

2012 Annual Report



Above: HCU's Save@School branch in Prosperity Grade School entered its third year. Above Right: HCU Haven Branch celebrated 15 years in March and had a fundraiser for the Haven Track Fund. HCU matched up to \$500 with total funds raised \$1,285.79. Far Right: HCU Wichita Branch celebrated 25 years in September Below: HCU Avenue A branch had a renovation of the interior and located a new depository ATM in the far right drive-through lane. The Grand Re-opening and 10th Anniversary was held in October 2012.



- **23rd Avenue branch** - 900 E. 23rd Avenue, Hutchinson, KS 67502
- **Avenue A branch** - 129 W. Avenue A, Hutchinson, KS 67502
- **Haven branch** - 103 S. Kansas Avenue, Haven, KS 67543
- **Newton branch** - 2201 S. Kansas Avenue, Newton, KS 67114
- **Wichita branch** - 245 North Waco, Wichita, KS 67202
- **HCU Support Center** - 4000 N. Monroe, Hutchinson, KS 67502

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Where **people** are worth more than money



AGENDA- ANNUAL MEETING / MARCH 26, 2013

Call to Order

| | |
|---------------------------------------|----------------------|
| Determination of a Quorum | |
| Approval of Minutes and Agenda | Mark Woleslagel pg 2 |
| Report of Chair | Mark Woleslagel pg 3 |
| Report of Supervisory Committee | Ed Howard pg 3 |
| Report of Treasurer | Kendal Pulliam pg 4 |
| Report of Credit Committee | Pat Falter pg 5 |
| Report of the President | Garth Strand pg 8 |
| Report of Election | Mark Woleslagel |

Unfinished Business

New Business

Adjournment

HCU VOLUNTEERS

Board of Directors



Mark Woleslagel
Chair



Lee Spence
Vice-Chair



Kendal Pulliam
Sec-Treasurer



John McCannon



Richard Carlisle



Roy Broxterman



James Woods

Credit Committee



Pat Falter
Chair



Leila Emack



James Ewert



Patsy Johnson



Leslie Sweasy

Supervisory Committee



Ed Howard
Chair



Marvin Schmucker



Caroline Phelps



Mike Juby



Lori Blakesly

The 64th Annual Meeting of the Hutchinson Credit Union was held March 27th, 2012 at the HCU Support Center in Hutchinson, Kansas.

Chair Mark Wolesslagel called the meeting to order. Thirty members attended the annual meeting.

Jim Woods moved to accept the minutes of the 2011 Annual Meeting as presented. Seconded by Roy Broxterman. Motion Carried.

Chair Mark Wolesslagel presented the Report of the Chair. Chairman reported that 2011 was a productive and positive year ending with total assets of \$178.2 million and net income of \$1,070,055.

Remodel of the Monroe Support center is complete and now houses several HCU departments. It provides plenty of growth opportunity for the future.

There were successful examinations by both the Kansas Department of Credit Unions and NCUA, successful audit by Nearman, Maynard & Vallez, CPA's.

HCU is a leader in providing value to members.

Ed Howard, Chair of the Supervisory Committee presented the Report of the Supervisory Committee. Audits completed in 2011 found HCU's records to be in good order and conforming to Generally Accepted Accounting Principals. MemberSource records are also in good standing. Member's Mortgage Services audit was pending as of the Annual Meeting date.

There were no material deficiencies cited in the regulatory examinations by the Kansas Department of Credit Unions and National Credit Union Administration. Supervisory Committee reports funds and records are being maintained in a safe, sound and confidential manner.

Lee Spence moved to accept the report of the Supervisory Committee. Richard Carlisle seconded. Motion Carried.

Dan Springer presented the Treasurer's Report. The report shows excellent growth of assets, loan, savings and capital. Direct return to members in the form of share and certificate dividends was \$2,041,379. Net income of \$1,070,055 was placed in reserves and undivided earnings. Net income included income from Members Mortgage Services was \$7,369. HCU I&I had its best year ever which contributed \$27,585 to HCU net income.

The Board of Directors believes the credit union is financially sound, well maintained and continuing to fulfill its mission of offering financial services in a safe and sound manner.

Pat Falter gave the report of the Credit Committee. Loans for the year grew \$8.2 million for total loans outstanding to members of \$128,048,680. Mortgage rates continued at near-record lows and during 2011 HCU originated and sold \$37.8 million in mortgage loans through MMS. HCU is the number one mortgage lender in Reno County.

Delinquency increased from .88% at year-end 2010 to 1.226% at 2011 year-end.

Charged off loans was unchanged from 2010 at .17%. 77.5% of member shares were reinvested in member loans, this shows signs of a healthy credit program.

Garth Strand, President discussed the status of the HCU Helping Hands Fund and its purpose. Also discussed, was that there are constant communications and efforts with legislators to increase the cap that has been placed on business lending. Garth also provided information about Cooperatives and 2012 Year of the Cooperatives.

He asked that we think about ways to best use the capital for the interest of all membership of the credit union and continue realizing the importance of the cooperative spirit.

There was no new business.

Report of Election

There were no contested Elections. Lee Spence, Mark Wolesslagel, Ed Howard, Marvin Schmucker and Pat Falter took the Oath of Directors and Committee members administered by Roy Broxterman.

There was no unfinished business to report.

Garth Strand recognized Mark Wolesslagel as Chairman of the Board with a token of appreciation for his continued service.

Pat Falter moved to adjourn the meeting. Jim Woods seconded. Motion carried.

HCU Trivia

Did you know that as a member owned cooperative, our success is truly our members' success?

Hutchinson Credit Union is a cooperative!



Where **people** are worth more than money

Wichita Branch • 1987-2012 • 245 N. Waco, Suite T-600

Thanks to our qualified staff, volunteers, and Hutchinson Credit Union members, 2012 was another positive and productive year ending with total assets of \$195.3 million an increase of 9.64% since 12/31/2011. Hutchinson Credit Union posted net income of \$2,711,063 for 2012.

Some important highlights include:

- Bonus dividend paid back to members based on interest paid and interest earned for 2012. HCU paid back to its members nearly \$90,000 which brings the total bonus dividends paid over the last five years to approximately \$350,000.
- Remodel of Avenue A Branch in Hutchinson completed.
- Successful joint regulatory examination by the Kansas Department of Credit Unions and NCUA.
- Successful audit by Nearman, Maynard & Vallez, CPAs.
- Establishing HCU Trust Services.
- Positive contributions by both MemberSource and Members Mortgage Services.
- HCU mobile banking and automated loan approval.
- As of 12/31/2012, HCU was still the 8th largest credit union in Kansas (missed #7 by \$1 million!). HCU's net interest margin was 2.76%. Average net interest margin of top 15 credit unions in Kansas was 3.28% which means HCU members had .52% or \$1,015,560 advantage.

We are fortunate to have one of the best financial institutions in the area and I thank each of you for your continued support.

Mark Woelagel, Chair

HCU Trivia

The HCU Wichita branch celebrated 25 years, in the same location, of serving our Farm Credit (now CoBank and American AgCredit) and Wichita area members. The FCBEFCU merger continues to influence HCU to this day, with a quality group of volunteers to help guide us and a branch that continues to play an important part in the HCU story.



Where people are worth more than money

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The Supervisory Committee is charged with ensuring that Members' assets are safeguarded. They accomplish this through the following:

- Oversight of the Internal Audit Program
- Reviewing Policies and Procedures
- Evaluating and Reviewing the Credit Union's Financial Condition
- Interacting with Credit Union Management
- Cooperating with Regulatory Agencies
- Reviewing Activities of the Board of Directors and Other Committees

In order to fulfill these 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, including an Internal Auditor. This allows the Supervisory Committee to proactively monitor the high risk areas of the credit union on a regular basis.

The Certified Public Accounting Firm of Nearman, Maynard, Vallez, P.A. was employed to conduct the Annual Audit as of 9-30-12. Their report concluded that our records represent fairly and accurately the financial position of your credit union and conform to Generally Accepted Accounting Principles. Nearman, Maynard, Vallez, P.A. also audits the records of MemberSource (MS) in conjunction with the HCU audit and MS was found to be in good order. Our other CUSO, Members Mortgage Services, is being audited as of 12-31-12 and is still pending as of this writing.

In addition, the committee cooperates fully with regulatory examinations by the Kansas Department of Credit Unions and the National Credit Union Administration. Any records of action are followed up by the Supervisory Committee. The most recent exam covered transactions up to the close of business on March 31, 2012.

Finally, the Supervisory Committee relies on its own activities and findings:

- The Committee met several times during 2012 to conduct reviews of various policies, procedures, accounts and reports.
- Staff members from various areas report to us about their operations in their respective departments.
- Committee members take turns attending Board of Directors meetings.

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.

Ed Howard, Chair

REPORT OF THE TREASURER

In 2012, net income of \$2,711,063 was placed in reserves and undivided earnings after share and certificate dividends of \$2,159,896 were made to members. Reserves and undivided earnings are the "savings account" of the credit union, are necessary to meet state and federal regulations plus strategic capital goals established by the Board of Directors to insure future viability and meeting members' financial service needs.

Included in 2012 net income was \$1,135,694 from Members Mortgages Services (MMS), representing earnings from HCU's 44% ownership. That net income only tells part of the story as there was a negative mark-to-market adjustment to the valuation of mortgage servicing rights of over \$750,000, meaning MMS's 2012 operational net income was more than \$3 million. As mortgage rates rise, we expect to see positive mark-to-market adjustments, which would increase MMS's and HCU's bottom lines.

For the second consecutive year, MemberSource Inc., also known as HCU Investments and Insurance Services (HCU I&I), had its best year ever. HCU I&I is a wholly owned CUSO of HCU and contributed \$36,484 to HCU's net income.

HCU's equity in these CUSO's has grown to over \$3 million, \$600,000 from contributed capital and \$2.4 million from earnings.

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. Thank you for your support.

Kendal Pulliam
Secretary-Treasurer

| | |
|-----------------------|----------------|
| Asset Growth | 9.64 % |
| Loan Growth | 8.64 % |
| Savings Growth | 9.00 % |
| Capital Growth | 17.43 % |

RATIO COMPARISON

| | HUTCHINSON CREDIT UNION | | | | | National Peer |
|--------------------------------|-------------------------|-----------|-----------|-----------|------------|---------------|
| | 12/31/2011 | 3/31/2012 | 6/30/2012 | 9/30/2012 | 12/31/2012 | 9/30/2012 |
| Capital Adequacy: | | | | | | |
| Net Worth/Assets | 8.73% | 8.57% | 8.85% | 9.00% | 9.35% | 10.41% |
| Asset Quality: | | | | | | |
| Delinquent Loans/Loans | 1.23% | 1.17% | 0.96% | 0.81% | 0.96% | 1.18% |
| Net Charge Off/Loans | 0.18% | 0.06% | 0.10% | 0.17% | 0.19% | 0.64% |
| Earnings:* | | | | | | |
| Yield on Average Loans | 5.56% | 5.39% | 5.32% | 5.25% | 5.30% | 5.54% |
| Yield on Average Investments | 1.36% | 1.18% | 1.27% | 1.27% | 1.20% | 1.26% |
| Cost of Funds/Avg Assets | 1.23% | 1.12% | 1.13% | 1.13% | 1.17% | 0.61% |
| Net Interest Margin/Avg Assets | 2.96% | 2.82% | 2.84% | 2.82% | 2.76% | 3.08% |
| Other Income/Avg Assets | 2.17% | 2.69% | 2.33% | 2.47% | 3.02% | 1.50% |
| Operating Expense/Avg Assets | 4.32% | 3.69% | 3.81% | 3.90% | 4.10% | 3.61% |
| PLL/Average Assets | 0.17% | 0.15% | 0.12% | 0.12% | 0.24% | 0.31% |
| ROA | 0.64% | 1.66% | 1.24% | 1.28% | 1.45% | 0.66% |
| ALM: | | | | | | |
| Loans/Share | 77.48% | 73.69% | 76.29% | 78.57% | 77.22% | 66.19% |
| Loans/Assets | 69.61% | 66.32% | 68.43% | 70.26% | 68.97% | 57.96% |
| RE Loans/Loans | 53.90% | 55.52% | 55.83% | 58.61% | 59.65% | 51.20% |
| RE Loans/Assets | 37.52% | 36.82% | 38.21% | 41.18% | 41.14% | 29.68% |
| Fixed RE Loans/Net Worth | 101.78% | 106.10% | 115.84% | 139.87% | 136.58% | 184.30% |
| Cash+Short-term Inv./Assets | 6.82% | 11.55% | 10.52% | 10.04% | 12.03% | 17.32% |
| Fixed Assets / Assets | 2.75% | 2.58% | 2.68% | 2.70% | 2.62% | 3.02% |
| Growth:* | | | | | | |
| Asset Growth | 12.57% | 27.55% | 11.71% | 10.82% | 9.64% | 1.43% |
| Net Worth Growth | 7.39% | 19.71% | 14.59% | 15.29% | 17.43% | 1.92% |
| Share Growth | 12.25% | 28.34% | 11.38% | 10.16% | 9.00% | 1.28% |
| Loan Growth | 10.18% | 7.38% | 8.13% | 12.18% | 8.64% | -0.98% |
| Investment Growth | 32.92% | 100.30% | 31.37% | 7.53% | 5.59% | 5.51% |
| Membership Growth | 2.50% | -0.05% | 0.71% | 0.88% | 0.69% | -2.30% |

| | 2011 | 2012 |
|--|-----------------|---------------|
| Total Number of Loans Made | 23,109 | 22,999 |
| Total Dollar Volume of Loans Made | \$106,012,267 | \$111,803,584 |
| Number of Loans Made Since April 1, 1948 | 343,657 | 366,656 |
| Total Dollar Volume of Loans Since April 1, 1948 | \$1,096,694,612 | 1,208,498,196 |
| Loans Charged-off Since April 1, 1948 | \$3,312,657 | \$3,598,924 |
| Recoveries From Charged-off Loans | \$328,601 | \$369,603 |

Purpose of the Credit Committee:

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, 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.

Notable information and actions in the lending area during the year include:

- ⇒ Loans for the year grew \$10.8 million or 8.64% to a total outstanding loans to members of \$141,566,456. This number includes \$6.8 million in mortgage loans waiting to be sold to MMS.
- ⇒ Mortgage lending continued...again!, to command attention. With historically low rates, members benefited greatly by refinancing their mortgage loans. During 2012, HCU originated and sold 463 mortgage loans totaling \$51 million to the secondary market through Members Mortgage Services. Combined with our other mortgage lending, HCU continues as the number one residential mortgage lender in Reno County. For further perspective, out of approximately 6,800 credit unions nationwide, HCU was ranked #285 for mortgage originations as of 9-30-2012 although in terms of asset size, HCU comes in at #888.
- ⇒ Members Mortgage Services (MMS), our mortgage servicing CUSO, also benefited from all the mortgage activity. The MMS

servicing portfolio at year end consisted of 7,013 mortgage loans totaling \$704 million. There are currently 24 credit unions participating in MMS.

⇒ At year end, HCU member business loans totaled \$24.9 million. Based on our current asset size, this amount is as large as it can be by NCUA regulation. We continue to communicate with our Washington representatives to increase this cap.

⇒ Delinquency at year-end was at .955%, decreasing from 1.226% since year-end 2011. Our credit union peer average at year-end 2012 was 1.17%.

⇒ Charged-off loans for 2012 as a percentage of outstanding loans was .18% which has been essentially unchanged for three years in a row. Our credit union peer average at year-end 2012 was .64%. To put that in perspective, if the HCU charge-off ratio was the same as our peers for 2012, we would have taken an additional \$651,000 in loan losses. Another interesting fact: If you calculate our charge off ratio since 1948 from the numbers above you'll get .267% which is a darn respectable 65-year track record!

⇒ At year end, 77% of member shares are currently reinvested in member loans compared to our peer number of 65%, a great sign of a healthy credit program especially with our low rates of delinquency and charge-off.

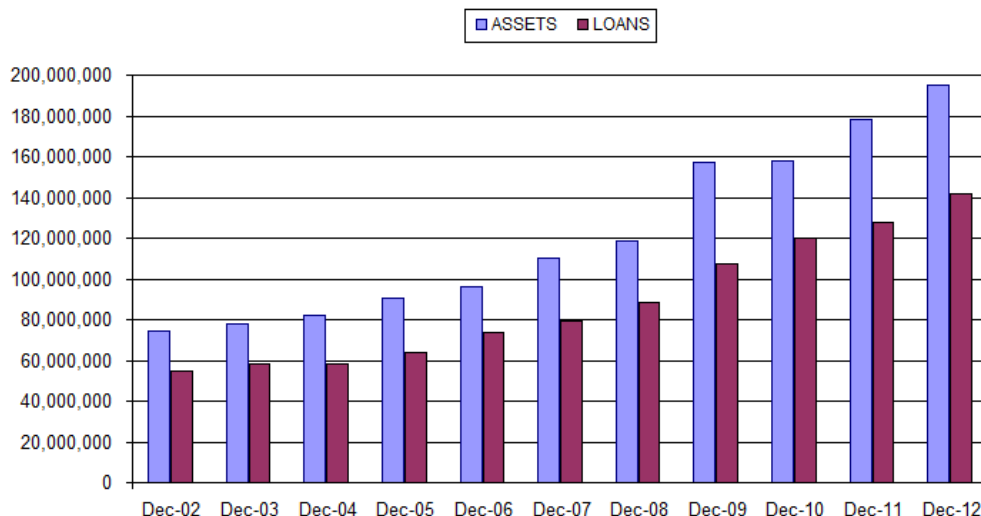
The credit committee met four times during the year to discuss and advance the issues above, review reports, and update policies, products & pricing.

Pat Falter, Chair

LOAN QUALITY

| Year-End | Delinquency | Net Charge-offs |
|----------|-------------|-----------------|
| Dec 02 | 1.405% | 0.109% |
| Dec 03 | 1.142% | 0.278% |
| Dec 04 | 1.013% | 0.116% |
| Dec 05 | 0.862% | 0.164% |
| Dec 06 | 1.092% | 0.108% |
| Dec 07 | 1.899% | 0.189% |
| Dec 08 | 0.792% | 0.311% |
| Dec 09 | 1.423% | 0.217% |
| Dec 10 | 0.884% | 0.172% |
| Dec 11 | 1.226% | 0.172% |
| Dec 12 | 0.955% | 0.180% |

ASSET/LOAN GROWTH



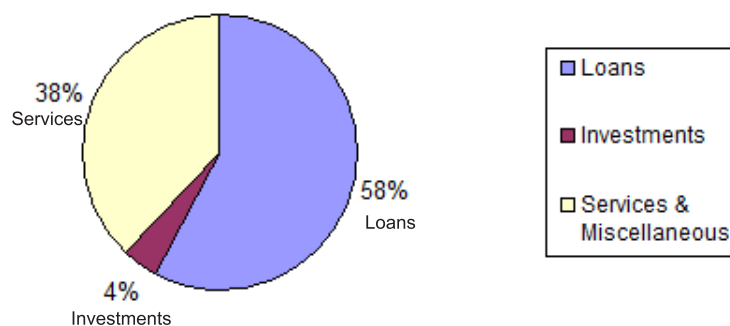
Year End Closings:

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|----------------------|----------------------|
| Cash Accounts | \$4,237,155 | \$4,976,238 |
| Real Estate Loans | 49,841,633 | 62,917,610 |
| Business/Agricultural Loans | 21,784,885 | 25,600,130 |
| Consumer Loans | 56,436,842 | 53,058,639 |
| Loan Loss Allowance | (1,121,830) | (1,321,564) |
| Investments | 39,443,291 | 41,887,497 |
| Building & Land (Net) | 4,126,976 | 4,208,869 |
| Furniture & Fixtures (Net) | 692,961 | 760,597 |
| Prepaid Expenses | 261,295 | 269,615 |
| Accrued Income | 396,856 | 392,834 |
| NCUSIF Deposit | 1,443,601 | 1,569,025 |
| Other Assets | 595,229 | 988,218 |
| Total Assets | \$178,138,895 | \$195,307,706 |
| Liabilities & Equity | | |
| Miscellaneous | \$ 2,463,878 | \$ 2,426,008 |
| Share Deposits | 160,034,605 | 174,439,038 |
| Reserves and Undivided Earnings | 15,640,412 | 18,442,661 |
| Total Liabilities and Equity | 178,138,895 | 195,307,706 |

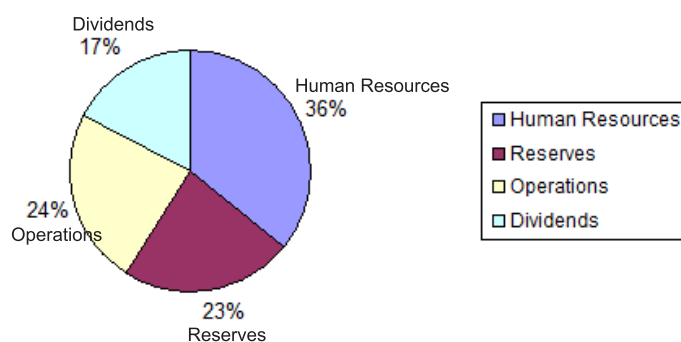
INCOME STATEMENT

| Income | 2011 | 2012 |
|------------------------------------|---------------------|---------------------|
| Income on Loans | \$6,579,742 | \$6,860,012 |
| Income on Investments | 472,120 | 489,748 |
| Other Income | 3,651,289 | 4,516,650 |
| Total Operating Income | \$10,703,152 | \$11,866,409 |
| Operating Expenses | | |
| Compensation | \$3,106,018 | \$3,505,667 |
| Employee Benefits | 762,819 | 704,688 |
| Travel & Conference Expense | 144,140 | 151,590 |
| Association Dues | 50,173 | 49,159 |
| Office Occupancy & Operations | 2,214,170 | 2,348,303 |
| Education & Promotion | 319,862 | 300,112 |
| Loan Servicing | 196,635 | 232,764 |
| Professional Expense | 104,137 | 82,120 |
| Provision for Loan Losses | 290,000 | 445,000 |
| Member Insurance | 249,491 | 132,049 |
| Regulatory Expense | 36,302 | 38,372 |
| Interest on Borrowed Money | 25,035 | 32,990 |
| Member Relations | 15,617 | 20,693 |
| Miscellaneous Expense | 73,193 | 83,219 |
| Total Expenses | \$7,587,592 | \$8,126,728 |
| Operating Income | \$10,703,152 | \$11,866,409 |
| Less Operating Expenses | (7,587,592) | (8,126,728) |
| Non-Operating Income /(Expense) | (4,126) | 1,131,278 |
| Net Income Before Dividends | \$3,111,434 | \$4,870,959 |
| Less Dividends | (2,041,379) | (2,159,896) |
| Balance to Reserves | \$ 1,070,055 | \$ 2,711,063 |

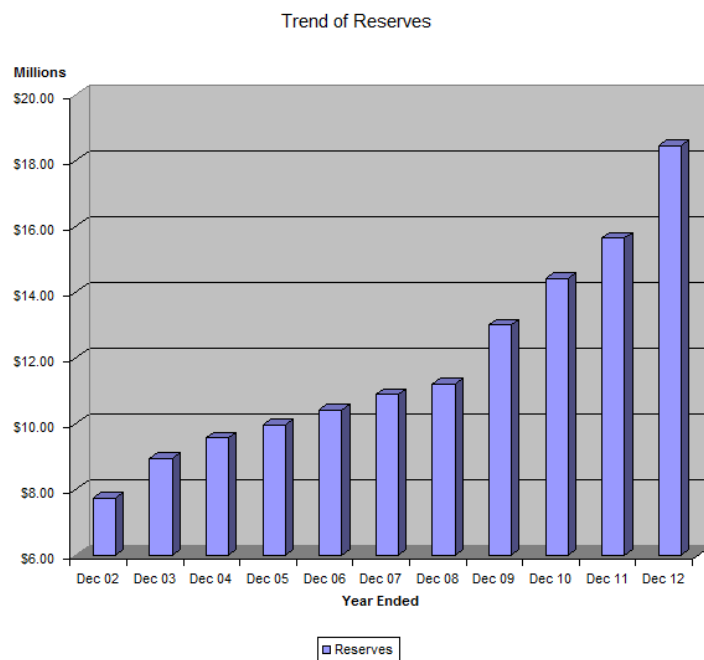
INCOME SOURCES



INCOME DISTRIBUTION



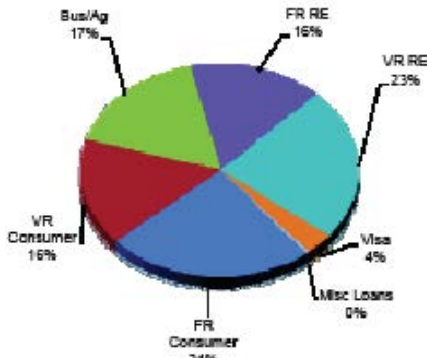
TREND OF RESERVES



DISTRIBUTION OF LOANS

HUTCHINSON

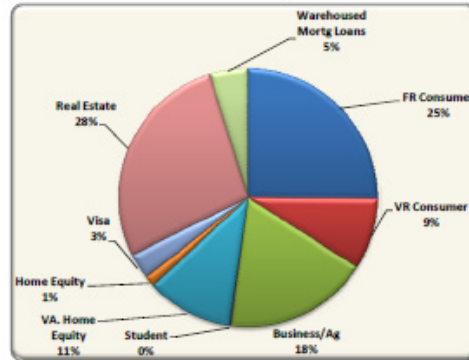
December 31, 2011



| Loan Type | Balance |
|--------------------|-----------------------|
| FR Consumer | \$ 31,060,968 |
| VR Consumer | \$ 20,660,180 |
| Bus/Ag | \$ 21,784,885 |
| FR RE | \$ 20,299,834 |
| VR RE | \$ 29,541,799 |
| VISA | \$ 4,276,600 |
| Misc Loans | \$ 424,414 |
| TOTAL Loans | \$ 128,048,680 |

HUTCHINSON

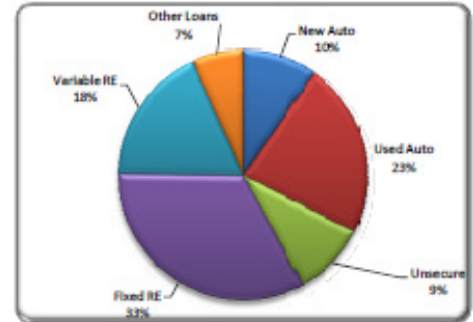
December 31, 2012



| Loan Type | Balance |
|--------------------|-----------------------|
| FR Consumer | \$ 35,567,922 |
| VR Consumer | \$ 12,559,542 |
| Bus/Ag | \$ 25,600,130 |
| Student | \$ 295,977 |
| VA Home Equity | \$ 15,272,376 |
| Home Equity | \$ 1,909,165 |
| VISA | \$ 4,538,680 |
| Real Estate | \$ 38,941,972 |
| Warehs Mtg Lns | \$ 6,794,097 |
| TOTAL Loans | \$ 141,479,861 |

National Peer

September 30, 2012
100,000,000 - 500,000,000

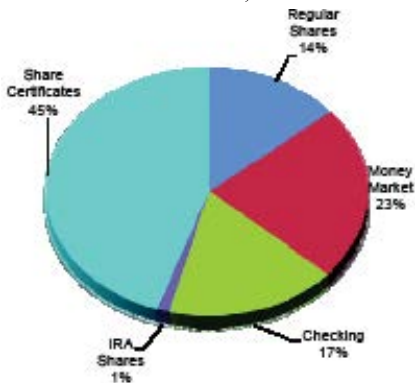


| Year Change | % |
|-------------------|--------------|
| 4,949,484 | 14.46 |
| (8,100,638) | -39.21 |
| 3,815,245 | 17.51 |
| (50,406) | -14.55 |
| (437,537) | -2.79 |
| (144,234) | -7.02 |
| 262,080 | 6.13 |
| 10,874,552 | 38.74 |
| 2,783,195 | 69.39 |
| 13,496,741 | 10.55 |

DISTRIBUTION OF SHARES

HUTCHINSON

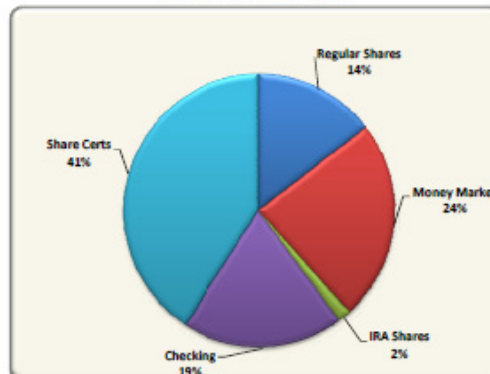
December 31, 2011



| Share type | Balance |
|---------------------|-----------------------|
| Regular Shares | \$ 22,151,717 |
| Money Market | \$ 36,534,061 |
| Checking | \$ 27,634,280 |
| IRA Shares | \$ 2,035,266 |
| Share Cert | \$ 71,743,652 |
| TOTAL Shares | \$ 160,098,976 |

HUTCHINSON

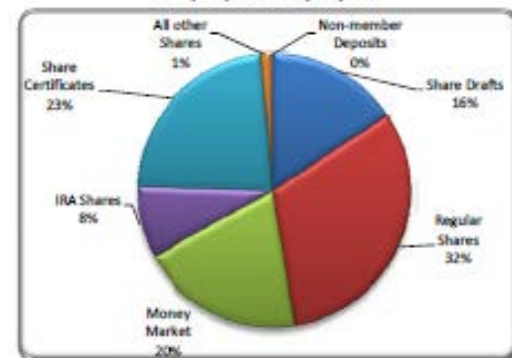
December 31, 2012



| Share type | Balance |
|---------------------|-----------------------|
| Regular Shares | \$ 25,301,622 |
| Money Market | \$ 41,627,125 |
| IRA Shares | \$ 2,713,155 |
| Checking | \$ 33,602,024 |
| Share Certs | \$ 71,195,112 |
| TOTAL SHARES | \$ 174,439,038 |

National Peer

September 30, 2012
100,000,000 - 500,000,000



| Year Change | % |
|----------------------|--------------|
| \$ 3,149,905 | 14.22% |
| \$ 5,093,064 | 13.94% |
| \$ 677,889 | 33.31% |
| \$ 5,967,744 | 21.60% |
| \$ (548,540) | -0.76% |
| \$ 14,340,062 | 8.96% |

Banks use people to make money.

Credit unions use money to help people

The title above is one of those “catch phrases” put together in an attempt to epitomize an industry in one sound bite; to generate emotion; to rally support. This one does a pretty good job of that. Although, there are in fact two sides to every coin. Banks are not inherently evil nor are bankers. I suspect that almost every consumer, including myself, that has invested in a mutual fund is technically a “bank owner”. Are we using people to make money? Is that bad? Perhaps we should just accept it for what it is; a sound bite to generate emotion and rally support.

What is true and is not debatable is that the mission & purpose of a credit union is in fact to help people. Help by using money; help by using resources; help by using education. I'll suggest that we focus our energies and best thinking on that thought and leave the rhetoric to others. Our members don't care about rhetoric, how bad we think the competition is; how much regulation we have, etc. Our members care about how their credit union can help make their lives better. How cooperation can create co-opportunity.

You will notice on the Balance Sheet presented on another page in this report, HCU has approximately \$18.4 million in reserves and undivided earnings. While the majority of that amount is required by regulation for safety and soundness, it also represents a very large asset that can be leveraged to benefit members; to create co-opportunity. On another page in this report are examples of what co-opportunity looks like at HCU; how credit union resources have been used to create value for members.

As HCU moves into the future, I'd like to first caution us all on giving too much attention to rhetoric. As has been said in many ways, we should be most concerned about our deeds and not so much about our words. Our members don't care so much about horn-tooting as they do about how their credit union has helped them. I challenge us all to stay focused on the fundamental credit union mission of helping people, of helping our members. To leverage cooperative resources to create co-opportunity. That is our way forward.

Garth Strand, President

INTERNATIONAL COOPERATIVES PRINCIPLES

Definition

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

- 1. Voluntary and Open Membership:** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2. Democratic Member Control:** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
- 3. Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the

cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of cooperation.

6. Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community: While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

Co-opportunity...

what does it look like at HCU?

Save@School Branch-Prosperity USD313

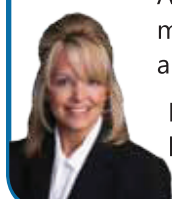


Coin counters...
HCU members save over \$3,000 per month by using our coin counters instead of having to use machines found at retail locations.



HCU INVESTMENT & INSURANCE SERVICES
Securities provided by Cetera Investment Services, LLC

An HCU Credit Union Service Organization



Advocate for business members with policies and programs

HCU lunch & learn for business members



A former HCU pocket planner

Hutch Card has raised over



28,000+ Free ATM's Nationwide
CO-OP ATM network...free access to nearly 30,000 ATMs

MSM MEMBERS MORTGAGE SERVICES

BUILT BY CREDIT UNIONS FOR CREDIT UNIONS.

For the total Return of the Member Index ranking HCU is **7** out of **705** and in the top **1%**!

Hutchinson

September 30, 2012

| | Rank out of 705 | Percentile |
|------------------------|-----------------|------------|
| Total ROM ★★★★★ | 7 | 99.12% |
| Return to Savers | 17 | 97.73% |
| Return to Borrowers | 26 | 96.45% |
| Member Service Usage | 80 | 88.79% |

ROM is based on ten standard asset peer groups defined by Callahan. These include three separate groups for credit unions above \$250M in assets for better segmentation (\$250-500M, \$500-\$1B, and \$1B+).

Callahan & Associates, Inc. is an independent rating agency.

The Credit Union National Association (CUNA) estimates that in 2012, credit unions provided \$5.8 billion in direct financial benefits in the form of lower loan rates, higher savings rates and lower fees. An estimated \$8 billion of additional value is provided by the competitive tension that credit unions provide in the marketplace. For 2012, CUNA estimates total benefits to credit union members in Kansas of \$58,526,941 which equates to \$141 per member household. Using that number means \$1,703,421 in benefits accrued to HCU households in 2012. Now that's co-opportunity!

GARTH STRAND- President

DAN MCFADDEN, VP of Lending

Jacquie Miller, Mortgage Manager

Joe Ackerman, Mortgage Officer

Brandy Princ-Petermann, Mortgage Loan Processor

LeeAnn Marker, Business Advisor

Andrea Rumler, Business Loan Assistant

Troy Scarlett, Underwriting Manager

Kevin Wiens Credit Analyst

CC Mayberry, Special Accounts Manager

Troy Lambert, Special accounts assistant

Bambi Stewart, Loan Processing & Servicing Mgr.

Dana Hase, Loan processor

Kasey Thiessen, Loan processor

Kelsey Janzen, Loan processor

Donna Miller, Consumer lending manager

Angie Davenport, Loan Officer

Margaret Sebastian, Loan Officer

MICHELLE WALN, VP of HR & Retail Operations

Tasha Erickson, HR & Education Director

Jeanette Miller, HR Assistant

Debbie Ridpath, Cash Services Manager

Amanda Barr, Advisor III

Juanita O' Neal, Receptionist

Leah Alfaro, Lobby Teller supervisor

Debbie McClendon, Teller

Debbie Zook, Teller

Michelle Griffith, Teller

Laura O'Neal, Drive-thru supervisor

Brenda Knox, Teller

Judy Miller, Teller

Joy Ann Jeffers, Teller

Jeremy Stauffacher, Ave. A branch Manager

Cassie Branin, Loan Officer

Marva Terrell, Ave. A assistant Branch Manager

Angela White, Teller

Brittney Carey, Teller

Cynthia Shultz, Teller

Kara Simmons, Teller

Monica Cullens, Teller

Julie Caffrey, Haven Branch Manager

Christie Nienstedt, Loan Officer

Kristi Chamberlain, Teller

Samantha Raybern, Newton Branch Manager

Janell Mendenhall, Loan officer

Kelsi Cubbage, Teller

Natasha Orpin, Teller

Sam Roth, Teller

Steven Morgan, Loan officer/Mortgage officer

Dee Lemen, Wichita branch manager

Char Bigger, Loan Officer

Jennifer Turner, Teller

DAN SPRINGER, Executive Vice President/CFO

Jennifer Wright, Internal Auditor/Compliance Officer

Kristi Nuest, EFT Manager

Elaine Marquez, Fraud Specialist

Lisa Radloff, ACH/Drafts coordinator

Lisa Gamber, Wires/Debit card coordinator

Yvonne Yearout, Credit card coordinator

Sandy Rush, Accounting Manager

Tara Montgomery, Accounting assistant

Joel Andrew, Financial Analyst

CASEY SWARTS, VP of Marketing & Remote Delivery

Pat Falter Business Development Officer

Darren Werth Marketing/Communications Director

Ellen Dugan, Marketing Specialist

James Tyree, Remote Delivery Specialist

Tracy Ryan, Phone center manager

John Warren, Phone center advisor III

Ginny Chronister, Phone center advisor III

Tammy Nachtigal, Phone center advisor IV

Teresa Dover, Phone center advisor IV

Shayna Johnson, Phone center advisor IV

Mike Armbruster, Building & Grounds Technician

Johnny Likes, B&G Technician

ZACK CLOBES, VP of Technology

Kelly Newboles, Network Admin/Tech support

Ryan Sperling, Programmer

Shaun Befort, Programmer

Angie Mielke, Data Processing & IT Manager

Carol Kemp, Records manager

Dillon Aumiller, Programmer

Scott Matthews, Tech support

Wendy Hildebrand, Computer support





TODD BRUNNER,

MEMBERS MORTGAGE SERVICES PRESIDENT /CEO

Angie Wiehl, Accountant

Jerry Grinstead, Vice President Production

Angie Veatch, *Loan consultant*

Ann Schrick, *Loan consultant*

Evelyn Dohm, *Loan consultant*

Jennifer Nuest, *Loan consultant*

Kathleen Tolbert, *Underwriter*

Michelle DeMeyer, *Loan consultant*

Pam Beshears, Shipping & Servicing Manager

Amanda Springs, *Mortgage Servicing*

Brandi Caywood, *Mortgage Servicing*

Brody Ackley, *Mortgage Servicing Assistant*

Brynn Loop, *Mortgage Servicing*

Jamie Kreutzer, *Mortgage Servicing*

Nancy Conard, *Mortgage Servicing*

Olivia Nisly, *Mortgage Servicing*

Shelly Duncan, *Mortgage Servicing*

Scott Cooley, Special Accounts Manager

Brittany Shipley, *Loss Mitigation Advisor*

LaShauna Kempel, Director of Training

Jody McClure, *QC Specialist*



MONTE CROSS

HCU INVESTMENT & INSURANCE SERVICES MANAGER

Becky Goering, *Administrative Assistant*

HCU Trivia

In 1987 HCU purchased our first fax machine. Now our advance technology allows us to print HCU debit and credit cards for you while you wait!



HCU Trivia

The most colorful repossessions HCU has ever had actually came from a loan made in the FCBEFCU days; a Bentley automobile and a hot air balloon!



Where **people** are worth more than money

Wichita Branch • 1987-2012 • 245 N.Waco, Suite T-600

HCU Trivia

In 1987 Hutchinson Credit Union had approximately 9,000 members and \$25 million in assets at the time.



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