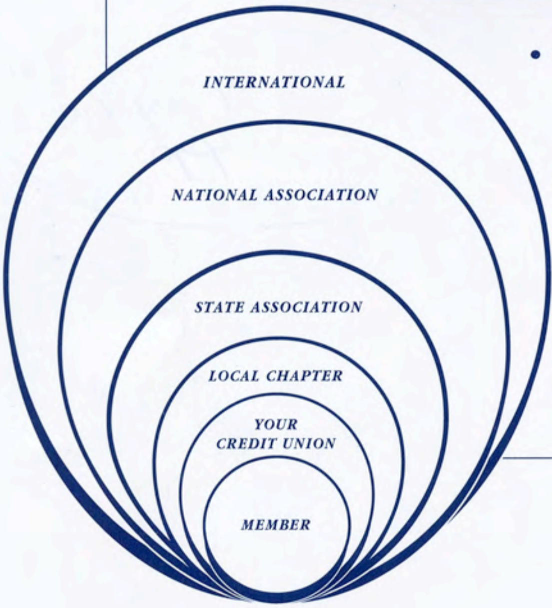
1993 ANNUAL REPORT

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 14, 1994

- 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/Long Term Care .... John Robinson, *Plan America Representative*

MINUTES OF THE ANNUAL MEETING

ANNUAL MEETING / MARCH 15, 1993

The forty-fifth annual meeting of the Hutchinson Credit Union was held March 15, 1993 at the Hutchinson Holidome. Approximately 240 members attended.

The meeting began with an hors d'oeuvre buffet and music. Vice Chairman LeRoy Broxterman called the meeting to order.

Vice Chairman Broxterman presented the agenda for the meeting. James Woods moved to accept the minutes of the 1992 Annual Meeting as printed. A second was made by George Sanders.

Vice Chairman Broxterman presented the Chairman's report as printed.

Lee Spence, Supervisory Committee Chairman, reported two special regulatory requirements were met in 1992. Loan allowance was increased $107,750 from undivided earnings and the method of modified cash accounting was changed to the full accrual method. A Risk Management Survey was completed by CUNA Mutual Insurance. An independent audit was completed by the Certified Public Accounting firm of Pierce-Faris and Company. Mr. Spence made the motion to accept. Kendal Pulliam seconded the motion.

Ed Switzer, Secretary/Treasurer, presented the financial status of the credit union, stating loan growth was down while savings, asset and capital growth was up. Broxterman accepted the report.

Casey Garten, Credit Committee Chairman, gave a report on the work and changes of the committee. Broxterman accepted the report.

Garth Strand, President, reported the credit union experienced sound financial performance and unlike many financial institutions, did not take advantage of falling interest rates for excess profit taking. Strand reviewed the changes in service, services and structure that occurred in 1992. Broxterman accepted the report.

There was no new or unfinished business.

Garth Strand presented the slate of nominees and made the motion to elect the nominees by unanimous ballot.

COMMITTEE NOMINEES...

Board of Directors (three year term)	James Woods Ed Switzer
Credit Committee (three year term)	Kendall Griggs
Supervisory Committee (three year term)	Lee Spence

With no nominations from the floor, Pat Falter seconded the motion.

Speaker Jim Holt, Bruce & Davis Law Firm, spoke on estate planning and related matters.

Broxterman asked for a vote to approve the motions, the 1992 minutes, report of supervisory committee, and election of nominees. An affirmative vote was cast.

Greg Shelton conducted the drawing for door prizes.

There being no further business, meeting adjourned.

• Loretta Fletchall
Chair

• Ed Switzer
Secretary/Treasurer

REPORT OF THE CHAIR

Your credit union team—members, volunteers and staff—have brought about another successful year. In 1993:

- All areas of our balance sheet had positive growth—deposits, loans & reserves.
- Three new services were introduced to meet member needs:
  - Scottie Savers to encourage and educate our youngest members.
  - Student loans with special terms to assist members with their education.
  - Plan America to help all members enhance their financial success through unbiased planning and education.
- Usage of our major services grew, even more than our number of members, meaning both new and existing members are discovering the value available.
- Completed a merger with Carey Salt Employees Credit Union bringing expanded services to 328 members.

"...members, volunteers and staff—have brought about another successful year."

Members, volunteers and staff all participated together to make 1993 a success. The power of this partnership will be even more important as the years ahead continue to offer new challenges in competition, regulation, technology and economic conditions. The challenges will change but the solutions will always be found in that powerful partnership—**"People Helping People"**.

• Loretta Fletchall
Chair

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee's 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 view 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.

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 continue to be well received. Your feedback has been most helpful and is much appreciated.

The Supervisory Committee will become more involved in a Disaster Recovery and Emergency Preparedness Plan for our Credit Union this next year. The purpose of the plan is designed to give employees of the Credit Union a plan of action for maintaining service to the members when an emergency situation interrupts normal procedures. The plan will be used to assist in dealing with a crisis after a disaster or an emergency has occurred.

It is gratifying to report to all members that their funds are being well protected against loss and with the proper internal checks and balances our Credit Union is again in a position to move forward into the coming year.

• 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 1992 and 1993 are shown on the following pages. Key measurements are as follows:

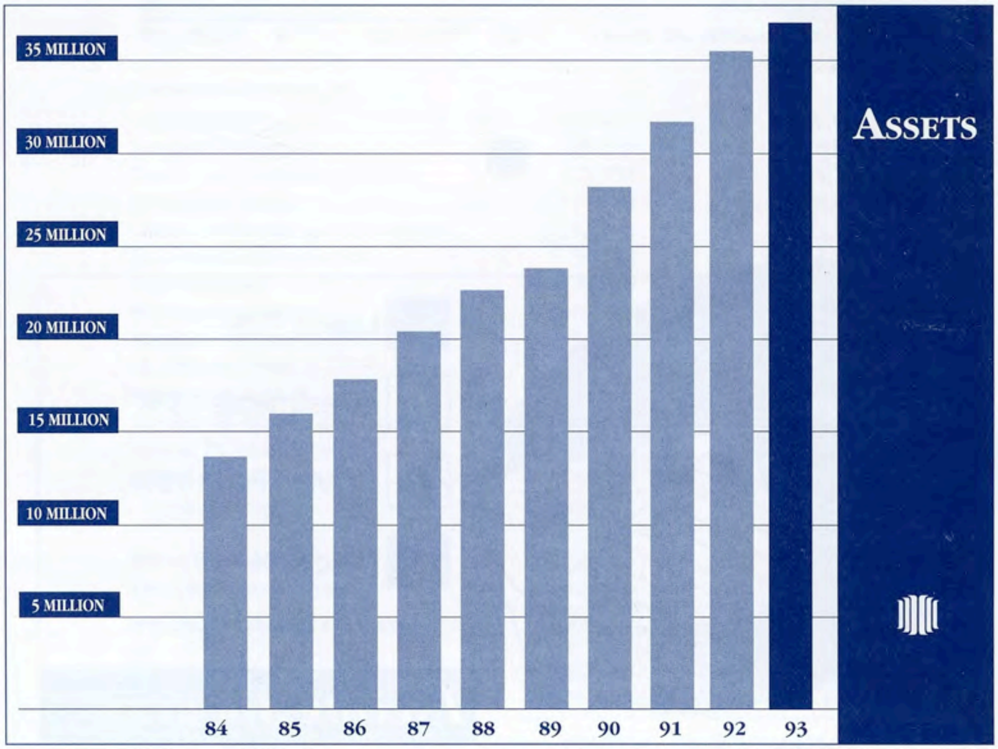
Asset Growth	4.5%	Loan Growth	13.4%
Savings Growth	3.4%	Capital Growth	17.9%

A direct return to the members of $996,526 was made in the form of share and certificate dividends. Our net income of $415,380 was placed in reserves and undivided earning. This is necessary to meet state and federal requirements 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

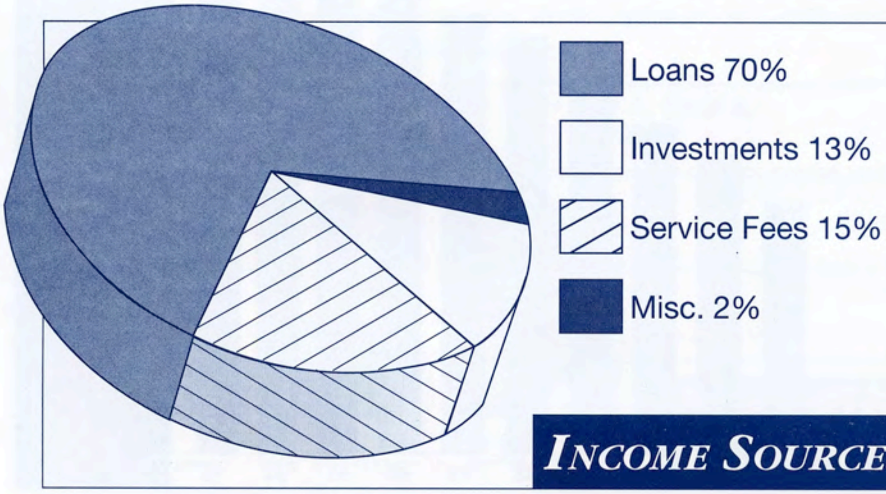


STATEMENT OF CONDITION

YEAR END CLOSINGS

ASSETS	DECEMBER 31, 1992	DECEMBER 31, 1993
CASH ACCOUNTS	$ 1,187,841	$ 1,002,828
REAL ESTATE LOANS	6,913,278	8,794,440
BUSINESS/AGRICULTURAL LOANS	1,589,891	1,749,857
CONSUMER LOANS	13,968,110	14,944,871
INVESTMENTS	10,532,926	9,265,945
BUILDING AND LAND	654,143	626,477
FURNITURE AND FIXTURES	73,953	106,979
PREPAID EXPENSES	56,966	69,838
ACCOUNTS RECEIVABLE	71	0
ACCRUED INCOME	153,343	137,194
TOTAL ASSETS	$ 35,130,522	$ 36,698,429

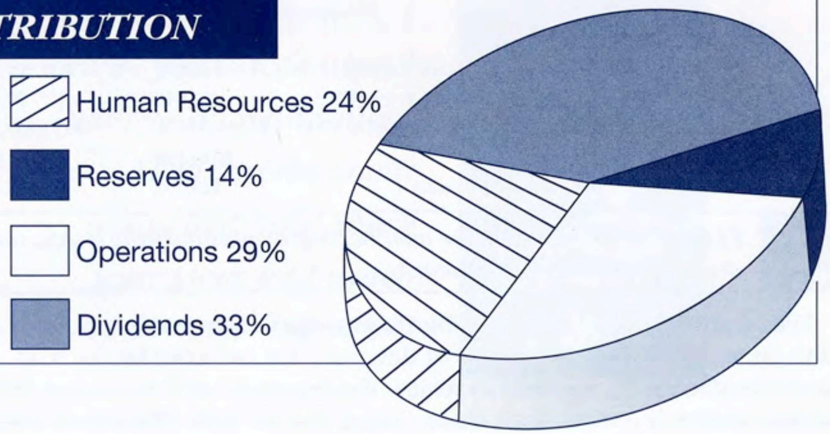
LIABILITIES		
SHARES DEPOSITS	$ 19,584,298	20,608,528
CERTIFICATE DEPOSITS	8,010,577	7,589,468
CHECKING DEPOSITS	5,081,815	5,572,499
ACCOUNTS PAYABLE	66,963	3,546
RESERVES	1,807,443	2,246,617
UNDIVIDED EARNINGS	579,426	593,393
OTHER LIABILITIES	0	84,378
TOTAL LIABILITIES AND EQUITY	$ 35,130,522	$ 36,698,429



INCOME SOURCES

FINANCIAL REPORT

INCOME DISTRIBUTION



INCOME		1992		1993
INTEREST ON LOANS	$	2,262,593	$	2,138,465
INCOME FROM INVESTMENTS		533,559		403,835
OTHER INCOME		419,413		494,562
TOTAL OPERATING INCOME	$	3,215,565	$	3,036,862
OPERATING EXPENSES				
COMPENSATION	$	552,272	$	620,803
EMPLOYEE BENEFITS		96,550		118,819
TRAVEL AND CONFERENCE EXPENSE		15,231		14,103
ASSOCIATION DUES		17,809		18,236
OFFICE OCCUPANCY AND OPERATIONS		383,810		393,525
EDUCATION AND PROMOTION		53,699		63,368
LOAN SERVICING		30,728		32,150
PROFESSIONAL EXPENSE		169,779		165,565
PROVISION FOR LOAN LOSSES		155,908		128,401
MEMBER INSURANCE		91,038		19,785
SUPERVISORY EXPENSE		12,192		12,646
INTEREST ON BORROWED MONEY		797		352
ANNUAL MEETING EXPENSE		12,845		10,071
MISCELLANEOUS EXPENSE		18,058		27,132
TOTAL EXPENSES	$	1,610,716	$	1,624,956
GROSS EARNINGS	$	3,215,565	$	3,036,862
LESS OPERATING EXPENSES		(1,610,716)		(1,624,956)
NET INCOME BEFORE DIVIDENDS	$	1,604,849	$	1,411,906
LESS DIVIDENDS ON SHARES		(723,418)		(669,858)
LESS DIVIDENDS ON CERTIFICATES		(520,547)		(326,668)
BALANCE TO RESERVES	$	360,884	$	415,380

REPORT OF THE CREDIT COMMITTEE

	1992	1993
• Total Number of Loans	8,836	7,423
• Total Dollar Volume of Loans Made	$19,523,819	$20,205,938
• Number of Loans Made Since April 1, 1948	90,643	97,966
• Total Dollar Volume of Loans Since April 1, 1948	$133,034,052	$153,239,989
• Loans Charged-Off Since 1948	$640,148	$741,661
• Recoveries From Charged-Off Loans	$28,791	$32,730

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 enforced by the loan officer staff. The committee meets regularly to review the reports of new loans and delinquencies, and also randomly reviews loan files to insure that the loan officers are complying with policy and are properly documenting the loan decisions. The committee also reviews the policies of the board, such as what types of loans are made and how loans are priced.

During 1993 our credit union opened a mortgage loan office to further serve the members needing home loans. Also this past year the process for determining the interest rate of consumer credit such as car and signature loans was reviewed, with some enhancements planned for 1994.

These changes occurred because the types of loans needed by our members has changed and will continue to change in the future. Consequently, our credit union needs to continue to refine our lending programs to keep pace with those needs. As your representatives on the credit committee, we look forward to assisting the credit union staff in addressing the changing credit needs of the 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

"In the coming months, I invite you to look ahead with your credit union. How can the credit union help you? Share your ideas and watch what happens!"

Garth Strand
President

"Another successful year!" This would be a common theme looking through our past annual reports. Your credit union has a 45 year habit of success. Fortunately, the progressive spirit of past and present members, volunteers and staff has not allowed us to be lulled into complacency by this repeated good news. Past success does not guarantee our future. We must dare to look ahead.

Dare to look ahead to see what our members needs will be — Insurance products? Additional access to services at home? Consumer goods? Group purchasing?

Dare to look ahead to see what new technologies can enhance the delivery of our services while improving our efficiency — Smart cards? Delivery of account statements via home P.C.'s? Enhanced ATM's? Will we be a victim of the information super highway or will we be in the fast lane?

Dare to look ahead at the real power of people working together — To ask members for a higher level of commitment to credit union philosophies? To expect a higher degree of involvement?

In the coming months, I invite you to look ahead with your credit union. How can the credit union help you? Share your ideas and watch what happens! To look ahead is indeed daring. It is exciting, scary and fun all rolled into one. Most of all it is possible — especially with the powerful partnership that credit unions foster. Truly, "There is no power on earth like that of people banned together for the common good."

• 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
  Student Loans
- **CHECKING:**
  Interest-bearing Accounts
  Overdraft Protection
- **PLAN AMERICA**
  Financial Planning
- **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

- **HUTCHINSON OFFICE**
  900 East 23rd
  P.O. Box 1645
  Hutchinson, KS 67504-1645
  316-669-0177
- **MORTGAGE OFFICE**
  15 E. 30th Ave.
  Hutchinson, KS 67502
- **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)

COMING SOON: PAYMATE, ELECTRONIC BILL PAYMENT

HUTCHINSON
CREDIT UNION