ALLIANT credit union

2007 Annual Report

Membership is Rewarding

"Alliant's savings dividend rate has beaten any bank I know of, especially in the last few years."

Jan Popovtschak
member since 1968

ALLIANT credit union

Membership is Rewarding

Alliant members realize a substantial value by doing business with Alliant.

"Our whole proposition comes back to our mission… As a member-owned cooperative, our sole purpose is to serve the interests of our member-owners and the sponsor organizations that represent them."

Dave Mooney,
President and CEO of Alliant Credit Union

This philosophy is evidenced in a recent study completed by the Credit Union National Association, which concludes that Alliant:

- Benefits are equivalent to $803 per member or $1,526 per member household for doing business with Alliant
- Pays its members higher dividends on federally insured savings, HSAs, Certificates and IRAs than banking institutions
- Offers lower loan rates on credit cards, vehicle loans, mortgages and home equity products than banking institutions

Source: Customized analysis of Member Benefits for Alliant Credit Union prepared by the Credit Union National Association Economics and Statistics Department, September 2007

ALLIANT credit union

Certificate of Excellence

is hereby granted to:

Alliant Credit Union

The Credit Union National Association has determined that Alliant CU provided $166,611,421 in direct financial benefits to its 207,429 members during the twelve months ending in September 2007. These benefits are equivalent to approximately $1,526 per member household.

Credit unions generally provide financial benefits to members by charging less for loans, paying more on deposits and charging fewer/lower fees compared to banking institutions.

Membership is Rewarding

Lyle U'ren

David W. Mooney

It has become cliché to describe 2007 as a year of turmoil in financial markets. After enjoying a long stretch of growth and seeming prosperity, many financial institutions hit an icy patch and skidded out of control. While Alliant isn't completely unaffected by the troubles in the housing market and the economy, we maintained our focus, paid attention to the signals and avoided the practices that caused large losses at many financial services companies. Consequently, and most importantly, Alliant's member-owners continued to enjoy superior financial value and record levels of satisfaction.

According to an analysis conducted by the Credit Union National Association (CUNA), Alliant provided over $166 million in direct financial benefits to its members in the 12 months ended September 2007. The CUNA estimate is based on a comparison of Alliant's rates and fees to those of U.S. banks, and represents the additional interest earned on savings deposits and savings from lower interest on loans and fees that Alliant members received by doing business with us. In 2007 Alliant again ranked in the top 1% of credit unions nationally in "giveback" to members.

Alliant paid out more than $172 million in share dividends in 2007, an increase of 9% from 2006. We maintained the regular share dividend at a market leading 4.85% APY, despite several Federal Reserve interest rate reductions, and our share Certificate rates were consistently among the highest available.

Members also continued to benefit from Alliant's "everyday low loan rates." Despite tough conditions in the housing and mortgage markets, Alliant made over $740 million in new loans to members during 2007, an increase of 13% from 2006. Alliant has never engaged in subprime lending or other questionable practices that hurt many lenders and borrowers, and our solid financial position allowed us to continue making sound loans when many lenders were forced to the sidelines.

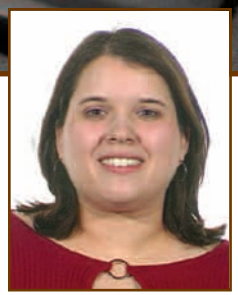
Behind the high returns to members is consistently strong financial performance and attention to risk. Total income increased by 8% from the prior year, while Alliant continues to rank in the top percentile of credit unions in expense efficiency. Total capital reserves increased by $29 million during the year, to $624 million. We did experience an increase in loan losses, reflecting a slowing economy, but credit quality remains better than industry averages.

During 2007, Alliant also continued to work to improve member service. Members gained "24/7" telephone access to Alliant service representatives, in addition to having access to 30,000-plus surcharge-free ATMs. Further enhancements to online services were introduced, including eDeposits, member alerts and security improvements. As a result of these initiatives and the service provided by Alliant's staff, member satisfaction in monthly surveys improved to its highest levels on record.

Consistent success is a direct reflection of the abilities and commitment of Alliant's employees. We want to thank them, as well as our Board of Directors, for their efforts on behalf of members over the past year. And, we want to thank our over 211,000 member-owners for their continued participation in Alliant Credit Union.

Lyle U'ren
Chairman of the Board

David W. Mooney
President/Treasurer



"I like being able to do my transactions online 24 hours a day. I don't have to work around bank hours."

Michelle Malczewski
member since 1999

Alliant Highlights of 2007

MEMBER GIVEBACK

- Share dividends exceeded $172 million, an increase of $13.9 million or 8.8% over 2006
- Maintained an average dividend of 4.85% APY throughout the year, an increase of .35% from prior year and 2.33% above the credit union average, despite several reductions in the Fed Funds rate
- Introduced a Health Savings Account (HSA), offering one of the highest rates in the market

MEMBER EXPERIENCE & ADVOCACY

- Member satisfaction reached a record high of 97.1% compared to 96.4% in 2006
- Enhanced online access functionality and security, adding member alerts and Enhanced Security authentication
- Introduced eDeposit service allowing eligible members immediate credit for online notification of mail deposits
- Implemented 24/7 attended telephone access to the TeleCenter

INCOME & OPERATIONS

- Total capital increased by $29 million to $624 million at year-end
- Income grew to $247 million, an increase of $18.2 million or 8% over the preceding year
- Operating expenses (excluding provision for loan loss and disposal of repossessed foreclosed assets) increased by 6.2% over 2006, the lowest rate of growth in six years, and expense efficiency remains in the top 1% of credit unions

MEMBER PARTICIPATION

- Balances per member grew 2.3% to $29,890, 2.1% above 2006
- Online transactions grew nearly 50% and attended phone transactions increased by 3%

continued

Highlights continued

INCREASE GOOD LOANS

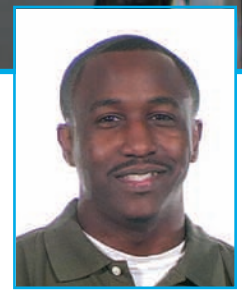
- Loan balances increased 10.3% to $2.57 billion
- Loan originations grew $789.8 million, an increase of 19.7% over 2006

CHARITABLE ACTIVITIES

- In October, Alliant became the first credit union to enter into a national partnership with Operation HOPE, a not-for-profit agency promoting economic empowerment
- Employee volunteers delivered 70 hours of financial literacy classes to over 500 middle school students
- Through donations and charitable events, Alliant employees contributed time, food, clothing and money

ENGAGED AND COMPETENT WORKFORCE

- Employee engagement increased to 4.26 from 4.23 (on a 5 point scale) in the Q12 survey and 67% of workgroups scored above the 75th percentile up from 66% the prior year
- The ratio of engaged to disengaged employees was 10:1, compared with less than 2:1 for the U.S. overall



"My credit was not all that great. But Alliant was able to provide me a great rate for the car I chose."

Lionel Grandison
member since 2005

Performance Summary

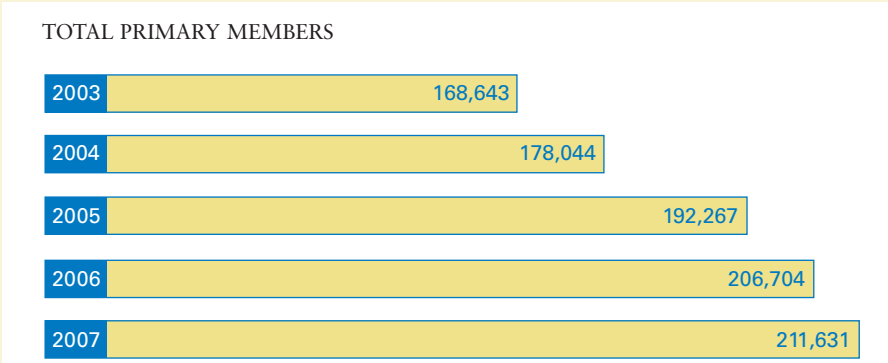
Alliant Credit Union (Alliant) sustained strong financial performance in 2007 despite troubles that emerged in the housing and financial markets. Throughout the year, we maintained a strong value proposition for members in the form of high-yield savings dividends and low loan rates in addition to achieving record levels of member satisfaction. Also, significant progress was achieved around key enterprise priorities and strategic initiatives to position us for ongoing success.

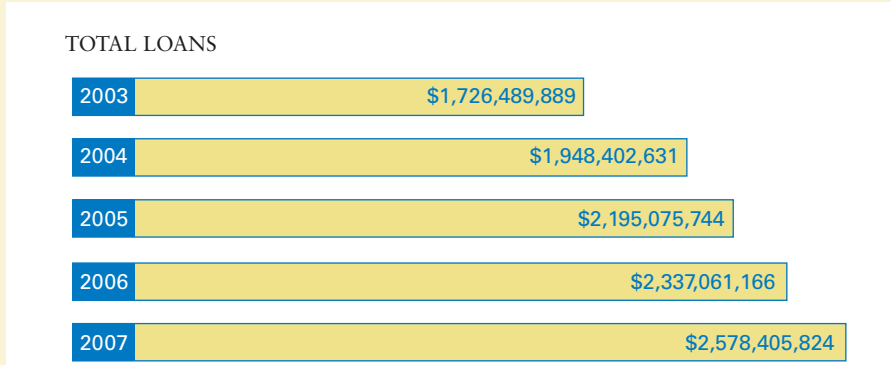
Alliant continued to strategically focus on expanding membership and loan balances and to further build the organization so that superior returns to members can be sustained in future years. The results were exceptional as the organization saw a 28% increase in the average balances per new member (defined as a combination of loan and share balance) for 2007 as compared to the prior year. Alliant also improved and enhanced service capabilities, online access functionality and security and access to ATM networks. We continued our focus on maintaining low operating cost efficiency which enabled us to keep the growth in operating expenses (excluding provision for loan loss and loss on disposal of repossessed/foreclosed assets) at its lowest rate in six years, and in the top 1% of credit unions nationally.

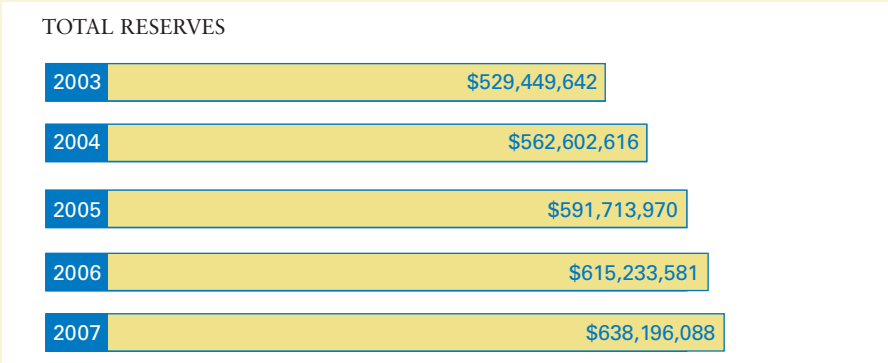
A new type of share account, Health Savings Account (HSA), was introduced offering a leading rate in the marketplace contributing to growing share deposits for the first time in three years. Focus on member experience and advocacy resulted in the implementation of 24/7 attended access, improved access for automated deposit and withdrawal services and aided in improved member satisfaction scores that were achieved in 2007, as compared to the prior year.

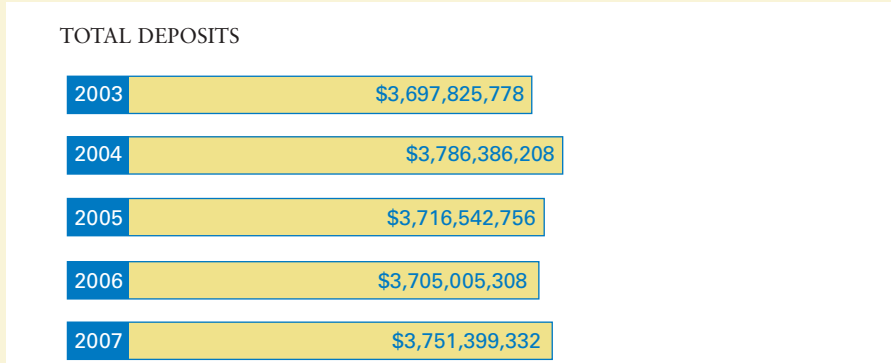
Total Alliant membership at December 31, 2007, stood at 211,631 members. Total income of $247.1 million was generated, enabling us to distribute approximately $172.1 million in dividends to our members. The percent of net income before dividend distributed to members increased again in 2007 to 90.1% compared to 88.0% in 2006. This compares to return levels of 81.9% in 2005 and 73.5% in 2004.

Loan growth in 2007 was solid overall and finished strong in the last quarter of the year. Steady mortgage growth offset weak demand for auto loans. Total loan balances increased by $241.3 million as compared to the prior year-end balance resulting in a rate of growth of 10.3%, which was well above the industry average. This level of growth was also impressive given the conscious decision of Alliant to pull back in its efforts to originate auto loans through indirect channels. Losses on the loan portfolio did rise significantly in 2007, reflecting the increase in loan balances in recent years (total loan balances outstanding have risen each year since 2002) and deteriorating credit conditions in the marketplace. The year-end allowance for loan loss of $16.5 million is 31.6% higher than at December 31, 2006, and reflects the change in current economic conditions that have impacted the broader financial industry. The ratio of charge-offs to average outstanding loan balances increased to .40% as compared to .33% in 2006 and









continued

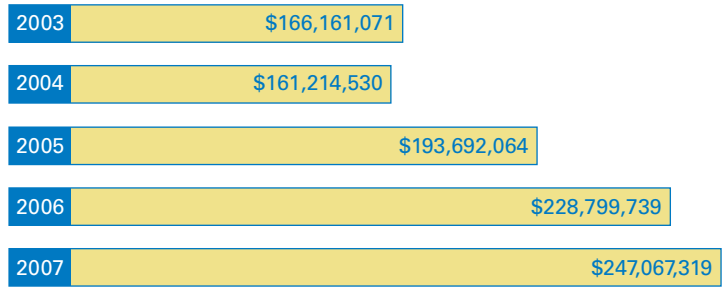
Financial Performance continued

.30% in 2005. While losses in the aggregate, and as a percentage of outstanding loan balances, have grown in recent years, Alliant continues to actively monitor and manage credit risk to ensure that any impact to our membership is minimized over the long term.

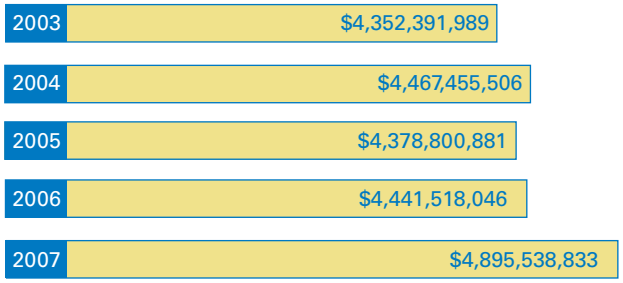
The increase in interest rates by the Federal Reserve in 2006 carried over into the first half of 2007 and enabled us to increase portfolio investment income on an absolute basis as compared to the prior year. In addition, we entered into select arbitrage activity resulting in additional investment income of approximately $.5 million. The increased income from investment activities and through mortgage loan lending, along with a focus on efficiency and cost containment, enabled Alliant to pay dividend rates averaging approximately 230 basis points higher than comparable market savings products. Despite several reductions in the Fed Funds rate in the second half of the year, the savings dividend was maintained at 4.85% APY, an increase of .35% from the prior year.

In summary, Alliant posted strong financial results in 2007 and continued to deliver on its mission of providing members with consistently superior financial value through high returns on deposits and low rates on loans. In addition, Alliant continued to improve member experience and advocacy by focusing on providing helpful, knowledgeable and memorable service. The financial results were consistent with our strategic focus and emphasis on building and enhancing the capabilities of the organization to meet the needs of our members. We recognize that the future will bring challenges and opportunities, including some which arose in 2007 and persist into 2008, and that we must address these situations with a steadfast focus on the interests and concerns of our overall membership. Alliant's high quality asset base, strong capital position and focus on cost efficiency make us well positioned to sustain excellent financial performance and to deliver on our mission to members.

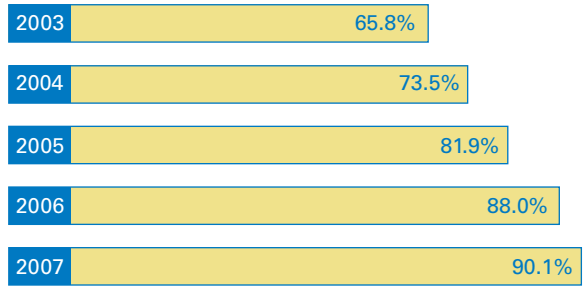
TOTAL INCOME



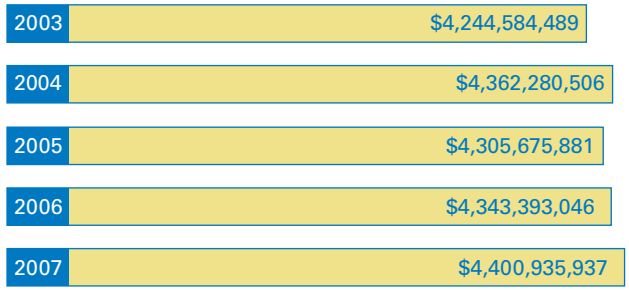
TOTAL ASSETS



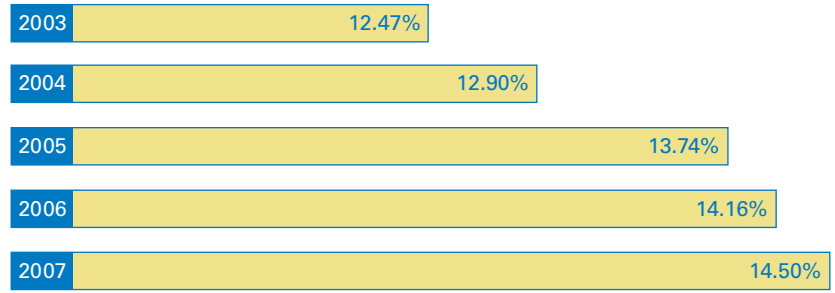
DIVIDENDS DISTRIBUTED TO MEMBERS/NET EARNINGS

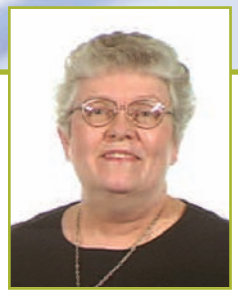


NET ASSETS



TOTAL RESERVES/NET ASSETS





"I obtained a home equity loan, which allowed me to do some remodeling and pay for some things I needed to do."

Barbara McLeod
member since 2004

Financial Statements

as of December 31

Statement of financial condition (unaudited)

	2007	2006
ASSETS		
cash	$ 18,124,538	$ 11,356,047
investments	2,240,340,416	2,034,276,540
first mortgages	1,671,433,902	1,375,975,379
second mortgages	239,086,668	230,149,921
consumer loans	573,370,243	636,449,472
VISA® credit cards	90,276,796	85,491,129
loan participations purchased	4,238,215	8,995,263
loans in process of liquidation	–	–
less: allowance for loan losses	(16,471,158)	(12,515,113)
other assets	75,139,213	71,339,407
total assets	**$ 4,895,538,833**	**$ 4,441,518,046**
net assets	**$ 4,400,935,937**	**$ 4,343,393,046**
LIABILITIES AND MEMBERS' EQUITY		
common shares	$ 2,979,053,410	$ 3,082,986,449
IRA shares	435,570,680	442,082,473
checking shares	86,221,301	93,395,605
certificate shares	250,553,941	86,540,782
accrued expenses and liabilities	520,353,653	141,504,071
reserves and undivided earnings	623,785,848	595,008,667
total liabilities and members' equity	**$ 4,895,538,833**	**$ 4,441,518,046**
net liabilities and members' equity	**$ 4,400,935,937**	**$ 4,343,393,046**

continued

for the year ended December 31

Statement of income (unaudited)

	2007	2006
INCOME		
interest on loans to members	$ 139,249,252	$ 123,178,071
interest on investments and cash	95,893,113	92,962,318
service charges and other non-interest income	11,889,761	12,102,968
interest on loan participations	295,245	504,028
net realized (losses) gains on sales of securities	(260,052)	52,355
total income	**$ 247,067,319**	**$ 228,799,739**
EXPENSES		
dividends on members' shares	$ 172,115,777	$ 158,265,537
salaries and employee benefits	22,998,172	21,510,148
provision for loan losses	13,729,196	9,297,281
office occupancy	1,297,803	1,050,509
office operations	6,065,287	5,599,434
depreciation	2,281,001	2,093,472
program expenses	6,135,914	5,548,332
other	3,437,708	3,828,484
total expenses	**$ 228,060,857**	**$ 207,193,198**
net income	**$ 19,006,462**	**$ 21,606,541**
reserves and undivided earnings– incl. allowance for loan losses (beginning of the year)	$ 607,523,780	$ 577,671,178
decrease in unrealized loss and/or increase in unrealized gains on securities available for sale	$ 9,770,719	$ 6,332,990
change in other reserves and allowance for loan losses	$ 3,956,045	$ 1,913,070
reserves and undivided earnings– incl. allowance for loan losses (end of the year)	$ 640,257,006	$ 607,523,780

for the year ended December 31

Statement of cash flows (unaudited)

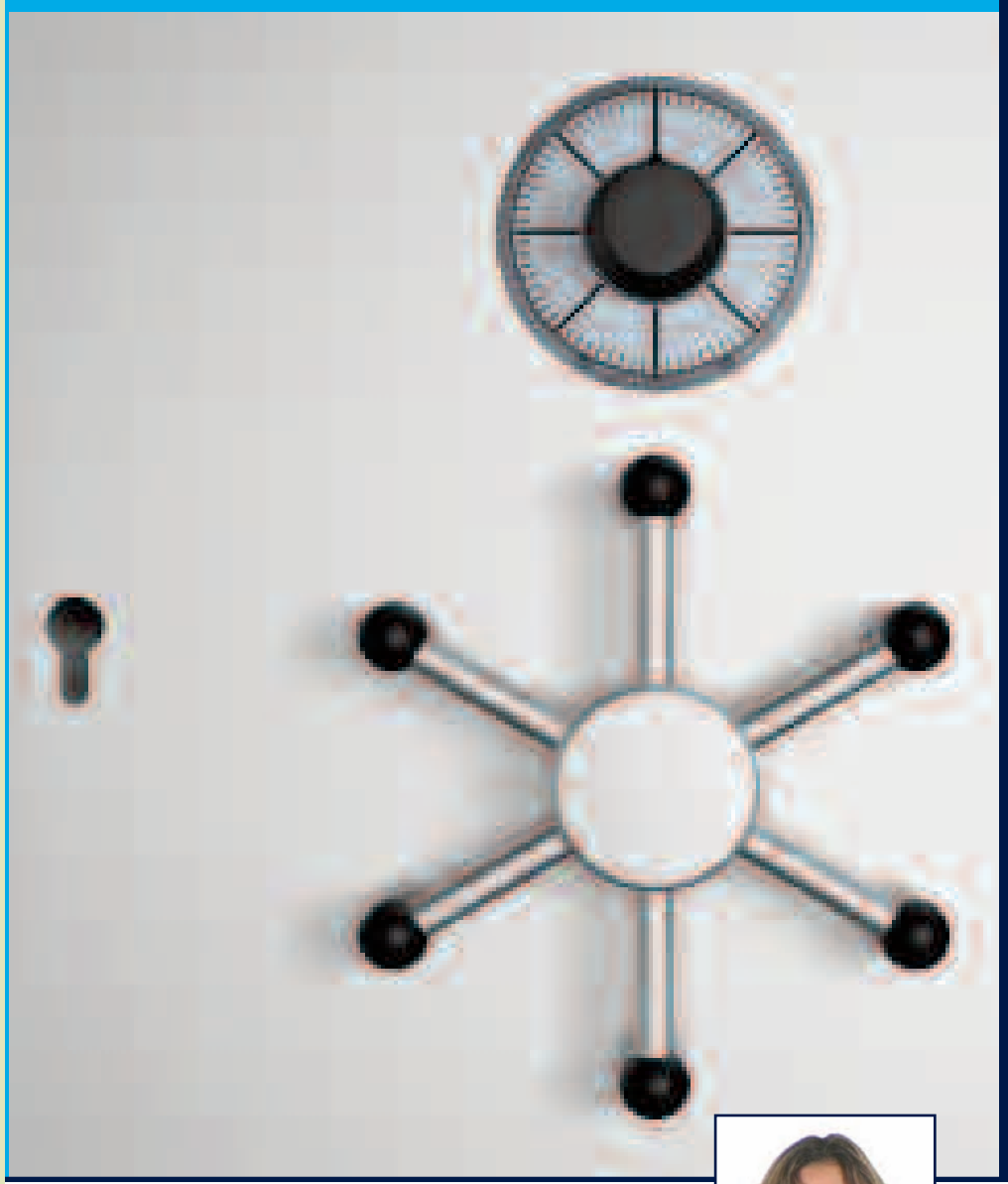
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
net income	$ 19,006,462	$ 21,606,541
adjustments to reconcile net income to cash provided by operating activities:		
depreciation	2,281,001	2,093,472
provision for possible loan losses	13,729,196	9,297,281
change in assets and liabilities:		
(increase) decrease in accrued interest receivable	386,292	(3,543,323)
(increase) decrease in share insurance fund deposit	(90,952)	6,368
net (increase) decrease in other assets	(4,767,447)	3,222,309
increase in accrued expenses and liabilities	378,849,582	45,989,214
net cash provided by (used in) operating activities	**$ 409,394,134**	**$ 78,671,862**

continued

for the year ended December 31

Statement of cash flows (unaudited) continued

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
net (increase) in loans to members	$ (251,117,809)	$ (149,695,501)
net (increase) decrease in investments	(196,293,157)	86,371,328
acquisitions of property and equipment	(1,608,701)	(2,255,474)
net cash (used in) provided by investing activities	**$ (449,019,667)**	**$ (65,579,647)**
CASH FLOWS FROM FINANCING ACTIVITIES		
increase (decrease) in members' shares	$ 46,394,024	$ (11,537,448)
net cash (used in) provided by financing activities	**$ 46,394,024**	**$ (11,537,448)**
net increase	$ 6,768,491	$ 1,554,767
cash at beginning of the year	$ 11,356,047	$ 9,801,280
cash at end of the year	$ 18,124,538	$ 11,356,047



"I really trust Alliant and, in the world today, that's essential. I just really enjoy banking with them."

Katherine Kallas
member since 1979

Supplementary notes

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 investment funds specifically borrowed for arbitrage activity. The Statement of Financial Condition is represented net of these transactions as they are included in both total assets and total liabilities.

Investments – As of December 31, 2007, 43.5% of Alliant Credit Union's total portfolio was invested in U.S. Treasury and U.S. Agency and Sponsored Agency securities with another 4.5% invested in cash equivalent securities. The remaining 52.0% 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, 2007. The value of those securities is presented on the Statement of Financial Condition at current market value, which is $2,061,000 more 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, 2007, securities in the amount of $145,214,000 were committed for this purpose.

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, 2007, loan participations outstanding totaled $4,238,000.

Lines of Credit – Unused commitments on lines of credit in mortgages, credit cards and unsecured share draft loans totaled $155,126,000, $357,306,000 and $5,091,000, respectively, as of December 31, 2007. 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, 2007, the Allowance totaled $16,471,000.

Accrued Expenses and Liabilities – Alliant Credit Union's obligations with respect to the securities loaned to brokers totaled $145,214,000 as of December 31, 2007.

Alliant Credit Union at December 31, 2007, also has outstanding funds borrowed or obtained from third parties for investment activities. Advances outstanding from the Federal Home Loan Bank of Chicago total $249,389,000. The advances mature or are payable as follows: $20 million - March 2008; $100 million - January 2009; $100 million - April 2009; and $29.5 million - June 2012. At December 31, 2007, the State of Illinois has deposited $100 million in the Credit Union. The deposits are repayable to the state as follows: $30 million – May 2008; $25 million – June 2008 and $45 million – August 2008.

The remaining liabilities balance of $25,751,000 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, 2007, the deposit totaled $30,214,000.

Reserves and Undivided Earnings – Quantitative measures established by regulation to ensure capital adequacy require Alliant Credit Union to maintain minimum amounts and ratios of net worth to total assets. The minimum ratios per applicable regulation at December 31, 2007, and 2006 were 7% and corresponding capital levels were $343 million and $311 million, respectively. The capital levels of Alliant Credit Union at December 31, 2007 and 2006 was $622 million and $603 million, respectively. Management believes, as of December 31, 2007, that Alliant Credit Union meets all capital adequacy requirements to which it is subject.

The reserves and undivided earnings of Alliant Credit Union consist of a number of separate components. A Statutory Regular Reserve (prescribed by state regulation) is maintained and amounted to $120,978,000 at December 31, 2007, and

continued

Supplementary notes continued

December 31, 2006. Capital reserves represent a general reserve for unforeseen contingencies and totaled $500,746,000 and $481,740,000 at December 31, 2007 and 2006, respectively. Undivided earnings include net unrealized gains/ (losses) on investments available for sale, which were $2,061,000 and ($7,710,000) at December 31, 2007, and 2006, respectively.

Taxation – Alliant Credit Union is exempt, by statute, from federal and state income taxes. The Internal Revenue Service (IRS) and certain state taxing authorities are currently revisiting what, if any, products and services provided by state-chartered credit unions are subject to unrelated business income tax (UBIT). There is currently very little guidance in the IRS code on what activities should be subject to UBIT. As a result, some uncertainty currently exists as to whether state chartered credit unions should pay income tax on certain activities that may be considered by taxing authorities as unrelated to the tax-exempt purpose of the credit union. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to Alliant Credit Union's non-taxable status is not expected to have a material effect on Alliant Credit Union's financial position or results of operation.

Audited Report – The financial information provided in this annual report, although believed to be accurate, is unaudited as of December 31, 2007. Presentation of the financial statements is not intended to be fully compliant with Generally Accepted Accounting Principles. Audited financial statements prepared by Crowe Chizek and Company LLC are available from Alliant Credit Union for the fiscal year ended June 30, 2007.

"Alliant is committed to help me meet my goals and makes my life easier."

Rick Johnson
member since 1987

BOARD OF DIRECTORS

Lyle U'ren, *Chairperson*
Patricia Mash, *Vice Chairperson*
David W. Mooney, *President/Treasurer*
William Byrne, *Secretary*
Lee Schafer, *Asst. Secretary*
Laurene Bentel
Lynn Hughitt
Amos Kazzaz
Marc Krohn
Scott Praven
Jenny Wong

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