

2005 ANNUAL REPORT

7 years



ALLIANT^{CU}
credit union



CELEBRATING 70 YEARS OF SERVICE

In 1935, a small group of employees came together to organize a credit union as a means to benefit from higher savings dividends and fair loan rates. By year end, the credit union had grown to 146 members with assets totaling \$5,088 and 38 loans granted totaling \$4,210. From this modest start, Alliant has continued to grow by harnessing innovations in the financial services industry to increase and improve our product and service offerings. And, we've grown to become one of the nation's 10 largest credit unions because we operate with a high-degree of responsiveness to members' needs. In 2005, we

- Proudly served over 192,000 members, a membership increase of 8%, nearly five times the national credit union average growth rate¹
- Ranked in the top 1% of credit unions in cost efficiency²
- Earned an exceptionally high member satisfaction level
- Paid an average savings dividend of 3.38% to our members, which places us in the top 1% of all credit unions nationally²

¹ Source: CUNA Economics & Research

² Source: Raddon Financial Group



Exceptional financial value remains Alliant's hallmark, as we again ranked in the top 1% in "giveback" to members.



John Samolis

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

In 2005, Alliant celebrated its 70th anniversary and continued its tradition of strong financial performance and superior returns to members, while positioning our credit union for ongoing success.



David W. Mooney

Exceptional financial value remains Alliant's hallmark, as we again ranked in the top 1% of credit unions nationally in savings rates and total deposit and loan "giveback" to members. Total share dividends of \$122.7 million were up \$32 million, an increase of 35% from 2004. During the year Alliant raised its savings dividend rate by 1%, while most equivalent bank and credit union rates remained nearly flat. And, responding to members' requests for a high-rate, long-term savings product, we developed operational systems to introduce Certificates in early 2006.

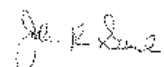
During 2005, Alliant members received nearly \$800 million in new loans, taking advantage of our "everyday great rates" to enjoy substantial savings on their loan payments.

We know that safety and security are important for members. That's why during 2005 we increased our capital reserves to over \$580 million resulting in net worth over 13% of assets. The result: Alliant again received the exceptional ratings for safety and soundness from state and federal regulators.

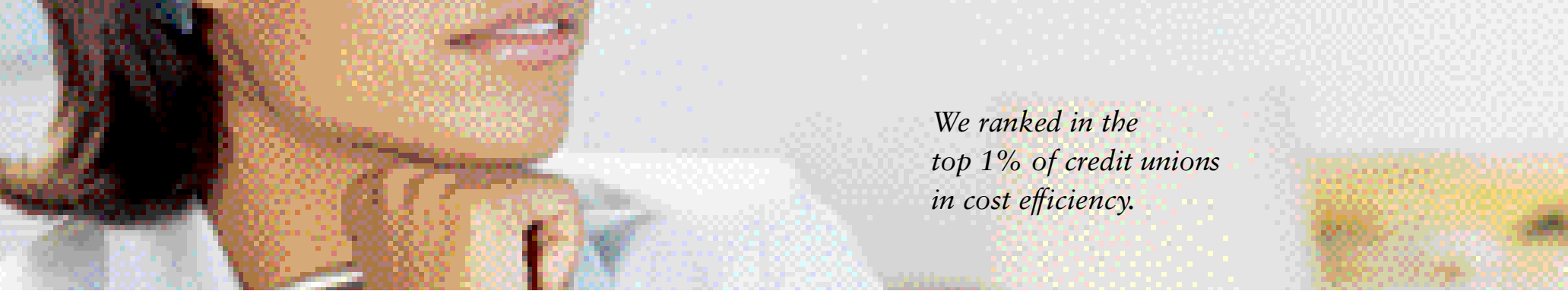
To help our members plan and manage their financial lives, Alliant launched a new program through Lincoln Financial Advisors (LFA) to provide financial planning, investment and insurance services. Through our Member Assistance Program, we provided loan payment relief to members who were impacted by Hurricane Katrina and employer events impacting their salaries and benefits.

Alliant's outstanding value and strength continue to be recognized by sponsors and consumers. Alliant Credit Union has been selected by over 90 companies and associations to be their financial services partner. Over 21,000 new members – a record number – were attracted by the benefits of Alliant membership during 2005.

We could not have been successful without the efforts and effectiveness of Alliant's employees. Employee engagement, as measured by our annual Gallup Q12 Engagement Survey, placed Alliant in the 86th percentile of financial services companies. This translates into the high levels of personal service and productivity that our members deserve and expect.


John Samolis
Chairman of the Board


David W. Mooney
President/CEO



*We ranked in the
top 1% of credit unions
in cost efficiency.*

MEMBER GIVEBACK

- Share dividends exceeded \$122 million, an increase of \$32.1 million over 2004
- Share dividends increased significantly over the course of the year, while most other credit unions and banks remained flat
- Continued our “everyday great rate” philosophy, allowing members to borrow at rates well below other lenders

MEMBER SERVICE

- Joined the Alliance One ATM network, adding 3,600 more surcharge-free ATMs to our network
- Introduced a new financial planning and investment services program
- Introduced user-friendly enhancements and increased security features on SkyBranch®, our online banking service
- Developed a new certificate program for introduction in early 2006
- Introduced a VISA® gift card program
- Initiated the Member Assistance Program to provide loan payment relief to members impacted by reduction in pay and benefits, layoffs and natural disasters

INCOME & OPERATIONS

- Total reserves increased by \$29.1 million to nearly \$600 million
- Income of \$193.7 million, a 20.1% increase over previous years

MEMBER GROWTH

- Attracted over 21,000 new members, 37% more than in 2004
- New members contributed nearly \$238 million in loans and \$64 million in deposits
- Acquired several new, prominent sponsors including RRDDonnelley, Bingham McCutchen, California Society of CPAs and TravelCenters of America

LOAN GROWTH

- Loan balances increased 13%, to \$2.2 billion, with growth across all major products
- Record loan originations boosted loans by \$792 million
- Introduced an online mortgage application
- Expanded indirect lending program for vehicle loans

CHARITABLE CONTRIBUTIONS

- As an organization, Alliant contributed over \$30,000 to aid in the relief from the destruction caused by natural disasters
- Alliant employees donated personal time to support efforts to assist those left homeless by last year’s hurricanes in the southeast United States
- Donated financial support to the Boys & Girls Clubs of America and America’s Second Harvest
- In partnership with Operation Hope, Inc., Alliant adopted financial literacy as our principal philanthropic focus and deployed teacher-volunteers into the schools to provide financial instruction to youth



FINANCIAL PERFORMANCE

Alliant Credit Union's commitment to our members and the safety and security of their funds is evident in the review of our 2005 financial performance. During 2005, Alliant celebrated its 70th anniversary and maintained its tradition of providing superior returns to members. Alliant through high-yield savings dividends and low loan rates continued its history of strong financial performance while at the same time building the organization's capabilities to position it for ongoing success.

Alliant continued in 2005 to strategically focus on expanding membership, increase loan balances and build the organization in order that superior returns to members

can be sustained in future years. The results were exceptional as both the number of new members and total loan balances grew significantly, telephone service levels increased and new products were developed and introduced during the year.

Some of the results included: over 21,000 new members - an increase of more than 37% as compared to 2004, an increase in loan balances to approximately \$2.2 billion and growth in total reserves by \$29.1 million or 5.2% higher than reserves at December 31, 2004. By year-end, Alliant proudly served 192,267 members and growth in total membership increased 8% during the year.

Total income of \$193.7 million was generated, enabling Alliant to distribute approximately \$123 million in dividends to its members. The percent of net income before dividend distributed to members increased to 81.9% in 2005 as compared to 73.5% in 2004.

Loan growth in 2005 was strong with loan balances increasing for the second straight year in excess of \$200 million. Growth was realized across all major loan products with consumer lending being the most significant contributor. Specifically, the indirect lending program provided approximately \$120 million of the increase in balance relative to the consumer loan

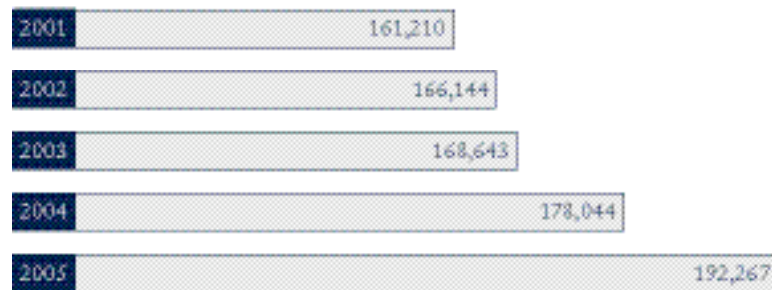
portfolio. Losses on our loan portfolio did increase as anticipated due to the increase in higher risk/higher yield indirect and credit card loans. The ratio of charge-offs to average outstanding loan balances increased slightly during 2005 to .30% from the 2004 level of .28%.

Deposits declined slightly from 2004 as the U.S. savings rate fell to historically low levels and as funds shifted to higher yielding term certificates. Lower assets reflected lower deposit levels.

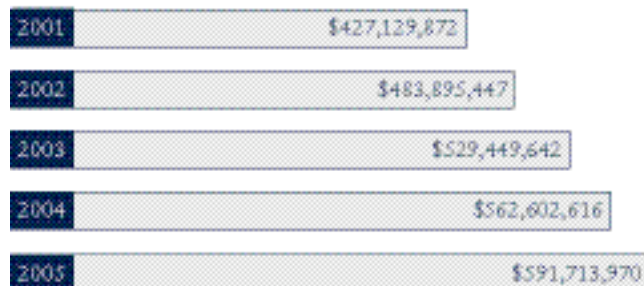
Higher loan balances, plus the increase in interest rates by the Federal Reserve throughout 2005 provided an increase in the income generated from the investment

continued

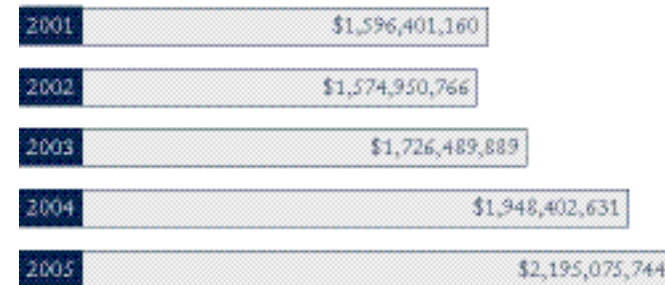
TOTAL PRIMARY MEMBERS



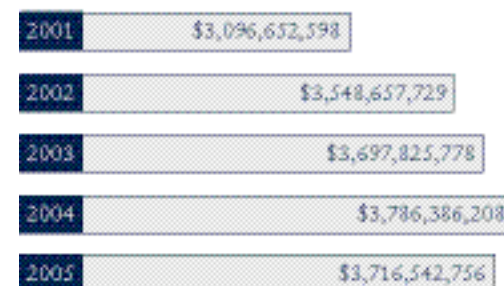
TOTAL RESERVES



TOTAL LOANS



TOTAL DEPOSITS





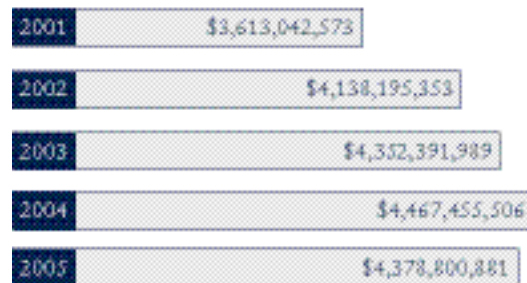
FINANCIAL PERFORMANCE

and loan portfolio as compared to 2004. The positive movement in investment and lending income along with Alliant's focus on efficiency and cost containment enabled the credit union to pay dividend rates throughout the year well above-market rate. Alliant Credit Union paid a premium dividend throughout the year, averaging approximately 2.4 times higher than comparable savings products.

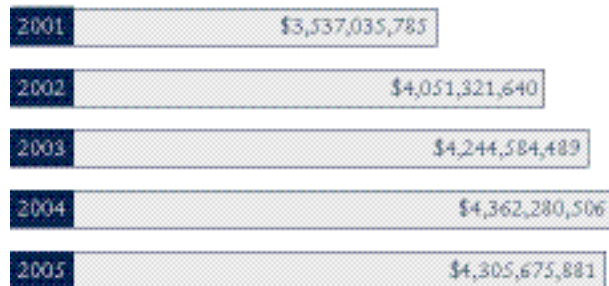
In summary, Alliant Credit Union sustained its long history of strong financial performance in 2005. The financial results were consistent with our strategic focus

and emphasis on building and enhancing the capabilities of the organization to meet the financial needs of our members. Alliant Credit Union ended the year in a position of operational and financial strength including the presence of a high quality asset base and a strong capital reserve position. This strong financial condition, along with ongoing efforts by the organization to ensure Alliant is a cost efficient leader and provider, make us well positioned to meet the challenges and opportunities that lie ahead and continue to build for the future.

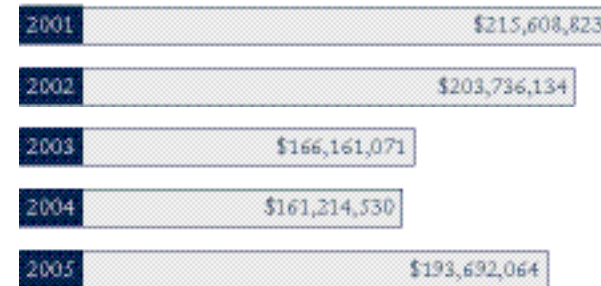
TOTAL ASSETS



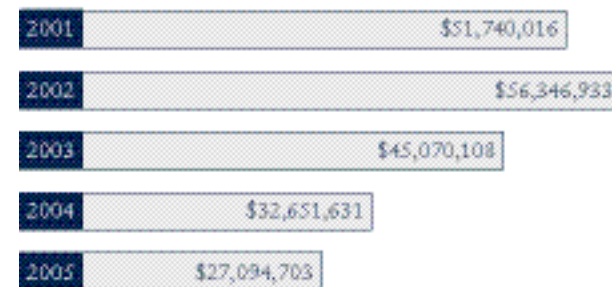
NET ASSETS



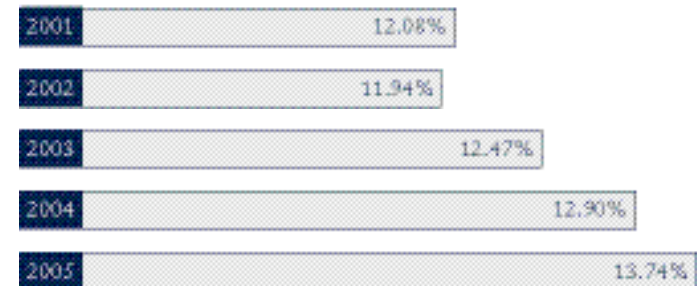
TOTAL INCOME



NET INCOME



TOTAL RESERVES/NET ASSETS





as of December 31.

statement of financial condition (unaudited)	2005	2004
ASSETS		
cash	\$ 9,801,280	\$ 8,699,716
investments	2,114,314,877	2,451,450,359
first mortgages	1,308,951,945	1,258,926,264
second mortgages	215,529,404	195,447,718
consumer loans	574,775,998	401,352,117
VISA® credit cards	78,003,102	65,207,779
loan participations purchased	16,448,193	26,919,828
loans in process of liquidation	1,367,101	548,924
less: allowance for loan losses	(10,927,911)	(8,911,261)
other assets	70,536,890	67,814,062
total assets	\$ 4,378,800,881	\$ 4,467,455,506
net assets	\$ 4,305,675,881	\$ 4,362,280,506
LIABILITIES AND MEMBERS' EQUITY		
common shares	\$ 3,162,964,457	\$ 3,220,411,868
IRA shares	459,108,524	472,904,556
checking shares	94,469,775	93,069,785
accrued expenses and liabilities	95,514,857	131,220,200
reserves and undivided earnings	566,743,268	549,849,098
total liabilities and members' equity	\$ 4,378,800,881	\$ 4,467,455,506
net liabilities and members' equity	\$ 4,305,675,881	\$ 4,362,280,506

for the year ended December 31.

statement of income (unaudited)	2005	2004
INCOME		
interest on loans to members	\$ 106,142,091	\$ 94,410,885
interest on investments and cash	74,628,653	54,727,449
service charges	12,051,637	10,490,317
interest on loan participations	833,475	416,287
net realized gains on sales of securities	36,208	1,169,592
total income	\$ 193,692,064	\$ 161,214,530
EXPENSES		
dividends on members' shares	\$ 122,709,863	\$ 90,598,261
salaries and employee benefits	19,192,302	17,443,228
provision for loan losses	7,824,426	5,168,549
office occupancy	1,252,021	1,259,740
office operations	4,996,826	5,930,547
depreciation	1,804,384	1,521,809
program expenses	5,932,520	5,150,645
other	2,885,019	1,490,120
total expenses	\$ 166,597,361	\$ 128,562,899
net income	\$ 27,094,703	\$ 32,651,631

reserves and undivided earnings— incl. allowance for loan losses (beginning of the year)	\$ 558,760,358	\$ 531,359,634
increase (decrease) in unrealized gain (loss) on securities available for sale	\$ (10,200,533)	\$ (5,752,251)
change in other reserves and allowance for loan losses	\$ 2,016,651	\$ 501,343
reserves and undivided earnings— incl. allowance for loan losses (end of the year)	\$ 577,671,178	\$ 558,760,358



for the year ended December 31.

statement of cash flow (unaudited)	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
net income	\$ 27,094,703	\$ 32,651,631
adjustments to reconcile net income to cash provided by operating activities:		
depreciation	2,170,193	2,076,874
provision for possible loan losses	7,824,426	5,168,549
change in assets and liabilities:		
(increase) decrease in accrued interest receivable	(404,777)	(141,988)
(increase) decrease in share insurance fund deposit	(146,199)	(386,033)
net (increase) decrease in other assets	(3,196,848)	(2,066,477)
increase (decrease) in accrued expenses and liabilities	(35,705,343)	(396,293)
net cash (used in) provided by operating activities	\$ (2,363,845)	\$ 36,906,263

for the year ended December 31.

statement of cash flow (unaudited)	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES		
net (increase) decrease in loans to members	\$ (252,480,889)	\$ (226,553,227)
net (increase) decrease in investments	326,934,949	95,940,889
acquisitions of property and equipment	(1,145,197)	(4,678,550)
net cash provided by (used in) investing activities	\$ 73,308,862	\$ (135,290,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
increase (decrease) in members' shares	\$ (69,843,453)	\$ 88,560,430
net cash (used in) provided by financing activities	\$ (69,843,453)	\$ 88,560,430
net increase (decrease)	\$ 1,101,565	\$ (9,824,195)
cash at beginning of the year	\$ 8,699,716	\$ 18,523,911
cash at end of the year	\$ 9,801,280	\$ 8,699,716



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. 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, 2005, 44.1% of Alliant Credit Union's total portfolio was invested in U.S. Treasury and U.S. Agency and Sponsored Agency securities with another 17.3% invested in cash equivalent securities. The remaining 38.6% 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, 2005. The value of those securities is presented on the Statement of Financial Condition at current market value, which is \$14,043,000 less than book value.

Reverse Repurchase Agreement – Alliant Credit Union 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, 2005, securities in the amount of \$73,125,000 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 homogenous 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, 2005, loan participations outstanding totaled \$16,448,000.

Lines of Credit – Unused commitments on lines of credit in mortgages, credit cards and unsecured share draft loans totaled \$150,637,000, \$282,436,000 and \$5,627,000, respectively, as of December 31, 2005. 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, 2005, the Allowance totaled \$10,928,000.

Accrued Expenses and Liabilities – Alliant Credit Union's obligations with respect to the securities loaned to broker totaled \$73,125,000 as of December 31, 2005. The balance of \$22,390,000 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, 2005, the deposit totaled \$30,130,000

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 \$120,792,000 at December 31, 2005 and \$108,947,000 at December 31, 2004. Appropriations to the reserve are made by transfers from undivided earnings. Capital reserves represent a general reserve for unforeseen contingencies and totaled \$459,994,000 and \$444,744,000 at December 31, 2005 and 2004, respectively. Undivided earnings include net unrealized losses on investments available for sale, which were (\$14,043,000) and (\$3,842,000) at December 31, 2005 and 2004, 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).

External Auditors – In 2005, the Credit Union changed auditors from Ernst & Young LLP to Crowe Chizek and Company LLC. The new audit firm performed an audit in accordance with auditing standards generally accepted in the United States. The financial statements, on which they issued an unqualified opinion, were prepared as of June 30, 2005, in conformity with Generally Accepted Accounting Principles (GAAP) in the United States.

Audited Report – The financial information provided in this annual report, although believed to be accurate, is unaudited as of December 31, 2005. Audited financial statements prepared by Crowe Chizek and Company LLC are available from the Credit Union for the year ended June 30, 2005.

BOARD OF DIRECTORS

John Samolis, *Chairman*

Patricia Mash, *Vice Chairperson*

David W. Mooney, *President/Treasurer*

Bill Byrne, *Secretary*

Laurene Bentel

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



Equal Housing Lender

Your savings federally insured to \$100,000
NCUA
by the National Credit Union Administration,
a U.S. Government Agency