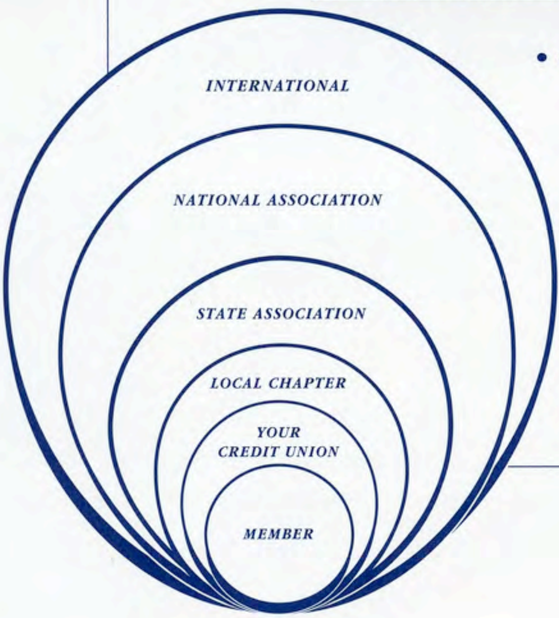
1992 ANNUAL REPORT

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

BOARD OF DIRECTORS

Loretta Fletchall
Chair
Hutchinson Hospital

LeRoy Broxterman
Vice Chairman
Hutchinson Comm. College

Ed Switzer
Secretary-Treas.
U.S.D 308-Liberty

James E. Woods
U.S.D. 308-Sherman

Kendal Pulliam
Farm Credit Services

Mark Woleslagel
Indep. Businessman

John McCannon
Kansas Corporation Commission

ANNUAL MEETING / MARCH 15, 1993

- Buffet
- Call to Order
    - Roll Call
    - Introduction of Guests
    - Approval of Minutes and Agenda .... Loretta Fletchall
    - Report of Chair .... Loretta Fletchall
    - Report of Supervisory Committee .... Lee Spence
    - Report of Treasurer .... Ed Switzer
    - Report of Credit Committee .... Casey Garten
    - Report of the President .... Garth Strand
    - Unfinished Business
- New Business
- Election of Officers
- Program/Estate Planning and Related Matters .... James D. Holt, *Partner Bruce and Davis Attorneys at Law*

MINUTES OF THE ANNUAL MEETING

ANNUAL MEETING / MARCH 14, 1992

The forty-fourth annual meeting of the Hutchinson Credit Union was held March 14, 1992 at the Hutchinson Holidome. Approximately 270 members attended.

The meeting began with a dessert buffet and music. Chairman Loretta Fletchall called the meeting to order. Roll call was taken by members completing and signing the survey.

Chairman Fletchall presented the agenda for the meeting. Mike Souba moved to accept the minutes of the 1991 Annual Meeting as printed. Second by Leroy Broxterman. Motion carried.

Chairman Fletchall stated people have become discouraged with the negative economic news they are always hearing and not focusing on the good news. The good news was the Credit Union had grown to over \$32,000,000 and capital was \$2,000,000. With the members' support and the dedication of volunteers and staff, the Credit Union continues with "People Helping People".

Ed Switzer, Secretary-Treasurer, presented the financial status of the Credit Union. Mr. Switzer moved to accept the Treasurer's reports as printed. Second by Ross Herron. Motion carried.

Lee Spence, Supervisory Committee Chairman, reported on the State Department Examination and the independent supervisory audit completed by the Certified Public Accounting firm of Pierce-Faris and Company. Mr. Spence made the motion to accept the report as printed. Floyd Sweet seconded the motion. Motion carried.

George Sanders, Credit Committee Chairman, gave his report and reviewed the new Express Loan that was now available to members. Mr. Sanders made the motion to accept the report as printed. Second by Lynn Rogers. Motion carried.

Garth Strand, President, reviewed the Credit Union Vision and Mission Statement, expressing they were clear and on track. Strand expressed his thanks to the Board and Staff for their support and hard work.

As Chairman of the Nominating Committee, Adzi Souba presented the slate of nominees as follows:

COMMITTEE NOMINEES...

Board of Directors (three year term)	John McCannon LeRoy Boxterman
Credit Committee (three year term)	Charlene Lind
Supervisory Committee (three year term)	Pat Falter

Mrs. Souba called for nominations from the floor. Hearing none, Mrs. Souba moved the nominations cease and the nominees be elected by a unanimous ballot. Second by Ed Switzer. Motion carried.

Speaker, Mike Rush, CUNA Mutual Plan America, spoke on CUNA's Financial planning for Credit Union Members. He also stated the program compliments the services that the Credit Union offers.

Greg Shelton conducted the drawing for door prizes.

There being no further business, the meeting adjourned.

• Loretta Fletchall
Chair

• Ed Switzer
Secretary/Treasurer

REPORT OF THE CHAIR

I am happy to report another successful year for your Credit Union. We succeeded financially—our assets grew, our capital reserves grew and many of our operating ratios improved. We succeeded by fulfilling each aspect of our mission statement (as shown on page 2). Most importantly, we succeeded by proving that the Credit Union idea works—and works well. People can work together, for mutual and equitable benefits for all.

"...we succeeded by proving that the Credit Union idea works—and works well."

Our Credit Union has continued to succeed in the midst of many changes. The financial services industry is being pushed and pulled by pressures such as fewer and larger competitors, increased regulation, enhanced technology and economic fluctuations. Success itself changes from time to time. Some years it may mean prospering, other years surviving. Success may mean changing, it may mean holding fast. Success for a Credit Union will always mean people working together.

If we, as members, volunteers and staff can renew our commitment to being active participants in the process, success will be ours.

• Loretta Fletchall
Chair

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. Interact With Credit Union Management
5. Cooperate With Regulatory Agencies
6. Review Credit Union Directors And Committee Minutes
7. Determine Compliance With Consumer Credit Regulations

As the Credit Union operations and regulatory requirements become more complex, and in order to provide the members with an objective look of the financial strengths and weaknesses of the Credit Union, 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.

This past year our Credit Union participated in a Risk Management Survey performed by CUNA Mutual. The Supervisory Committee was very much involved in the survey which reviewed Internal Controls, Lending Risk Analysis, and Investment Risk Analysis. Several commendable procedures and security measures were reported and observed during the analysis.

The Supervisory Committee continues to randomly select and send out questionnaires to new and current members for feedback on how their account was handled and if all questions were answered properly. Response to the questionnaires has been well received. Your feedback has been most helpful and is much appreciated. Cooperation is the key to coming together at the beginning, keeping together in progress, and working to achieve success.

It is gratifying to report to all members that their funds are well protected and our Credit Union is of good financial soundness.

• Lee A. Spence
Chairman

Lee Spence
Underground Vaults

Pat Falter
Indep. Businessman

Maggie Mullins
Medical Center

SUPERVISORY COMMITTEE

REPORT OF THE TREASURER

The actual asset, liability, income and expense totals comparing 1991 and 1992 are shown on the following pages. Key measurements are as follows:

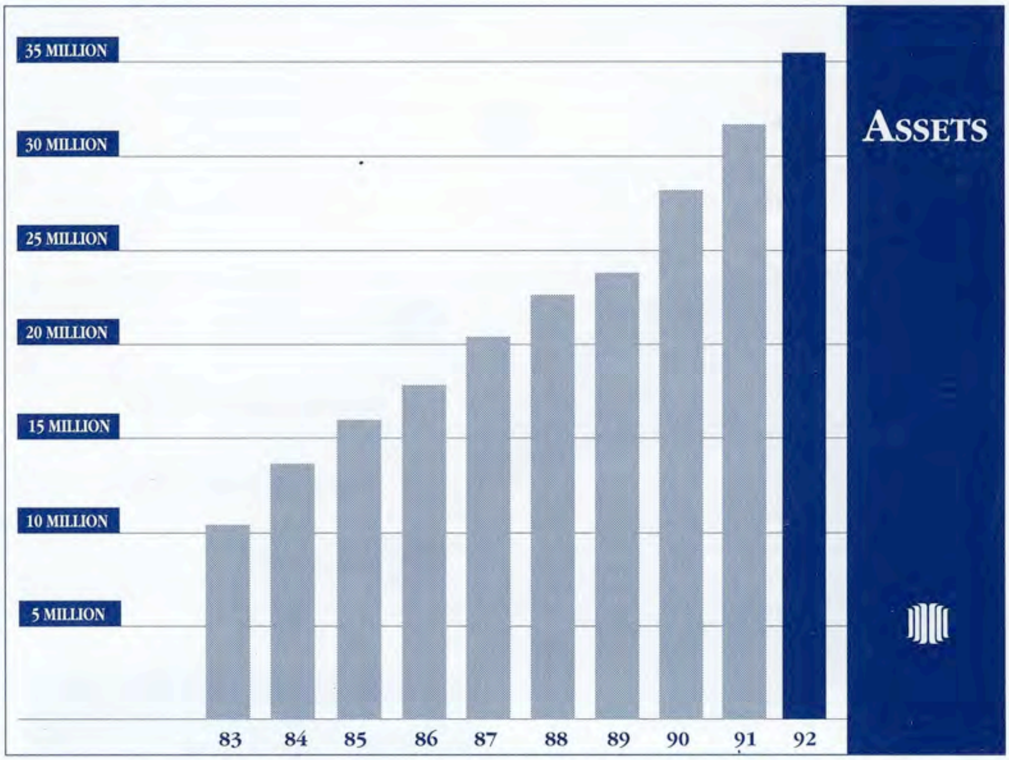
Asset Growth 9.7%	Loan Growth........................<0.2%>
Savings Growth....................9.4%	Capital Growth 24.8%

A direct return to the members of $1,243,965 was made in the form of share and certificate dividends. To meet state and federal reserve requirements, $160,778 was placed in reserves and $160,106 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

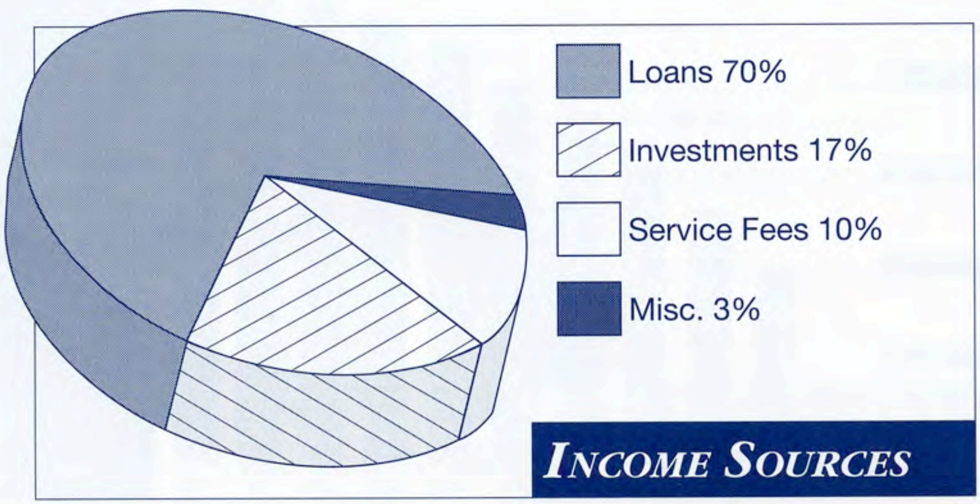


STATEMENT OF CONDITION

YEAR END CLOSINGS

ASSETS	DECEMBER 31, 1991	DECEMBER 31, 1992
CASH ACCOUNTS	$ 960,288	$ 1,187,841
REAL ESTATE LOANS	6,923,756	6,913,278
BUSINESS/AGRICULTURAL LOANS	1,559,714	1,589,891
CONSUMER LOANS	14,030,866	13,968,110
INVESTMENTS	7,656,995	10,532,926
BUILDING AND LAND	681,618	654,143
FURNITURE AND FIXTURES	83,850	73,953
PREPAID EXPENSES	104,670	56,966
ACCOUNTS RECEIVABLE	119	71
ACCRUED INCOME	31,523	153,343
TOTAL ASSETS	$ 32,033,398	$ 35,130,522

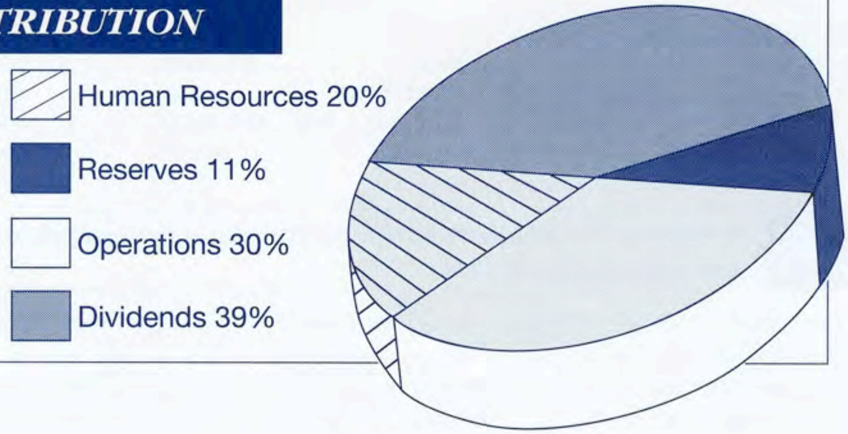
LIABILITIES		
SHARES DEPOSITS	$ 14,648,661	$ 19,584,298
CERTIFICATE DEPOSITS	11,235,322	8,010,577
CHECKING DEPOSITS	3,988,804	5,081,815
ACCOUNTS PAYABLE	84,116	66,963
RESERVES	1,500,672	1,807,443
UNDIVIDED EARNINGS	505,540	579,426
OTHER LIABILITIES	70,283	0
TOTAL LIABILITIES AND EQUITY	$ 32,033,398	$ 35,130,522



INCOME SOURCES

FINANCIAL REPORT

INCOME DISTRIBUTION



		1991		1992
INCOME				
INTEREST ON LOANS	$	2,442,868	$	2,262,593
INCOME FROM INVESTMENTS		519,845		533,559
OTHER INCOME		320,720		419,413
TOTAL OPERATING INCOME	$	3,283,433	$	3,215,565
OPERATING EXPENSES				
COMPENSATION	$	486,783	$	552,272
EMPLOYEE BENEFITS		89,568		96,550
TRAVEL AND CONFERENCE EXPENSE		16,076		15,231
ASSOCIATION DUES		17,763		17,809
OFFICE OCCUPANCY AND OPERATIONS		343,731		383,810
EDUCATION AND PROMOTION		45,014		53,699
LOAN SERVICING		15,477		30,728
PROFESSIONAL EXPENSE		151,571		169,779
PROVISION FOR LOAN LOSSES		103,100		155,908
MEMBER INSURANCE		69,678		91,038
SUPERVISORY EXPENSE		9,856		12,192
INTEREST ON BORROWED MONEY		3,015		797
ANNUAL MEETING EXPENSE		14,041		12,845
MISCELLANEOUS EXPENSE		20,672		18,058
TOTAL EXPENSES	$	1,386,344	$	1,610,716
GROSS EARNINGS	$	3,283,433	$	3,215,565
LESS OPERATING EXPENSES		(1,386,344)		(1,610,716)
NET INCOME BEFORE DIVIDENDS	$	1,897,089	$	1,604,849
LESS DIVIDENDS ON SHARES		(815,277)		(723,418)
LESS DIVIDENDS ON CERTIFICATES		(747,470)		(520,547)
BALANCE TO RESERVES	$	334,342	$	360,884

REPORT OF THE CREDIT COMMITTEE

	1991	1992
• Total Number of Loans	9,761	8,836
• Total Dollar Volume of Loans Made	$14,594,422	$19,523,819
• Number of Loans Made Since April 1, 1948	81,807	90,643
• Total Dollar Volume of Loans Since April 1, 1948	$113,510,233	$133,034,052
• Loans Charged-Off Since 1948	$508,275	$640,148
• Recoveries From Charged-Off Loans	$27,393	$28,791

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

Your Credit Committe has taken on a new look during the past year. Representatives from both Wichita and Hutchinson are meeting together as one group. A renewed Statement of Purpose has been adopted as shown above. Ongoing changes have created opportunities for the Credit Committee to adjust its role from its early beginnings of literally approving each members loan request. We are now taking a broader perspective and focusing on the overall content and direction of our credit system. We rely on our professional staff to carry out operational policies and procedures which are in place.

Two other noticeable changes occurred this year in the lending arena. An intense demand for mortgage refinancing arose, resulting in nearly 5 million dollars of mortgage loans being processed - nearly triple the prior years total. Second, a decline in overall interest levels has pushed loan rates to near record lows. Our current loan rates start at 6.25%.

The goal of the Credit Committee is to provide for a credit system which can meet the changing needs of our members.

• Casey Garten
Chairman

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

Casey Garten
CoBank/ Farm Credit System

Richard Carlisle
Farm Credit Services

Charlene Lind
U.S.D. 308- Hutchinson H.S.

Kendall Griggs
Hutchinson Comm. College

CREDIT COMMITTEE

FROM THE PRESIDENT

"Continued success ... will require us to remain true to course, to remember who we are—a not for profit cooperative of people helping people."

Garth Strand
President

The winds of change seem to blow quite constantly—in two directions. One direction blows in new discoveries, new technologies and ways to do things faster and better. The other direction blows out some old things, old ways and old thoughts. We in Kansas know that wind can be both refreshing and destructive. Perhaps the key to coping with the winds of change lies in an old sailing adage, "We cannot direct the wind—but we can adjust the sails".

Your Credit Union has made some adjustments this past year to stay on its successful course:

- Dramatic changes in interest rates for both savers and borrowers.
- Development of new services:
  - -Hutchline - direct telephone access to your account
  - -Scottie Savers - for our young members
  - -Electronic tax filing
  - -Student loans
  - -Plan America - financial planning
- Evaluation of existing services:
  - -Fee changes to achieve equitable pricing
  - -Life savings and loan protection changes
- Increased commitment to a safely managed mortgage program.
- Human Resource Adjustments:
  - -Organizational changes to adapt to our growing staff; we employ 31
  - -Training to maintain a high level of knowledge and service
  - -Renewed involvement of our volunteer committees

There have been many changes during the past year. No doubt there will be just as many in the year ahead. Continued success will require not only continued adjustments, it will require us to remain true to course, to remember who we are — *a not for profit cooperative of people helping people.*

• Garth Strand
President

OUR CATALOG OF SERVICES & BENEFITS

- **SHARE SAVINGS**, plus:
  - Certificates of Deposit
  - High Yield Accounts
  - Christmas Club Accounts
  - IRA Accounts
  - Scottie Savers Youth Club
  - Special Use Savings 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

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- **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 (TELEPHONE TELLER)**
  316-669-9696
  800-400-5141 (316 Area Only)

HUTCHINSON CREDIT UNION