

2012 annual report

Sustaining our mission today and tomorrow



Equal Housing Lender

**Federally insured by
NCUA.**



ALLIANTSM
credit union



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AND PRESIDENT
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MESSAGE FROM THE CHAIRMAN AND PRESIDENT



Marc Krohn
Chairman

In a departure from previous annual messages, we'd like to open this year's letter by thanking our members for their business and our employees for their hard work and dedication.

While it may sound trite, there is no credit union without the members. Cooperative ownership and economic participation are the central, distinguishing characteristics of a credit union, and Alliant's sole purpose is to serve the interests of our member-owners.



David W. Mooney
President/Treasurer

If Alliant Credit Union's *raison d'être* is our members, the ability to consistently deliver on our mission depends on the talents, attention and efforts of our employees. We are grateful for their contributions on behalf of Alliant and our members over the past year.

Market conditions for banks and credit unions in 2012 were very similar to those of the previous two years. The economy continued its tentative recovery, muddled by political skirmishing. Interest rates languished at historical lows for a fourth straight year. Spending and borrowing by consumers and businesses remained subdued. New regulations proliferated in reaction to pre-crisis excesses.

As we have throughout our 77 year history, Alliant continued to provide members with superior financial value and friendly, efficient and personalized service. At the same time, we pressed forward with building capabilities to sustain our mission in the future.

Like all banks and credit unions, the yields on our assets continued their four year decline as our portfolio of member loans and investment securities re-priced at lower prevailing rates. Despite this pressure, Alliant maintained its market leading member "giveback" for both savers and borrowers. Alliant paid an average 0.87% regular savings dividend in 2012 – down from 2011, but nearly five times the credit union average and over six times the bank average rate. Our savings and Certificate rates were consistently among the highest available. Despite intense – sometimes irrational – competition for loans, Alliant's borrowing rates were also consistently better than those offered by most banks and credit unions.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT (CONTINUED)

During 2012, Alliant was recognized by CUNA (Credit Union National Association), the primary national credit union trade association, for providing the greatest direct member financial benefit among credit unions with assets over \$500 million, and we again earned Datatrac's Great Rate Award.

With volatile markets and deposit yields at all-time lows, more members are turning to Alliant Retirement and Investment Services* for help with their financial planning and asset management needs. Assets under management grew 103% during 2012, and we added a self-managed investing option.

The Federal Reserve has declared that it intends to keep interest rates low at least through 2013 and very likely beyond, which will maintain pressure on asset yields and income. It has been said that the seeds of financial crises are sown in low-interest rate environments, when market participants stretch for yields. Alliant Credit Union will continue to maximize member returns while carefully managing risks that could jeopardize future performance. We take our stewardship responsibilities seriously. In 2012, Alliant again earned the highest ratings for safety and soundness from state and federal regulators, and we ended the year with a capital (net worth) ratio of 9.78%, well above the 7% standard for "well capitalized" credit unions.

We are also committed to securing members' accounts and information, continuously upgrading systems security and fraud prevention tools and techniques.

The primary source of Alliant's high giveback and steady performance is our extremely low operating costs. Our operating expense as a percentage of assets is under 1%, compared to 3% for the bank and credit union average. Another advantage of low costs: Alliant doesn't have to take excessive risk in pursuit of higher income, eliminating volatility of financial results and supporting superior value year-in and year-out.

Our substantial cost advantage doesn't come at the expense of service. Alliant's overall quality rating in the 2012 American Customer Satisfaction Index (ACSI)³ survey increased by two points from 2011, topping the credit union and bank averages. In our own monthly survey, the portion of members responding "very satisfied" increased to 67% in 2012, from 65% in 2011 and 63% in 2010.



The entire financial services landscape continues to evolve, so we continued our efforts to improve Alliant's online and mobile offerings. During 2012, we introduced a mobile check deposit feature for iPhone®, iPad® and Android™ devices. Alliant was among the first to offer mobile deposit, before many of the largest banks, and the service has proven extremely popular. We also added online joint owner access, online IRA account opening, mobile bill pay and member-to-member transfers, and other enhancements. In 2013, we'll upgrade our online loan application process and add other features to make it easier to do business with Alliant.

During 2012, Alliant and its employees continued to support the communities in which our members live and work. The Alliant Credit Union Foundation donated nearly \$225,000 to charities and educational organizations. Alliant employees organized and participated in a number of events to raise funds for worthy causes and delivered financial literacy training to over 700 students. And we were proud to be selected to the Honor Roll of Center for Companies That Care, which recognizes outstanding workplace practices and community involvement.

The challenging conditions of the past several years have demonstrated the potency and durability of Alliant's business model and organization. Alliant Credit Union continues to fulfill its member-focused mission, while evolving and investing to ensure relevance in the future.



Marc Krohn
Chairman



David W. Mooney
President/Treasurer

As we go forward, we will continue to balance the “here and now” with purposeful preparation for the changing marketplace.

Alliant Highlights of 2012

Financial

- Alliant paid an average 0.87% APY **savings dividend in 2012, nearly 5x the credit union and over 6x the bank average.**
- **Deposits grew by 2.5%** to \$7.0 billion.
- **Total assets ended the year at \$8.3 billion**, nearly flat to prior year-end. Brisk growth in deposits early in the year moderated, holding down asset levels.
- Interest income totaled \$179.6 million, down 16% from 2011 as persistent low interest rates further depressed asset yields.
- Non-interest expenses of \$74.4 million were 4% lower than prior year, primarily driven by a lower NCUA assessment.
- Provision for loan losses was \$2.2 million or 13.3% higher than prior year, reflecting deterioration in collateral values.
- **Net income was \$36.9 million**, \$15.4 million below 2011.
- Return on assets was 0.44%, down from 0.66% in 2011.
- Net worth stood at 9.78% of assets at year-end, up from 9.38% at year-end 2011.
- Net loan balances at year-end were \$3.3 billion, 0.6% lower than prior year-end.
Alliant originated \$1.1 billion in loans, 22% more than in 2011.
- Introduced a commercial real-estate loan and warehouse mortgage lending program. By year-end, commercial real-estate loans stood at \$80.5 million and warehouse lending reached \$90 million in lines.



Non-Financial

- Alliant again earned the **highest ratings for safety and soundness** in 2012 state and federal regulatory examinations.
- Alliant Retirement and Investment Services* finished the year at \$130 million assets under management, an increase of 103% from prior year.
- Introduced mobile check deposit feature for iPhone®, iPad® and Android™ devices. Alliant was among the first to offer mobile deposit, before many of the largest banks.
- Completed a three-year effort to convert more than 315,000 beneficiary records to an electronic record format, thus **allowing members to view, add, and edit beneficiaries online.**
- Implemented **online banking joint owner access, IRA opening, mobile bill pay, mobile member-to-member transfer and other enhancements**, giving members anytime account access and transaction capabilities.
- Item processing, previously outsourced to a corporate credit union, was brought in-house. This provided internal efficiencies and improved reliability of handling members' checks, deposits and payments.
- **Exceeded global compliance benchmarks in the 2012 Ethical Culture Survey of employees.**
- Alliant employees continued to contribute to our communities and delivered financial literacy training to over 700 students.
- The Alliant Credit Union Foundation **donated nearly \$225,000 to charities and educational organizations.**

Alliant's sole purpose is to serve the interests of our members.

Recognition for great rates, strength, stability and service



Great Rate Award Winner¹

2009, 2010, 2011, 2012



5-Star Superior rating for financial strength and stability²

70 consecutive quarters



Better than bank customer satisfaction³

Alliant's satisfaction rating of 82 is significantly better than the bank rating of 77

¹ Datatrac 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 Datatrac 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 is a company that cares...

about our members, our employees and the communities we serve.



Alliant named to the 2012 Honor Roll of Center for Companies That Care,

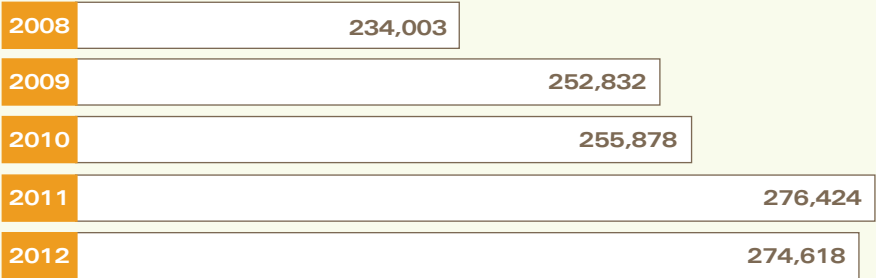
a national not-for-profit organization dedicated to enhancing the well-being of employees and communities by inspiring employers to practice employee engagement. The Honor Roll recognizes employers for outstanding workplace practices and community involvement.

At Alliant we...

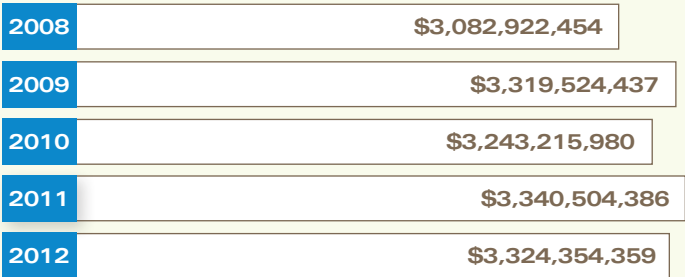
- 1** Sustain a work environment founded on dignity and respect for all employees
- 2** Make employees feel their jobs are important
- 3** Cultivate the full potential of all employees
- 4** Encourage individual pursuit of work/life balance
- 5** Enable the well-being of individuals and their families through compensation, benefits, policies and practices
- 6** Develop great leaders, at all levels, who excel at managing people, as well as results
- 7** Appreciate and recognize the contributions of people who work here
- 8** Establish and communicate standards for ethical behavior and integrity
- 9** Get involved in community endeavors and/or public policy
- 10** Consider the human toll when making business decisions

Performance Trends

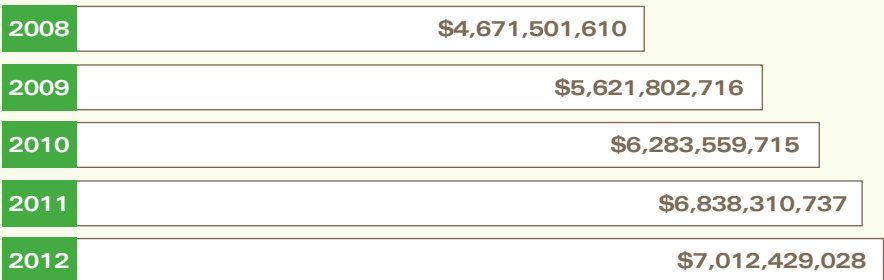
Total primary members



Total loans



Total deposits



Total assets

2008	\$5,947,478,250
2009	\$7,006,938,844
2010	\$7,592,420,419
2011	\$8,235,535,560
2012	\$8,270,837,261

Total interest income

2008	\$271,477,982
2009	\$258,636,363
2010	\$228,008,588
2011	\$213,030,343
2012	\$179,609,276

Net income

2008	\$21,098,711
2009	\$26,375,718
2010	\$50,888,429
2011	\$52,279,929
2012	\$36,850,910

Financial Statements

for the year-ended December 31, 2012

STATEMENT OF FINANCIAL CONDITION (Unaudited)

(\$ millions) 2012 2011

ASSETS

Cash and Cash Equivalents	\$	339.3	\$	166.4
Certificates of Deposit with other Financial Institutions		0.5		187.8
Securities Available-For-Sale		4,504.5		4,430.1
Loans to Members, Net of Allowance for Loan Losses		3,302.7		3,321.9
National Credit Union Share Insurance Fund Deposit		66.0		60.6
Other Assets		57.8		68.7

Total Assets	\$	8,270.8	\$	8,235.5
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LIABILITIES AND MEMBERS' EQUITY

Members' Shares				
Common Shares	\$	5,031.1	\$	4,814.0
Certificate Shares		1,055.9		1,155.7
IRA Shares		599.6		605.8
Checking Shares		269.2		220.6
HSA Shares		56.6		42.2

Total Members' Shares	\$	7,012.4	\$	6,838.3
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Borrowings		382.0		510.3
Other Liabilities		34.7		88.6

Total Liabilities	\$	416.7	\$	598.9
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Members' Equity				
Regular Reserve		121.0		121.0
Undivided Earnings		688.2		651.4
Accumulated other Comprehensive Income		32.5		25.9

Total Members' Equity	\$	841.7	\$	798.3
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Total Liabilities and Members' Equity	\$	8,270.8	\$	8,235.5
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for the year-ended December 31, 2012

STATEMENT OF INCOME (Unaudited)

(\$ thousands) 2012 2011

INTEREST INCOME

Loans to Members	\$	144,524.8	\$	161,144.3
Securities and Certificates of Deposit with other Financial Institutions		34,753.4		51,528.2
Other		331.1		357.9

Total Interest Income \$ **179,609.3** \$ **213,030.4**

INTEREST EXPENSE

Members' Shares	\$	71,970.4	\$	84,688.4
Borrowings		1,197.4		1,252.7

Total Interest Expense \$ **73,167.9** \$ **85,941.1**

Net Interest Income \$ **106,441.4** \$ **127,089.3**

Provision for Loan Losses	\$	18,862.5	\$	16,652.5
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**Net Interest Income After Provision
for Loan Losses**

\$ **87,578.9** \$ **110,436.8**

NON-INTEREST INCOME

Net Gain (Loss) on Disposition of Investments	\$	3,633.0	\$	7,768.2
Gain on Loan Sale		5,895.5		—
Gain (Loss) on Foreclosed Assets		(1,282.8)		(1,815.3)
Service Fees		4,219.4		4,089.7
Credit Card Interchange		2,756.2		2,526.7
Other Income		8,445.0		7,148.7

Total Non-Interest Income \$ **23,666.3** \$ **19,718.0**

(continued on page 12)

Financial Statements, continued

for the year-ended December 31, 2012

STATEMENT OF INCOME (Unaudited)

(\$ thousands)		2012		2011
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	\$	34,405.3	\$	30,473.0
Service Charges		9,415.7		9,790.9
Office Operations		8,030.1		7,943.5
Depreciation		4,927.4		4,531.7
Data Processing		3,026.4		2,557.2
Professional Fees		2,966.1		2,778.3
Other		5,355.2		4,655.4
NCUA Premium Assessment		6,268.1		15,144.8
Total Non-Interest Expense	\$	74,394.3	\$	77,874.8
NET INCOME	\$	36,850.9	\$	52,280.0



We are thankful to our members for their trust and business, and to our employees for their hardwork and dedication.



BOARD OF DIRECTORS

Marc Krohn, *Chairman*

Scott Praven, *Vice Chairman*

David W. Mooney, *President/Treasurer*

Ted Davidson

John Gebo

Irwin I. Gzesh

Shirley Jones

David Leib

Alex Marren

Anne Pease

Ed Rogowski

EXECUTIVE MANAGEMENT TEAM

David W. Mooney, *President & CEO*

Mona Leung, *SVP, Finance*

Jason Osterhage, *SVP, Lending*

George Rudolph, *SVP, Operations & Technology*

Phil Salis, *SVP, Member Engagement*

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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Equal Housing Lender

**Federally insured by
NCUA.**