

for our members

Meeting and exceeding member expectations

focus

value

service

access



Equal Housing Lender

**Federally insured by
NCUA.**

2011 annual report



ALLIANT
credit union



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MESSAGE FROM THE CHAIRMAN AND PRESIDENT



Marc Krohn
Chairman

Closing our letter to members in the 2010 Annual Report, we wrote:

Most forecasters are expecting the recovery to advance at a modest pace, with spending and borrowing restrained and interest rates remaining low. These conditions, along with greater regulatory burden, will continue to challenge financial institutions in the year ahead. We remain confident that Alliant's substantial strategic, financial and organizational strengths prepare the Credit Union to continue to compete and serve our members well.



David W. Mooney
President/Treasurer

In fact, these statements turned out to be accurate. The economy continued its sluggish recovery. Unemployment edged lower. Consumers and businesses remained cautious, restraining spending and borrowing. Interest rates lingered at historical lows for the third consecutive year, weighing on financial institution income and margins. New regulations restricting fees and adding compliance costs also took a toll.

In this challenging environment, Alliant continued to deliver on our mission to provide members with consistently superior financial value and exceptional service.

Like other credit unions and banks, we saw the yields on our assets fall as our portfolio of member loans and investment securities re-priced at lower prevailing rates. Yet Alliant maintained its market leading member "giveback."¹ As others continued to lower rates, the Credit Union sustained a 1.15% APY savings dividend throughout 2011² – admittedly a slim return by historical standards, but more than six times the bank average.³ Our savings and certificate rates also consistently bested those offered by leading online institutions.

While savers have suffered in the low rate environment, borrowers benefitted. Economic conditions and aggressive competition for available loans lowered borrowing costs and compressed lending spreads. Still, Alliant's loan rates were consistently better than bank and credit union averages.

In a year when many others imposed new and higher account fees, ours remain few and low. Our fees are set with members in mind, not Wall Street.

To put it in concrete terms, the value members derived from Alliant's outstanding rates and fees, when compared to the average bank, totaled \$74 million in 2011, or \$331 per member household.

We anticipate that market interest rates will remain at current low levels at least through the middle of next year, which will continue to depress bank and credit union asset yields. (Last summer the Federal Reserve announced its intention to maintain the benchmark Federal Funds Target Rate at 0% to 0.25% through mid-2013.)

Though we reduced our regular share dividend to 1% in January, Alliant's rates remain among the best in the market. **Our philosophy has always been to manage the Credit Union to provide consistently superior value over time.** In this environment, Alliant's extremely low costs are a tremendous advantage, allowing us to produce strong returns despite the pressure on income. In 2011, Alliant's operating expenses/assets was 0.99%, about two-thirds lower than the average bank or credit union.

We also carefully manage risks to avoid volatility that could harm financial performance and undermine future returns. In 2011, Alliant again earned the highest ratings for safety and soundness from state and federal regulators, and we ended the year with a Net Worth Ratio of 9.38%, well above the 7% regulatory standard for "well capitalized" credit unions.

At the same time, we are judiciously investing to improve service and provide value to members.

We continued to enhance Alliant's online and mobile banking capabilities. New features were added to Alliant Online Banking, including beneficiary maintenance, ATM/debit card management, credit card integration, future date loan payoff and United Airlines payroll deduction changes. We added a mobile app for Android™ devices (following an iPhone® app in 2010) and implemented a mobile version of our website.

Alliant's Retirement and Investment Services program* continues to grow, assisting members with their financial planning and management needs. Assets under management grew more than 75% from 2010 to 2011.

We also completed a major project to digitally capture, store and deliver documents and information. This new tool will improve our efficiency and help continue to keep our costs low.

In a year when many other financial institutions imposed new and higher account fees, ours remain few and low.

Alliant again earned the highest ratings for safety and soundness from state and federal regulators.

Satisfaction with Alliant, as measured by monthly member surveys, is on the rise – from 63% “Extremely Satisfied” in 2010, to 65% in 2011. While we are pleased with the improvement, we remain focused on providing members with friendly, efficient, personalized service.

In January 2011, we welcomed the 24,000 members of the former Continental Federal Credit Union (CFCU) to Alliant. The merger positioned Alliant to best serve the employees, retirees and family members of the new United Airlines, and also added employees of US Airways to our field of membership. The merger will enhance value to both existing Alliant and former CFCU members by increasing scale and efficiency. Since the merger, we have added over 1,600 new “heritage” Continental and US Airways members.

Alliant and its employees continued to contribute to our communities. The Alliant Credit Union Foundation donated nearly \$200,000 to charities and educational organizations. Alliant employee volunteers delivered financial literacy training to over 700 students and organized a number of events to raise funds for worthy causes.

We were proud to be named to the CNN Money lists of “Best banks of 2011” and “7 Banks that are still awesome.” **But while we take pride in the public recognition, we know that it’s our members’ opinions that really count, and that we have to earn our place on your “Best of” list every day.**

On behalf of the board of directors and employees of Alliant, thank you for your membership. We look forward to continuing to serve you in the coming year.



Marc Krohn
Chairman



David W. Mooney
President/Treasurer

1 Source: Raddon Financial Group, a division of Open Solutions, Inc. 2 Alliant's Savings Dividend remained at 1.15% APY throughout 2011. Dividends are paid on the last day of the month to accountholders who have maintained an average daily balance of \$100 or more. Savings dividend is subject to change monthly. APY= Annual Percentage Yield. 3 Comparison of Alliant's 2011 average Savings Dividend of 1.15% APY vs. the bank national average 2011 savings rate of 0.19% APY and the credit union national average 2011 savings rate of 0.24% APY. Bank and credit union rate data is sourced weekly from National Association of Federal Credit Unions in cooperation with Datatrac Corp.

Alliant Highlights of 2011

Financial

- Alliant sustained a 1.15% APY **savings dividend throughout 2011 – more than 4.5x the credit union average and 6x the bank average** – as other providers progressively lowered rates.³
- **Total assets surpassed the \$8 billion mark**, ending the year at \$8.2 billion, an increase of \$643 million or 8.5% from prior year.
- Net Income Before Dividend of \$137 million was \$15.7 million or 10.3% less than prior year as a result of decreasing yields on investments and loans.
- Interest income totaled \$213 million, down 7% from 2010 as persistent low interest rates depressed asset yields.
- Non-interest expenses of \$77.9 million were \$12.3 million or 19% higher than prior year due in part to the operations acquired in the CFCU merger and incremental investments in technology.
- Provision for loan losses was \$8.2 million or 33% better than prior year, reflecting **enhanced loss prevention and recovery methods**, improving economic conditions and improved credit quality.
- Net Income was \$52.3 million, 3% higher than 2010.
- Return on Assets was 0.66%, down slightly from 0.69% in 2010.
- Net Worth stood at 9.38% at year-end, down from 9.48% at year-end 2010 as a result of strong asset growth.
- Total loan balances finished 3.2% higher than prior year. Alliant originated \$894 million in retail loans, 14% more than prior year-end. Weak labor markets, low consumer confidence and creditworthiness issues continued to suppress spending and borrowing.

Non-Financial

- **We merged with Continental Federal Credit Union and US Airways Credit Union**, adding 24,000 members and \$144 million in assets. Since the merger, we have added over 1,600 new “heritage” Continental and US Airways members and \$36 million in deposit and loan balances.
- Alliant again earned the **highest ratings for safety and soundness** in its 2011 regulatory examination.
- The Alliant Retirement and Investment Services program finished the year with \$75 million in assets under management, producing over \$1.5 million in commissions (48% more than prior year) and Net Interest Income after expenses and fees of \$1.3 million (up 263%).*
- We **introduced commercial lending**, offering real estate loans for multi-family apartment buildings, office buildings, medical facilities, storage companies, industrial firms and retail businesses.
- We continued to **enhance online and mobile banking capabilities**, adding a mobile app for Android™ devices and implementing a mobile version of our website. In addition, we added major new features to Alliant Online Banking, including beneficiary maintenance, ATM/debit card management, credit card integration, future date loan payoff and United Airlines payroll deduction changes.
- The Member Contact Center moved to our new facility at 1600 Golf Rd in Rolling Meadows, IL. The move creates space at our headquarters facility for future expansion, and the new facility will also house a backup data center and disaster recovery site.
- The Alliant Credit Union Foundation **donated nearly \$200,000 to charities and educational organizations**.
- Alliant employee volunteers **delivered financial literacy training to over 700 students**.

Recognition for great rates, strength, stability and service



Great Rate Award Winner¹



*5-Star Superior rating for
financial strength and stability²*



American Customer
Satisfaction Index™

*Better than bank
customer satisfaction³*

1 Datatrak Great Rate Awards certify that the rate offered by a financial institution's product has consistently outperformed the market average of all institutions monitored by Datatrak during an annual or quarterly period. For more information, please visit www.greatrateaward.com. **2** Bauer Financial, Inc. the national bank and credit union rating firm. **3** The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the web at www.theacsi.org

ALLIANT IN THE NEWS

- **CNNMoney** - Best banks of 2011, 7 Banks that are still awesome
 - **CBSMoneyWatch.com** - Where to stash your cash
 - **U.S. News & World Report** - How credit unions support community development
 - **Nerd Wallet** - Top 10 community focused credit unions
-

WHAT OUR MEMBERS ARE SAYING

"I rely on Alliant because its rates are awesome and its account access is so easy."

Karla Morais, Kaysville, UT

"I had a fraud claim for some weird charge and you guys fixed it all for me. Thank you for making it easy to resolve. I appreciate all your hard work."

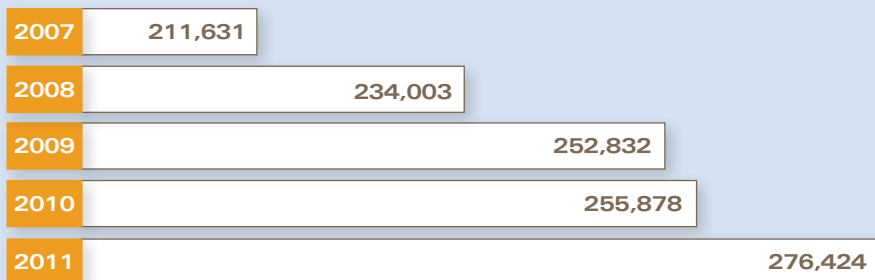
Sara Espeland, Grangeville, ID

"I always have a feeling of personal conversation with your Member Service Representatives – both in person and on the phone. It's an experience only shared via a credit union like yours that has a "we're all in this together" mindset. Thanks for great employees."

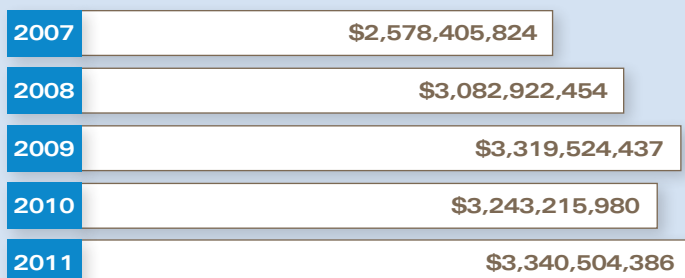
Jo Ann Ferrara Waity, Mechanicsburg, PA

Performance Trends

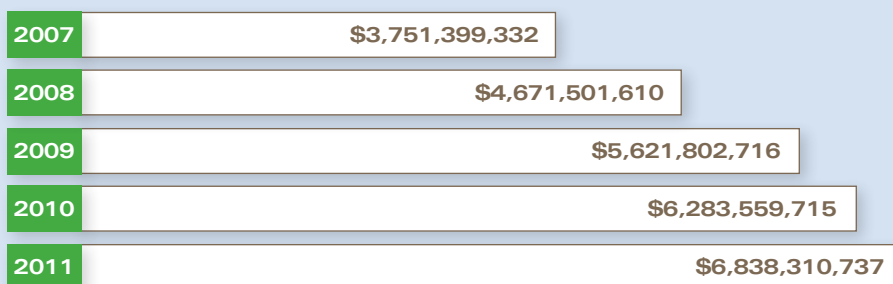
Total primary members



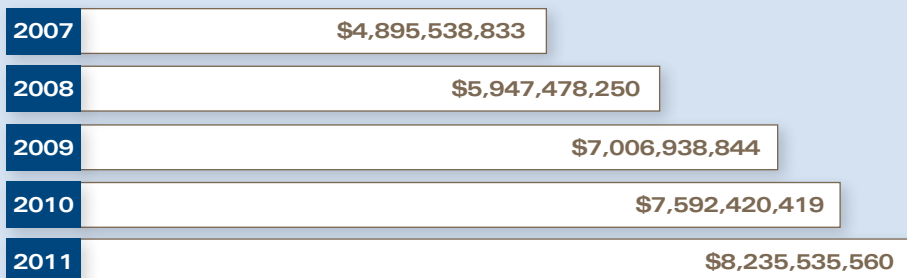
Total loans



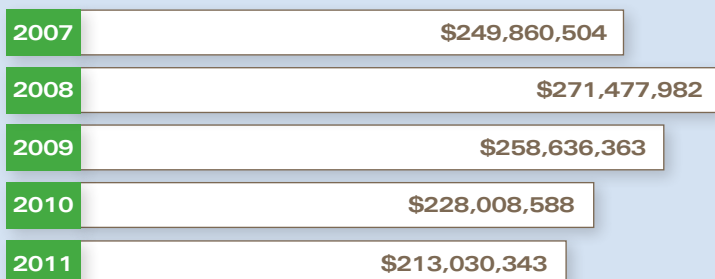
Total deposits



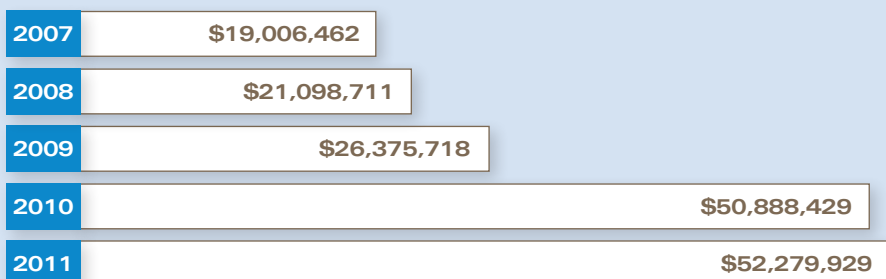
Total assets



Total interest income



Net income



Financial Statements

for the year-ended December 31, 2011

STATEMENT OF FINANCIAL CONDITION (Unaudited)

(\$ millions) 2011 2010

ASSETS

Cash and Cash Equivalents	\$	166.4	\$	166.0
Certificates of Deposit with other Financial Institutions		187.8		322.6
Securities Available-For-Sale		4,430.1		3,759.2
Loans to Members, Net of Allowance for Loan Losses		3,321.9		3,218.3
National Credit Union Share Insurance Fund Deposit		60.6		56.6
Other Assets		68.7		69.7

Total Assets	\$	8,235.5	\$	7,592.4
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LIABILITIES AND MEMBERS' EQUITY

Members' Shares				
Common Shares	\$	4,814.0	\$	4,478.4
Certificate Shares		1,155.7		997.8
IRA Shares		605.8		590.8
Checking Shares		220.6		182.3
HSA Shares		42.2		34.3
	\$	6,838.3	\$	6,283.6

Borrowings		510.3		513.8
Other Liabilities		88.6		25.5
	\$	598.9	\$	539.3

Members' Equity				
Regular Reserve		121.0		121.0
Undivided Earnings		651.4		599.1
Accumulated other Comprehensive Income		25.9		49.4
	\$	798.3	\$	769.5

Total Liabilities and Members' Equity	\$	8,235.5	\$	7,592.4
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for the year-ended December 31, 2011

STATEMENT OF INCOME (Unaudited)

(\$ thousands) 2011 2010

INTEREST INCOME

Loans to Members	\$ 161,144.3	\$ 165,343.8
Securities and Certificates of Deposit with other Financial Institutions	51,528.2	61,643.7
Other	357.9	1,021.1

Total Interest Income \$ 213,030.4 \$ 228,008.6

INTEREST EXPENSE

Members' Shares	\$ 84,688.4	\$ 101,800.5
Borrowings	1,252.7	2,368.1

Total Interest Expense \$ 85,941.1 \$ 104,168.6

Net Interest Income \$ 127,089.3 \$ 123,840.0

Provision for Loan Losses	\$ 16,652.5	\$ 24,866.1
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Net Interest Income After Provision for Loan Losses \$ 110,436.8 \$ 98,973.9

NON-INTEREST INCOME

Net Gain (Loss) on Disposition of Investments	\$ 7,768.2	\$ 4,548.3
Gain (Loss) on Foreclosed Assets	(1,815.3)	804.3
Service Fees	4,089.7	4,196.0
Credit Card Interchange	2,526.7	2,281.7
Other Income	7,148.7	5,671.7

Total Non-Interest Income \$ 19,718.0 \$ 17,502.0

(continued on page 12)

Financial Statements, continued

for the year-ended December 31, 2011

STATEMENT OF INCOME (Unaudited)

(\$ thousands)		2011		2010
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	\$	30,473.0	\$	27,336.0
Service Charges		9,790.9		8,079.5
Office Operations		7,943.5		6,342.9
Depreciation		4,531.7		3,631.8
Data Processing		2,557.2		2,297.4
Professional Fees		2,778.3		2,424.4
Other		4,655.4		976.1
NCUA Premium Assessment		15,144.8		14,499.4
Total Non-Interest Expense	\$	77,874.8	\$	65,587.5
NET INCOME	\$	52,280.0	\$	50,888.4



BOARD OF DIRECTORS

Marc Krohn, *Chairman*

Scott Praven, *Vice Chairman*

Steve Spiegel, *Secretary*

David W. Mooney, *President/Treasurer*

Todd Christy

Ted Davidson

John Gebo

Shirley Jones

Alex Marren

Anne Pease

Ed Rogowski

EXECUTIVE MANAGEMENT TEAM

David W. Mooney, *President & CEO*

Mona Leung, *SVP, Finance*

George Rudolph, *SVP, Operations & Technology*

Lee Schafer, *SVP, Corporate Affairs*

Timothy J. Wartman, *SVP, Investments*

*** Non-deposit investment products and insurance products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by the financial institution.**



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United States Government

NCUA

National Credit Union Administration,
a U.S. Government Agency