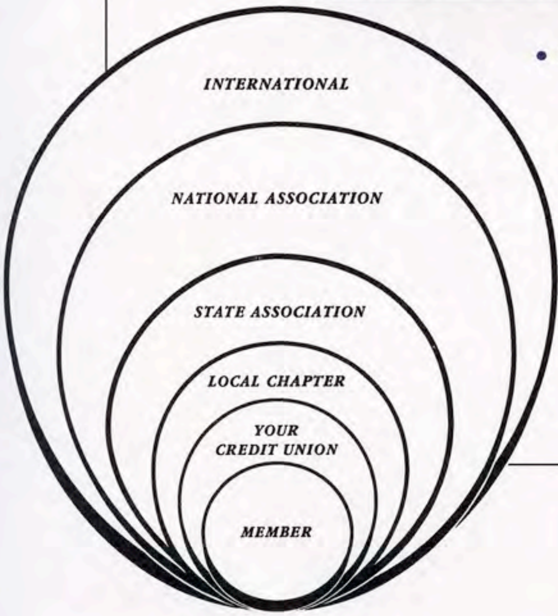
1991 ANNUAL REPORT

HUTCHINSON
CREDIT UNION

CREDIT UNION

A WORLD-WIDE SYSTEM CENTERED ON THE MEMBER



CREDIT UNION OPERATING PRINCIPLES

- Open and Voluntary Membership
- Democratic Control
- Non-Discrimination
- Service to Members
- Distribution to Members
- Building Financial Stability
- On-Going Education
- Cooperation Among Cooperatives
- Social Responsibility

HUTCHINSON CREDIT UNION MISSION STATEMENT

- To insure the future viability of Hutchinson Credit Union.
- To offer optimum financial service equitably while maintaining safe and sound operational practices and financial conditions.
- To nurture an environment of democratic control and member orientation as a cooperative financial institution.
- To encourage sound money management through education and counseling.

AGENDA

Loretta Fletchall
Chairman

LeRoy Broxterman
Vice Chairman

Ed Switzer
Secretary-Treas.

James E. Woods

Lynn Rogers

Mark Woleslagel

John McCannon

BOARD OF DIRECTORS

ANNUAL MEETING / MARCH 14, 1992

- Dessert Buffet
- Call to Order
  - Roll Call
  - Introduction of Guests
  - Approval of Minutes and Agenda .... Loretta Fletchall
  - Report of Board of Directors .... Loretta Fletchall
  - Report of Supervisory Committee .... Lee Spence
  - Report of Treasurer .... Ed Switzer
  - Report of Credit Committee .... George Sanders
  - Report of the President .... Garth Strand
  - Unfinished Business
- New Business
- Election of Officers
- Speaker .... Mike Rush, CUNA Mutual Plan America, Financial Planning for Credit Union Members

MINUTES OF THE ANNUAL MEETING

ANNUAL MEETING / MARCH 4, 1991

The forty-third annual meeting of the Hutchinson Credit Union was held March 4, 1991 at the Hutchinson Holidome. Approximately 350 members attended.

The meeting began with an hors d'oeuvre buffet and music. Chairman Loretta Fletchall called the meeting to order. Reverend Wayne Findley gave the invocation. Roll call was taken by members signing their tickets.

Chairman Fletchall presented the agenda for the meeting. James Woods moved to accept the minutes of the 1990 Annual Meeting as printed. After a second by Henry Doerksen, the motion carried.

Chairman Fletchall reported the credit union had a very successful year, and because of this, the credit union was able for the first time to return to the members a 1% interest refund and bonus dividend.

The Treasurer's report was presented by LeRoy Broxterman. A motion for approval of the report was made by Broxterman. Second by Jim Woods. Motion carried.

Lee Spence, Supervisory Committee Chairman, reported on both the State Department audit and the independent supervisory audit done by the Certified Public Accounting firm of Pierce-Faris & Company. Mr. Spence made the motion to accept. Earl Barnes seconded the motion. Motion carried.

George Sanders, Credit Committee Chairman, reported that 82% of the credit union deposits were on loan back to members. In February, 1991, the credit union had loaned over $100,000,000.00 to the members since April 1, 1948. Mr. Sanders made the motion for the acceptance of the report. Second by Gene Schmidt. Motion carried.

Garth Strand, President, compared credit unions to other financial institutions. Strand expressed his thanks to the Board and staff for their support and hard work.

As Chairman of the Nominating Committee, Deana Flinn presented the slate of nominees as follows:

COMMITTEE NOMINEES...

Board of Directors	Nominees
Three to be elected - Three year term	Loretta Fletchall
	Lynn Rogers
	Mark Woleslagel
Credit Committee	
Three to be elected - Three year term	George Sanders
	Mark Payne
	Casey Garten
Supervisory Committee	
One to be elected - Three year term	Maggie Mullins

Ms. Flinn called for nominations from the floor. Hearing none, Ms. Flinn moved the nominations cease and the nominees be elected by a unanimous ballot. Second by Jim Woods. Motion carried.

Speaker Mike Culbertson, President of Kansas Credit Union League, reported on the continuing Congressional discussion of financial reform. He warned the members that although 5.2 million petitions (to save credit union system) had been delivered to legislators during a national rally, "the fight is not over".

Greg Shelton conducted the drawing for door prizes.

There being no further business, the meeting was adjourned.

Loretta Fletchall

• Loretta Fletchall
Chairman

LeRoy Broxterman

• LeRoy Broxterman
Secretary/Treasurer

REPORT OF THE CHAIRMAN

1991 was a significant year for your credit union. The financial performance was truly significant. Our assets grew to over 32 million dollars, nearly twice that of just five years ago. Even more significant is the fact that our capital reserves, the credit union's savings account, surpassed the 2 million dollar mark. Just as it is important for you and me to have a savings account for a safety cushion, your credit union must maintain that same cushion to remain viable and able to meet the needs of our members in the future.

The numbers are significant. But numbers are not what make a credit union. People—you, the member, make a credit union. Without your support it doesn't work. Your support this past year has been significant. Your Grass Roots support of our credit union system—letting our lawmakers know how you feel—has made a difference. Your support of our products and services has been significant. Higher usage by members means spreading the costs thinner, allowing the best possible pricing for all.

"Your Grass Roots support of our credit union system—letting our lawmakers know how you feel—has made a difference."

The expansion of our drive-thru facility in Hutchinson was significant. The pedestrian safety, traffic flow and speed of service have all been enhanced.

1991 was a significant year. Significant because it proved once again the good things that come from "People Helping People".

• Loretta Fletchall
Chairman

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee's primary responsibilities can be summarized into the following seven categories:

1. Review Policies and Procedures
2. Safeguard The Members' Assets
3. Evaluate And Review The Credit Union's Financial Conditions
4. Review Credit Union Directors And Committee Minutes
5. Interact With Credit Union Management
6. Determine Compliance With Consumer Credit Regulations
7. Cooperate With Regulatory Agencies

As the Credit Union operations and accounting systems become more complex, and in order to provide the members with an objective look and report of strengths and weaknesses, your committee again voted to employ a Certified Public Accounting Firm to perform the Annual Audit. The final report is pending, due to the audit process not being completed by printing time of this report.

It is important to our committee that each member's account is handled with professionalism, to ensure that each member is treated fairly, and questions are resolved. This past year the Supervisory Committee has randomly selected and sent out a questionnaire to new and current members for feedback on how their account was handled and if all questions were answered properly. Response to the questionnaire was good and will continue on a quarterly basis.

It is gratifying to report to all members that their funds are being protected against loss and with the proper internal checks and balances your Credit Union is again in a position to move forward into the coming year.

• Lee A. Spence
Chairman

Lee Spence

Warren Peterson

Maggie Mullins

SUPERVISORY COMMITTEE

REPORT OF THE TREASURER

The actual asset, liability, income and expense totals comparing 1990 and 1991 are shown on the following pages. Key measurements are as follows:

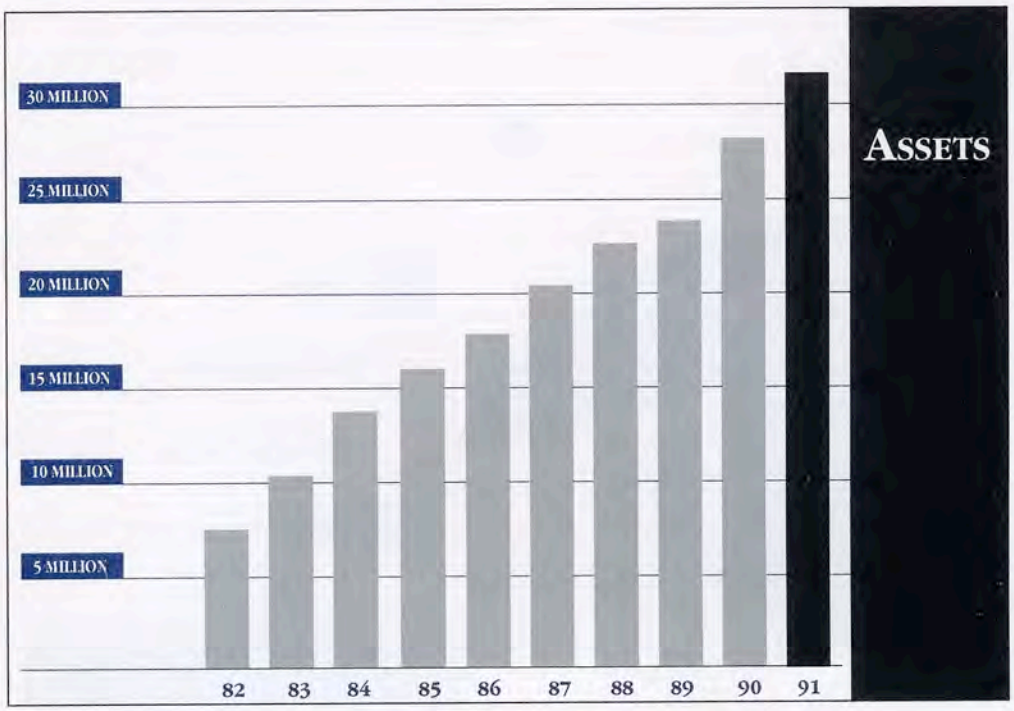
Asset Growth	14.54%	Loan Growth	6.30%
Savings Growth	14.36%	Capital Growth	17.60%

A direct return to the members of $1,562,746.24 was made in the form of share and certificate dividends. To meet state and federal reserve requirements, $164,171.65 was placed in reserves and $165,065.17 was placed in undivided earnings. Reserves and undivided earnings are the "savings account" of the credit union and help to insure its future viability.

The Board of Directors believes your credit union is financially sound, well-managed and capable of continuing to fulfill its mission of offering financial services in a safe and sound manner.

As member-owners, your continued support is vital to the sustained success of your credit union.

• Ed Switzer
Secretary-Treasurer

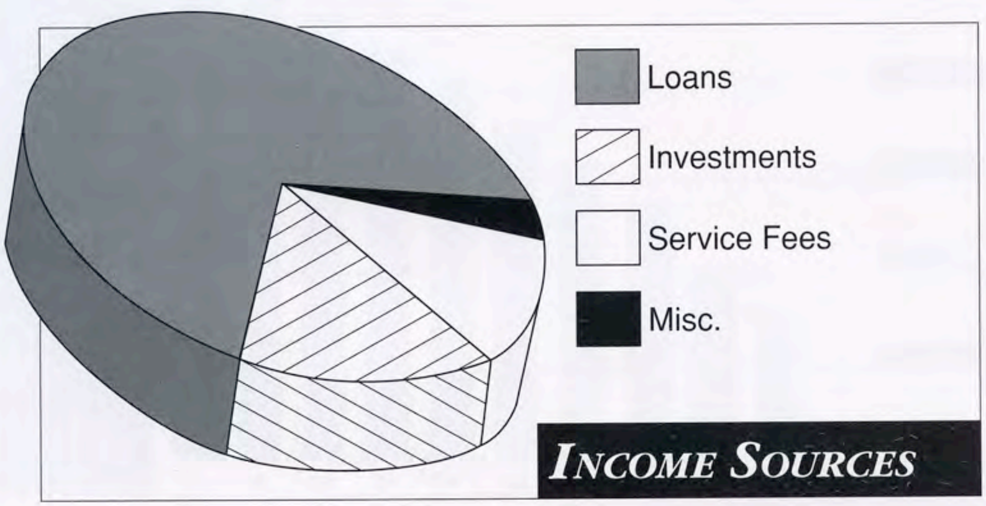


STATEMENT OF CONDITION

YEAR END CLOSINGS

ASSETS	DECEMBER 31, 1990	DECEMBER 31, 1991
CASH ACCOUNTS	$ 747,908.14	960,287.88
LOANS TO MEMBERS	21,166.966.09	22,514,335.92
INVESTMENTS	5,253,120.62	7,656,994.82
BUILDING AND LAND	373,964.41	681,617.63
FURNITURE AND FIXTURES	75,238.64	83,849.70
PREPAID EXPENSES	302.096.35	104,670.09
ACCOUNTS RECEIVABLE	279.41	119.15
ACCRUED INCOME	43,632.98	31,523.13
TOTAL ASSETS	$ 27,963,206.64	$ 32,033,398.32

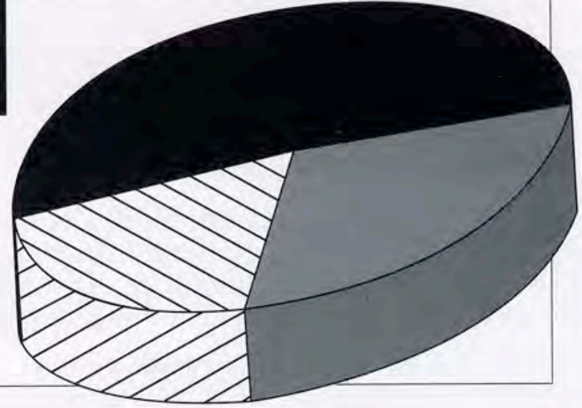
LIABILITIES		
TOTAL SHARES	$ 12,042,537.79	$ 14,648,661.44
(REGULAR SHARES)		
(CHRISTMAS CLUB)		
(CLUB SHARES)		
(HIGH YIELD)		
(IRA)		
SHARE CERTIFICATES	10,721,070.23	11,235,321.76
EXPANDACHEK	3,358,327.03	3,988,804.57
ACCOUNTS PAYABLE	127,052.67	84,116.05
RESERVES	1,139,580.42	1,500,672.08
UNDIVIDED EARNINGS	532,129.27	505,539.69
OTHER LIABILITIES	42,509.23	70,282.73
TOTAL LIABILITIES AND EQUITY	$ 27,963,206.64	$ 32,033,398.32



INCOME SOURCES

FINANCIAL REPORT

INCOME DISTRIBUTION



INCOME	*1990*	*1991*
INTEREST ON LOANS	$ 2,407,295.63	$ 2,442,868.21
INCOME FROM INVESTMENTS	359,417.36	519,845.13
OTHER INCOME	279,996.07	320,719.68
LESS INTEREST REFUNDS	(20,700.40)	0.00
TOTAL OPERATING INCOME	$ 3,026,008.66	3,283,433.02
OPERATING EXPENSES		
COMPENSATION	$ 438,421.14	486,782.75
EMPLOYEE BENEFITS	78,654.70	89,568.30
TRAVEL AND CONFERENCE EXPENSE	12,904.19	16,076.33
ASSOCIATION DUES	17,238.01	17,763.05
OFFICE OCCUPANCY AND OPERATIONS	298,264.17	343,731.30
EDUCATION AND PROMOTION	41,261.20	45,014.12
LOAN SERVICING	19,555.84	15,476.51
PROFESSIONAL EXPENSE	140,430.33	151,571.49
PROVISION FOR LOAN LOSSES	84,600.00	103,100.00
MEMBER INSURANCE	42,596.37	69,678.07
SUPERVISORY EXPENSE	8,872.03	9,855.67
INTEREST ON BORROWED MONEY	2,721.50	3,014.55
ANNUAL MEETING EXPENSE	12,084.86	14,040.54
MISCELLANEOUS EXPENSE	16,532.51	20,671.51
TOTAL EXPENSES	1,214,136.85	1,386,344.19
GROSS EARNINGS	$ 3,026,008.66	3,283,433.02
LESS OPERATING EXPENSES	(1,214,136.85)	(1,386,344.19)
NET INCOME BEFORE DIVIDENDS	$ 1,811,871.81	1,897,088.83
LESS DIVIDENDS ON SHARES	(753,926.99)	(815,276.74)
LESS CERTIFICATE DIVIDENDS	(734,168.79)	(747,469.50)
LESS DIVIDEND BONUS	(14,794.62)	0.00
BALANCE TO UNDIVIDED EARNINGS	$ 308,981.41	$ 334,342.59

REPORT OF THE CREDIT COMMITTEE

	1990	1991
• Total Number of Loans	9,429	9,761
• Total Dollar Volume of Loans Made	$12,649,842	$14,594,422
• Number of Loans Made Since April 1, 1948	72,046	81,807
• Total Dollar Volume of Loans Since April 1, 1948	$98,915,811	$113,510,233
• Loans Charged-Off Since 1948	$414,053	$508,275
• Recoveries From Charged-Off Loans	$26,863	$27,393

The activity of the credit committee has changed with the credit union over the years. This committee used to approve every member's loan request before any funds were disbursed. Today, because of the increasing regulation and complexity of credit transactions, the credit committee relies on the professional staff to carry out the day to day decision making.

The activity has changed but the purpose has not. The credit committee's purpose was and still is, to provide a safe, fair and confidential source of credit for members.

A decline in both interest rates and the overall demand for credit presents special challenges. The graph on page 8 illustrates the importance of a successful loan program. To address some of these challenges, a new loan product has recently been introduced. The EXPRESS LOAN account combines the ultimate in convenience with a very competitive rate. It is a win-win product which benefits both the credit union and the member.

The competition for your credit dollar is stronger than ever. What's more, clever marketing and packaging of services make it difficult to determine the true cost of the transaction. You owe it to yourself to check with your credit union before making any credit decision.

• George Sanders
Credit Committee

CREDIT COMMITTEE


George Sanders


Casey Garten


Richard Carlisle


Kendal Pulliam


Charlene Lind


Kendall Griggs

FROM THE PRESIDENT

"Our agenda was to provide the services our members needed in a safe, professional and competitive manner. That scenario remains the same today."

Garth Strand
President

When I was first employed by our credit union in 1980, the assets were just over 5 million dollars. Ending 1991 with just over 32 million represents an average annual growth of approximately 18%. Our capital reserves have grown at approximately the same rate, rising slightly from 6.80% to 6.85% of assets. Many of our peers in the financial industry could be quite envious of the solid sustained growth we have experienced.

As I recall in 1980, growth—to get bigger—was not on our agenda. Our agenda was to provide the services our members needed in a safe, professional and competitive manner. That scenario remains the same today. Growth is not our purpose in life—service is!

During our recent annual planning meeting, there was a consensus reached by the staff and volunteers present—Hutchinson Credit Union is no longer small. That may seem obvious, but most of us down deep would kind of like to deny it because "small" is nice, cozy and unchanging. Reality however, is that "small" as in the one room school and the corner grocery tends to disappear! From a management point of view, it is important to understand who we are and how we need to operate.

A second and more important consensus reached at that planning meeting was that we are still a credit union, existing only to provide financial services to our members now and in the future. The credit union motto "Not For Profit, Not For Charity, But For Service" still rings true. It is the driving hope behind our success. It is my hope and belief that the philosophy described by that motto will be kept alive and flourishing by our members, our volunteers and our staff, giving way to continued success.

• Garth Strand
President

Our Catalog of Services

- **Share Savings**, plus:
  - Certificates of Deposit
  - High Yield Accounts
  - Christmas Club Accounts
  - IRA Accounts
- **Favorable Loans:**
  - Loans by Mail
  - Preapproved Loans
  - First Mortgage Loans
  - Second Mortgage Loans
  - Home Equity Line of Credit
  - Car Loans, Personal Loans
  - EXPRESS Loan Draft
- **Checking:**
  - Interest-bearing Accounts
  - Overdraft Protection
- **VISA**
- **Hutch•Line** Telephone Teller
- **CU-CARD** for ATM use
- **Discount Brokerage**
- **Self-Directed IRA's**
- **US Savings Bonds**
  - Issue & Redeem
- **On-Line Computer Service**
- **Convenience Services:**
  - Direct Deposit
  - Payroll Deduction
  - Automatic Transfers
  - Travelers Checks
  - Money Orders
- **Electronic Tax Filing**
- **Transfers:**
  - Western Union Transfers
  - Wire Transfers
  - Telephone Transfers (limited by Regulation D to 3 per month)
- **Free Notary Service**
- **Financial Counseling**
- **New & Used Car Cost Guides**
- **Consumer Information**
- **At Hutchinson Only:**
  - Safe Deposit Boxes
  - Drive-up Facilities
  - After-hours Depository

- **Hutchinson Office**
  900 East 23rd
  P.O. Box 1645
  Hutchinson, KS 67504-1645
  316-669-0177
- **Wichita Downtown Office**
  245 North Waco, Suite T-600
  Wichita, Kansas 67202
  316-266-5141
- **Hutch•Line**
  316-669-9696
  800-400-5141

HUTCHINSON CREDIT UNION