NINETEEN NINETY-NINE

Annual Report

HUTCHINSON CREDIT UNION

"Where people are worth more than money"™

23rd & Severance in Hutchinson, Kansas 67502

Agenda

Annual Meeting / March 28th, 2000

- Call to Order

Determination of a Quorum	Loretta Fletchall
Approval of Minutes and Agenda	Loretta Fletchall
Report of Chair	Loretta Fletchall
Report of Supervisory Committee	Marvin Schmucker
Report of Treasurer	Ed Switzer
Report of Credit Committee	Richard Carlisle
Report of the President	Garth Strand
Report of Election	Loretta Fletchall
Unfinished Business	

- New Business
- Adjournment

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.

Board of Directors

Loretta Fletchall
Chair
Hutchinson Hospital

LeRoy Broxterman
Vice Chairman
Hutchinson Comm. College

Ed Switzer
Secretary-Treas.
Retired-USD 308

James E. Woods
Retired-USD 308

Kendal Pulliam
Farm Credit Services

Mark Woleslagel
Woleslagel Ins.

John McCannon
Kansas Corp. Commission

Credit Committee

Mike Souba

Kendall Griggs
Hutchinson Comm. College

Richard Carlisle
Farm Credit Services

George Sanders

Pat Falter
Novus

Supervisory Committee

Ann Wagner
Farm Credit Services

Lee Spence
Underground Vaults

Vicki Caywood
Hutchinson Hospital

Carol Richerson
Medical Center

Marvin Schmucker
Schmucker Training & Consulting

Minutes of the Annual Meeting

The 51st Annual Meeting of the Hutchinson Credit Union was held April 28, 1999 at the Hutchinson Credit Union office. Chair Loretta Fletchall called the meeting to order. Fifteen members attended.

George Sanders moved to accept the minutes of the 1998 Annual Meeting as presented. Seconded by Jim Woods. Motion carried.

Chair Fletchall referred to her written report, stating Hutchinson Credit Union had successfully met the opportunities and challenges of 1998. On-line services will be necessary if we are going to keep pace with our competition. Credit Unions are a true democracy and they improve the lives of their members. We are a strong financial institution and will meet the challenges of technology and the new millennium.

Lee Spence, Supervisory Committee, stated there were five members on their committee and they are the watchdogs of the credit union. Audits were completed by the State Department Credit Unions and by the Certified Public Accounting firm of Pierce-Fans & Company. The committee continues to review policies, procedures, attend board meetings and also received updates on Y2K compliance. Spence made a motion to accept the report. Seconded by Jim Woods. Motion carried.

Ed Switzer, Treasurer, reported asset growth was 11.08%, savings growth 11.51%, loan growth 2.83% and capital growth was 11.69%. A year ago assets were 50 million, today they are 60 million. The Camel rating was a 1 from the Kansas Department of Credit Unions. The credit union is true to its mission and is in position to soar into the new millennium. Switzer referred to Garth Strand, President, for the financial reports. Graphs were reviewed comparing the change in assets & loans, capital, credit union spread, loan quality, members and deposits since 1989. Ed Switzer made the motion to accept the reports. Seconded by Jim Woods. Motion carried.

Richard Carlisle, Credit Committee Chair, reported several recommendations were made to the Board to enhance the lending program. 85% of share deposits were on loan to members. Loan officers were using the loan policies and the loan portfolio was in great shape. Leroy Broxterman made the motion to accept the report. Seconded by Jim Woods. Motion carried.

Garth Strand, President, stated it is important to remember who we are, a financial cooperative. We are part of a system and we need to focus on the individual member. We must continue to offer products that have added value for the members. Over the years we have added ATM cards, electronic ACH, credit cards, PC Access, Hutch-Line, VISA check card and loan products. It is necessary to change and we are doing a good job of changing, but it takes effort. Strand said it was a privilege to work with the committees, Board, & staff.

Strand reported on the election process. Over 1000 mail ballots were returned. Ed Switzer, Jim Woods & Lee Spence were reelected.

There was no unfinished business.

John McCannon made the motion to adjourn. Seconded by Jim Woods. Motion carried.

Report of the Chair

I am pleased to report that your credit union has successfully completed its 52nd year of operation and continues to be an active participant in the ever-changing financial services arena. Following are highlights and changes embraced during 1999:

- HCU assets reached the $60 million mark in May. It was only March of 1998 as HCU was celebrating its 50th anniversary that assets reached $50 million.
- Y2K came and went with no interruption of service to members. Although an abundance of time and resources was absorbed by Y2K, progress continued on other projects.
- HCU received it's first ever 1 "CAMEL" rating from the Kansas Department of Credit Unions. This designation is certainly a positive benchmark for a well run, financially sound credit union.
- The 3rd branch was opened, www.hutchinsoncreditunion.com, ushering in a new era of member service.
- The Hutch-line audio response system was brought in house allowing better service and the elimination of user fees.
- ATM #6 was installed at the Eaton plant.
- Basic service fees remained unchanged for the 7th consecutive year.

"...your credit union has successfully completed it's 52nd year of operation and continues to be an active participant in the ever-changing financial services arena."

Members, volunteers & staff all working together continue to generate positive synergies for all and for our credit union. The future will continue to offer new challenges in competition, regulation, technology and economic conditions. The challenges will change but the solutions will always be found in this powerful partnership of people working together.

\- 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 Condition
- 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 your 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 as of 8-31-99. Their report concluded that our financial statements represent fairly and accurately the financial position of your Credit Union and conform with generally accepted accounting principles.

Secondly, the committee cooperates fully with regulatory examinations by the Kansas 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 most recent exam covered transactions up to the close of business on February 28, 1999. This examination assigned your credit union the best possible rating. The only required record of action was to continue preparations for Y2K.

For the past 2 years the Supervisory Committee received updates from staff concerning preparation for the year 2000 date change. Both critical and non-critical systems were identified, renovated and tested. Contingency and member communication plans were reviewed. As you now know there was absolutely no disruption of service to members.

Lastly, the Supervisory Committee relies on it's own activities and findings. The Committee met 6 times during 1999 to conduct reviews of various policies, procedures, accounts and reports. A committee member also attended most Board of Directors meetings. The committee also conducted a confidential staff survey to provide an open line of communication with the staff.

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

\- Marvin Schmucker
Chair

Report of the Treasurer

Asset Growth	**12.05%**	**Loan Growth**	**4.17%**
Savings Growth	**12.15%**	**Capital Growth**	**8.51%**

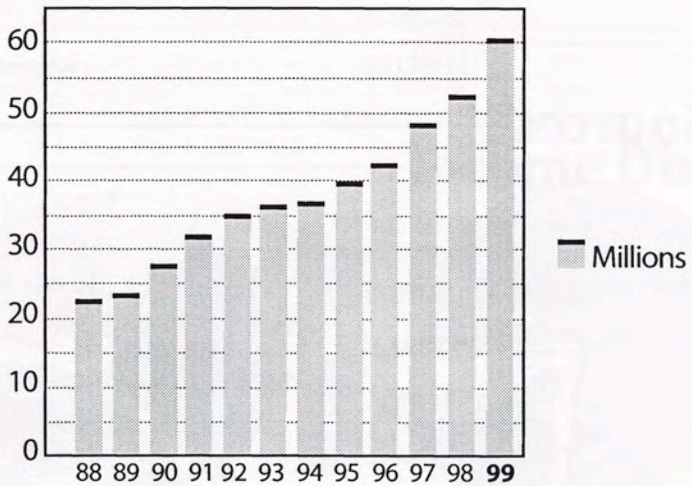
A direct return to the members of $1,997,694 was made in the form of share and certificate dividends. Our net income of $499,601 was placed in reserves and undivided earnings. This is necessary to meet state and federal regulations and to meet long term capital goals established by the Board of Directors. 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

Assets

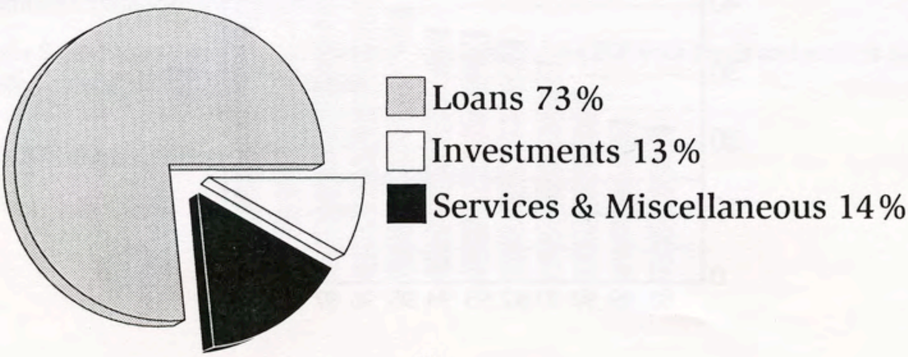


Statement of Conditions

Year End Closings

Assets	12-31-98	12-31-99
Cash Accounts	$1,007,068	$3,900,841
Real Estate Loans	20,496,576	20,935,744
Business/ Agricultural Loans	2,782,510	3,074,415
Consumer Loans	18,044,993	18,587,977
Loan Loss Allowance	(581,171)	(556,975)
Investments	9,402,552	11,576,793
Building and Land (Net)	1,305,029	1,258,183
Furniture and Fixtures (Net)	281,459	250,453
Prepaid Expenses	145,417	189,417
Accrued Income	254,526	241,005
NCUSIF Deposit	424,156	469,499
Other Assets	28,637	121,445
Total Assets	**$53,591,752**	**$60,048,797**
Liabilities		
Miscellaneous	$249,442	$334,161
Share Deposits	48,338,370	54,211,095
Reserves and Undivided Earnings	5,003,940	5,503,541
Total Liabilities, and Equity	**$53,591,752**	**$60,048,797**

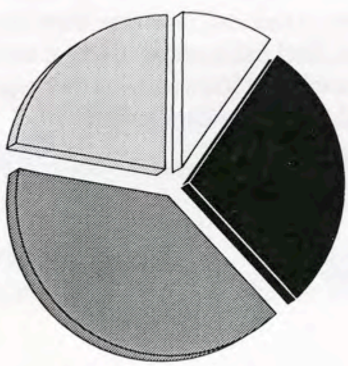
Income Sources



Financial Report

Income	1998	1999
Income on Loans	$3,623,541	$3,617,833
Income on Investments	415,505	662,780
Other Income	739,415	712,849
Total Operating Income	**$4,778,461**	**$4,993,462**
Operating Expenses		
Compensation	911,944	908,366
Employee Benefits	182,316	187,291
Travel and Conference Expense	23,272	13,945
Association Dues	21,555	21,773
Office Occupancy and Operations	643,155	709,634
Education and Promotion	142,194	130,033
Loan Servicing	60,957	53,390
Professional Expense	260,982	251,922
Provision for Loan Losses	155,087	128,981
Member Insurance	30,870	31,497
Regulatory Expense	17,135	18,648
Interest on Borrowed Money	304	1,567
Member Relations	1,412	1,777
Miscellaneous Expense	16,831	18,196
Total Expenses	**$2,468,014**	**$2,477,020**
Operating Income	$4,778,461	$4,993,462
Less Operating Expenses	(2,468,014)	(2,477,020)
Non-Operating Income/Expense	(26,099)	(19,148)
Net Income Before Dividends	**$2,284,348**	**$2,497,294**
Less Dividends	(1,770,436)	(1,997,693)
Balance to Reserves	**$513,912**	**$499,601**

Income Distribution



Human Resources 22%
Reserves 10%
Operations 28%
Dividends 40%

Report of the Credit Committee

	1998	1999
Total Number of Loans Made	10,121	10,228
Total Dollar Volume of Loans Made	$34,204,819	$29,028,695
Number of Loans Made Since April 1, 1948	145,168	155,396
Total Dollar Volume of Loans Since April 1, 1948	$280,162,136	$309,190,830
Loans Charged-off Since April 1, 1948	$1,225,974	$1,384,175
Recoveries From Charged-off Loans	$59,381	$64,452

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

The credit committee is responsible for insuring 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, portfolio changes and the overall loan pricing structure are also reviewed.

During 1999, the credit committee made several recommendations to the Board to enhance the overall lending program. First, a policy change was implemented which requires the interest rate be increased after a loan is over 60 days past due. Consistent with other HCU pricing policies, this allows the additional collection expenses to be recovered from those members who are generating the expense. Next, a loan exception policy was put in place that allows for timely loan decisions when policy exceptions are warranted. Management is required to report loan policy exceptions to the Board of Directors. Lastly, a general review of the loan policy document resulted in numerous housekeeping updates.

During the year, the committee reviewed several uses of technology that may become a part of the lending program. Credit scoring models were discussed and data was tracked for a period of time to see how the use of credit scoring would fit into the existing HCU lending program. A database of charged off loans has been established to allow for easier and more meaningful access to historical information. A similar data base will be built for loan denial information. The committee had an introductory session on internet lending. Currently HCU receives Hutch Card applications via our Web Branch.

Member usage of HCU mortgage products continues to grow. At year end, mortgage loans made up 49% of our overall loan portfolio. In addition, $5 million dollars in long term, fixed rate mortgages were made and sold to the secondary market during 1999. Staff is currently studying the feasibility of implementing mortgage servicing which would allow the credit union to offer local servicing on loans sold to the secondary market.

Delinquency and charged-off loans remained at very low levels throughout the year. At year-end, 80% of members share deposits were on loan to other members.

- Richard Carlisle
Chairman

From the President

A new year, a new decade, a new century, a new millennium. Perhaps even a new age? The stone age, the iron age, the agricultural age, the industrial age, the information age—what age is next? How will all this newness be defined? Are the international credit union operating principles you see below viable and pliable enough to adapt to whatever newness comes along? It appears the principles have indeed stood the test of time. Perhaps this adds some credibility to gems of wisdom such as, "The more things change, the more they stay the same." and "The same only different".

Garth Strand
President

Successful organizations understand this conflict. They know they must run on two tracks, simultaneously. One track consists of core values and principles. The other track is the ever-changing marketplace. Staying true to one and ignoring the other is a sure plan for extinction. Keeping the two tracks running parallel and at the same speed is a difficult task. It takes good minds, good ears, good eyes and good hearts. Interestingly enough, these are all human qualities, human assets. No matter what the "age", stone, iron or digital, I believe human qualities and assets are the keys to continuing success.

Since 1948, our credit union has had a fortuitous combination of human assets. People working together on both tracks, to keep our credit union moving forward. Staying true to core values and principles while responding to the ever-changing needs of our members. A strategy that will serve us well in a new millennium, a new age.

International 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

\- Garth Strand
President

Management Team

Wanda Hatcher
Senior V.P.

Garth Strand
President

Casey A. Swarts
V.P. Marketing/Technology

Todd Brunner
V.P. Lending

Michelle Waln
Human Resources Director

Our Catalog of Services

• SHARE SAVINGS, PLUS... •
Certificates
Money Market Account
Investment Shares Account
Christmas Club Account
IRA Accounts
Scottie Savers Youth Club
Gateway Account
Special Use Savings Accounts
Market Index Certificates

• SELF-DIRECTED IRA's •

• 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

• BUSINESS SERVICES •
Loans
Checking
IRA
WEB Branch
Merchant VISA Services

• VISA •

• HUTCH•LINE TELEPHONE TELLER •

• WEB BRANCH •

• 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
Signature Guarantee

• MEMBERlease •
An Auto Leasing Program

• MemberSource, Inc. •
A Financial Planning Service

• MEMBER INFORMATION CENTER •

• AT HUTCHINSON ONLY •
Safe Deposit Boxes
Drive-up Facilities

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

HAVEN OFFICE:
209 S. Kansas Ave.
Haven, KS 67543
Phone (316) 465-3842
Fax (316) 465-2611

WICHITA DOWNTOWN OFFICE:
245 North Waco, Suite T-600
Wichita, KS 67202
Phone (316) 266-5141
Fax (316) 266-5142

WEB BRANCH: www.hutchinsoncreditunion.com