



INFORMATION

Telephone Branch

P.O. Box 9, Jacksonville, AR 72078-0009

Local: 501-982-1000

Ft. Smith Local: 501-782-1000

Conway Local: 501-329-1000

Toll Free Services: 800-456-3000

TDD: 501-982-8732

E-mail: info@afcu.org

Internet Branch: www.afcu.org

Jacksonville Branch, 2424 Marshall Road

Little Rock Branch, 1001 W. Capitol Ave.

West Little Rock Branch, 301 North Shackleford Road (at Markham)

North Little Rock Branch, 4848 North Hills Blvd.

Camp Robinson Electronic Branch, Building 5400

Ft. Smith Branch, 1301-C South Waldron Road

Conway Branch, 220 Skyline Dr., HWY 65N

Hours: Monday - Thursday, 9:00-5:00, Friday 9:00-6:00

TECHNOLOGY | FINANCE | ECONOMY



Arkansas Federal
CREDIT UNION

Arkansas' Largest Financial Cooperative

A composite image featuring the Statue of Liberty, a welder, a firefighter, and a \$100 bill. The Statue of Liberty is on the right, holding a torch. A welder is on the left, creating bright sparks. A firefighter is in the background. A \$100 bill is in the foreground. The background is a warm, golden glow.

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ANNUAL REPORT

TECHNOLOGY
FINANCE
ECONOMY

ARKANSAS FEDERAL CREDIT UNION



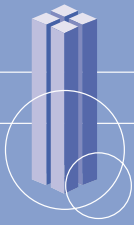
8:45 A.M.
SEPTEMBER 11, 2001

THIS ANNUAL REPORT IS DEDICATED
TO THE VICTIMS OF THE SEPTEMBER 11
TERRORIST ATTACKS, AND TO THE
UNITED STATES ARMED FORCES,
WHO RISK THEIR LIVES TO DEFEND
THE FREEDOM WE CHERISH.

TEAMWORK

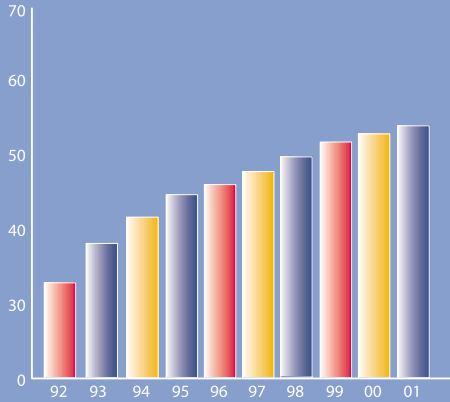
Pamela Anderson, Member Services Representative
 Toni Barentine, Fort Smith Teller
 Terri Bauman, Payroll/Benefits Admn.
 Keeli Beaulieu, Telephone Service Representative
 Justin Becker, Fort Smith MSR
 Ashley Bennett, Conway MSR
 Terry Borreson, Senior Vice-President/Finance
 Gary Bowling, Little Rock MSR
 Chandra Boyd, Telephone Service Representative
 Laura Bradley, Fort Smith Branch Manager
 Betty Bratton, Telephone Service Representative
 David Cavender, Membership Development Coordinator
 M. Veronica Chiquette, Jacksonville Teller
 Tammy Christian, Jacksonville Head Teller
 Peggy Clark, Loan Officer
 Khrriss Coello, Jacksonville Teller
 Millicent Cross, Mailing Clerk
 Pat Davis, Loan Officer
 Tina Davis, Little Rock Loan Disburser
 Agena DeChaine, Fort Smith MSR
 Alicia Dryden, Jacksonville Savings Counselor
 Tim Edwards, Jacksonville Savings Counselor
 Kelly Elrod, Marketing Assistant
 Teresa Esmailpour, Little Rock MSR
 Elizabeth Foster, Little Rock MSR
 Waylon Franklin, Courier
 Cheryl Fraser, Conway MSR
 Nina Furman, Collections Officer
 Dennis Gibson, Senior Vice-President/Service Delivery
 Brad Glass, Computer Operator
 Twana Griffin, Loan Officer
 Melody Grigg, Fort Smith MSR
 Lona Hall, Loan Officer
 Sandy Hancock, Camp Robinson MSR
 Virginia Harris, North Little Rock Teller
 Tammy Haughn, Jacksonville MSR
 Angela Heard, West Little Rock Branch Manager
 Debbie Hendrix, Account Research Representative
 Tina Higgins, Collections Officer
 Renee Hill, Collection Clerk
 Mary Hoover, Administrative Secretary
 Vanessa Horn, West Little Rock Savings Counselor
 Patricia Howard, Check Processor
 Anna Hudson, North Little Rock Loan Disburser
 Karen Hurst, Jacksonville MSR
 Kelley Jackson, Account Research Representative
 Erma Jarry-Vier, Loan Officer
 Sharon Johns, Mortgage Loan Shipper
 Helen Johnson, Accounting Manager
 Mary Johnson, Loan Officer
 Tricia Johnson, North Little Rock MSR
 Teresa Johnson, Telephone Service Representative
 Lance Jones, Internal Audit Director
 Roxanne Kasi, Account Research Representative
 H.C. Klein, President/CEO
 Debi LaFave, Accountant
 Virginia Larson, Little Rock MSR
 Laura Lauts, Loan Officer

Jessica Leverett, North Little Rock MSR
 Donna Lewis, Executive Secretary
 Amanda Lewis-Hendrickson, West Little Rock MSR
 Cory Liebhardt, North Little Rock Savings Counselor
 Susan Mansfield, Check Proofer
 Nicole Matsoukas-Eilts, Account Research Manager
 Yumi McCaulley, Records Control Clerk
 Angie McDonald, Mortgage Loan Processor
 Ellen McGough, Jacksonville MSR
 Valerie Mitchell, Little Rock Branch Teller
 Teresa Moore, West Little Rock MSR
 Valencia Moore, Telephone Service Representative
 Michele Mosely, Telephone Branch Manager
 Sherri Patrom, Jacksonville MSR
 Angella Perry, Jacksonville Loan Disburser
 Leslie Perry, Telephone Branch Head Teller
 Heather Peters, Jacksonville MSR
 Mandy Piper, Accounting Clerk
 Gayle Pipkin, ATM Processor
 Amy Poye, North Little Rock MSR
 Michelle Pulliam, Telephone Service Representative
 Andy Reed, Vice-President/Information Systems
 Viola Richarme, Reconciliation Clerk
 Susan Richmond, North Little Rock MSR
 Angela Rockins, Telephone Service Representative
 Sandy Rodriguez, North Little Rock Branch Manager
 Nancy Rowan, Members Financial Services Coordinator
 Natalie Roystuart, Telephone Service Representative
 Sandy Sadler, Jacksonville MSR
 Craig Savell, Senior Vice-President/Operations
 Katherine Schack, Telephone Service Representative
 K. Diana Scott, Training/Development Coordinator
 Addie Sereal, Little Rock MSR
 Rodney Showmar, Vice-President/Marketing
 Nicole Sinele, West Little Rock MSR
 Jason Skinner, Network Administrator
 Rebecca Skinner, Jacksonville MSR
 Heather Smith, Records Control Clerk
 Janis Smith, Account Research Representative
 Karen Smith, Electronic Funds Transfer Manager
 Patti Smith, Mortgage Loan Underwriter
 Steve Smith, Purchasing Manager
 Carol St. John, Mortgage Loan Manger
 Lea Stoll, North Little Rock Head Teller
 Wanda Thompson, Jacksonville MSR
 Loleatha Thornton, Telephone Service Representative
 Brandy Tougas, Jacksonville MSR
 Terry Vick, Jacksonville Branch Manager
 Jennifer Warden, Account Research Representative
 Janie Warner, Vice President/Human Resources
 Brenda Whaley, Mailing Clerk
 Jennifer Williamson, Loan Officer
 Dale Wilson, North Little Rock MSR
 Evelyn Witham, Membership Development Coordinator
 Sandy Wood, Conway Branch Manager
 Trista Wussick, Little Rock MSR
 Angela Zrebski, North Little Rock MSR

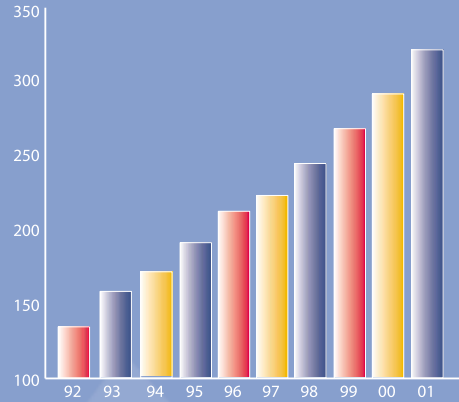


STATISTICS

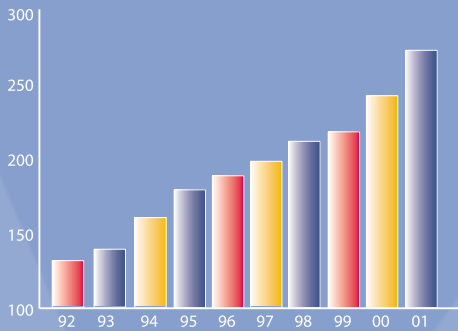
MEMBERS IN THOUSANDS



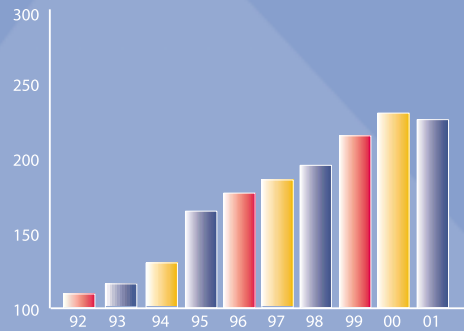
ASSETS IN MILLIONS OF DOLLARS



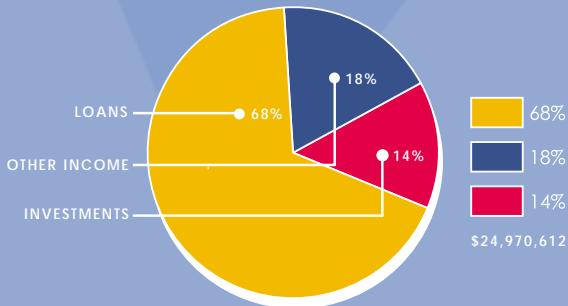
SAVINGS IN MILLIONS OF DOLLARS



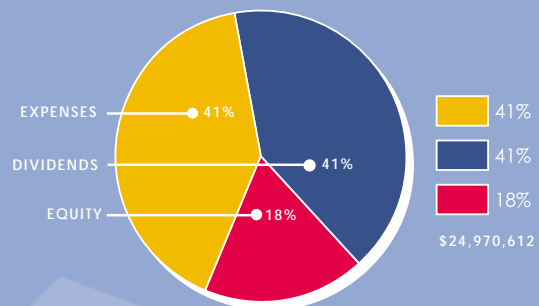
LOANS IN MILLIONS OF DOLLARS



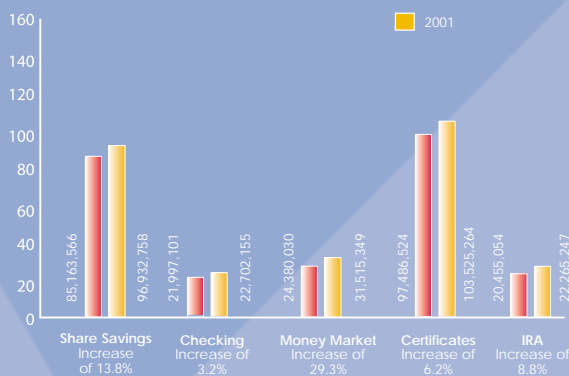
SOURCES OF INCOME



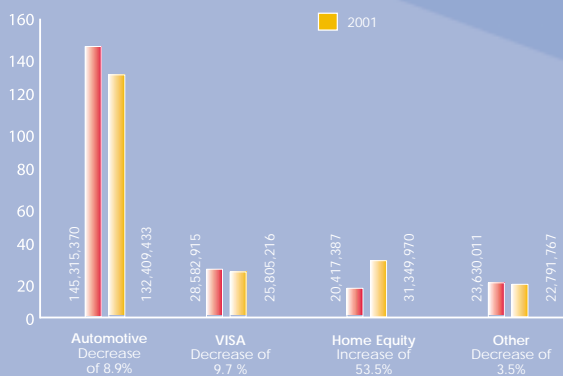
DISTRIBUTION OF INCOME



SAVINGS DISTRIBUTION



LOAN DISTRIBUTION



SENIOR MANAGEMENT

TEAM



LEFT TO RIGHT:
Dennis Gibson, Senior Vice
President/Service Delivery
Craig Savell, Senior Vice
President/Operations
H.C. Klein, President/CEO
Terry Borreson, Senior Vice
President/Finance

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YOUR CREDIT UNION FUTURE

VISION

THE POWER OF ANTICIPATING THAT WHICH WILL COME

The year 2001 began with much promise. Our economy was still performing at record pace and the outlook for the year ahead was bright.

But, 2001 turned out to be a year of dramatic change and unprecedented actions in our economy. While the economy was slipping into a recession, the Federal Reserve was trying to stimulate the economy by reducing interest rates. The shift into a recession oriented economy was accelerated by the terrorist attacks of September 11th. This was immediately followed by an unprecedented shutdown of the financial markets. This year saw the Federal Reserve continue to reduce interest rates for a total of 11 times during the year, declining to the lowest rates this country has seen in over 40 years.

TECHNOLOGY



Being a technological leader in Arkansas and around the nation has been synonymous with Arkansas Federal Credit Union. In July of 2001 we unveiled our new portal site at www.afcu.org. This new Internet Branch allows members to have more control over their finances from any location with a computer and Internet connection. Our added features gave members access to information on auto purchases, insurance, credit reports, and investments. Our improved online application capability allows members to apply for loans or request other services online. Our Account Access and Bill Payment feature make paying bills by check a thing of the past.

FINANCE



In 2001 we committed ourselves to researching the needs of our growing membership. Several studies were completed that told us more and expanded locations were needed to serve our members. We immediately began an aggressive expansion project to add a branch location in Conway and to expand our service locations in West Little Rock and Fort Smith to new and modern full service branches. The year 2002 will see a great and needed expansion of our physical facilities.

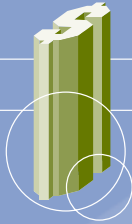
ECONOMY



Our Financial condition in 2001 remained strong despite the sagging economy. We began the year with \$288 million in assets and ended the year with over \$320 million in assets, which was 11.11% growth. Our membership grew from 54,187 in 2000 to 55,998 in 2001 for a 3.3% growth in our member base. Arkansas Federal Credit Union remains the best insured financial institution in the state; insuring accounts up to \$350,000 (deposit insured \$100,000 through NCUA and \$250,000 through Excess Share Insurance). This, once again, is a testament to our strength and our position in the market place.

While we have met the challenges of the past year, our greatest challenges lie ahead. We stand poised and ready to accept the challenges and achieve further success. Our people and our technology are second to none. While you are sure to witness new and innovative services in the future our commitment to provide you with the best service will never change.

H. C. Klein
President/Chief Executive Officer



FINANCIALS

STATEMENT OF FINANCIAL CONDITION

as of December 31, 2001 and December 31, 2000

Assets	2001	2000
Loans	\$212,364,331	\$217,945,683
Less: Allowance for Loan Losses	(1,572,296)	(1,572,553)
Net Loans	\$210,792,035	\$216,373,130
Cash	2,241,823	1,850,130
Other Accounts Receivable	3,029,957	2,985,149
Investments	87,861,518	56,653,000
Loans held for sale	5,759,550	170,500
Accrued Interest Receivable:		
Loans	1,133,959	1,450,135
Investments	651,921	187,621
Property and Equipment		
At Cost, Net of Accumulated Depreciation	8,956,496	8,811,599
Prepaid and Other Assets	491,317	451,993
Total Assets	\$320,918,575	\$288,933,257
Liabilities	2001	2000
Accounts Payable	\$1,803,524	\$1,275,962
Other Accrued Liabilities	984,480	1,377,537
Commitment & Contingent liabilities		
Total Liabilities	\$2,788,004	\$2,653,499
Members' Equity	2001	2000
Member Shares	\$276,940,773	\$249,482,275
Reserves:		
Regular Reserve	7,525,740	7,525,740
Appropriated undivided earnings & Undivided earnings	33,664,058	29,271,743
Total Reserves	41,189,798	36,797,483
Total Liabilities & Members' Equity	\$320,918,575	\$288,933,257

STATEMENT OF INCOME

Year-to-Date - December 31, 2001 and December 31, 2000

Interest Income	2001	2000
Interest on Loans	\$17,086,652	\$17,781,294
Interest on Investments	3,421,430	2,387,266
Total Interest Income	\$20,508,082	\$20,168,560
Interest Expense	2001	2000
Dividends	\$10,254,319	\$9,481,519
Net Interest Income	10,253,763	10,687,041
Provision for loan losses	950,000	785,378
Net Interest Income after Provision for loan losses	9,303,763	9,901,663
Other Income	4,424,786	3,499,123
Total non-operating Income	37,744	21,766
Total Income	\$13,766,293	\$13,422,552
Operating Expenses	2001	2000
Employee Compensation	\$3,209,796	\$2,879,676
Employees Benefits	860,453	805,295
Travel & Conference	156,198	163,172
Associate Dues	43,379	37,544
Office Occupancy Expenses	727,786	704,287
Office Operation Expenses	2,617,615	2,667,425
Loan Servicing Expenses	368,432	352,333
Professional Expenses	1,176,302	1,078,269
Member Insurance	11,250	99,770
Operating Fees	64,620	71,228
Misc. Operating Expenses	138,149	65,981
Total Operating Expenses	\$9,373,978	\$8,924,980
Net Income	\$4,392,315	\$4,497,572

MEMBER STATISTICS

YEAR	ASSETS
92	145,201,856
93	156,098,416
94	173,085,446
95	195,433,409
96	208,966,223
97	227,434,956
98	246,151,654
99	253,271,350
00	288,933,257
01	320,918,575

YEAR	MEMBERS
92	39,196
93	39,671
94	42,661
95	45,438
96	46,496
97	48,496
98	49,931
99	51,838
00	54,187
01	55,998

YEAR	SAVINGS
92	131,062,562
93	139,770,598
94	153,686,561
95	172,485,060
96	182,511,650
97	198,474,949
98	213,707,360
99	218,682,503
00	249,482,275
01	276,940,773

YEAR	LOANS
92	101,831,238
93	114,904,379
94	136,423,344
95	155,527,609
96	160,608,938
97	165,926,098
98	170,376,129
99	202,365,819
00	217,945,683
01	212,364,331

TEAM



LEFT TO RIGHT:
Pat Hudon, Member
Dale A. Duell, Chairman
Carol Lundry, Member

Arkansas Federal Credit Union's Credit Appeals Committee is appointed by the Board of Directors and meets on an as-required basis to review special loan requests. Loans to members are the driving force behind the growth and financial strength and stability of your credit union. In 2001 Arkansas Federal Credit Union continued to set exemplary standards with consistent and responsible lending practices.

Your credit union strives each year to give members the greatest lending option at the lowest lending rates. In 2001 we were successful in offering the best in consumer loans at highly competitive rates and terms. Automobile loans continue to make up the highest percentage of Arkansas Federal's loan portfolio.

Due to the recession-like economy our loan portfolio decreased by 2.6%, taking our loan-to-share ratio to 77%. Due to the lowest interest rates in over 40 years and many choices in loan terms, our home equity loans experienced a 53.5% increase in 2001.

In total, 6,610 loans were approved in 2001, down from 7,235 in 2000, for a total of \$108,554,141. Delinquency was held at .85% for 2001, and charged-off loans showed a decrease from .45% in 2000, to .44% in 2001.

The year 2001 can be characterized as a successful year in providing quality and low-cost loan services to members in a less than stellar economy.

Thank you for helping us prove that Arkansas Federal is the best source for member borrowing needs.

Dale A. Duell
Chairman of the Credit Appeals Committee

"BEING A TECHNOLOGY LEADER
IN ARKANSAS AND AROUND THE
NATION HAS BEEN
SYNONYMOUS WITH ARKANSAS
FEDERAL CREDIT UNION."

- H.C. KLEIN



We stand
"We stand
poised and ready to accept the challenges
and achieve further success."

TEAM



LEFT TO RIGHT:

Bettyann Hawk, Treasurer
Fred Van Driesum, CFP, AFC, Secretary
Phillip B. Boudreaux, Chairman
Robert Batton, Director
Garold L. White, Vice Chairman

The year 2001 was a year of dramatic changes for the economy of the United States. While the economy was slowly slipping into a recession, the Federal Reserve was reducing interest rates. The move into the recession was accelerated by the terrorist attacks on September 11. This was immediately followed by an unprecedented shutdown of the financial markets for four days. After the financial markets reopened, the Federal Reserve flooded the market with additional funds to prevent a financial meltdown. In addition, the Federal Reserve continued to reduce interest rates after September 11, a total of 11 times, to a 40-year low.

The September 11 attacks caused a dramatic impact on the stock market as well. The Dow Jones Industrial Average stood at 10,021 on December 31, 2000, but had declined to 9,605 by September 10th, the day before the attack. When the market reopened on September 17th, the Dow was at 8,920, an 11% decline since the end of the year, and a 7% decline in just seven days. This caused a tremendous impact on personal stock portfolios, 401K plans, and pension plans, not to mention shaking our confidence in the economy.

While all of the turmoil was going on in our economy, Arkansas Federal Credit Union was able to produce an above average return on assets of 1.43%. This return on assets is higher than four of the last five years. We accomplished this by expense control and dividend rate reductions on deposits to match the declining economy. AFCU is benefiting from the decision to limit certificates to a maximum of two years and offering the same rates for one and two year certificates at the end of 2000. Also, reductions in interest rates were passed on to our members through auto loan rates as low as 4.4%.

While the operating results/net income was \$4,392,315 (\$184,070 or 4.37% over our best estimates in our annual plan), it was not enough to offset our assets being \$10,000,000 over plan. One of the few ways that any credit union has to control deposits is through interest rates. Despite cutting dividend rates on all savings products, our assets have continued to increase at Arkansas Federal Credit Union. Our assets increased over \$10,000,000 since March, \$7,000,000 of that increase occurring since October.

The financial success of Arkansas Federal Credit Union during such a tumultuous time in our economy's history is evidence of the stability and soundness of your credit union. We continue to strive for ways to make your financial expectations a reality. Thank you for your continued confidence in the volunteer officials, management, and staff of Arkansas Federal Credit Union.

Phillip B. Boudreaux
Chairman of the Board

TEAM



LEFT TO RIGHT:

Art Williams, Member
Don Greene, Member
Robert Rodgers, CPA, Secretary
Jay Simmons, Member
Jerry E. Spratt, CPA, CFE, CGFM,
CFSA, Chairman

The role of the Supervisory Committee is to review the financial health of Arkansas Federal Credit Union and to protect the credit union's assets. It serves as the official auditor and member representative in the review of overall financial operations of the credit union. Through this review, it ensures that all regulations, policies and procedures governing the credit union are followed.

The Internal Audit Department has made further advances in automating many of the internal audit processes. The Internal Audit Director, Lance Jones, CPA, CFSA, CIA, has focused on reviewing the operations of the credit union, auditing select functional areas, and verifying member accounts.

In 2001, the committee retained the services of McGladry and Pullen, a certified public accounting firm, to perform its annual audit. The audit found Arkansas Federal Credit Union's June 30, 2001, financial statement to be fairly presented and in conformity with generally accepted accounting principles.

The National Credit Union Administration (NCUA) examiners also conducted an examination in 2001 and found your credit union to be in compliance with federal rules and regulations and the by-laws of this credit union.

Bauer Financial Reports, an independent firm that measures the financial practices of financial institutions across the country, assigned Arkansas Federal Credit Union a five-star rating in 2001, identifying it as one of the strongest and safest credit unions in the country.

Arkansas Federal Credit Union has proven to be well-managed and ready to meet the challenges of the future through its strong financial performance.

Jerry Spratt, CPA, CFE, CGFM, CFSA
Chairman of the Supervisory Committee