1995

ANNUAL REPORT

"Under The Same Ownership Since 1948... Our Members"

23rd & Severance in Hutchinson, Kansas 67502

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AGENDA

Annual Meeting / April 23rd, 1996

- Call to Order
  - Roll Call
    - Determination of a Quorum .... Loretta Fletchall
    - Approval of Minutes and Agenda .... Loretta Fletchall Casey/Mark
    - Report of Chair .... Loretta Fletchall
    - Report of Supervisory Committee .... Lee Spence Roy - Ed
    - Report of Treasurer .... Ed Switzer
    - Report of Credit Committee .... Casey Garten
    - Report of the President .... Garth Strand
  - Unfinished Business

- New Business
- Adjournment

HUTHINSON 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.

Board of Directors

Loretta Fletchall
Chair
Hutchinson Hospital

LeRoy Broxterman
Vice Chairman
Hutchinson Comm. College

Ed Switzer
Secretary-Treas.
USD 308-Liberty

James E. Woods
Retired-USD 308

Kendal Pulliam
Farm Credit Services

Mark Woleslagel
Woleslagel Ins.

John McCannon
Kansas Corp. Commision

Credit Committee

Casey Garten
CoBank/ Farm Credit System

Kendal Griggs
Hutchinson Comm. College

Richard Carlisle
Farm Credit Services

George Sanders
D.C.C.C.A. Inc.

Supervisory Committee

Lee Spence
Undergouund Vaults

Maggie Mullins
Medical Center

Pat Falter
Novus

MINUTES OF THE ANNUAL MEETING

The forty-seventh annual meeting of the Hutchinson Credit Union was held July 28, 1995 at the Hutchinson Credit Union office.

Chairperson Loretta Fletchall called the meeting to order. Twenty-six members attended. Jim Woods moved to accept minutes of the 1994 annual meeting as presented. Seconded by LeRoy Broxterman. Motion carried.

Chairperson Fletchall gave a brief overview of the board activity for the past year. Board members, committee members and staff participated in the annual planning session, which was focused on keeping the credit union strong and sound. Ground breaking for the building addition was September 1994. Other activities were a change in the field of membership, merger with Timken Credit Union, review of policies, attendance of local and national meetings.

Lee Spence, Supervisory Committee Chairman, reported on the independent supervisory audit completed by the certified public accounting firm of Pierce-Faris & Company. Spence also reviewed the major activities of the Supervisory Committee for 1994. Ed Switzer made the motion to accept. Seconded by Casey Garten. Motion carried.

Casey Garten, Credit Committee Chairman, reported 9093 loans were made in 1994 for a total of $22,806,627. Loan losses were $96,003.14 with $3,711.58 of prior loan losses recovered. Garten reviewed the committees major activities for 1994. Mark Woleslagel made the motion to accept. Seconded by Jim Woods. Motion carried.

Ed Switzer, Treasurer, reported the health of the credit union showed strength and was solid. The loan growth was high with continued membership growth. Switzer referred to Garth Strand, President, for the financial reports.

Garth Strand, President, reviewed the financial statement which showed a comparison of 1993, 1994, and June of 1995. Assets are over $39,000,000. Strand stated loan growth has been good. Capital ratio at the end of the year was 9.98%. Delinquency is low. John Robinson made the motion to accept the report. Seconded by Ed Switzer. Motion carried.

Garth Strand, President, stated the annual meeting was a break in tradition this year by holding a business meeting only. There are five important areas for survival: (1) Continue to hone our skills as a retailer; (2) Work on technology. We can't get too far ahead or behind; (3) Customize our products to fit every member; (4) Capitalize on our partnerships and our alliances; (5) Not lose our human touch. Remember who we are.

New business presented for discussion and approval was the general procedures for a mail ballot election. The procedures were reviewed. Strand stated he felt with the change in the annual meeting, this would be a good time to change the election process. After discussion, Chairperson Fletchall asked for a motion to accept the procedures for the mail ballot election with the following changes: #2 minimum age to vote, 16; #4 to read, "When there is only one nominee for each position to be filled, no election will be conducted by ballot and there will be no nominations from the floor". Tom Powers made the motion to accept. John Robinson seconded. Motion carried.

Garth Strand presented the slate of nominees:

Committee Nominees:

Board of Directors. (3-year term)	Roy Broxterman John McCannon
Supervisory Nominees: (3-year term)	Pat Falter

Charlene Lind chose not to run for re-election on Credit Committee.

Jim Woods made the motion to elect the nominees by unanimous ballot. Seconded by Mark Woleslagel. Motion carried.

Garth Strand presented Loretta Fletchall with a gift for serving as chairperson on the Board of Directors.

REPORT OF THE CHAIR

Once again, the "People Helping People" philosophy has produced a successful year for the credit union and continued to be a source of value for the members. This cycle has repeated now for 48 years with the same results. 1995 was no different:

Once again, the "People Helping People" philosophy has produced a successful year.

- All areas of our balance sheet had positive growth—deposits, loans & reserves

- A major building expansion was completed, providing greater access and convenience for members as well as base of operations for the future.

- The first credit union owned ATM was placed at Hutchinson Hospital, again providing greater member access and convenience.

- Member access by personal computer was introduced, a *real* enhancement to member access and convenience

The credit union was open for business 4 additional days—days that most of our members are working, but other financial institutions are closed. Once again, greater access and convenience.

These changes were made for one reason—the member. They were not made for increased revenue. No service fees were increased. The purpose of a credit union is to help people by providing access to financial services in the best way possible in a not-for-profit environment.

Members, volunteers & staff all working together. The power of this partnership is what will continue to bring success to our credit union and to our members.

● Loretta Fletchall
Chair

REPORT OF THE SUPERVISORY COMMITTEE

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

- Review Policies and Procedures
- Safeguard the Members' Assets
- Evaluate and Review the Credit Union's Financial Conditions
- Interact with Credit Union Management
- Cooperate with Regulatory Agencies
- Review the activities of the Board of Directors and other committees
- Determine Compliance with Consumer Credit Regulations

To fulfill the above responsibilities and provide an objective view of the financial strengths and weaknesses of the Credit Union, the Supervisory Committee relies on and uses a variety of resources.

First, the Certified Public Accounting Firm of Pierce, Faris & Co., Chartered, was employed to conduct the Annual Audit. Their report concluded that our financial statements represent fairly and accurately the financial position of the Credit Union and conform with generally accepted accounting principles. The only exception noted is that we do not disclose a fair market value of our loans and share deposits. Our computer service bureau is not currently able to provide the necessary information to make these determinations and it would be impracticable to develop the information internally.

Secondly, the committee cooperates fully with regulatory examinations by the Kansas State Department of Credit Unions and the National Credit Union Administration. Any records of actions made by these agencies are followed up by the Supervisory Committee to see that the necessary changes to policies and procedures are made. The exam was performed as of 6-30-95. There were three records of actions in the exam report which have since been satisfied.

Lastly, the Supervisory Committee relies on it's own activities and findings. The Committee met 6 times during 1995 to conduct reviews of various policies, procedures, accounts and reports.

In summary, the Supervisory Committee is glad to report to members that their funds and records are being maintained in a safe and confidential manner.

• Lee A. Spence
Chairman

REPORT OF THE TREASURER

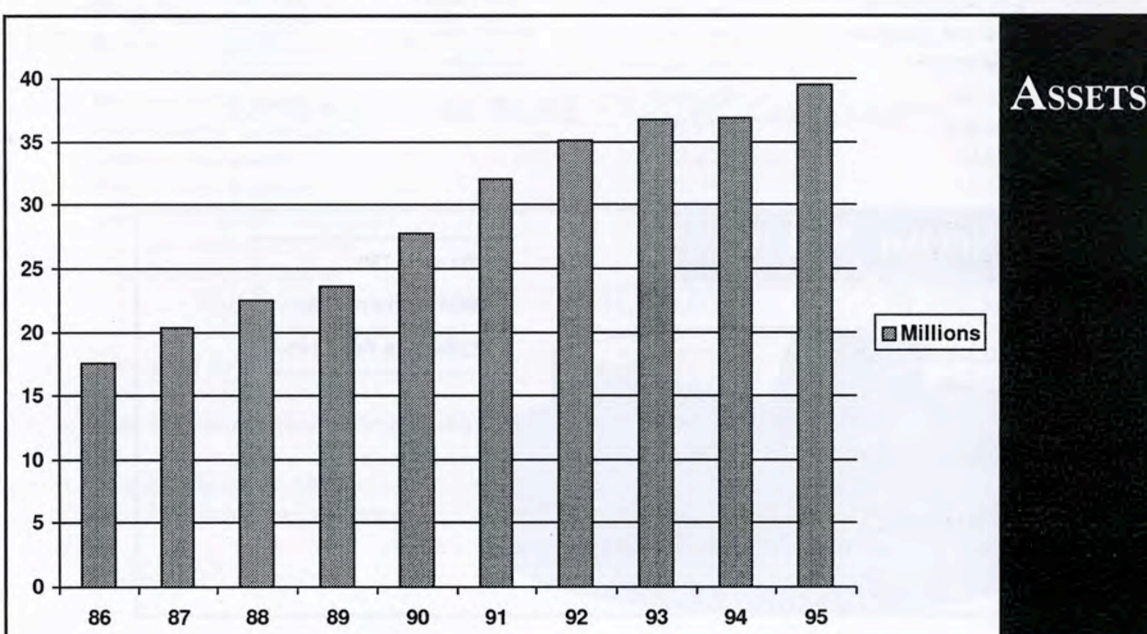
		94			94
Asset Growth	6.81%	.67	Loan Growth	9.99%	13.01
Savings Growth	5.38%	.56	Capitol Growth	12.89%	13.28

A direct return to the members of $1,285,229 was made in the form of share and certificate dividends. Our net income of $420,412 was placed in reserves and undivided earnings. This is necessary to meet state and federal regulations and to meet long term capital goals established by the Board of Directors. 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

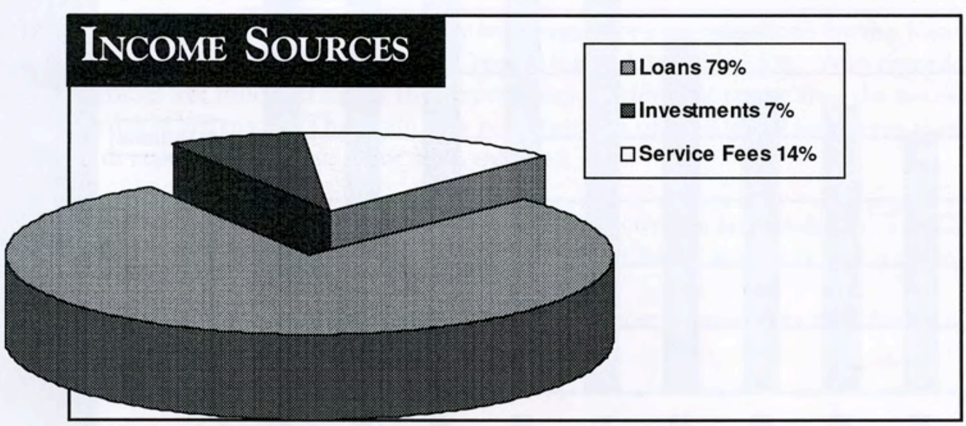


Statement of Condition

Year End Closings

Assets	12-31-94	12-31-95
Cash Accounts	$1,419,847	$1,409,394
Real Estate Loans	11,968,579	12,148,767
Business/ Agricultural Loans	1,856,324	1,905,184
Consumer Loans	15,425,555	18,121,173
Loan Loss Allowance	(444,776)	(495,873)
Investments	5,179,920	4,137,744
Building and Land	600,292	1,482,943
Furniture and Fixtures	91,350	169,870
Prepaid Expenses	355,267	65,820
Accrued Income	123,936	189,594
NCUSIF Deposit	334,673	334,673
Other Assets	42,918	371
Total Assets	$36,953,885	$39,469,660

Liabilities			
Miscellaneous	$162,486	$451,627	
Shares Deposits	33,579,722	35,385,943	91%
Reserves	3,211,677	3,632,090	
Total Liabilities and Equity	$36,953,885	$39,469,660	



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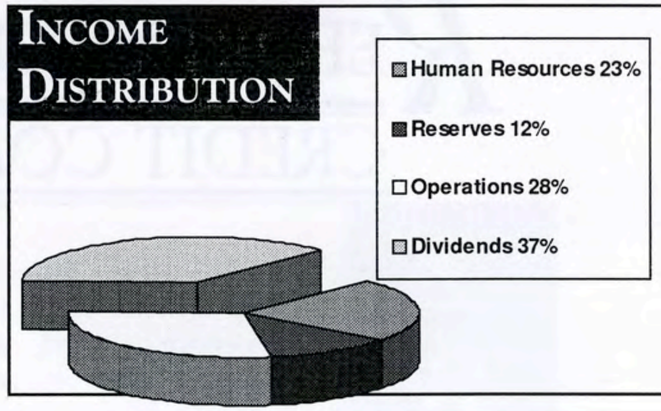

Income	1994	1995	
Income on Loans	$2,222,171	$2,764,309	
Income on Investments	374,028	248,139	
Other Income	491,072	485,591	
Total Operating Income	$3,087,271	$3,498,039	13.3%

Operating Expenses			
Compensation	$637,354	674,181	5.1
Employee Benefits	139,844	142,731	
Travel and Conference Expense	18,531	12,523	
Association Dues	18,296	18,176	
Office Occupancy and Operations	446,249	489,293	
Education and Promotion	63,307	69,564	
Loan Servicing	30,177	26,490	
Professional Expense	181,819	196,283	
Provision for Loan Losses	143,218	106,434	
Member Insurance	12,205	23,614	
Supervisory Expense	12,946	13,401	
Interest on Borrowed Money	431	348	
Annual Meeting Expense	8,850	5,036	
Miscellaneous Expense	20,774	14,324	
Total Expenses	$1,734,001	$1,792,398	3.3%

Operating Income	$3,087,271	$3,498,039	
Less Operating Expenses	(1,734,001)	1,792,398	
Net Income Before Dividends	1,353,270	1,705,641	
Less Dividends on Shares	(672,540)	(730,284)	28.5%
Less Dividends on Certificates	(327,535)	(554,945)	
Balance to Reserves	$353,195	$420,412	

REPORT OF THE CREDIT COMMITTEE

	1994	1995
Total Number of Loans Made	9,093	9,106
Total Dollar Volume of Loans Made	$22,806,627	$21,642,061
Number of Loans Made Since April 1, 1948	107,059	116,165
Total Dollar Volume of Loans Since April 1, 1948	$176,046,616	$197,688,677
Loans Charged-off Since April 1, 1948	$837,664	$905,007
Recoveries From Charged-off Loans	$36,441	$50,881

CREDIT COMMITTEE PURPOSE: To represent the membership by maintaining a safe, sound, fair and responsive credit system.

The credit committee is responsible for insuring that the lending policies of the credit union, as established by the Board of Directors, are carried out by the loan officers. The committee meets to review the reports of new loans and delinquencies and randomly review loan files to insure compliance. Types of loans and the overall loan pricing structure are also reviewed.

During 1995 a formal quality control process was started to monitor compliance with loan policy and procedures. By tracking the results of this process, areas of improvement can be identified resulting in a better lending program. Another new process began during the year utilizes a service provided by the credit bureau to track credit performance. Certain credit characteristics are tracked by the credit bureau and reported to us. When early warning signals are generated, the staff can immediately begin to work with those individual members to ward off future credit problems.

1995 was truly a great year for the credit union's lending program. Delinquency and charged-off loans were at all-time lows. At year-end, over 92% of members share deposits were on loan to other members. This kind of performance is a result of supportive members, a dedicated staff and a responsive credit union bearing out the practicality of "People Helping People".

• Casey Garten
Chairman

FROM THE PRESIDENT

By reading the preceding reports, you are well aware 1995 was quite a success for Hutchinson Credit Union. I need to say "Thank-you" to those who made it possible. First and foremost, Thanks to the members for their continuing support and input, for it is their patronage that fuels the process. Next, Thanks to the volunteers whose leadership, dedication and service provides the structural glue to keep it all together. Finally, Thanks to the staff that every day provides and maintains the mechanics to make it all go smoothly. It takes everyone doing their part to make it work. Thanks to everyone for working together and creating the synergy that yields success. As the saying goes, "None of us are as smart as all of us".

Success, especially continued success, is indeed quite a process. It is a balance to maintain. It requires constant renewal. It is how we carry our past and how we deal with our future. It is recognizing, holding high, nurturing and protecting that which is the core, the essence of our success. For Hutchinson Credit Union, the essence of our success has been respecting each member as an individual and responding to their needs. Success has not been checking accounts, new buildings, credit cards, computers, ... These are just helpful tools & techniques to use. We must continue to accept the challenges of the future, learn to use new tools and keep our balance. But above all else, we must remember what truly holds the key to continued success—our members!

• Garth Strand
President

Management Team

Wanda Hatcher
Senior V.P.

Garth Strand
President

Casey A. Swarts
V.P. Marketing/Technology

Dawn Slupski
V.P. Human Resources

Todd Brunner
V.P. Lending

OUR CATALOG OF SERVICES

HUTCHINSON
CREDIT UNION

- REAL PEOPLE ANSWER THE PHONE

- SHARE SAVINGS, PLUS...
  Certificates
  High Yield Accounts
  Investment Shares Account
  Christmas Club Accounts
  IRA Accounts
  Scottie Savers Youth Club
  Special Use Savings Accounts
  Gateway Account

- FAVORABLE LOANS
  Loans by Mail
  Pre-approved Loans
  First Mortgage Loans
  Second Mortgage Loans
  Home Equity Line of Credit
  Car Loans
  Personal Loans
  EXPRESS Personal Line of Credit
  Student Loans

- CHECKING
  Dividend Paying Accounts
  Overdraft Protection
  Visa Check & ATM Card
  Gateway Account
  Plus Account

- VISA

- HUTCH•LINE TELEPHONE TELLER

- PC HUTCH•LINE

- SELF-DIRECTED IRA's

- US SAVINGS BONDS
  Issue & Redeem

- CONVENIENCE SERVICES
  Direct Deposit
  Payroll Deduction
  Automatic Transfers
  Travelers Checks
  Money Orders
  Western Union Transfers
  Wire Transfers
  Free Notary Service

- MEMBER INFORMATION CENTER

- AT HUTCHINSON ONLY:
  Safe Deposit Boxes
  Drive-up Facilities
  After-Hours Depository

HUTCHINSON OFFICE:
900 E. 23rd
P.O. Box 1645
Hutchinson, KS 67504-1645
Phone (316) 669-0177 Fax (316) 669-8123
1 800 428-8472

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