

Q

A

**CU* Answers
Report to Owners**

A true test of how we're doing, is how *you're* doing. Our company works hard to meet *your changing needs*, according to *your timeline*. As your business grows, we grow with you.

The results speak for themselves.

FROM THE PERSPECTIVE OF A CREDIT UNION OWNER:

“WHAT IF WE COULD VALUE OUR INDEPENDENCE, NURTURE OUR SPECIFIC MEMBER BASES, ENRICH BOTH OUR MEMBERS AND OUR INDEPENDENT STAFFS, WHILE DEFINING A NETWORK OF A MILLION MEMBERS, PERFORMING UNLIKE ANYTHING WE SEE TODAY?”

“WHAT IF WE WERE KNOWN AS THE ULTIMATE PEER-TO-PEER CREDIT UNION OPPORTUNITY?”

EXCERPT FROM 2008 BUSINESS PLAN

(Click to Play Randy's video message) 

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Play Chris' video message

Chris Butler, Chairman

Our Chairman checks in.

A lot of people are writing and commenting on the upcoming 100 year anniversary of credit unions. That makes me think about some of the questions I am asked about CU*Answers. I am often surprised when people challenge the concept that CU*Answers is a business by credit union peers for credit union peers, by credit union members for credit union members.

As a volunteer board member and as a credit union professional, I am sometimes taken aback by the marketplace's lack of faith in this credit union standard, this foundation for success: peer to peer business models.

CU*Answers is an organization of individuals that are dedicated to being leaders in the credit union industry. They are focused on building networks of technology and people. Most importantly, the individuals I am talking about are not limited to the professionals in our employ; they are the owners of the CUSO, the members and day-to-day credit union professionals that truly drive this network.

These individuals number in the millions these days. Their ranks include everyday members, the staff and leadership of credit unions, and the professionals of our CUSO. These individuals are you and me.

Today we are not only a network of diverse technical capabilities, but a network of credit union stakeholders. We are strong for what we have in common. And we're even stronger for our differences and the innovation they inspire. Our network expansion of people and technology allows CU*Answers to be reliable and relevant to our credit unions and our members.

As owners of CU*Answers it is valuable to share in the resources of these networks as they bring additional capacity and expertise to our credit unions. But as active participants in this growing network we get far more. We get a voice in expanding opportunities. We help create the playing field for how we work with our core data processor. We balance the returns of our shared efforts with the needs of our individual ones. We are the peers building the business.

As Board members, we act as the agents of our peers to insure our mutual investment in CU*Answers. We act as the counterbalance to CU*Answers professional leadership to insure sound practices and fiduciary responsibility. We act as the compass for our long-term vision. We act with a focus group's voice, encouraging progress towards the hopes of all of our members and peers.

We work diligently to prove that peers helping peers is more than a credit union slogan. It is a reality that can change the very way credit unions build the businesses of tomorrow.



Chris Butler
Chairman of the Board

Want ownership? CU* Answers.







Ownership makes CU*Answers different. Every client, upon every invoice paid, enjoys the rewards of ownership – from the opportunity to influence strategic direction, to exercising creative control, to participating in product research and development. Our shared equity approach ensures that credit unions like yours get timely solutions that are rooted in timeless principles. Not to mention ramped up to provide stellar services to your members.

Partnership is pivotal to CU*Answers. We're an extension of our credit unions and take great pride in serving your staff by contributing programmers, designers, hardware experts, and service professionals that enhance everything you do. Our like-minded strategy and vision culminates in an unwavering commitment to member service and satisfaction. Likewise, we shoulder the same challenges of contract obligations, pricing, service expectations and delivery, ease of use, liability, and follow-through. This shared understanding makes CU*Answers your single best partner.

We're in the business of service not sales. Which is why we have a long history of putting ourselves on the line for our credit union clients and their members. The team at CU*Answers thrives on solving your problems, not merely making the sale. We're committed to researching and scoping your needs and then designing technology tools and support services that answer them. (Hence, our name: CU*Answers.)

Our partnerships and capabilities work overtime to help you increase member demand for your products and services, while broadening your reach and lowering costs. It's a formula that sets us apart – and best suits your business.

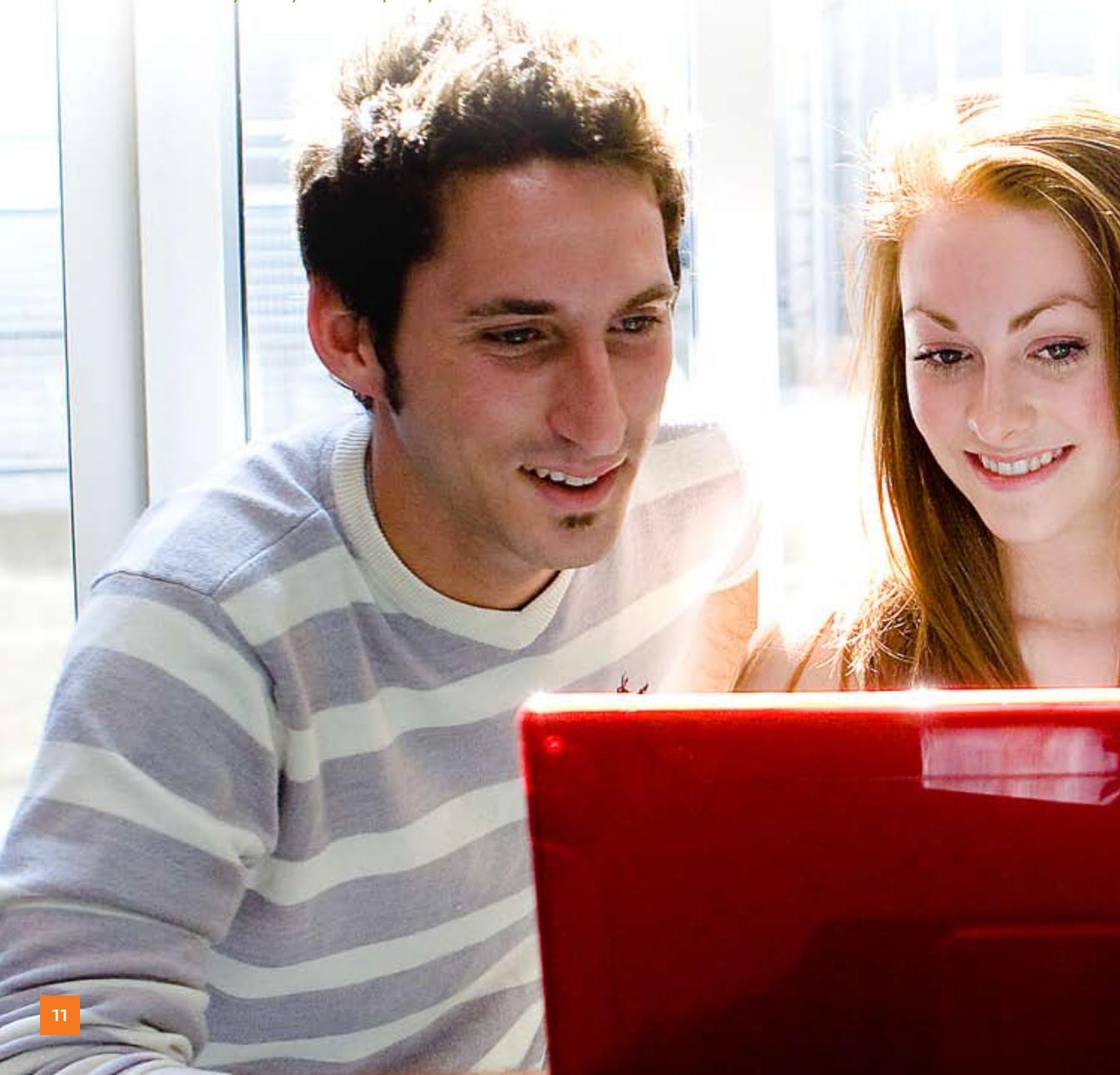
Members calling? CU* Answers.





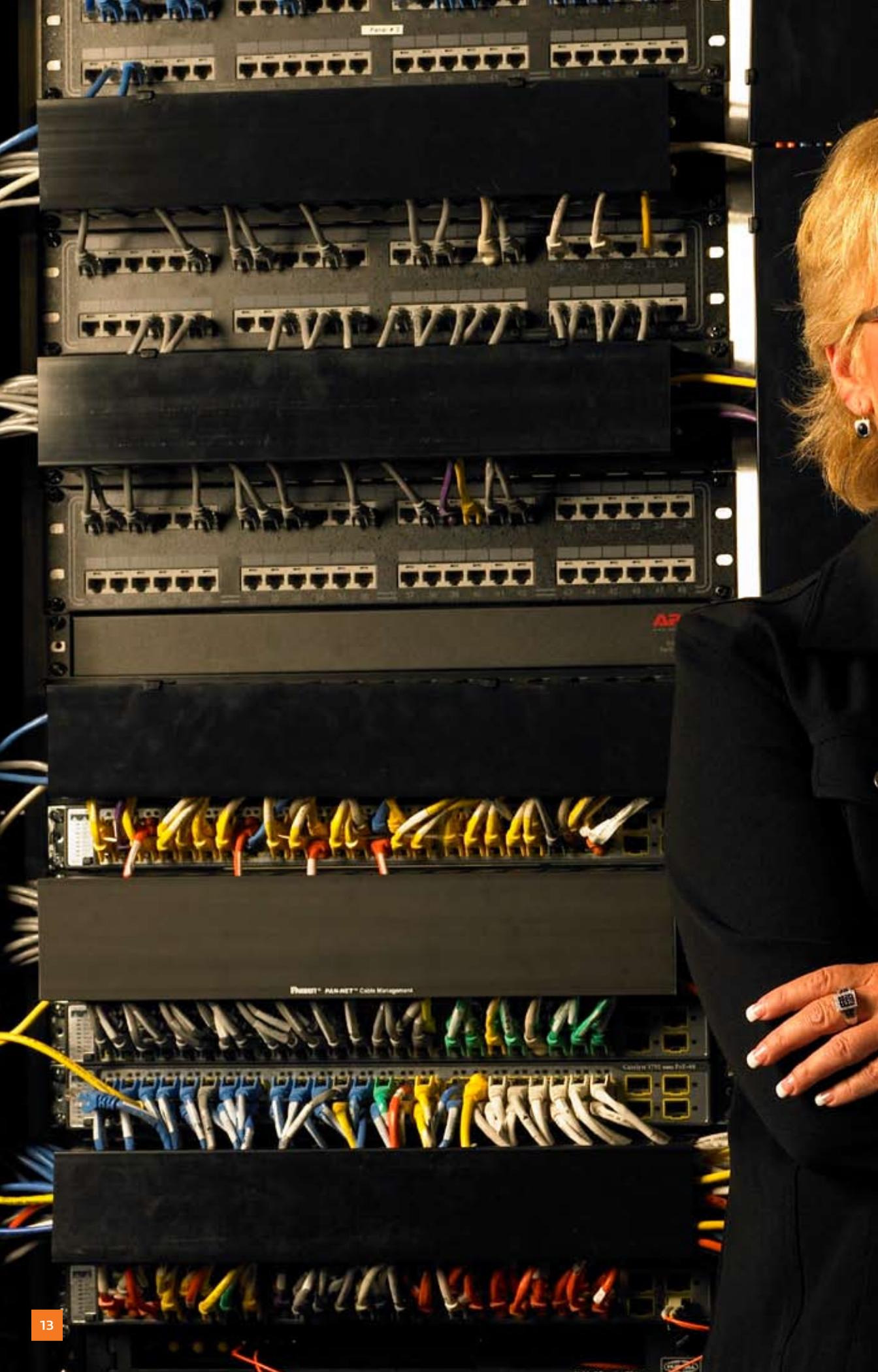
No matter their differences in sizes and types, the owners of CU*Answers share a common bond: You define success by your members. And therefore, members – more than a million every day – define the success of CU*Answers. This collaboration demands that we do our best, so you can do yours for every member, every day, no matter what.

CU*Answers extends lending solutions into marketplaces where members buy things, at the time they buy. Through a growing network of loan services, credit unions can be the bridge connecting members with credit needs to retailers where they do business. Web-based lending levels the playing field for credit unions who can offer top-notch online banking solutions such as Retailer Direct, credible Automated Decisioning, MicroLender, and onsite loan Origination. CU*Answers credit unions are at the pinnacle of lending services, continually exploring new technologies that advance the prospects for making customer connections time after time. This forward thinking keeps us at the top of our industry and you on top of your customer's needs.



Simply put: Members crave convenience. Unfortunately, technology isn't always so. That's why CU*Answers maintains two High Availability data centers at separate locations, to maintain harmony among you and your members and technology, while ensuring business continuity and security. Both computers are full-capacity mirrors of one another, which allows us to provide 24/7 availability, even during rollover testing, operating system upgrades, and other maintenance. Tellers use live files in CU*BASE, and members see true real-time balances in **It's Me 247** online banking and CU*TALK audio response.

Second only to convenience is respect. CU*Answers serves it up in spades by giving each member our full attention and top security, even if the only contact with the credit union is online. How? With our layered security approach to Internet banking, combined with tools that let your members personalize their experiences. Our Personal Internet Branch gives members control over what risks they are comfortable taking and how they want to interact daily with your credit union.





Need To Network? CU*Answers.

Jody Karnes, CIO



Networks, both social and technical, make everything possible in our business. Which is why CU*Answers stops at nothing to be a catalyst for innovation and collaboration among our credit union clients. We show you how to combine resources. We teach you best practices for cooperation. We illuminate the path for broadening your networks. All in the name of one simple goal: to expand your capabilities, so you will remain relevant in the lives of your members. It's our commitment to you and all your members – and all the other CUSOs, service vendors, and non-credit union resources we work with to widen our reach to best serve you.

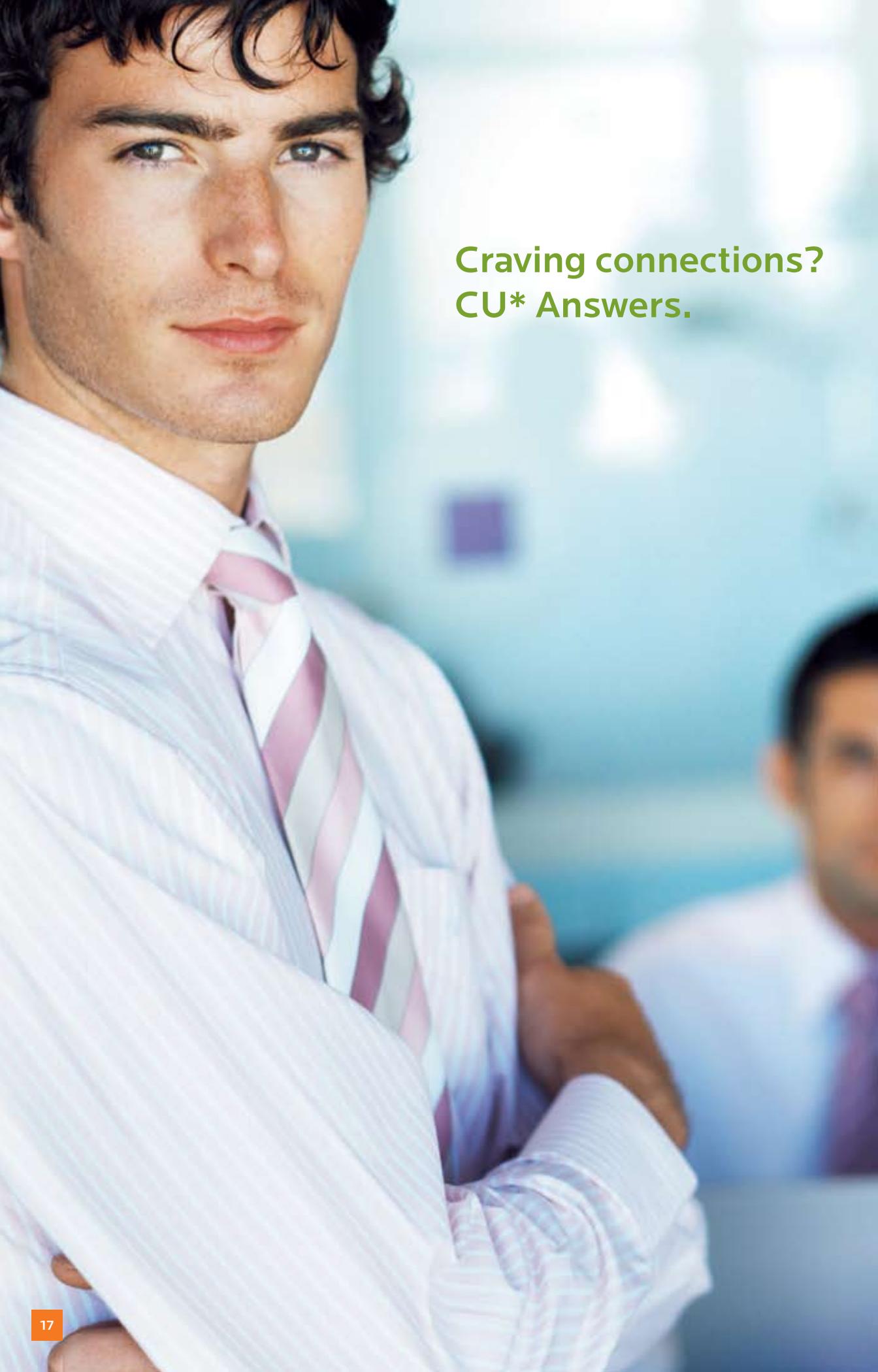
Yet collaboration isn't always a cakewalk. Fortunately, we have the experience to streamline and smooth the process for you. We help you build peer-to-peer networks by showing you how to recognize and work with peers, as well as value them as much as you do your own staff and resources. Because it's not about layering middlemen and marking up the work of others, but rather the side-by-side



delivery of value at the point of a transaction. Simply put: when your member needs something, you deliver it because of the strength in the partnerships you've made that help you meet that member's expectations.

How do we define collaboration? In a word: *teamwork*.

We think of it as a shared journey where we divvy up the work and lower the cost of doing it alone. This Opportunity Network view sharpens our focus on a different, larger goal: expanding opportunities for everyone involved, with all partners invested, whether for their own operation or not. What's more, partners are unafraid to look at their peers and admit that opportunity is escaping them – and that partner resources are required to get the job done to harvest for everyone in the network, not just for themselves. Doing so ensures that no one partner misses a beat – and that the entire Opportunity Network stays ripe for just that: opportunity.



Craving connections?
CU* Answers.





Connection is the crux of business today. That's why CU*Answers works hard to build a collaborative network of, by, and for our credit unions. We align with you, our owners and clients, to maximize your technology investment, to strengthen our combined resources, and to unearth new alliances, tools, and opportunities you otherwise may not have been able to find or afford. It's been our business model for more than three decades and it's one that will take us into the next.

Shared Resources With Xtend

Xtend is proof positive that the whole really is greater than the sum of its parts. Since 2002, the Xtend CUSO has harnessed the power of aggregation and shared resources to help individual credit unions offer products and services currently beyond their reach. In doing so, Xtend opens up new markets, expands member service opportunities, and creates a competitive edge through its SRS Book-keeping, Call Center, Member Reach, and Shared Branching initiatives.

Secure Service In WESCO Net

Data security is essential yet expensive. And while regulations demand that credit unions increase spending on security, CU*Answers and WESCO Net diligently work to make safeguarding computer networks and member information affordable. WESCO Net guides credit unions through complex network servers, Internet access controls, and firewall/anti-virus security solutions. All the while providing assessment and consulting services, installation, and ongoing support to empower credit unions to more safely serve their members.



Get Smart @ CU*Answers University

Online and on your time, CU*Answers University is web-based learning at a whole new level. We've taken education and training up a notch with an online learning resource center that delivers the smarts and skills you need to succeed. Our expert educators also lead interactive workshops, classroom training sessions, hands-on configuration labs, and product design focus groups that make all the difference to your employees.

Collaborating Via Marketing

What's the secret to stellar marketing? Collaboration. And CU*Answers does just that: We bolster the marketing efforts of our credit unions with direct mail promotions – as in an annual average of two-million-plus mailed pieces – sponsored contests marketing new services, even promotional video that's ideal for websites and lobby kiosks. It's marketing that drives members to use more services. And it's just another way we serve you.

POV from our CEO.

As stakeholders in the future of credit unions and the businesses we build together, we all have a common challenge: *How do you set your efforts apart and create a competitive differential so that people stand up and take notice?*

It is not enough in these competitive and challenging times to solely create and deliver value. You must also accent that value with a competitive advantage that transfers to the business plans of your customers and owners. A co-op must deliver through the business plans and the execution of its peers.

So our 2008 business plan started with a very simple, “what if?” What if we were known as the ultimate peer-to-peer credit union opportunity in the industry today, and long into the future?

From this short and simple statement, so many important commitments and goals emerge. First, to amplify the most precious founding principal of our industry: *peers working with peers create a unique advantage for success*. We need to have an environment that proves the point, raises the awareness of that differential, and walks the talk with credit unions as they deliver the same message to their members.

Second, while we need to deliver the value and the price points that ensure our competitive day-to-day operational edge, we must also build a network where credit unions gather to expand their own opportunity. The expansion of their opportunities should not be limited only to reinvesting the savings they realize on our services. More importantly, opportunities should expand exponentially through new doors opening, new partnerships being solidified, and new innovations constantly challenging them to rush forward.

Our network needs to be *the place to be*, a rich eco-system that creates commerce and expands potential. Our designs need to be more than designated processes; they need to be as organic as fertile soil to a farmer—the foundation on which healthy business can be grown, nurtured, and harvested.

Finally, our environment must have the courage to gather resources, intelligence, and diverse points of view with the understanding that we do so in anticipation of unspecified opportunities and gains. We need to be a place where investments are targeted at trusting our participants to invent, coordinate, and solidify new solutions — yet not to be boxed in by tomorrow’s or even today’s thinking.

No collective could set its sights any higher than to create a business community, a virtual space, where the classic roles of “vendor” and “customer” can be blown away. Where everyone’s entrepreneurial spirit is leveraged. Where needs are matched with solutions, no matter which participant is creating the answer. This is the very essence of a networked world, the very essence of CU*Answers, and the future we envision.



Randy Karnes
CEO



Play Randy's
video message

Randy Karnes, CEO



Bob Frizzle, CFO

CU*Answers at a Glance

We're owned by 78 credit unions – and we support more than 156 across the country, representing over 1.25 million members and \$10 billion in credit union assets. What's more, we run a tight ship: Our 135 employees produced \$29 million in revenue last year alone.

Our Leadership Team

Scott Page, EVP Marketing and Sales *since 1989*

Geoff Johnson, VP Lending Products *since 2005*

Jack Carpenter, VP Software Development *since 1996*

Dave Wordhouse, VP Network Technology *since 2002*

Dawn Moore, VP Writing Team/Product Design *since 1995*

Karen Chesbro, VP CU*Check21/Item Processing/Fed Deposit *since 1978*

PJ Haehnel – VP Administration *since 1974*

Barb Cooper, VP Client Services *since 1994*

Martha Ford, VP Delivery Services *since 2000*

Melinda Haehnel, VP Marketing and Public Relations *since 2000*

Jim Vilker, Manager cuasterisk.com *since 2006*

Scott Collins, President, Xtend, Inc. *since 2003*

Greg Smith, President, CU*NorthWest *since 2005*

Leo Vaughlin, President, CU*South *since 1990*

Bret Weekes, President, eDOC Innovations *since 1998*

Going in 2009, our total team is more than 130 strong, with an average tenure of 6 years, 6 months.

cuasterisk.com Network In A Nutshell

Our total network footprint is nothing short of phenomenal. Today the products and services of this widely cast net influence 6 million members. The cuasterisk.com network consists of 514 credit unions representing \$374 billion in assets. We are the gateway of possibility and partnership for our network members near and far.

Our Board of Directors and Officers



CHRIS BUTLER, CHAIRMAN

President/CEO, Community Credit Union, La Crosse, WI



DAVID OHMAN, VICE CHAIR

CEO, Filer Credit Union, Manistee, MI



DAVID WRIGHT, SECRETARY/TREASURER

CEO, Services Center Federal Credit Union, Yankton, SD



RAYMOND WARD, DIRECTOR

CEO, Kent County Credit Union, Grand Rapids, MI



JONI SHINN, DIRECTOR

CEO, Service 1 Federal Credit Union, Muskegon, MI



DEAN WILSON, DIRECTOR

CEO, FOCUS Credit Union, Wauwatosa, WI



VICKIE SCHMITZER, DIRECTOR

CEO, Frankenmuth Credit Union, Frankenmuth, MI



RANDY KARNES

CEO, CU*Answers



BOB FRIZZLE

CFO, CU*Answers



JODY KARNES

CIO, CU*Answers

Financial Highlights

Pre-Consolidated Financial Information

Balance Sheet	2008	2007	% Change	2000	Average Annual Growth
Total Assets	13,810,567	12,843,085	7.5%	5,814,371	17.2%
Total Liabilities	9,720,049	9,291,459	4.6%	3,705,739	20.3%
Stockholder's Equity	4,090,518	3,551,626	15.2%	2,108,632	11.7%

Income Statement

Revenues	26,279,145	23,221,402	13.2%	9,026,928	23.9%
Income Before Taxes & Patronage Dividend	1,317,015	(9,071)	14619.0%	333,728	36.8%
Patronage Dividends	400,000	200,000	100.0%	225,000	9.7%

Post-Consolidated Financial Information

Balance Sheet	2008	2007	% Change	2000	Average Annual Growth
Total Assets	16,262,716	15,462,357	5.2%	5,814,371	22.5%
Total Liabilities	12,213,198	11,964,731	2.1%	3,705,739	28.7%
Stockholder's Equity	4,049,518	3,497,626	15.8%	2,108,632	11.5%

Income Statement

Revenues	29,015,551	25,696,091	12.9%	9,026,928	27.7%
Income Before Taxes & Patronage Dividend	1,281,556	(450,865)	384.2%	333,728	35.5%
Patronage Dividends	400,000	200,000	100.0%	225,000	9.7%

Other Financial Information

Stockholders Equity

Common Stock - Class A	156,000	156,000	0.0%	98,000	74%
Common Stock - Class B	522,000	522,000	0.0%	503,040	0.5%
Additional Paid In Capital	3,367,736	3,392,494	0.7%	939,626	32.3%
Retained Earnings	3,782	(572,868)	100.7%	567,966	-12.4%
Total	4,049,518	3,497,626	15.8%	2,108,632	11.5%

Credit Union Relationships

CUSO Owners	78	78	0.0%	49	74%
Online Members Processed	864,761	755,730	14.4%	394,066	14.9%
Number of Credit Unions	125	110	13.6%	61	13.1%

Self Processing

Members Processed	147,257	143,955	2.3%	149,816	-0.2%
Number of Credit Unions	9	9	0.0%	12	-3.1%
Item Processing Credit Unions	22	45	-51.1%	42	-6.0%
Total Credit Union Relationships	156	164	-4.9%	115	4.5%

Note: During 2006, CU*Answers acquired a 70% interest in eDOC Innovations, Inc. The financial data presented above for 2008 and 2007 reflect the pre- and post-consolidated Balance Sheet and Income Statement of CU*Answers after the acquisition.

Contact CU*Answers for the Report of Independent Auditors and complete Audited Financial Statements.



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