



SACRAMENTO

CREDIT UNION

2001

ANNUAL REPORT

**800 H STREET
P.O. BOX 2351
SACRAMENTO, CA 95812-2351
(916) 444-6070
www.sactocu.org**



Board of Directors' and President's Report

For the financial industry, 2001 will go down in history as a unique year. The year began with uncertainty as to the election of the President, causing the financial markets concern and speculation. Following that were the unprecedented Federal Reserve interest rate changes. The technology sector of our financial markets suffered a free fall from their skyrocketing values of prior years. If this were not enough, we then experienced the horror of an attack on our nation's security that changed our way of life forever.

These were challenging times in our business environment. The competition for the consumer dollar is fierce among financial institutions. The lines continue to blur among banks, brokerage houses, insurers and other financial institutions. Despite the financial atmosphere and competition, Sacramento Credit Union has prospered, doing so by virtue of keeping the best traditions of service and value. We see the interest of our members, their dreams of financial security and keep that in mind, rather than seeing them as a point of profit. Yet, we must operate in the most regulated and constricted environment of all financial institutions. Your Board of Directors and management team of the credit union focused our resources to balance growth with current earnings for the purpose of operating a safe and sound credit union that promotes fiscal health.

The Board of Directors' and management team's planning process surfaced key components for 2001 to expand our market share and become a leader in the first mortgage program. Through joint alliances we offered state of the art first mortgage products with extremely competitive service, rates and fee structure. The goal was to add value to our home mortgage program. We are proud to say that an impact was made in our first year with the introduction of many new products and training programs. Moving forward, this is viewed as a critical product offering, to which an ever increasing commitment will be made.

Your Board of Directors sought and received authorization to expand Sacramento Credit Union into El Dorado and Placer Counties. This market growth potential is truly regional as we reach out to neighboring communities and share the benefits of credit union membership. It is our commitment to have solid financial growth and add value, while at the same time improve the financial well being of the members we serve.

Submitted by: Judy McGarry
Chairperson, Board of Directors

Jerrold A. Kinlock
President/CEO



Secretary-Treasurer's Report

Net earnings for the fiscal year ended September 30, 2001, were \$2,644,315, equivalent to 135 basis points on average assets of \$296 million. Return on assets (ROA) has exceeded 100 basis points in 14 of the last 15 fiscal years.

Superior ROA was accompanied by a solid rate of growth in return on equity (ROE). The ROE of 15% was generated on a well balanced growth mixture of 25% in loans, atop 20% in deposits and assets. The \$2.7 million increase in net capital represents the 56th time over the last 15 years that Sacramento Credit Union has recorded a rolling fourth quarter ROE in excess of 10%.

The key ratio of net capital to assets settled at 9.5% by the end of the fiscal year, holding up well despite the challenges posed by plummeting interest rates and the shocking events of September 11, 2001.

Sacramento Credit Union realized very positive growth in membership. The 1,500 net new members reflect a 6% increase. Even more exciting is the fact that deposits per member increased over \$900 to a record high of \$7,600.

The deposits entrusted to Sacramento Credit Union over the years have been consistently and effectively loaned back to the membership. One of our most cherished attributes is the abundant loan demand of our membership. The glowing financial statistics cited above are in large part due to prudent, equitable and extensive deployment of loans. Throughout fiscal 2000 – 2001, 75.7% of our assets were deployed as loans.

Submitted by: Carole Hopwood
Secretary-Treasurer, Board of Directors



Lending Report

The year 2001 was one of exceptional loan growth for Sacramento Credit Union. Loans outstanding for September 2001 were \$182,230,365, a net increase of \$48,699,567. This 36.5% increase was primarily attributed to a focus on automobile lending and home equity mortgages. These product lines were designed to add value and benefit to our membership. Our members have embraced these offerings as evidenced by last year's phenomenal growth.

Despite the growth rate, loan quality remained strong through this period, as average loan delinquency declined to a low of 0.58%, representing only fifty-eight cents of every one hundred dollars in loans outstanding. Loan charge-offs net of recoveries for the same time period were down to 0.74% of loans outstanding.

<u>Loan Type</u>	<u>Percent of Portfolio Mix</u>	<u>September, 2001</u>	<u>September, 2000</u>	<u>Percent Change</u>
Secured	64.1%	\$116,906,372	\$ 84,067,824	39.1%
VISA	3.3%	\$ 5,947,160	\$ 6,149,735	(3.3%)
Signature	2.2%	\$ 4,028,074	\$ 6,538,943	(38.4%)
Mortgage	30.4%	\$ 55,348,759	\$ 36,774,296	50.5%
Total	100.0%	\$182,230,365	\$133,530,798	36.5%

Submitted by: Joe Favela
Executive Vice President



Supervisory Committee Report

McGladrey & Pullen, LLP, Certified Public Accountants, were retained to perform the 2001 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, 2001, are as follow:

Key Financial Performance Comparison Fiscal Year Ending September 30, 2001

<u>Performance Category</u>	<u>September 2001</u>	<u>September 2000</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$217,130,013	\$180,988,620	\$36,141,393	20.0%
Net Loans	\$170,145,332	\$133,637,608	\$36,507,724	27.3%
Member Deposits	\$195,033,883	\$161,604,532	\$33,429,351	20.7%
Net Capital	\$ 20,609,369	\$ 17,945,318	\$ 2,664,051	14.8%
Asset Yield	\$ 15,839,242	\$ 14,032,475	\$ 1,806,767	12.9%
Less Cost of Funds	\$ 7,247,458	\$ 5,656,409	\$ 1,591,049	28.1%
Gross Spread	\$ 8,591,784	\$ 8,376,066	\$ 215,718	2.6%
Less Net Operating Expense	\$ 4,952,735	\$ 4,642,631	\$ 310,104	6.7%
Less Provision Bad Debt	\$ 994,733	\$ 1,208,761	\$ 214,028	(17.7%)
Net Income per NCUA	\$ 2,644,316	\$ 2,524,674	\$ 119,642	4.7%
Net Reserve Transfer	\$ 0	\$(413,243)	\$(413,243)	(100.0%)
Net Income per Undivided Profits	\$ 2,644,316	\$ 2,111,431	\$ 532,885	25.2%

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: Patrick Groff
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