TWO THOUSAND

Annual Report

HUTCHINSON CREDIT UNION

"Where people are worth more than money"™

23rd & Severance in Hutchinson, Kansas 67502

Agenda

Annual Meeting / March 27th, 2001

- 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
Photography


Kendall Griggs
Hutchinson Comm. College


Richard Carlisle
Farm Credit Services


Patsy Stoecker
Hutchinson Hospital


Pat Falter
Novus Windshield Repair

Supervisory Committee


Ann Wagner
Farm Credit Services


Lee Spence
Underground Vaults


Ed Howard
USD 308


Bruce Trapp
Mid-Kansas Coop Haven


Marvin Schmucker
Schmucker Training & Consulting

Minutes of the Annual Meeting

The 52nd Annual Meeting of the Hutchinson Credit Union was held March 28, 2000 at the Hutchinson Credit Union office.

Chair Loretta Fletchall called the meeting to order. Twenty-six members attended.

Jim Woods moved to accept the minutes of the 1999 Annual Meeting as presented. Seconded by Kendal Pulliam. Motion carried.

Chair Fletchall stated members value their Credit Union membership. They demonstrate this by using the services. Staff is the key to building these relationships. Another important supporting factor are the volunteers on the Credit Committee, Supervisory Committee and Board of Directors, who give their time freely. Fletchall stated while there are many rewards in being a volunteer, volunteerism is on the decline.

Marvin Schmucker, Supervisory Committee, stated audits were completed by the certified public accounting firm of Pierce, Faris & Company, Chartered and the Kansas Department of Credit Unions. The committee met six times during 1999 to conduct reviews of various policies, procedures, accounts, reports and attended board meetings. Schmucker reported the Credit Union is safe and sound. Lee Spence made the motion to accept the report. Seconded by Ed Switzer. Motion carried.

Ed Switzer, Treasurer, reported the Credit Union's assets reached the $60 million mark in May, 1999. Asset growth was 12.05%, savings growth 12.15%, loan growth 4.17% and capitol growth of 8.51%. Switzer stated with good planning and good staff the Credit Union continues to offer services in a safe and sound manner. Jim Woods made the motion to accept the report. Seconded by Leroy Broxterman. Motion carried.

Richard Carlisle, Credit Committee, reviewed the committee's major activities for 1999. The Credit Committee continues to review the reports on new loans, delinquencies and randomly reviews loan files to insure compliance. Jim Woods made the motion to accept the report. Seconded by Broxterman.

Garth Strand, President, stated staying true to the core values and principles, yet responding to the ever-changing needs of our members is a must for the Credit Union to be a success. Strand presented slides showing capitol growth, loan quality, spread on funds, share deposit trends, Credit Union growth and member age distribution and reviewed each topic.

Strand reported on the elections, stating there was no election conducted by ballot because there was only one nominee for each position to be filled. The following were elected by acclimation: Loretta Fletchall, Kendal Pulliam, Mark Woleslagel - Board of Directors; Marvin Schmucker, Jean Lancaster, Ed Howard - Supervisory Committee.

There was no unfinished business.

Bob Guthrie gave a short report on the financial future.

Mark Woleslagel 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 53rd year of operation and continues to be an active participant in the ever-changing financial services arena. Following are highlights and changes embraced during 2000:

- Survived the challenges of Y2K with no interruptions in service to members.
- Entered into 2 strategic partnerships. First, with Century 21 to add value to our real estate lending program. Secondly, with Hutchinson Postal Credit Union to creatively share space in the new proposed branch.
- Selected and acquired the site for a new Hutchinson branch.
- HCU again received a "CAMEL 1" rating from the Kansas Department of Credit Unions. This designation is certainly a positive benchmark for a well run, financially sound credit union.
- Survived the roundabout construction at our corner of 23rd and Severance.
- Continued to move into the electronic age by introducing an electronic newsletter to employees of Farm Credit, beginning 'construction' of a specialized web site for HCU volunteers and witnessing a 300% increase in activity at the HCU web branch.
- HCU received the 1st Place National Award in CUNA's Dora Maxwell Social Responsbility Program.
- Basic service fees remained unchanged for the 8th consecutive year.

"...your credit union has successfully completed it's 53rd year of operation and continues to be an active participant in the ever-changing financial services arena."

\- 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 8-31-00. 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 August 31, 2000. This examination assigned your credit union the best possible rating. There were no records of actions required by the examiners. Congratulations and thank you to the staff for achieving this exemplary report.

Lastly, the Supervisory Committee relies on it's own activities and findings. The Committee met 4 times during 2000 to conduct reviews of various policies, procedures, accounts and reports. The Committee also participated in the annual planning session. A committee member attended most Board of Directors meetings. A confidential staff survey was conducted to provide a direct, 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	**.06%**	**Loan Growth**	**13.47%**
Savings Growth	**-.78%**	**Capital Growth**	**10.97%**

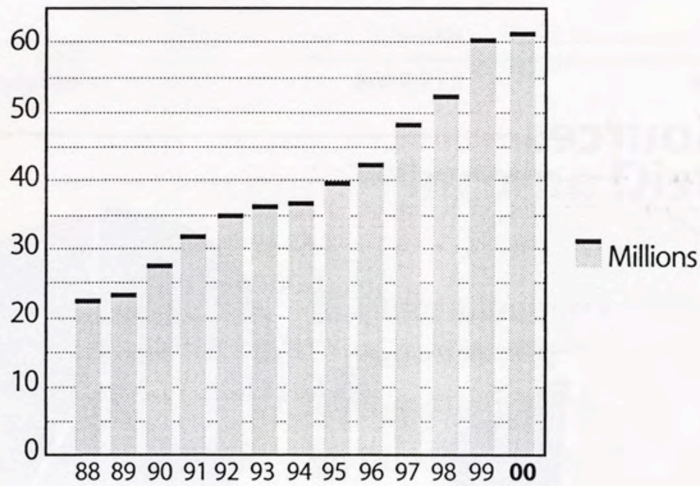
A direct return to the members of $2,263,004 was made in the form of share and certificate dividends. Our net income of $602,773 was placed in reserves and undivided earnings. This is necessary to meet state and federal regulations and to meet long term capital goals established by the Board of Directors. 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

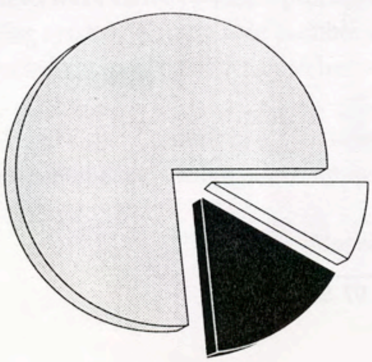


Statement of Conditions

Year End Closings

Assets	12-31-00	12-31-99
Cash Accounts	$1,572,353	$3,900,841
Real Estate Loans	24,669,384	20,935,744
Business/ Agricultural Loans	3,380,044	3,074,415
Consumer Loans	20,437,659	18,587,977
Loan Loss Allowance	(619,226)	(556,975)
Investments	8,111,394	11,576,793
Building and Land (Net)	1,271,638	1,258,183
Furniture and Fixtures (Net)	238,092	250,453
Prepaid Expenses	177,910	189,417
Accrued Income	300,854	241,005
NCUSIF Deposit	516,642	469,499
Other Assets	27,758	121,445
Total Assets	**$60,084,502**	**$60,048,797**
Liabilities		
Miscellaneous	$188,065	$334,161
Share Deposits	53,790,124	54,211,095
Reserves and Undivided Earnings	6,106,313	5,503,541
Total Liabilities, and Equity	**$60,084,502**	**$60,048,797**

Income Sources



Loans 73%

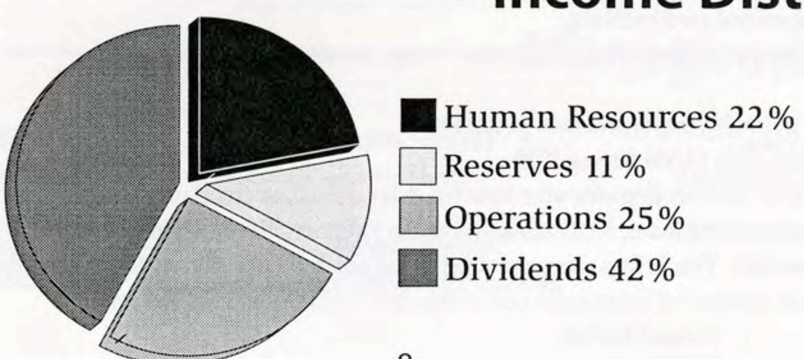
Investments 13%

Services & Miscellaneous 14%

Financial Report

Income	2000	1999
Income on Loans	$3,958,021	$3,617,833
Income on Investments	720,109	662,780
Other Income	725,178	712,849
Total Operating Income	**$5,403,308**	**$4,993,462**
Operating Expenses		
Compensation	960,864	908,366
Employee Benefits	177,519	187,291
Travel and Conference Expense	17,004	13,945
Association Dues	22,931	21,773
Office Occupancy and Operations	696,046	709,634
Education and Promotion	154,224	130,033
Loan Servicing	69,881	53,390
Professional Expense	242,697	251,922
Provision for Loan Losses	121,987	128,981
Member Insurance	35,334	31,497
Regulatory Expense	20,229	18,648
Interest on Borrowed Money	3	1,567
Member Relations	2,436	1,777
Miscellaneous Expense	15,484	18,196
Total Expenses	**$2,536,639**	**$2,477,020**
Operating Income	$5,403,308	$4,993,462
Less Operating Expenses	(2,536,639)	(2,477,020)
Non-Operating Income/Expense	(892)	(19,148)
Net Income Before Dividends	**$2,865,777**	**$2,497,294**
Less Dividends	2,263,004	(1,997,693)
Balance to Reserves	**$602,773**	**$499,601**

Income Distribution



Report of the Credit Committee

	2000	1999
Total Number of Loans Made	$10,456	10,228
Total Dollar Volume of Loans Made	$31,305,704	$29,028,695
Number of Loans Made Since April 1, 1948	$165,852	155,396
Total Dollar Volume of Loans Since April 1, 1948	$340,496,534	$309,190,830
Loans Charged-off Since April 1, 1948	$1,453,538	$1,384,175
Recoveries From Charged-off Loans	$74,079	$64,452

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, delinquencies, charge-offs and randomly review loan files to insure compliance. Types of loans, portfolio changes, the overall loan pricing structure as well as new products and services are also reviewed.

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

During 2000, the credit committee reviewed several business plans for new products and services:

- A new relationship was started with Century 21 to add value to the credit union's offering of mortgage loans. Members have on-site access to real estate professionals and are able to receive a discount on sales listings.
- An addition to the HCU credit card program which allows business members to deposit credit card receipts to their credit union account.
- Mortgage servicing which enables the credit union to sell long term mortgage loans but retain the servicing, thereby enhancing member satisfaction.
- Removed the minimum advance requirement on home equity loan drafts.
- Added on-line loan applications to the HCU web branch.
- Continue to study the implications of making more loan decisions based on an enhanced differential pricing model using automated credit scoring.
- Conversion of paper-based loan files to electronic image storage.

Some other signs of a healthy, responsive loan program are:

- Outstanding loans grew 13.5% during 2000.
- At year end, 91% of member deposits were invested in loans back to credit union members.
- In addition to outstanding loans, $3.8 million dollars in long term fixed rate mortgages were made and sold to the secondary market. This brings our current servicing portfolio to well over $20 million dollars.
- Delinquency and charged-off loans remained at very low levels throughout the year.

\- Richard Carlisle
Chairman

From the President

In last year's report I talked about the concept of "The more things change, the more they stay the same" and the importance of human qualities to long term success. How successful organizations must run on two tracks, simultaneously. One track consisting of core values and principles. The other track being the ever-changing marketplace. Now that we know the stock market is really "not different this time," and that ".com" is not necessarily a sound business practice, perhaps "The more things change, the more they stay the same" is a little more clear! I would like to add the concept of quality to the mix.

Garth Strand
President

"Quality is the first thing seen, service is the first thing felt and price is the first thing forgotten." This quote speaks loudly to me in every-day decision making. Certainly price is important but never to the extent of sacrificing value. How many times have we felt the sting of "low price" and how often do we fall back on good, quality service to make a decision? Core values and principles as well as the ever-changing marketplace demand that we wrestle daily with the balance of quality, service and price. What is the optimum mix? I believe our credit union has been able to successfully answer that question over the years, delivering an appropriate mix— good value, to members.

Quality not only applies to products and services but also to people and relationships. Perhaps the term "class" is more appropriate when talking about people. Class means confidence, meeting challenges, not making excuses. Class is consideration, good manners, building up, not tearing down. Class has nothing to do with ancestors or money. I believe our credit union has been blessed over the years with a multitude of good quality people, people with class.

So, will the stock market go up or down? Is ".com" a winning strategy? Will technology provide us with euphoria or disillusionment? Quality people, in tune with the changing marketplace and staying true to core values and principles will be able to successfully navigate these challenging questions. That mix is what has allowed our credit union to solidly grow and is what will allow that success to continue.

- 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 (620) 669-0177 (800) 428-8472
Fax (620) 669-8123

HAVEN OFFICE:
209 S. Kansas Ave.
Haven, KS 67543
Phone (620) 465-3842
Fax (620 465-2611

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

Opening in 2001 - Ave. A & Adams
WEB BRANCH: www.hutchinsoncreditunion.com