalent to \$1.52 per \$100.00 in assets.

Although loan growth stalled somewhat for the first eight months of fiscal 1999 – 2000, it did pick up during the final four months, enabling a 5.00% rate of growth. Growth in deposits and assets proved much stronger with a fiscal year growth rate of 13.00%.

Despite the slow start in lending, the banner year in net earnings generated 16.00% increase in net capital. At fiscal year end the key ratio of net capital to average assets was 10.17%, the tenth consecutive month in which the ratio has exceeded 10.00%.

Among the many reasons for our continued financial success is our ability to satisfy our membership's demand to borrow. September represents the sixty-eighth out of the last seventy months in which at least 70.00% of assets have been deployed as loans to members.

Our commitment to providing our 23,500 members with top quality products and services remains the key to our continuing success as a sound, competitive, reliable financial institution.

Submitted by: Jan Reeves
Secretary-Treasurer, Board of Directors



Lending Report

Year 2000 was a year of modest loan growth for Sacramento Credit Union. Loan outstandings were \$133,530,798 or a net increase of \$5,000,000. This 4.00% increase was primarily attributed to the focus on home equity loans, a tactic pursued to complement the shorter term auto loans of previous years. This enabled us to design a series of home equity products that were very aggressively priced and to add features and benefits to meet the members' demands. Despite non-growth in secured, VISA and signature loans, the total loan portfolio grew by 4.00%, representing over \$67,000,000 of fundings over the course of the fiscal year.

The loan portfolio remained strong during this period, as average loan delinquency declined to a low of 0.59%, with a ratio of charge-offs to average loans down to 0.88%.

<u>Loan Type</u>	<u>Percent of Portfolio Mix</u>	<u>September, 2000</u>	<u>September, 1999</u>	<u>Percent Change</u>
Secured	63.0%	\$ 84,067,824	\$ 86,102,565	(2.4%)
VISA	4.6%	\$ 6,149,735	\$ 6,395,552	(3.8%)
Signature	4.9%	\$ 6,538,943	\$ 6,732,592	(2.9%)
Mortgage	27.5%	\$ 36,774,296	\$ 28,944,858	27.0%
Total	100.0%	\$133,530,798	\$128,175,567	4.2%

Submitted by: Joe Favela
Executive Vice President



Supervisory Committee Report

O'Rourke, Sacher and Moulton, Certified Public Accountants, were retained to perform the 2000 annual audit of the credit union's financial statements. Their examination included a study and evaluation of Sacramento Credit Union's accounting systems, procedures, internal controls and other auditing procedures sufficient to provide assurance that the financial statements are accurate.

The comparative highlights from the credit union's financial statements for the 12 month period ending September 30, 2000, are as follow:

Key Financial Performance Comparison Fiscal Year Ending September 30, 2000

<u>Performance Category</u>	<u>September 2000</u>	<u>September 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$180,988,620	\$156,376,043	\$24,612,577	15.7%
Net Loans	\$133,637,608	\$127,184,674	\$ 6,452,934	5.1%
Member Deposits	\$161,604,532	\$139,852,020	\$21,752,512	15.6%
Net Capital	\$ 17,945,318	\$ 15,413,936	\$ 2,531,383	16.4%
Asset Yield	\$ 14,032,475	\$ 12,061,891	\$ 1,970,584	16.3%
Less Cost of Funds	\$ 5,656,409	\$ 4,942,638	\$ 713,771	14.4%
Gross Spread	\$ 8,376,066	\$ 7,119,253	\$ 1,256,813	17.7%
Less Net Operating Expense	\$ 4,642,631	\$ 4,302,308	\$ 340,323	7.9%
Less Provision Bad Debt	\$ 1,208,761	\$ 1,638,011	\$ 429,250 (26.2%)
Net Income per NCUA	\$ 2,524,674	\$ 1,178,934	\$ 1,345,740	114.1%
Net Reserve Transfer	\$ (413,243)	\$ 241,455	\$ (654,698)	(271.1%)
Net Income per Undivided Profits	\$ 2,111,431	\$ 1,420,389	\$ 691,042	48.7%

The Supervisory Committee meets periodically with management and independent accountants to review the work of each and to satisfy itself that each person properly discharges his or her responsibilities.

Additionally, the Committee has reviewed and examined various internal credit union policies and procedures throughout the year. It is the opinion of the Committee that Sacramento Credit Union properly discharges its financial responsibilities and that it has continued its growth and development as a solid financial institution.

Submitted by: Pat Wilcox
Chairperson, Supervisory Committee



LOCATIONS

Bradshaw	3660 Bradshaw Road, Sacramento
Elk Grove	9160 E. Stockton Blvd., Ste. 120, Elk Grove
H Street	800 H Street, Sacramento
Madison/Fair Oaks	8100 Madison Avenue, Fair Oaks
Ultra Access	2255 Watt Avenue, Ste. 10, Sacramento