members first and foremost

ALLIANT credit union

2004 annual report

2004 forefront

- New VISA® Platinum Rewards program expands Alliant's credit card offerings to members
- New "everyday great rates" philosophy, a commitment to our members that our loan rates will be below industry average

members first and foremost

Despite starting the year with unique challenges– a new brand identity, new products, new services, planning for a credit union-wide computer systems enhancement and more–2004 ended as a year of unprecedented growth… thanks in foremost to continuing our 69-year heritage of placing the welfare of our member-owners first.

- Proudly served over 178,000 members, a membership increase of 5%, nearly 3 times the national credit union average growth rate[1]
- Ranked in the 99th percentile of credit unions in cost efficiency
- High member satisfaction level of 95.9%
- An average savings dividend of 2.48% paid to our members, the top 1% of all credit unions nationally[2]

over

$90 million

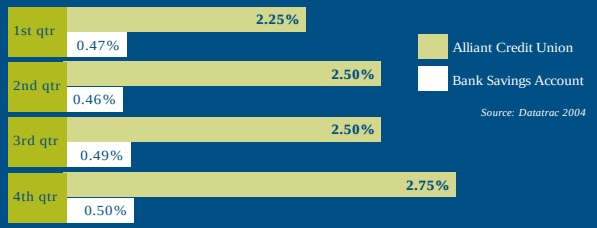
in dividends returned to our members

[1] *Source: CUNA Economics & Research*

[2] *Source: Raddon Financial Group*

message from the chairman and president

2004 DIVIDEND RATES *(Alliant vs. National Average)*



Tom Fraser

David W. Mooney

Alliant℠ Credit Union enjoyed an extremely successful 2004, as strategic and organizational changes initiated in 2003 were realized. We began the year with a new brand identity to support membership diversification and growth…and ended the year reporting impressive financial results thanks to the continued support of our members utilizing our products and services.

2004: for Alliant members

Alliant reinforced its tradition of exceptional value for members by officially instituting an "everyday great rate" philosophy, our commitment to Alliant members that our loan rates will be below industry average. Members were provided the unique opportunity to borrow at rates substantially below those at most other credit unions, averaging around 1% less on auto loans, .25-.75% less on mortgages (and far less than banks and other financial institutions). Alliant enhanced credit card options for our members by offering the new Alliant Platinum Rewards VISA® program. Thanks to this overall member focus, loan growth was outstandingly strong, with total loans increasing 12.9% from 2003.

Alliant members also continued to enjoy exceptional returns on their savings. While competitive savings rates remained largely unchanged, Alliant raised its savings dividend *twice* during the year, by a total of .5%. By the end of the fourth quarter, Alliant's annual savings dividend rate was 2.75% – compounded annual percentage yield of 2.78% APY to members who maintained an average daily balance of $100 or more.

Alliant's conversion and enhancement of our computer system platform – successfully completed in October – required tremendous attention and energy and encompassed virtually every credit union system and operation, including Self Service Telephone, our automated phone system service, and SkyBranch®, our online banking service. The overall benefit of this computer system enhancement is that it is built for growth, added functionality and higher reliability so Alliant can quickly satisfy our members' current needs and successfully meet their future needs, too.

2004: for Alliant employees

Alliant made significant progress in enhancing employee engagement, a key factor in individual and organizational effectiveness and enhancing member service. Average engagement scores, as measured by the results of our annual Gallup Q^{12} Engagement Survey, placed Alliant in the 60th percentile of financial services companies. It is our aim to develop and empower our staff, so we can continue to earn the uncompromised trust of our members.

2004: for the community

In 2004 Alliant established a civic affairs program to extend a charitable arm directly to the community via participation and support of civic/social causes important to Alliant and its members. We adopted financial literacy as our principal philanthropic focus and entered into a major partnership with Operation Hope, Inc., to deliver financial instruction to youth. Through partnerships like these and volunteerism in line with Alliant's long-standing service mission, we make an impact, give back to our community and "put a face" on Alliant – and our members – as good corporate citizens.

In summary, 2004 was a year of exceptional accomplishment for Alliant Credit Union. Landmark growth. Continued strength and stability. Systems and staff ready for the future. And, most importantly, high returns to members…to whom our success belongs.

Tom Fraser
Chairman of the Board

David W. Mooney
President/CEO

- New computer system built for growth, functionality, reliability and anticipation of members' future needs
- New indirect lending program for vehicle loans

members first and foremost

2004 forward

- Over 15,000 new members, 89% more than in 2003
- New membership sponsors, including Ardent Health Services, 1-800-Flowers.com®, Illinois CPA Society and National PTA
- 12.9% increase in loan balances (2% higher than industry average growth[1])

ranked in the **TOP 1%**
of credit unions in "giveback" to members[2]

2005 FORECAST

2004 has laid a foundation for growth and prosperity for Alliant and its member-owners. As we prepare to enter our landmark 70th year this October 2005, Alliant remains committed to serving our membership well into the future.

[1] *Source: CUNA Economics & Research*
[2] *Source: Raddon Financial Group*

financial performance

Alliant℠ Credit Union's focus on our members is evident in the review of our 2004 financial performance. During the past year, we remained committed to the safety and security of members' funds while continuing to provide high value through high-yield savings dividends and low loan rates.

Alliant strategically focused on expanding membership and positioning our loan pricing to enhance value to our borrowing members. We attained excellent results as both number of members and number of loans in the portfolio grew significantly.

Some of the results included: over 15,000 new members, an increase in net assets of $117 million, growth in deposits by almost $90 million, and growth in total reserves by $33.1 million or 6.3% higher than at December 31, 2003. By year-end, Alliant proudly served 178,044 primary members. Total income of $161 million was generated, enabling us to distribute over $90 million in dividends to our members. The percent of net income before dividend distributed to members increased to 73.5% in 2004 as compared to 65.8% in 2003.

Loan growth during 2004 was strong with loan balances at December 31, 2004 exceeding $1.9 billion. The most notable increases were in first mortgages which grew by $92 million or 7.9% and in consumer loans which increased $68.7 million or 20.6%. The majority of the growth in the consumer loan portfolio was originated through the new indirect vehicle lending program. Losses on our loan portfolio declined by 5% and delinquencies remained steady even with the increase in loan balances.

In 2004, growth in net assets was 2.8% as compared to December 31, 2003. Our capital reserves now exceed $560 million with a 12.9% capital/net asset ratio. The impressive amount of reserves is a key indication of financial strength.

continued

TOTAL PRIMARY MEMBERS

2000	152,920
2001	161,210
2002	166,144
2003	168,643
2004	178,044

TOTAL LOANS

2000	$1,557,838,705
2001	$1,596,401,160
2002	$1,574,950,766
2003	$1,726,489,889
2004	$1,948,402,631

TOTAL RESERVES

2000	$377,825,803
2001	$427,129,872
2002	$483,895,447
2003	$529,449,642
2004	$562,602,616

TOTAL DEPOSITS

2000	$2,574,305,320
2001	$3,096,652,598
2002	$3,548,657,729
2003	$3,697,825,778
2004	$3,786,386,208

financial performance

The stabilization of market rates during the first half of 2004 and modest rate increases during the second half of the year slowed the decline in investment and loan portfolio yields making total income for 2004 comparable to 2003. Alliant paid a premium dividend throughout the year, averaging more than 1.5% higher than comparable savings products.

In summary, Alliant℠ Credit Union sustained its long history of strong financial performance in 2004. The financial results were consistent with our strategic focus and we concluded the year in a position of operational and financial strength. Alliant's high quality asset base, strong capital reserve position, and focus on being a cost efficient provider make us well positioned to meet the challenges and opportunities that lie ahead in the coming years.

TOTAL ASSETS

2000	$3,106,665,455
2001	$3,613,042,573
2002	$4,138,195,353
2003	$4,352,391,989
2004	$4,467,455,506

NET ASSETS

2000	$2,948,559,205
2001	$3,537,035,785
2002	$4,051,321,640
2003	$4,244,584,489
2004	$4,362,280,506

TOTAL INCOME

2000	$198,986,217
2001	$215,608,823
2002	$203,736,134
2003	$166,161,071
2004	$161,214,530

NET INCOME

2000	$33,527,994
2001	$51,740,016
2002	$56,346,933
2003	$45,070,108
2004	$32,651,631

CAPITAL/NET ASSET RATIO

2000	12.81%
2001	12.08%
2002	11.94%
2003	12.47%
2004	12.90%

as of December 31.

statement of financial conditions (unaudited)	2004	2003
ASSETS		
cash	$ 8,699,716	$ 18,523,911
investments	2,455,695,122	2,556,813,477
first mortgages	1,258,926,264	1,166,794,480
second mortgages	195,447,718	166,282,900
consumer loans	401,352,118	332,664,457
VISA® credit cards	65,207,779	59,245,979
loan participations purchased	26,919,828	1,034,413
loans in process of liquidation	548,924	467,660
less: allowance for loan losses	(8,911,261)	(8,383,196)
other assets	63,569,298	58,947,909
total assets	**$ 4,467,455,506**	**$ 4,352,391,989**
net assets	**$ 4,362,280,506**	**$ 4,244,584,489**
LIABILITIES AND MEMBERS' EQUITY		
common shares	$ 3,220,411,868	$ 3,123,004,943
IRA shares	472,904,556	488,947,992
checking shares	93,069,785	85,872,843
accrued expenses and liabilities	131,220,200	131,589,773
reserves and undivided earnings	549,849,098	522,976,438
total liabilities and members' equity	**$ 4,467,455,506**	**$ 4,352,391,989**
net liabilities and members' equity	**$ 4,362,280,506**	**$ 4,244,584,489**

for the year ended December 31.

statement of income (unaudited)	2004	2003
INCOME		
interest on loans to members	$ 94,410,885	$ 98,305,736
interest on investments and cash	54,727,449	51,376,466
service charges	10,490,317	10,964,553
interest on loan participations	416,287	116,956
net realized gains on sales of securities	1,169,592	5,397,360
total income	**$ 161,214,530**	**$ 166,161,071**
EXPENSES		
dividends on members' shares	$ 90,598,261	$ 86,533,042
salaries and employee benefits	17,443,228	15,593,987
provision for loan losses	5,168,549	5,341,605
office occupancy	1,259,740	1,124,153
office operations	4,977,668	3,332,359
depreciation	1,521,809	1,283,690
program expenses	5,150,645	4,852,111
other	2,442,999	3,030,016
total expenses	**$ 128,562,899**	**$ 121,090,963**
net income	**$ 32,651,631**	**$ 45,070,108**
reserves and undivided earnings– incl. allowance for loan losses (beginning of the year)	$ 531,359,634	$ 506,063,581
increase (decrease) in unrealized gain (loss) on securities available for sale	$ (5,752,251)	$ (20,258,141)
change in other reserves and allowance for loan losses	$ 501,343	$ 484,086
reserves and undivided earnings– incl. allowance for loan losses (end of the year)	$ 558,760,358	$ 531,359,634

for the year ended December 31.

statement of cash flow (unaudited)	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
net income	$ 32,651,631	$ 45,070,108
adjustments to reconcile net income to cash provided by operating activities:		
depreciation	2,076,874	1,544,061
provision for possible loan losses	5,168,549	5,341,605
change in assets and liabilities:		
(increase) decrease in accrued interest receivable	(141,988)	4,106,234
(increase) decrease in share insurance fund deposit	(386,033)	(2,228,536)
net (increase) decrease in other assets	(2,066,477)	714,526
(increase) decrease in accrued expenses and liabilities	(396,293)	40,216,621
net cash provided by (used in) operating activities	**$ 36,906,263**	**$ 94,764,619**

statement of cash flow (unaudited)	2004	2003
CASH FLOWS FROM INVESTING ACTIVITIES		
net (increase) decrease in loans to members	$ (226,553,227)	(156,338,590)
net (increase) decrease in investments	95,940,889	(84,399,963)
acquisitions of property and equipment	(4,678,550)	(873,644)
net cash (used in) provided by investing activities	**$ (135,290,888)**	**$ (241,612,197)**
CASH FLOWS FROM FINANCING ACTIVITIES		
increase (decrease) in members' shares	$ 88,560,430	$ 149,168,049
net cash provided by financing activities	**$ 88,560,430**	**$ 149,168,049**
net increase (decrease)	$ (9,824,195)	2,320,471
cash at beginning of the year	$ 18,523,911	16,203,440
cash at end of the year	$ 8,699,716	18,523,911

Basis of Presentation: Certain prior period data has been reclassified to conform to current period presentation.

Net Assets – Net assets represent total assets less securities temporarily loaned to brokers and non-member deposits borrowed from the State of Illinois. The Statement of Financial Condition is represented net of these transactions as they are included in both total assets and total liabilities in accordance with Generally Accepted Accounting Principles.

Investments – As of December 31, 2004, 60.6% of Alliant's total portfolio was invested in U.S. Treasury and U.S. Agency and Sponsored Agency securities with another 6.4% invested in cash equivalent securities. The remaining 33% of the portfolio was invested in financial company and corporate Credit Union liabilities. Our entire investment portfolio was designated as available for sale prior to maturity as of December 31, 2004. The value of those securities is presented on the Statement of Financial Condition at current market value, which is $3,842,000 less than book value.

Securities Loaned to Brokers – Alliant participates in a securities lending agreement, which permits the lending of securities to a broker for a designated period of time to generate arbitrage income. As of December 31, 2004, securities with a par value of $31,825,000 were committed to securities lending.

Reverse Repurchase Agreement – Alliant also participates in a reverse repurchase agreement in which securities are pledged in exchange for cash, which is then reinvested to generate arbitrage income. As of December 31, 2004, securities in the amount of $73,350,000 were committed for this purpose.

Total Loans – Total loans represent loans to members, loan participations purchased, and loans in process of liquidation.

Loans – Loans to members represent principal balances remaining unpaid on consumer, credit card and mortgage loans.

Loan Participations Purchased – Loan Participations Purchased represent homo-genous pools of individual loans purchased from other credit unions. These purchases allow us to reinvest maturity proceeds of lower yielding investment securities into higher yielding products with similar risk characteristics. At December 31, 2004, loan participations outstanding totaled $26,920,000.

Lines of Credit – Unused commitments on lines of credit in mortgages, credit cards and unsecured share draft loans totaled $132,849,000, $270,029,000 and $24,313,000, respectively, as of December 31, 2004. These commitments are not reflected in the financial statements.

Allowance for Loan Loss – The Allowance represents an amount estimated by management to be sufficient to cover potential losses from loans currently outstanding. Loan losses deemed uncollectible are charged to this account upon approval of the Board of Directors. As of December, 31, 2004, the Allowance totaled $8,911,000.

Accrued Expenses and Liabilities – Alliant obligations with respect to the securities loaned to broker totaled $105,175,000 as of December 31, 2004. The balance of $26,045,000 represents other short term liabilities.

Share Insurance Deposit – This deposit is equal to 1.0% of member shares insured by the National Credit Union Administration, a Federal agency of the U.S. government. As of December 31, 2004, the deposit totaled $29,983,000.

supplementary notes

Reserves and Undivided Earnings – State regulations prescribe that a Statutory Regular Reserve for possible loan losses be maintained at an amount equal to 6.0% of the outstanding loan and risk asset balances. This reserve is accumulated in addition to the Allowance for Possible Loan Losses and totaled $108,946,000 at December 31, 2004 and $106,717,000 at December 31, 2003. Appropriations to the reserve are made by transfers from undivided earnings. Capital reserves represent a general reserve for unforeseen contingencies and totaled $444,745,000 and $414,350,000 at December 31, 2004 and 2003, respectively. Undivided earnings include net unrealized (losses)/gains on investments available for sale, which were ($3,842,000) and $1,910,000 at December 31, 2004 and 2003, respectively.

Taxation – A credit union subject to the Illinois Credit Union Act is defined as a cooperative society and is exempt from payment of Federal Income Tax on income derived from its exempt purpose under provisions of the Internal Revenue Code, Section 501(c)(14).

Audited Report – The financial information provided in this annual report, although believed to be accurate, is unaudited as of December 31, 2004. Audited financial statements prepared by Ernest & Young LLP are available from Alliant for the year ended June 30, 2004.

board of directors

Tom Fraser, Chairman

John Samolis, Vice Chairman

David W. Mooney, President/Treasurer

Patricia Mash, Secretary

Bill Byrne
Lynn Hughitt
Amos Kazzaz
Marc Krohn
Richard Poulton
Scott Praven
Lyle U'ren

11545 W. Touhy Avenue, Chicago, IL 60666
800-328-1935
www.alliantcreditunion.org

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