1996

ANNUAL REPORT

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

23rd & Severance in Hutchinson, Kansas 67502

AGENDA

Annual Meeting / March 25th, 1997

- 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	Lee Spence
Report of Treasurer	Ed Switzer
Report of Credit Committee	Casey Garten
Report of the President	Garth Strand
Report of Election	Loretta Fletchall
Unfinished Business	

— Maggie 1985
Loretta 1981
6th yr as chair

- 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-eighth annual meeting of the Hutchinson Credit Union was held April 24, 1996 at the Hutchinson Credit Union office.

Chair Loretta Fletchall called the meeting to order. Nineteen members attended.

Casey Garten moved to accept minutes of the 1995 annual meeting as presented. Seconded by Mark Woleslagel. Motion carried.

Chair Fletchall referred to the mission statement, stating Hutchinson Credit Union was committed to fulfilling the mission statement. There have been many changes in the community and also in the banking industry. Hutchinson Credit Union will have to make the necessary changes in order to have continued success.

Lee Spence, Supervisory Committee Chairman, reported two regulatory requirements were met in 1995. The committee is reviewing policy and procedures on an ongoing basis. Member and staff surveys were also conducted in 1995. Broxterman made the motion to accept. Seconded by Switzer. Motion carried.

Ed Switzer reported the credit union had a good year. There had been steady growth since 1986. Switzer referred to Garth Strand, President, for the financial reports.

Garth Strand, President, presented graphs showing the growth in members, assets, capital, fixed assets, loan delinquency, net income, & net operating expenses. We are able to offer good products and good rates which reflects "people helping people". Our members funds are helping the members to meet their needs.

Casey Garten, Credit Committee Chairman, reported over 9000 loans were made, totaling close to $22,000,000 in 1995. The committee reviews the new loan report and picks at random loans to verify policy and procedures are being followed.

Garth Strand, President, thanked the membership for trusting the credit union with their money and everyday support, the volunteers for their time and talent, and staff for their hard work. The volunteer's leadership has allowed for change to happen. There will be a lot of changes in the next five years. Some of the issues will be regulation, competition, taxation, and technology.

Mark Woleslagel made the motion to accept the reports. Seconded by Pat Falter. Motion carried.

Strand discussed the mail ballot election and stated it was a good process. Strand presented Pat Falter a certificate for attendance at a National Supervisory Meeting.

Loretta Fletchall was presented with a gift for serving as chair of the Board of Directors.

Mark Woleslagel made the motion to adjourn. Seconded by Pat Falter. Motion carried.

REPORT OF THE CHAIR

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

I am pleased to report that your credit union is an active and successful participant in the ever-changing financial services arena. Following are highlights of changes embraced during 1996:

- The VISA Check Card was introduced, adding both value and convenience to account access for members.

- Our 2nd and 3rd ATMs were installed, again adding both value and convenience.

- MEMBERlease was made available so members have a vehicle lease option they can consider in an educational environment, and receive value in the form of full and fair disclosure of rates and terms.

- MemberSource, Inc. was born to revitalize our financial planning and product sales service, formerly known as Plan America. MemberSource will be a critical path to opening doors in the future, allowing access to products and services that might not otherwise be available.

- Preparations began for the opening of a branch office in Haven, providing exceptional value for existing members in that area, as well as making the credit union alternative a reality for many soon-to-be members.

Other changes during the year included a lower rate on our VISA credit card, adding check writing capabilities to an already enhanced investment share account and expanded mortgage options with FHA/VA availability. A *non-change* that is just as important—1996 was the 4th consecutive year with no increases in service fees!

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.

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 9-30-96. There were no records of actions in the exam report.

The Supervisory Committee requested an additional review in 1996 in the form of a risk management audit by our insurance carrier. The review focused mainly on physical security, internal controls and electronic transactions. A number of risk management enhancements were initiated as a result of the audit.

Lastly, the Supervisory Committee relies on it's own activities and findings. The Committee met 5 times during 1996 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

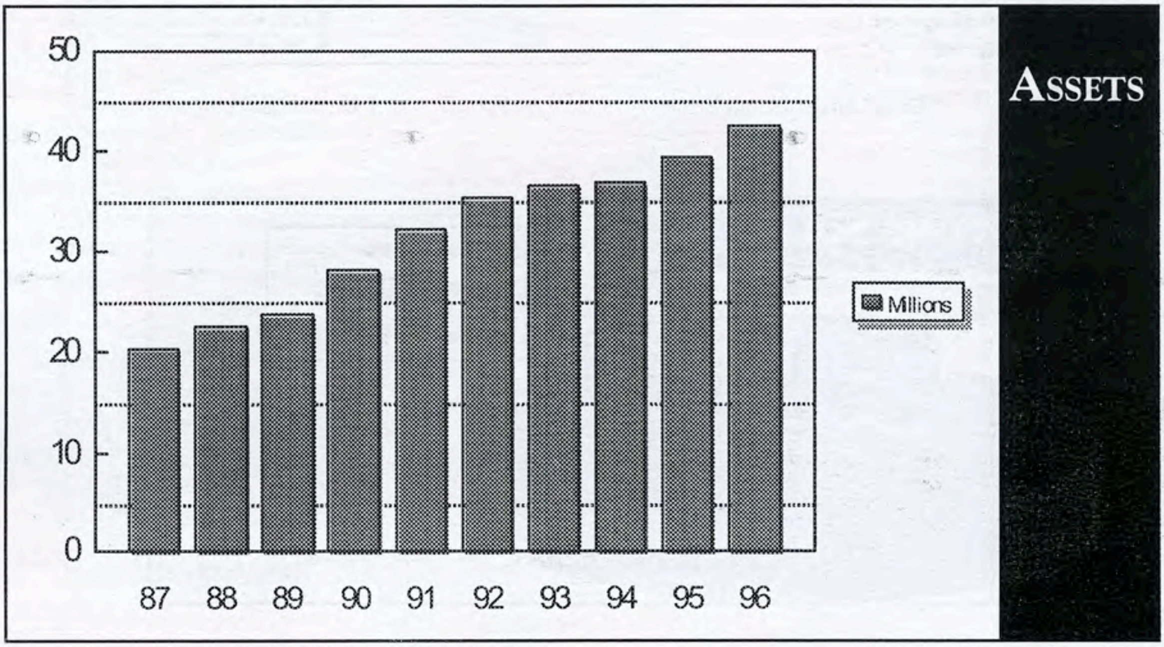
Asset Growth	7.97%	Loan Growth	8.12%
Savings Growth	9.58%	Capital Growth	12.48%

A direct return to the members of $1,454,264 was made in the form of share and certificate dividends. Our net income of $459,582 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

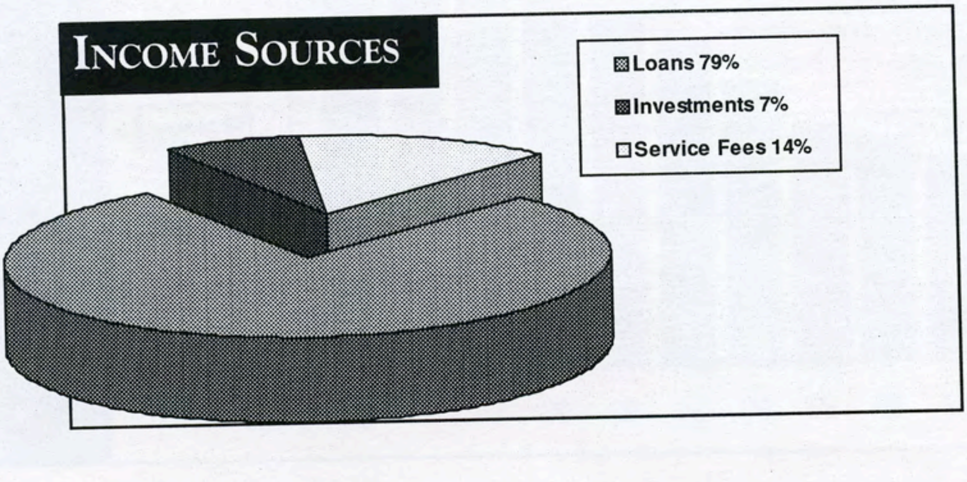


STATEMENT OF CONDITION

YEAR END CLOSINGS

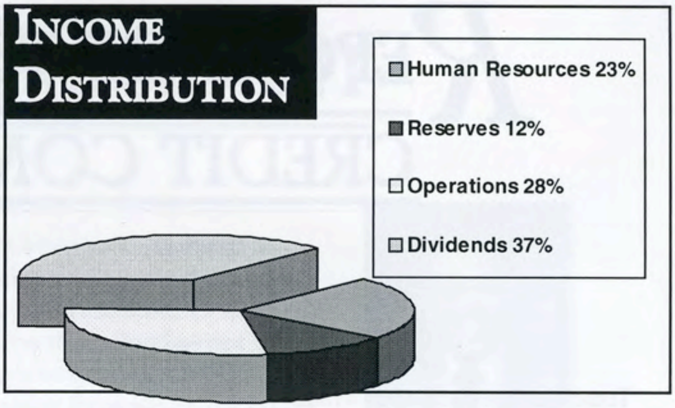
Assets	12-31-95	12-31-96
Cash Accounts	$1,409,394	$875,744
Real Estate Loans	12,148,767	13,698,577
Business/ Agricultural Loans	1,905,184	2,027,324
Consumer Loans	18,121,173	19,061,504
Loan Loss Allowance	(495,873)	(551,633)
Investments	4,137,744	5,188,859
Building and Land	1,482,943	1,420,959
Furniture and Fixtures	169,870	211,300
Prepaid Expenses	65,820	94,017
Accrued Income	189,594	235,171
NCUSIF Deposit	334,673	352,763
Other Assets	371	703
Total Assets	$39,469,660	$42,615,288

Liabilities		
Miscellaneous	$451,627	$(251,830)
Share Deposits	35,385,943	38,775,446
Reserves	3,632,090	4,091,672
Total Liabilities and Equity	$39,469,660	$42,615,288



FINANCIAL REPORT

INCOME DISTRIBUTION



Income	1995	1996
Income on Loans	$2,222,171	$3,082,049
Income on Investments	374,028	281,331
Other Income	491,072	539,785
Total Operating Income	$3,087,271	$3,903,165
Operating Expenses		
Compensation	$674,181	728,124
Employee Benefits	142,731	146,722
Travel and Conference Expense	12,523	13,281
Association Dues	18,176	18,449
Office Occupancy and Operations	489,293	527,187
Education and Promotion	69,564	86,222
Loan Servicing	26,490	46,081
Professional Expense	196,283	218,917
Provision for Loan Losses	106,434	133,419
Member Insurance	23,614	25,920
Regulatory Expense	13,401	24,487
Interest on Borrowed Money	348	107
Annual Meeting Expense	5,036	3,307
Miscellaneous Expense	14,324	17,096
Total Expenses	$1,792,398	$1,989,319
Operating Income	$3,498,039	$3,903,165
Less Operating Expenses	(1,792,398)	(1,989,319)
Net Income Before Dividends	1,705,641	1,913,846
Less Dividends on Shares	(730,284)	(797,560)
Less Dividends on Certificates	(554,945)	(656,704)
Balance to Reserves	$420,412	$459,582

REPORT OF THE CREDIT COMMITTEE

	1995	1996
Total Number of Loans Made	9,106	9,537
Total Dollar Volume of Loans Made	$21,642,061	$23,372,486
Number of Loans Made Since April 1, 1948	116,165	125,702
Total Dollar Volume of Loans Since April 1, 1948	$197,688,677	$221,061,162
Loans Charged-off Since April 1, 1948	$905,007	$982,262
Recoveries From Charged-off Loans	$50,881	$51,860

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 1996, the Credit Committee made several recommendations to the Board to enhance the overall lending program. A vehicle leasing program was developed and piloted in response to clear changes in consumer preferences for vehicle financing. FHA/VA products were added to our list of mortgage products. Loan policy changes were made to improve our construction loan practices and to provide for greater unsecured loan limits in certain situations. Lastly, in response to strong member demand to have their mortgages retained at the credit union instead of being sold to the secondary market, a new mortgage product is being piloted to allow the credit union to safely retain additional mortgage loans.

1996 was truly a great year for the credit union's lending program with outstanding loans increasing over 8%. Delinquency and charged-off loans remained at very low levels. At year-end, over 91% 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

Garth Strand
President

In 1948, Hutchinson Teachers Credit Union was organized to help teachers help each other in meeting their financial needs at that time. Many things have changed in the financial services arena since 1948. Products, services and certainly technology. One thing that has not changed however, is a basic need for individuals to help each other. This is the very core of the cooperative spirit—the spirit from which the credit union system was born. As we approach a new century, I believe it is time—probably past time—to refresh and redefine what that cooperative spirit means and can be to future generations. The cooperative principles need to be dusted off and held high. Principles like member responsibility and involvement, education and social responsibility need to take on new meaning to both current and future members. Continued success requires not only reaching for the best the future has to offer. It requires combining the future with the best of the past, while remaining true to a steady but evolving purpose.

By reading the preceding reports, you are well aware that 1996 indeed continued the success of our credit union. Everyone did their part to make it happen. Members continued their patronage. Volunteers continued their dedicated leadership. The staff worked hard every day to make it happen. Thanks to everyone for helping! People helping people still works. Maybe a little differently than in 1948 and no doubt differently than it will work in 2048. Lets all do our part to keep this time-tested principle alive and well!

• 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	Janelle G. Hanson Human Resources Director	Rick J. Toews Marketing Director

OUR CATALOG OF SERVICES

HUTCHINSON
CREDIT UNION

- REAL PEOPLE ANSWER THE PHONE

- 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

- 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

- 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

- MEMBERlease

An Auto Leasing Program

- MemberSource, Inc.

A Financial Planning Service

- MEMBER INFORMATION CENTER

- AT HUTCHINSON ONLY:

Safe Deposit Boxes
Drive-up Facilities

- HUTCH•LINE TELEPHONE TELLER

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