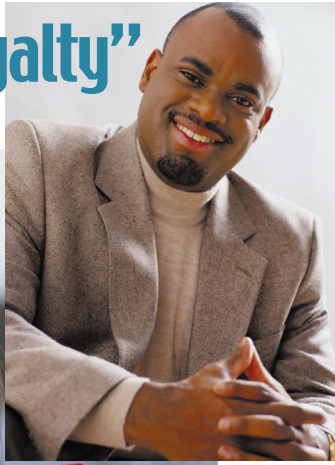


“loyalty”



“services”



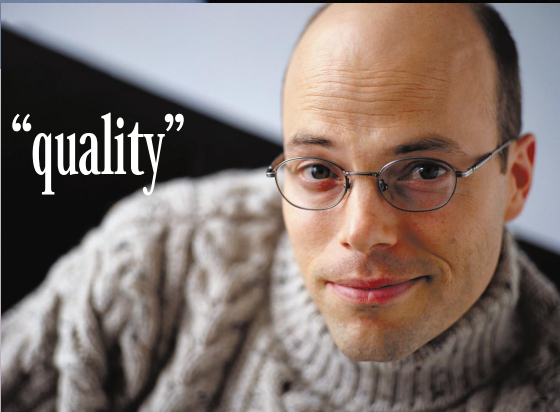
“convenience”



“trust”



“quality”



2 0 0 0

ANNUAL REPORT

 **University**  
FEDERAL CREDIT UNION



“convenience”

# “contents”

CHAIRMAN'S REPORT .....	page 2
BOARD OF DIRECTORS .....	page 3
PRESIDENT'S REPORT .....	page 4
TREASURER'S REPORT .....	page 5
SUPERVISORY COMMITTEE REPORT .....	page 6
AUDITOR'S REPORT .....	page 7
FINANCIAL HIGHLIGHTS .....	page 7
STATEMENTS OF FINANCIAL CONDITION .....	page 8
STATEMENTS OF INCOME .....	page 9
STATEMENTS OF COMPREHENSIVE INCOME .....	page 10
STATEMENTS OF MEMBERS' EQUITY .....	page 10
STATEMENTS OF CASH FLOWS .....	pages 11 - 16
OFFICERS .....	page 17
FIELD OF MEMBERSHIP .....	page 18
EMPLOYEES .....	page 20

# "loyalty"

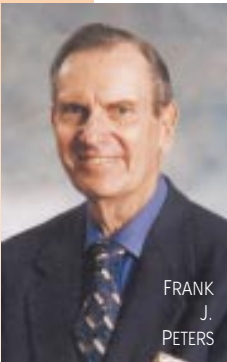
"faithful in allegiance"

"services"

"convenience"

"trust"

"quality"



FRANK  
J.  
PETERS

During a year in which we saw the rise and fall of countless dot-coms and dashed financial expectations for many, your Credit Union experienced exceptionally strong financial performance while expanding facilities and services as never before. Your Board of Directors, which consists of nine volunteers, men and women elected by and from the membership to staggered three-year terms, oversaw a wide variety of critical initiatives

intended to more comprehensively meet the financial needs of our growing membership. They include:

- Selection of a new President/Chief Executive Officer to follow in the footsteps of E. Burton Eubanks, who retired June 1, 2000, after leading your Credit Union for 25 years;
- In-depth study of possible conversion from a Federal to a State Credit Union Charter, a contemporary issue under review by many credit unions which, as a result of the State's more attractive membership guidelines, could better position the organization for long-term growth;
  - Establishment of UFCU Financial Services, Limited Liability Corporation, a Credit Union Service Organization through which the Board and management are exploring the possibility of expanding traditional credit union services to include availability of financial planning and brokerage services, property and casualty insurance, and a host of other attractive financial solutions;
  - Considerable attention given to facilities, including establishment of our first branch in Round Rock on Highway 79 just east of IH-35, relocation of the Downtown Branch to more comfortable quarters within the same building at 7<sup>th</sup> and Colorado Streets, and inception of services through the national credit union Shared Branch Network, through which members living around the country can perform personal transactions in any number of cities;
  - Inception of Wheels 101, including the online version, and Second Chance, two programs through which members may better educate themselves about the auto purchasing process, thereby getting a great price on the car they want, matched with an equally attractive loan;
  - Addition of several high-profile employers to our field of membership, helping push total membership over the 100,000 threshold early in the year;

Though the year has been filled with these many changes, including a change at the top of the organization, rest assured some things have not changed... If our new President, Tony C. Budet, looks familiar, it's because he has been a part of the University Federal family for 16 years, working in the capacities of Chief Financial Officer and Chief Operations Officer before his promotion to President last June. Like E. Burton Eubanks, Tony's primary focus is on delivering the quality service you have come to expect from University Federal, anyway you want it—in person, by phone, or online.

On behalf of your Board of Directors, I thank you for your membership and for the trust you place in our Credit Union to help manage your financial affairs. In spite of the fact we've grown over the last 65 years to become Austin's largest locally owned financial institution, we will always do business one transaction at a time in keeping with our tradition of "people helping people."

*Frank J. Peters*

**Frank J. Peters**  
Chairman

BOARD OF DIRECTORS

CHAIRMAN



*Frank J. Peters*

VICE CHAIRMAN



*Gilbert O. Gallegos*

TREASURER



*Mary A. Seng*

SECRETARY



*Marilla D. Svinicki*



*Thomas J. Ardis*



*John M. Camden*



*William T. Guy, Jr.*



*Carl E. Hansen*



*Cynthia A. Leach*

"loyalty"

## "services"

"help  
given to  
others"

"convenience"

"trust"

"quality"

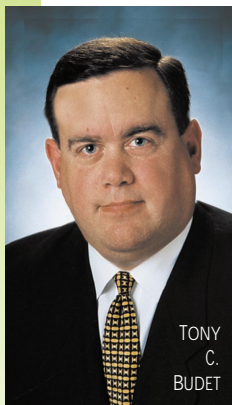
Having worked for University Federal Credit Union and, more specifically, for E. Burton Eubanks, our former President/CEO, for most of my professional life, it is a tremendous honor to

have been selected by our Board of Directors to follow him in leading this fine organization. If asked what it is that makes University Federal special, Burton Eubanks no doubt would attribute our success to a wide variety of factors, including our wonderful members, talented staff, and exceptional management team. First and foremost, however, he would point to the heavy emphasis we place on the quality of delivery of service to our members, and rightly so. Combine that with the fact we're a nonprofit organization, are cooperatively owned by you, our members, and have a Board of Directors comprised of nine talented men and women who volunteer considerable time to ensure your credit union is well managed and properly focused, and I think you will agree we have the makings of a financial organization which is truly unique.

I heard it said recently that "leadership is a team sport." While my focus is, first and foremost, on you, our members, and on striving to meet your financial needs as well or better than anyone else, our executive team also focuses quite heavily on exceeding the expectations of our staff, 220 of the finest men and women in our profession. Believing leadership can be an organizational trait, not simply an individual characteristic, our executive staff has begun a journey to create leaders at all levels of the Credit Union, clearly communicating our vision, goals, and values, and then getting out of their way so they can do what they do best—serve you.

While University Federal's future continues looking bright, I am particularly enthused about opportunities which have recently risen to substantially expand the menu of traditional products and services offered to include online brokerage services, opportunities to purchase equity investments on a fractional share basis, and access to property and casualty insurance through business partners who offer good value while sharing our commitment to quality service delivery. Additionally, most every product currently offered is under review for possible enhancements, so 2001 promises to be a year in which University Federal will position itself to better meet your evolving financial needs.

So, while my face may be new to you, rest assured I have every intention of upholding the fine tradition of quality service established and nurtured by Burton Eubanks during the last quarter century. This is your Credit Union, I encourage you to use it, and am grateful to the Board of Directors for the opportunity to lead an organization for which I have always had strong affection.



TONY  
C.  
BUDET

**Tony C. Budet**  
President/CEO

"services"

The year 2000 was challenging, a year which began with a higher interest rate environment and ended with a slowing economy. Yet, despite these economic changes, University Federal posted an exceptional year financially, which included many record-breaking performances. The most significant statistic was net growth of more than \$60 million or 30% in total loans outstanding, to \$263 million. Total deposits increased \$31 million to \$370 million, a 9% rate of growth. We take great pride in these results because they reflect the trust and confidence our members place in us to meet their financial needs. On total revenue of \$38 million, University Federal generated net income in excess of \$5 million, a return of 1.24% on average assets. Strong earnings boosted University Federal's reserves, its Members' Equity position, to \$31 million, up 33%, while total assets grew to \$430 million, representing growth of 11%.

The Asset Liability Management Committee, chaired by the Treasurer and comprised of several other members of the Board and executive management, met monthly during the year to review financial performance, economic trends, the interest rate environment, and the competitiveness of University Federal's array of products and services. More importantly, on a quarterly basis, this Committee also reviewed considerable data generated by a proven asset-liability management model to ensure fluctuations of market interest rates will not significantly impact the capital position and future earnings of the Credit Union.

Philosophically, it is University Federal's goal to offer competitive savings opportunities to its members and to put those funds back in the hands of members in the form of loans to buy autos, finance educations, purchase homes, and take advantage of a host of other options which enhance our members' quality of life. In 2000, University Federal funded almost 52,000 loans totaling more than \$200 million. These loans were carefully priced based on the quality of each member's credit history. As a result of this prudent underwriting practice, more members than ever before qualified for loans and performance of the portfolio was exceptional. Loan delinquency ended the year at just .36% of the portfolio, a decrease of 75%, and net charge-offs fell 8% to .54% of the loan portfolio.

In spite of the economic slowdown which greeted the new year, University Federal is well positioned to remain competitive and to fulfill its commitment to provide comprehensive financial solutions, with keen attention to quality service delivery, to its 100,000-plus members.

*Mary A. Seng*  
**Mary A. Seng**  
 Treasurer



MARY  
 A.  
 SENG

“loyalty”  
 “services”  
 “convenience”  
 “easily accessible”  
 “trust”  
 “quality”

"loyalty"

"services"

"trust"

"trust"

"confidence  
OR  
faith in"

"quality"

The Supervisory Committee is composed of volunteer members whose primary responsibility is ensuring that management's financial reporting objectives are met and that management's practices and procedures adequately safeguard members' assets. To achieve these general goals, the Committee met on a regular basis throughout the year and directed the following activities:

The Committee engaged the services of Orth, Chakler, Murnane & Co., a certified public accounting firm, which specializes in credit union auditing, to conduct the annual audit of University Federal's financial statements for the 2000 fiscal year. Audited financial statements and the related Independent Auditor's Report are included in this Annual Report.

The Committee also directed the Internal Audit function, aiding in the assessment of risk to the organization and development of the audit program, establishing a monitoring and follow-up procedure to measure effectiveness of the program, addressing issues of regulatory compliance, and encouraging the management team in its commitment to strong internal controls.

As part of its reporting responsibilities to the Board of Directors, at least one Supervisory Committee member was present at each meeting of the Board. Additionally, minutes of Committee meetings were included in materials reviewed by the Board each month.

The Committee solicited and reviewed formal written responses by management to all audit recommendations and monitored status of all resulting commitments. The Committee also assessed and reviewed the results of a management-initiated Information Systems network security audit.

Throughout the year, members of the Committee attended conferences and other educational events focused on industry issues and on the Committee's "watchdog" role within the Credit Union.

The Supervisory Committee thanks the Board of Directors, management, and staff for their commitment and support, which resulted in a tremendously successful year.



ARTHUR  
B.  
MARTINEZ

A handwritten signature in blue ink that reads "Arthur B. Martinez".

**Arthur B. Martinez**  
*Supervisory Committee  
Chairman*



*Independent Auditors' Report*

*January 26, 2001*

*To the Supervisory Committee of  
University Federal Credit Union*

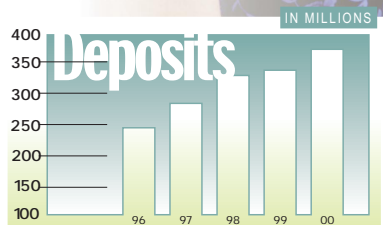
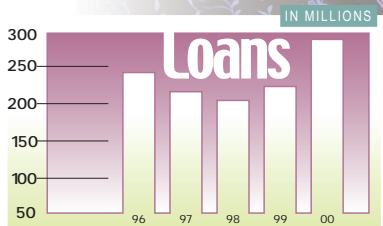
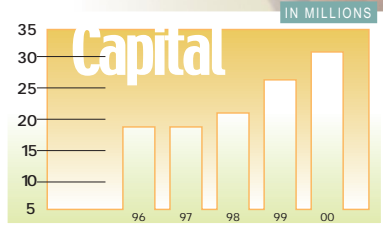
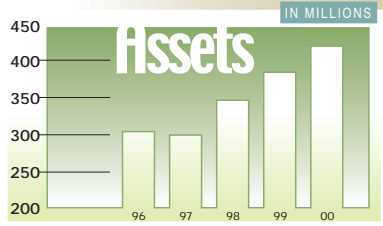
We have audited the accompanying statements of financial condition of University Federal Credit Union, as of December 31, 2000 and 1999, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union'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 University Federal Credit Union as of December 31, 2000 and 1999, 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.

*Orth, Chakler, Murnane & Co.*

**Orth, Chakler,  
Murnane & Company**  
*Certified Public Accountants*



	As of December 31,	
	2000	1999
Cash and cash equivalents	\$ 15,703,191	\$ 28,322,062
Investments:		
Available-for-sale	111,300,619	116,865,219
Held-to-maturity	1,499	2,289,586
Other	3,274,200	3,091,800
Loans held for sale	19,975,421	18,955,494
Loans to members, net of allowance for loan losses	260,219,695	198,978,881
Accrued interest receivable	2,931,474	2,621,313
Prepaid and other assets	1,524,937	1,300,696
Property and equipment	11,473,988	11,237,456
NCUSIF deposit	3,348,195	3,126,044
<b>Total assets</b>	<b>\$ 429,753,219</b>	<b>\$ 386,788,551</b>

## Liabilities And Members' Equity

	As of December 31,	
	2000	1999
<b>LIABILITIES:</b>		
Members' share and savings accounts	\$ 369,940,083	\$ 338,718,835
Accrued expenses and other liabilities	12,403,532	7,898,092
Borrowed funds	16,656,371	17,133,520
<b>Total liabilities</b>	<b>398,999,986</b>	<b>363,750,447</b>
Commitments and contingent liabilities	—	—
<b>MEMBERS' EQUITY:</b>		
Regular reserve	8,004,559	5,537,140
Undivided earnings	23,243,369	20,700,722
Accumulated other comprehensive loss	(494,695)	(3,199,758)
<b>Total members' equity</b>	<b>30,753,233</b>	<b>23,038,104</b>
<b>Total liabilities and members' equity</b>	<b>\$ 429,753,219</b>	<b>\$ 386,788,551</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

	For the years ended December 31,	
	2000	1999
<b>INTEREST INCOME:</b>		
Loans to members	\$ 20,637,068	\$ 17,719,500
Investments	7,400,122	7,355,297
Total interest income	28,037,190	25,074,797
<b>INTEREST EXPENSE:</b>		
Members' share and savings accounts	10,668,005	10,365,711
Borrowed funds	807,139	165,722
Total interest expense	11,475,144	10,531,433
Net interest income	16,562,046	14,543,364
<b>PROVISION FOR LOAN LOSSES</b>	804,799	431,326
Net interest income after provision for loan losses	15,757,247	14,112,038
<b>NON-INTEREST INCOME:</b>		
Fees and service charges	8,091,436	7,406,133
Gain on sale of loans, net	1,764,611	1,664,851
Total non-interest income	9,856,047	9,070,984
	25,613,294	23,183,022
<b>NON-INTEREST EXPENSE:</b>		
Compensation and employee benefits	9,862,147	8,994,688
Other operating expenses	7,863,214	7,193,445
Occupancy	1,451,692	1,330,704
Marketing and business development	1,107,065	860,540
Professional and outside services	308,202	278,140
Loss on disposition of fixed assets	10,908	20,657
Loss on sale of available-for-sale investments	-	88,373
Total non-interest expense	20,603,228	18,766,547
<b>Net Income</b>	<b>\$ 5,010,066</b>	<b>\$ 4,416,475</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

	For the years ended December 31,	
	2000	1999
<b>NET INCOME</b>	\$ 5,010,066	\$ 4,416,475
<b>OTHER COMPREHENSIVE INCOME:</b>		
Unrealized holding gains/(losses) on available-for-sale investment arising during the period	2,705,063	(2,958,772)
Other comprehensive income/(loss)	2,705,063	(2,958,772)
<b>Comprehensive Income</b>	<b>\$ 7,715,129</b>	<b>\$ 1,457,703</b>

	For the years ended December 31, 2000 and 1999			
	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 1998	\$ 4,017,920	\$17,803,467	(\$240,986)	\$21,580,401
Net income	—	4,416,475	—	4,416,475
Other comprehensive loss	—	—	(2,958,772)	(2,958,772)
Transfers:				
Statutory	1,950,546	(1,950,546)	—	—
Provision for loan losses	(431,326)	431,326	—	—
<b>Balance, December 31, 1999</b>	<b>5,537,140</b>	<b>20,700,722</b>	<b>(3,199,758)</b>	<b>23,038,104</b>
Net income	—	5,010,066	—	5,010,066
Other comprehensive income	—	—	2,705,063	2,705,063
Transfers:				
Statutory	3,272,218	(3,272,218)	—	—
Provision for loan losses	(804,799)	804,799	—	—
<b>Balance, December 31, 2000</b>	<b>\$8,004,559</b>	<b>\$23,243,369</b>	<b>(\$494,695)</b>	<b>\$30,753,233</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

	For the years ended December 31,	
	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 5,010,066	\$ 4,416,475
Adjustments:		
Provision for loan losses	804,799	431,326
Depreciation and amortization	1,722,051	1,408,622
(Accretion) amortization of investment premiums/discounts	(34,878)	(122,561)
Amortization of deferred fees and costs	861,859	1,095,806
Loss on disposition of fixed assets	10,908	20,657
Loss on sale of available-for-sale investments	-	88,373
Changes in operating assets and liabilities:		
Loans held for sale	(1,019,927)	483,200
Accrued interest receivable	(310,161)	(544,061)
Prepaid and other assets	(224,241)	(17,100)
Accrued expenses and other liabilities	4,505,440	2,049,166
Net cash provided by operating activities	11,325,916	9,309,903
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities, sales, and repayments of available-for-sale securities	8,880,052	73,670,678
Purchase of available-for-sale securities	(568,260)	(92,818,059)
Proceeds from maturities and repayments of held-to-maturity securities	2,280,836	4,401,193
Net change in other investments	(182,400)	(1,187,400)
Proceeds from sale of building	17,031	2,658,110
Net change in loans, net of charge-offs	(63,152,737)	(13,934,774)
Bond claim settlement for loans	-	446,323
Recoveries on loans charged off	245,265	245,606
Expenditures for property and equipment	(1,986,522)	(4,497,206)
Change in NCUSIF deposit	(222,151)	(419,707)
Net cash used in investing activities	(54,688,886)	(31,435,236)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in members' share and savings accounts	31,221,248	13,359,611
Net change in borrowed funds	(477,149)	17,106,306
Net cash provided by financing activities	30,744,099	30,465,917
Net change in cash	(12,618,871)	8,340,584
Cash at beginning of year	28,322,062	19,981,478
Cash at end of year	\$ 15,703,191	\$ 28,322,062
<b>SUPPLEMENTAL CASH FLOWS DISCLOSURES:</b>		
Interest paid	\$ 11,506,637	\$ 10,376,698
<b>SCHEDULE OF NONCASH TRANSACTIONS:</b>		
Change in unrealized gain/loss on investments	\$ 2,705,063	\$ 2,958,775
Deferred gain on sale of building	\$ -	\$ 476,353

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTE

**SIGNIFICANT ACCOUNTING POLICIES****ORGANIZATION**

University Federal Credit Union (the "Credit Union") is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members.

**FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, demand deposits and non-term share deposits in Southwest Corporate Federal Credit Union. Amounts due from banks and the corporate credit union may, at times, exceed federally insured limits.

**INVESTMENTS**

Investments are classified into the following categories: held-to-maturity, available-for-sale, and other. Investment securities classified as held-to-maturity are measured at amortized cost. This classification is based upon the Credit Union's intent and ability to hold these investment securities to full maturity. Investment securities classified as available-for-sale are measured at market value as of the statement of financial condition date. Unrealized gains and losses for available-for-sale investments are reported as a separate component of members' equity. The Credit Union has elected to classify certain cash equivalents as other investments. This election is available to the Credit Union according to the terms of SFAS No. 95, "Statement of Cash Flows."

Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for amortization of premiums and accretion of discounts over the term of the investment by a method which approximates the interest method. Adjustments are recognized to interest income on investments.

**LOANS HELD FOR SALE**

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. All sales are made without recourse.

**LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES**

Loans are stated at the amount of unpaid principal, net of certain deferred fees and costs and an allowance for loan losses. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The allowance for loan losses is maintained at an amount that represents management's estimate of potential losses which may be sustained in the liquidation of currently outstanding loans. Management's periodic evaluation of the adequacy of the allowance account is based on the Credit Union's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions.

Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding. The accrual of interest is discontinued when a loan exceeds 90 days delinquent or when management believes that collection of interest is doubtful. Generally, loan fees which are charged to members are recognized in income when received and direct loan origination costs on loans to members are recognized in expenses when incurred. Credit card fees are recognized as fee income when assessed. This is not materially different from fees and expenses that would have been recognized under the provisions of Statement of Financial Accounting Standards (SFAS) No. 91, "Accounting for Non-refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases."

**PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost less accumulated depreciation. Buildings, and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**NATIONAL CREDIT UNION SHARE INSURANCE FUND (NCUSIF) DEPOSIT**

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

**MEMBERS' SHARE AND SAVINGS ACCOUNTS**

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

**MEMBERS' EQUITY**

The Credit Union is required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve is not available for the payment of interest.

**REGULATORY CAPITAL**

Effective August 7, 2000, the Credit Union became subject to various regulatory net worth requirements administered by the NCUA. Failure to meet minimum net worth requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific net worth guidelines that involve quantitative measures of the Credit Union's assets and liabilities, as calculated under generally accepted accounting principles. As of December 31, 2000, management believes that the Credit Union meets all capital adequacy requirements to which it is subject.

**FEDERAL AND STATE TAX EXEMPTION**

The Credit Union is exempt from most federal, state, and local taxes.

2

INVESTMENTS

The amortized cost and estimated market value of investments are as follows:

As of December 31, 2000

Available-for sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Federal agency securities	\$ 74,352,886	\$ 2,722	(\$290,548)	\$ 74,065,060
Mutual funds	9,326,301	428	(129,891)	9,196,838
Mortgage-backed securities	28,116,128	78,637	(156,044)	28,038,721
	\$ 111,795,315	\$ 81,787	(\$576,483)	\$ 111,300,619

As of December 31, 1999

Available-for sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Federal agency securities	\$ 74,344,868	\$ -	(\$2,104,808)	\$ 72,240,060
Mutual funds	8,758,041	136	(306,850)	8,451,327
Mortgage-backed securities	36,962,068	15,484	(803,720)	36,173,832
	\$ 120,064,977	\$ 15,620	(\$3,215,378)	\$ 116,865,219

As of December 31, 2000

Held-to-maturity:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Mortgage-backed securities	\$ 1,499	\$ -	\$ -	\$ 1,499

As of December 31, 1999

Held-to-maturity:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Mortgage-backed securities	\$ 2,289,586	\$ 459	(\$25,010)	\$ 2,265,035

As of December 31,

Other Investments:	2000	1999
Federal Home Loan Bank Stock	\$ 2,396,700	\$ 2,214,300
Capital shares in Southwest Corporate Federal Credit Union	750,000	750,000
Stock in credit union service organization	127,500	127,500
	\$ 3,274,200	\$ 3,091,800

The Credit Union maintains deposits at Southwest Corporate Federal Credit Union which normally exceed federally insured limits. Included in the deposit with Southwest Corporate Federal Credit Union is a restricted capital share base which is required for membership. This amount was \$750,000 as of December 31, 2000 and 1999.

The amortized cost and estimated market value of investments by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

**2** CONTINUED

	As of December 31, 2000			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Market Value	Amortized Cost	Market Value
No contractual maturity	\$ 9,326,301	\$ 9,196,838	\$ —	\$ —
Within 1 year	14,874,791	14,841,557	—	—
1-5 years	59,478,095	59,223,503	—	—
	83,679,187	83,261,898	—	—
Mortgage-backed securities	28,116,128	28,038,721	1,499	1,499
	\$ 111,795,315	\$ 111,300,619	\$ 1,499	\$ 1,499

Proceeds from the sale of investments classified as available-for-sale approximated \$16,163,500 for the year ended December 31, 1999. Gross gains of approximately \$5,100 and gross losses of approximately \$93,500 were realized for the year ended December 31, 1999.

**3** **LOANS TO MEMERS**

The composition of loans to members is as follows:

	As of December 31,	
	2000	1999
Loans outstanding:		
Vehicle	\$169,192,281	\$ 134,048,936
Unsecured	46,976,196	39,796,661
Real estate	38,629,083	20,760,488
Shares and other collateral	7,084,538	6,302,142
	261,882,098	200,908,227
Deferred fees and costs	1,088,279	1,389,398
	262,970,377	202,297,625
Less allowance for loan losses	(2,750,682)	(3,318,744)
	\$260,219,695	\$ 198,978,881

Loans on which the accrual of interest has been discontinued or reduced approximated \$820,000 and \$1,313,000 as of December 31, 2000 and 1999, respectively. If interest on these loans had been accrued, such income would have approximated \$43,000 and \$84,000 for the years ended December 31, 2000 and 1999, respectively.

A summary of the activity in the allowance for loan losses is as follows:

	As of December 31,	
	2000	1999
Balance, beginning of the year	\$ 3,318,744	\$ 4,043,331
Provision for loan losses	804,799	431,326
Recoveries	245,265	691,929
Loans charged off	(1,618,126)	(1,847,842)
Balance, end of year	\$ 2,750,682	\$ 3,318,744

**4** **PROPERTY AND EQUIPMENT**

A summary of the Credit Union's property and equipment is as follows:

	As of December 31,	
	2000	1999
Land	\$ 1,436,426	\$ 1,436,426
Buildings	5,874,843	6,089,134
Furniture and equipment	10,011,207	8,940,862
Leasehold improvements	1,508,666	947,310
Leased equipment (capital lease)	143,371	—
	18,974,513	17,413,732
Less accumulated depreciation and amortization	(7,500,525)	(6,176,276)
	\$ 11,473,988	\$ 11,237,456



5 note

**MEMBERS' SHARE AND SAVINGS ACCOUNTS**

Members' share and savings accounts are summarized as follows:

	Weighted-Average Rates As Of December 31, 2000	2000	As of December 31, 1999
Share drafts	1.14%	\$101,838,802	\$ 88,789,839
Money market accounts	3.19%	71,395,638	66,437,358
Shares and equivalents	2.67%	87,879,737	82,199,961
IRA shares	4.57%	14,522,989	14,953,987
		275,637,166	252,381,145
Certificates:			
3.20% - 4.00%		407,355	2,780,896
4.01% - 5.00%		9,743,009	59,985,972
5.01% - 6.00%		39,569,977	20,708,399
6.01% - 7.00%		44,358,820	2,862,423
7.01% - 7.25%		223,756	-
		94,302,917	86,337,690
		\$369,940,083	\$338,718,835

The aggregate amount of members' share and savings accounts over \$100,000 was approximately \$56,560,000 and \$51,274,000 as of December 31, 2000 and 1999, respectively.

Scheduled maturities of certificates are as follows:

As of December 31, 2000

Within 1 year	\$ 75,247,621
1 to 2 years	11,048,344
2 to 3 years	4,888,487
3 to 4 years	1,620,436
4 to 5 years	1,498,029
	\$ 94,302,917

**SHARE INSURANCE**

Members' shares are insured by the NCUSIF to a maximum of \$100,000 for each member. Individual Retirement Accounts carry an additional \$100,000 coverage.

6 note

**EMPLOYEE BENEFITS**

**TARGET BENEFIT RETIREMENT PLAN**

The Credit Union has a target benefit retirement plan. Participation is limited to all employees who meet specific age and service year limitations. Employer contributions are set by a predefined formula. Employees become fully vested upon completion of six full years of qualifying service.

**401(K) RETIREMENT PLAN**

Participation in the 401(k) plan is limited to all employees who meet specific age and service year limitations. Employees may contribute up to a maximum of \$10,000 per year to the plan. The Credit Union does not contribute into this plan. The total expense for both plans approximated \$477,000 and \$476,000 for the years ended December 31, 2000 and 1999, respectively.

7 note

**COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2000, the Credit Union maintained a \$15,000,000 unsecured and unused line-of-credit agreement with Southwest Corporate Federal Credit Union.

As of December 31, 2000, the Credit Union maintained a \$6,000,000 unsecured and unused line-of-credit agreement with Bank of America.

The Credit Union has entered into a secured line-of-credit agreement to borrow funds from Southwest Corporate Federal Credit Union. Amounts borrowed under this line-of-credit agreement are secured by investments safe kept at Southwest Corporate Federal Credit Union. As of December 31, 2000, the Credit Union had borrowed approximately \$400,000 under this line-of-credit agreement at a weighted average interest rate of 7.14%. The available line-of-credit under this agreement fluctuates based on the amount of investments safe kept at Southwest Corporate Federal Credit Union. As of December 31, 2000, the unused line of credit was approximately \$31,200,000.

The Credit Union has entered into a secured line-of-credit agreement with the Federal Home Loan Bank of Dallas. Amounts borrowed under this line-of-credit agreement are secured by investments safe kept with the Federal Home Loan Bank of Dallas. As of December 31, 2000, the Credit Union had borrowed \$16,200,000 under this line-of-credit agreement at a weighted average interest rate of 6.70%. The available line-of-credit under this agreement fluctuates based on the amount of investments safe kept at the Federal Home Loan Bank of Dallas. As of December 31, 2000, the unused line of credit was approximately \$52,200,000.

The Credit Union leases certain office space and equipment. The minimum noncancellable lease obligations as of December 31, 2000, are shown to the left.

The related rental expense was approximately \$634,000 and \$659,000 for the years ended December 31, 2000, and 1999, respectively.

The Credit Union is a party to various miscellaneous legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the Credit Union's financial condition.

Year Ending December 31,	Amount
2001	\$622,868
2002	609,865
2003	571,350
2004	571,592
2005	367,776
Thereafter	875,197
	\$3,618,648

8

**OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK**

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition. The Credit Union's exposure to credit loss in the event of nonperformance by its members is represented by the contractual amount of those instruments.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

As of December 31, 2000, the members' total lines of credit approximated \$135,485,000 of which approximately \$99,245,000 had not been funded. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the Austin, Texas area. However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk.

9

**FAIR VALUES OF FINANCIAL INSTRUMENTS**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange. The use of different assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate fair value of each of the financial instruments for which it was practicable to estimate.

**CASH**

The carrying amount is a reasonable estimation of fair value.

**INVESTMENTS**

Estimated fair values for investments are obtained from quoted market prices where available.

**LOANS TO MEMBERS**

The estimated fair value of variable-rate loans is the current carrying amount. For estimation of fair value purposes, credit card loans are considered variable-rate loans since interest rates may be changed by the Credit Union. The fair value of fixed-rate loans should be estimated by discounting the estimated cash flows using the current rate at which similar loans would be issued, however, management has determined that the fair value of these loans would not be materially different from the carrying amount. Therefore, the fair value of fixed-rate loans is the carrying amount.

**MEMBERS' SHARE AND SAVINGS ACCOUNTS**

The estimated fair value of demand deposit accounts is the carrying amount. The fair value of fixed-maturity certificates of deposit should be estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued, however, management has determined that the fair value of fixed-maturity certificates of deposits would not be materially different from the carrying amount. Therefore, the fair value of fixed-maturity certificates of deposit is the carrying amount.

The carrying value and estimated fair value of the Credit Union's financial instruments are as follows:

	As of December 31, 2000		As of December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS:</b>				
Cash	\$ 15,703,191	\$ 15,703,191	\$ 28,322,062	\$ 28,322,062
Investments:				
Available-for-sale	\$ 111,300,619	\$ 111,300,619	\$ 116,865,219	\$ 116,865,219
Held-to-maturity	\$ 1,499	\$ 1,499	\$ 2,289,586	\$ 2,265,035
Other	\$ 3,274,200	\$ 3,091,800	\$ 3,091,800	
Loans held for sale	\$ 19,975,421	\$ 19,975,421	\$ 18,955,494	\$ 18,955,494
Loans to members, net	\$ 260,219,695	\$ 260,219,695	\$ 198,978,881	\$ 198,978,881
<b>FINANCIAL LIABILITIES:</b>				
Members' share and savings accounts	\$ 369,940,083	\$ 369,940,083	\$ 338,718,835	\$ 338,718,835
<b>UNRECOGNIZED FINANCIAL INSTRUMENTS:</b>				
Commitments to extend credit	\$ -	\$ 99,245,000	\$ -	\$ 92,921,000

OFFICERS

PRESIDENT/CEO



*Tony C. Budet*

VICE PRESIDENT-  
INFORMATION SYSTEMS



*Steve E. Kubala*

VICE PRESIDENT-  
FINANCE/CFO



*Yung V. Tran*

VICE PRESIDENT-  
HUMAN RESOURCES



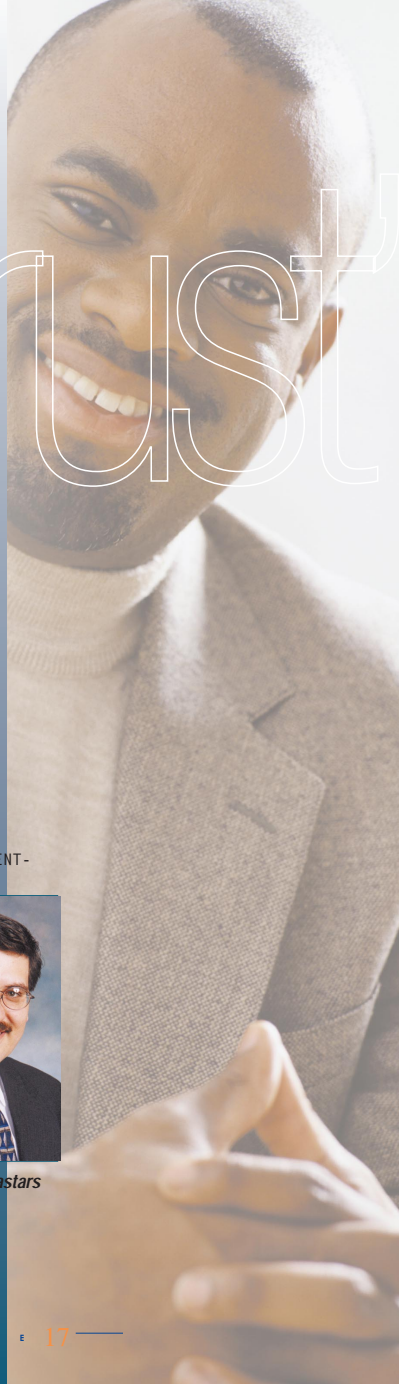
*Sheila J. Wojcik*

VICE PRESIDENT-  
LENDING



*James A. Nastars*

trust



**Austin, Texas Area**

Abbott Laboratories  
 American Institute of Architects, Austin Chapter  
 Applied Research Laboratories, UT Austin  
 Austin Area Chapter National Assoc. of Certified  
 Public Accountants and employees of members



Austin Association of Remodeling Contractors  
 Austin Board of Realtors and employees of members  
 Austin Chapter of the Texas Society of Certified  
 Public Accountants, Chapter Office employees  
 Austin Coca-Cola/Dr. Pepper Bottling Company  
 Austin Diagnostic Clinic  
 Austin Presbyterian Theological Seminary  
 and Graduate Students  
 Austin Software Council  
 Austin Surplus Lines Agency, Inc.  
 Austin Technology Incubator



ASAP Cargo, Inc.  
 Better Business Bureau, Austin  
 BOC Edwards Kochina  
 Brazos Higher Education Service Corporation  
 Concordia University: Faculty, Staff, and Students  
 Cortex Interactive, Inc.  
 Crossroads Systems  
 Episcopal Seminary of the Southwest  
 and Graduate Students  
 Enterprise, Inc.  
 FG Squared  
 frogTX  
 Gold Tower Club - for members age 55 and over  
 Goodwill Industries of Central Texas  
 Greater Austin YWCA: Employees only  
 Harte-Hanks Direct Marketing  
 High End Systems, Inc.  
 Holt, Rinehart and Winston  
 Huston-Tillotson College: Faculty, Staff, and Students  
 Intel Corporation  
 Interactive Ensemble

J.C. Evans Construction Company  
 J.J. Pickle Research Center  
 MCI World Com  
 Mechanical Interiors, Inc.  
 Mental Health Assoc., Austin Area  
 Microelectronics Computer Corporation (MCC)  
 Modus Media International  
 Newgistics  
 Northwestern Mutual Life Insurance Agency,  
 District Office  
 Polydyne Software, Inc.  
 Pro-Ed  
 Resources for Living  
 Samuels Jewelers  
 SEMATECH, Inc.  
 St. Edward's Alumni Association, Austin Chapter  
 St. Edward's University: Faculty, Staff and Students  
 State Credit Union Commission  
 Steck-Vaughn Publishing Company  
 Texas Council on Family Violence  
 Texas District of The Lutheran Church, Missouri Synod.  
 This includes all full-time employees serving the  
 Texas District office which is located in Austin

**Select Employee Groups**

The following companies,  
 organizations, associations, colleges  
 and universities are included in the field  
 of membership of University  
 Federal Credit Union.

Texas Electric Cooperatives, Inc., employees who work  
 in or are paid from Austin, Texas (including  
 employees who work in Jasper, Texas)  
 Texas Guaranteed Student Loan Corporation  
 Texas International Education Consortium  
 Texas Medical Liability Trust  
 Texas Society of Psychiatric Physicians, members of the  
 Austin and Galveston/Jefferson Chapters, and  
 employees and staff members of each respective  
 dues-paying member  
 TManage, Inc.  
 Tonic Software  
 Tower Records  
 Turner Collie & Braden, Inc.  
 University Co-op Bookstore, UT Austin  
 University of Texas at Austin: Faculty, Staff and Students  
 University of Texas at Austin:  
 Longhorn Foundation Members  
 University of Texas at Austin:  
 Offices, Bureaus, Divisions, and Activities  
 occupying facilities of UT Austin and listed  
 in the UT Directory  
 University of Texas Ex-Students' Association -  
 Austin Chapter  
 University Federal Credit Union employees  
 and their family members  
 University of Texas System Office  
 University United Methodist Church employees  
 UT Neighborhood Longhorn Program  
 Virtualco, Inc.  
 Vignette Corp.  
 Wheatsville Co-op, employees and members  
 YWCA of Greater Austin employees

**Galveston, Texas Area**

Edgewater Retirement Center  
 Family Health Care Centers  
 Galveston Catholic School: Employees Only  
 Galveston College: Faculty, Staff, and Students  
 Galveston County Health District  
 Galveston Historical Foundation  
 Gulf Coast Center  
 O'Connell High School: Employees Only  
 Shriners Burns Hospital  
 Texas A & M University Galveston Campus Faculty, Staff,  
 and Students  
 Texas Department of Corrections  
 Transitional Learning Community  
 University Area Association  
 University of Texas Medical Branch: Faculty, Staff, and  
 Students

**Taylor, Texas Area**

Taylor Community - all persons who live or work  
 in the city of Taylor, Texas

board of directors

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Gilbert O. Gallegos, Vice Chairman  
Mary A. Seng, Treasurer  
Marilla D. Svinicki, Secretary

Thomas J. Ardis  
John M. Camden  
William T. Guy, Jr.

Carl E. Hansen  
Cynthia A. Leach

supervisory committee

Arthur B. Martinez, Chairman  
Doris F. Constantine, Secretary

Ned H. Burns  
George K. Herbert  
Christine A. Plonsky

principal officers

**President/CEO**

Tony C. Budet

**Vice Presidents:**

Steve E. Kubala, Information Systems and Technology  
James A. Nastars, Lending and Collections  
Yung V. Tran, CPA, Finance/ CFO  
Sheila J. Wojcik, Human Resources and Performance Development

administration

**Senior Managers:**

William R. Berglund, Consumer and Real Estate Lending  
Marianne B. Spencer, Remote Delivery Systems  
Michael T. Hintz, Information Systems  
Alice M. Kain, Human Resources  
Glenda D. Lane, Business Development  
L. Vincent McConnell, Direct Delivery Systems  
Ellen S. Simpson, Internal Audit  
Bradley J. Shoff, Call Center



# “employees”

Janette Abbott Benson Adediji Brian Allen Kathy Allen Zachary Anderson  
Melissa Andrade Jennifer Applewhite Brandie Bailey Brooks Bailey Donna Balke  
Jesse Barcinas Margo Bean Kimberly Beasley Kathrine Beeman Felicia Benavides  
Fawn Bennett Bill Berglund Pamela Beverly Kimberly Boles Nancy Boling Paul Bonham  
Robert Bradley Cecelia Brooks James Brown Matt Brown Tiffany Brown Marcy Browning  
Nicole Buchorn Tony Budet Bambi Bunce Ashley Burwell Janice Calzada Marisol Cantu  
Christopher Carpender Nikki Carroll Cathy Castro Teresa Chapa Dino Cisneros  
Terry Cockerham Linda Coleman Tamika Collier Dru Cook Russell Cotton Freddy Coy  
Joyce Crouser ChaCha Cruz Sylvia Cruz Josephine Davidson Bruce Davis Malinda De La Rosa  
Christeen De Leon Justina Delgado Vivian Derden Lisa Deshay Pat Dispensa Rebecca Dobbs  
Chuck Dougherty David Duarte Curly Echelmeyer Evelyn Edmondson Heather Edwards  
Ariana Elizondo Cynthia Escobedo Jennifer Estrada Tammy Everhart Kay Fisher-Irwin  
Nita Franks Jo Freeman Jason Furr Michael Gandy Leticia Garza Rebecca Garza  
Regina Garza Sandy Gaskamp Ashley Gault Alicia Gentzel Shaun Gerrard  
Mewael Ghebremichael June Gillingham Iris Glaab Pat Gregory Mark Grejda Rosie Gripenrog  
Brigitte Guilmenot Trisha Hailey Lyanna Han Casey Haney Linda Hawkins Amy Herboek  
Holly Herrin Michael Hintz Scott Hoffman Carla Homesley Charles Hosek Jane Huang  
Kevin Hute Diana Isham Daphne James Janice Jennings Jennifer Johnson Rosalinda Johnson  
Alice Kain Darrell Kalina Tracye Keen Evelyn Kerr Edwina Kizsee Joyce Klockgether  
Joyce Koppenhaver Adam Kopplin Steve Kubala James Landry Glenda Lane Harris Latchman  
Brook Lester Marilyn Leuty David Lipchak Diana Lopez Luis Lopez  
Lora Louviere Leann Lovelady Rebecca Luis Nancy Mach Nina Mahan Maria Martinez  
Regina Martinez Veronica Maxey Tiffany McCleary Vince McConnell Kathryn McCoy  
Jason McGee Amy McRae Raechele Milam Tami Miller Cheryl Mobley Yolanda Moore  
Pamela Morgan Lacey Morris James Nastars Lisa Newman Shirley Normand Trina Norris  
Beth O'Banan Tracy Olson Nicky Ornelas Brian Ortiz Kim Otnes Sherri Owens Dora Papile  
Carrie Parker Linda Payn Donette Peevey Steve Perez Esther Perrill Christine Petersen  
Amber Phommavong Jonathan Ray Tammy Ray Rose Reames Ilene Reyes Irene Reyes  
Darra Rightmer Marie Rivers Rachel Roberson Wanda Roberson Gina Roberts Laurieann Rodriguez  
Raquel Rodriguez Pam Roethel Yolanda Roquemore Patricia Rosas Tony Rosas Jesse Salinas  
Lavetta Salisbury Penny Samford Christina Schutz Robin Scurlock Laurie Seiner  
Tasha Shackles Brad Shoff Lana Shryack Ellen Simpson Karri Sliwa Jenny Smart Andrea Smith  
Marla Smith Crystal Solis Randi Sonnen Marianne Spencer Meena Sreenivasan Darrell Stark  
Mark Stark Shaila Starnes Pauline Stranathan Krisha Streety Rhonda Summerbell Klaas Tadema III  
Rachelle Taylor Michael Thurmond Yung Tran Deborah Tucker Lois Turner Rachael Valadez  
Adela Valdez Alex Vega Joseph Villarreal Pamela Villarreal Sonia Villarreal Lynda Villasana  
Linda Wait Corina Watts GiGi Whitehead MaryRuth Wiley Brenda Wilmot Chester Wilson  
MadriLe Wilson Eric Wise Sheila Wojcik Morvena Wolf Catherine Wong Dorine Worthy  
Jennifer Yantes Wendi York Arthur Zapata Venessa Zapata Megan Zihlman Erni Zimmermann

“quality”



“loyalty”

“services”

“convenience”

“trust”

“quality”

“branches”



## DieMill

2025 Guadalupe Street, Austin, Texas

## Downtown

702 Colorado Street, Austin, Texas

## Galveston

428 Postoffice Street, Galveston, Texas

## Highway 79

201 Palm Valley Boulevard, Round Rock, Texas

## NorthGuadalupe

4611 Guadalupe Street, Austin, Texas

## SouthMopac

5033 US Highway 290 West at MoPac, Austin, Texas

## Steck

3305 Steck Avenue, Austin, Texas

## Taylor

407-A North Main Street, Taylor, Texas

## You Can Reach Us By Dialing

Austin: (512) 467-8080

Galveston: (409) 797-3300

US Toll Free: (800) 252-8311

## Mailing Address

PO Box 9350, Austin, Texas 78766-9350

[www.ufcu.org](http://www.ufcu.org)





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