

Are We the Cooperative We Think We Are?

Capitalizing on the International Year of
Cooperatives

CU ANSWERS Annual Stockholders Meeting
A CREDIT UNION SERVICE ORGANIZATION June 20, 2012



Agenda

- Call to Order
- Chair of the Board: Year in Review
 - Review 2011 Minutes
 - Chairman's Comments
- Election of Board Members
- CFO Report
 - Review Financial Reports
- CEO Report
 - Are we the Cooperative we think we are?
- Board Election Results
- Adjourn

***We need it...we'll
create it...we'll use
it...and we'll own it***

**In an era of unlimited consumer options,
why would everyday consumers still believe
they should own a business to get the best
deal?**

**If we can't prove it here, we can't prove it
anywhere...and if we can't prove it now, we
missed an opportunity**



CHAIRMAN'S COMMENTS

Customer Owners, Walking the Talk

For it to work, we have to sell it

- The proof in the pudding about a Cooperative having a competitive advantage, comes from the spirit of its customer owners, and their commitment to the possibilities
- *We need it...*
 - Our community identifies the challenges that CU*Answers *must* take on
- *We'll create it...*
 - Our community generates the investment for our own invention
- *We'll use it...*
 - Our community's execution guarantees CU*Answers' evolution
- *We'll own it...*
 - For all of that, we gain the power of ownership

**It's not about referrals, it's about the
responsibility of customer owners in making it work**

We make it work

Channeling your direction...Delivering on the possibilities



Chris Butler, Chairman
President/CEO, Community Credit Union
La Crosse, Wisconsin
Board Member since March 2001



David Wright, Vice Chair
CEO, Services Center Federal Credit Union
Yankton, South Dakota
Board Member since October 2001

I want to thank the Board for another great year, and for all their hard work



Don Mills, Director
CEO, Alpena Alcona Area Credit Union
Alpena, Michigan
Board Member since June 2010



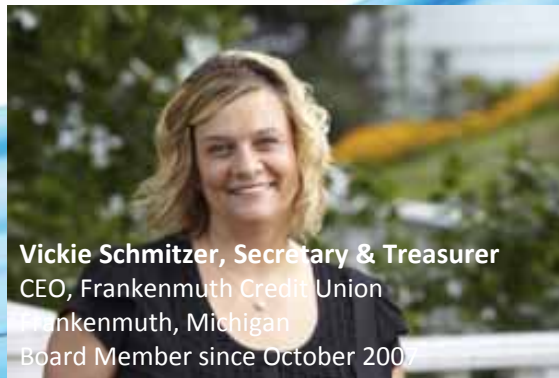
Dean Wilson, Director
CEO, FOCUS Credit Union
Wauwatosa, Wisconsin
Board Member since January 2008



Scott McFarland, Director
CEO, Honor Credit Union
Berrien Springs, Michigan
Board Member since August 2009



Jeff Jorgensen, Director
CEO, Sioux Empire Federal Credit Union
Sioux Falls, South Dakota
Board Member since December 2009

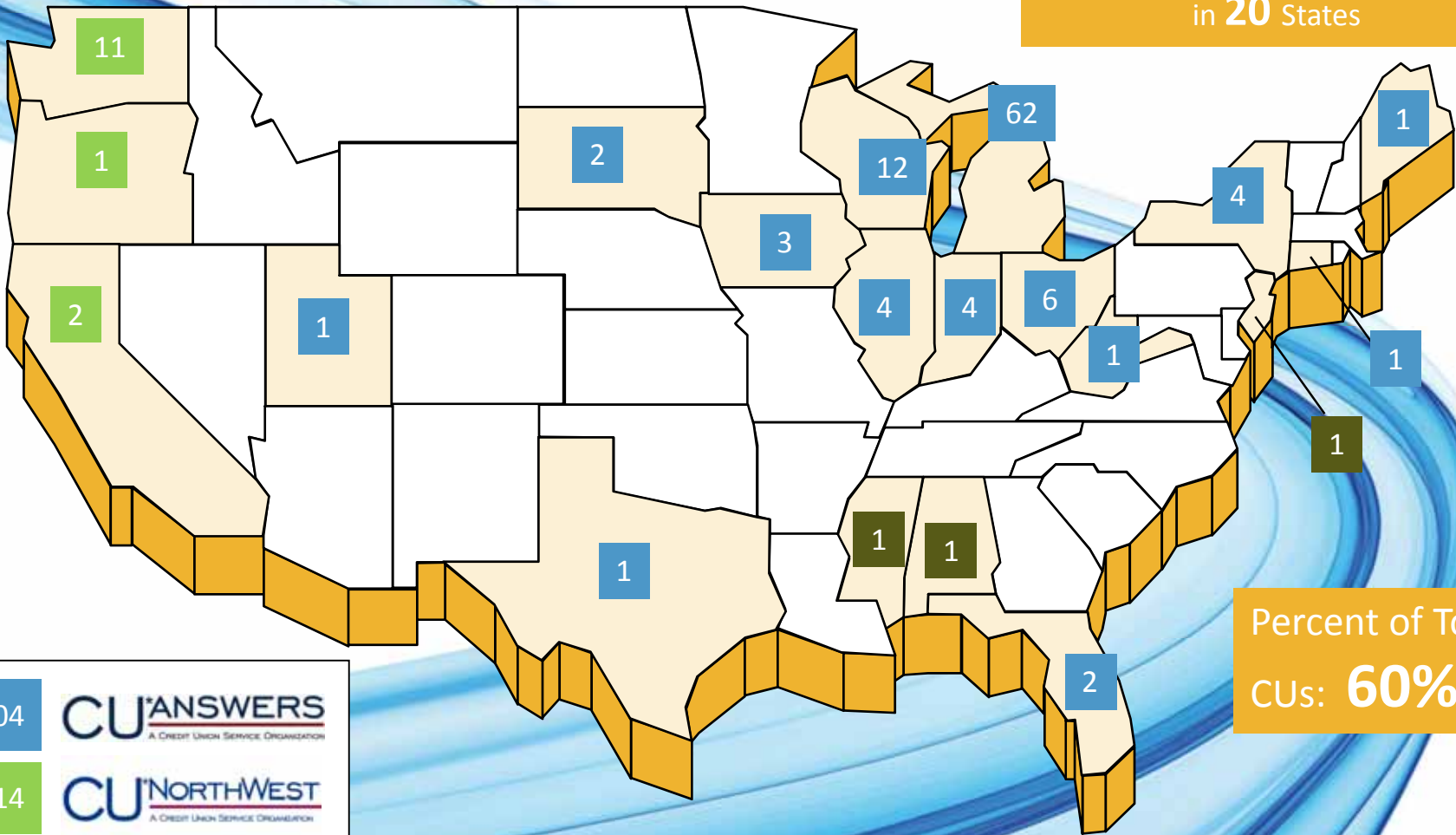


Vickie Schmitzer, Secretary & Treasurer
CEO, Frankenmuth Credit Union
Frankenmuth, Michigan
Board Member since October 2007

Investment in Cooperatives is Alive and Well



121 Credit Union Owners
in **20** States



Percent of Total
CUs: **60%**

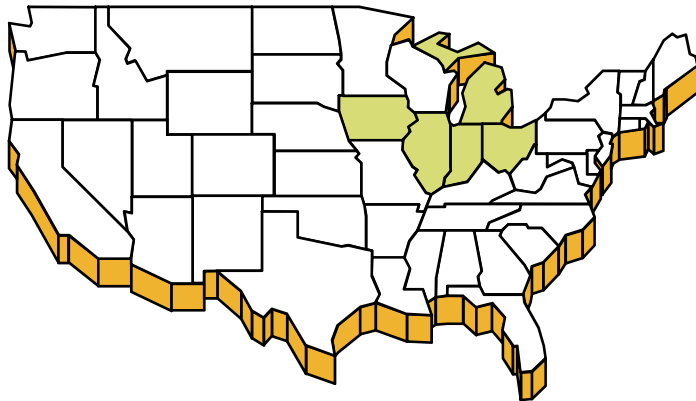
104	CU ANSWERS A CREDIT UNION SERVICE ORGANIZATION
14	CU NORTHWEST A CREDIT UNION SERVICE ORGANIZATION
3	CU SOUTH A CREDIT UNION SERVICE ORGANIZATION

We need it...we'll create it...we'll use it...and we'll own it

New peers up to the customer owner challenge

- Welcome to our **12 new owners** in 5 states...

- Community Driven CU
- Public Service CU
- Advantage CU
- Des Moines Police Officers' CU
- Birmingham Bloomfield CU
- EdCo Community CU
- NorthStar CU
- Lake Huron CU
- Heartland CU (*Springfield, IL*)
- Day Air CU
- Lenco CU
- Oak Trust CU



Member size range: 2,000 to 27,000 members

Average size: 9,400 members

Challenges: Unlimited

Ideas: Priceless

Potential: To be the customer owner that changes everything

It takes one to know one...

Why credit unions got together to build a co-op



- The dreams we have for our credit unions depend on our ability as CEOs to build a cooperative with our members that helps them succeed
- It's no different here
- We own and work together in this co-op toward the same dream: ensuring our success and that of our members
- We make it real, count on it, sell it, and guarantee it



2012 Board Elections

2012 Nominating Committee Chair:
Jeff Jorgensen



LET'S VOTE!

Elections Market the Power of Ownership

- Your participation in choosing Board members and volunteering for leadership positions signals that we are making the difference in this cooperative
- CU*Answers can market the democratic process – we have to live it and believe in it
- Is it time to take our game up a notch? Would you support electronic voting? How might you make sure the market knows that democratic processes are a strength of our co-op?

Cooperative Principle
Democratic Member
Control

Our #1 Strategic Initiative:
Sell the power of ownership with gusto

- We're not going to give up until every credit union in our network can boast the highest percentage of members voting, of any cooperative in the system
- How do we do it?
 - ★ Make it cheap, make it convenient, put it in the member's face, inspire the active online member to get active as owners
 - ★ Change the mindset of the Board to market themselves as an asset and be the product that attracts new customer owners

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This year we have an uncontested election...

But let's still hear from the candidates

In alphabetical order by first name...

- Chris Butler
 - CEO, Community Credit Union (La Crosse, Wisconsin)
- Don Mills
 - CEO, Alpena Alcona Area CU (Alpena, Michigan)
- Scott McFarland
 - CEO, Honor Credit Union (Berrien Springs, Michigan)

CU*Answers Board of Directors CU*ANSWERS
Ballot: 2012 Regular Election May 8, 2012

The following names have been submitted to fill three (3) positions on the CU*Answers Board of Directors, for a term to begin December 1, 2012, and continue through September 30, 2014.

Please send a vote for only three (3) of the following (listed alphabetically by first name):

- Chris Butler, CEO, Community Credit Union (Wisconsin)
- Don Mills, CEO, Alpena Alcona Area Credit Union (Michigan)
- Scott McFarland, CEO, Honor Credit Union (Michigan)

Credit Union Name _____
Authorized Signature _____
Credit Union CEO _____
(Print Name) _____

Meeting to be held on Wednesday, June 20, 2012, at the _____
The meeting must be agreed to by at least _____ authorized _____
the Board Chairperson. (Name Credit Union _____)
I have read and agree to the Credit Union (CU) _____
I must be agreed to by _____ the Credit Union's CEO and _____
at 6000 28th Street SE, Suite _____



Congratulations!



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Board Member since March 2001



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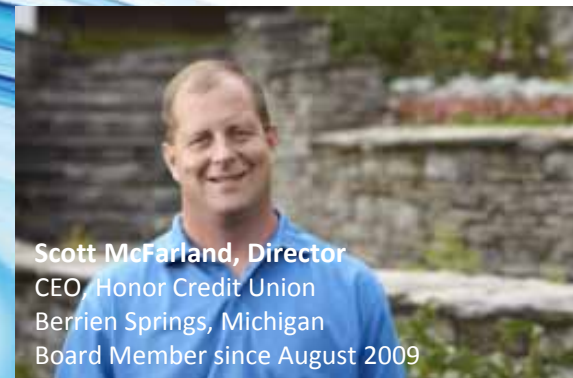
Your CU*Answers 2013 Board of Directors



Don Mills, Director
CEO, Alpena Alcona Area Credit Union
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Board Member since June 2010



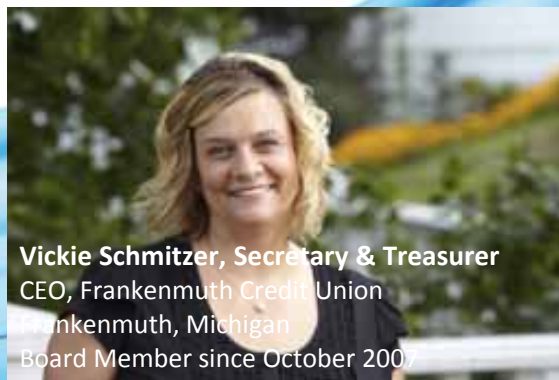
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A Look at The Numbers

The P.T. Barnum in Randy would like a topsy-turvy report, just to be different

The accountant in me says, if it ain't broke, don't fix it...



This is the 2012 Annual Meeting, but...

- Every year about this time, Randy sets the vision for next year (2013)
- But remember that our annual Stockholder's Meeting is about last year's numbers (2011), and my comments tonight are about where I see us closing out the current year (2012)



**We live a 3-year planning cycle, all the time
(In August, we'll start the 2014 cycle with the Board!)**

Inventorying our Assets

There are as many perspectives as there are observers...

- The traditionalist perspective...

	2011 (\$K)	2010 (\$K)	% Change
Cash	\$ 7,672	\$ 6,700	14.5%
Accounts Receivable	1,244	1,176	5.8%
Prepaid Expenses	814	871	- 6.5%
Fixed Assets	5,486	5,373	2.1%
Miscellaneous	3,720	3,197	16.4%
	\$ 18,936	\$ 17,317	9.3%

Unlike credit unions, we don't gauge ourselves based on asset size

Inventorying our Assets

There are as many perspectives as there are observers...

- The **cuasterisk** network perspective...



1.4% ownership stake



48% ownership stake



50% ownership stake



6.7% ownership stake



0% ownership stake

Inventorying our Assets

A Changing Investment Posture for our CUSO

- Earlier today Randy told you about two ideas that signal a change in how we might use our balance sheet in the future
 - Investing in you to build businesses
 - Investing for you in businesses you might need as part of the network
- I will be counting on your ideas as I take the lead on a new investment posture for our network



Investment Grant Program 2012
\$30,000 in grants for credit union entrepreneurs

- Announcing the 2012 cattle call for entrepreneurs
- Submissions due on August 1
- Auditions will start on September 10
- The big show is on October 15

Proposal Requirements
The CUSO Investment Investment & Grant Program for 2012 will have an open application period from 8/1/12 until 8/1/12. All applications must include a business plan with a complete budget and be submitted electronically by a lead partner for each idea. The plan should be written for a year plus a plan for how the plan is going to succeed.

Planned Schedule

Date	Event
8/1/12	Application deadline
8/1/12	Auditions start
9/10/12	Final auditions
10/15/12	Final show

I expect more Simon Cowell than Paula Abdul from the judges this year...be ready to make your case!

On a serious note: A CEO assignment for this year's CEO School

- Identify 3-5 specialized vendor services that CU*Answers should develop to improve your one-stop shopping experience
 - ★ Services to match core competency challenges
 - Example: Should we offer examination coordination services? We do for CUSOs, how about credit unions?
- Identify 3-5 specialized technology solutions that CU*Answers should develop and add as core competencies
 - ★ Technical products to match core competency challenges
 - Example: Should we develop a CU*BASE presentation for mobile devices?
- Identify 1-3 vendors that you think CU*Answers should invest in, or even buy
 - ★ Resources to match core competency challenges
 - Example: Can we repeat our success with eDOC Innovations?

We need it...we'll create it...we'll use it...and we'll own it

Inventorying our Assets

There are as many perspectives as there are observers...

- The intellectual capital perspective...

It's Me 247
Online Banking

CU*BASE^g
gold edition

CU*BASE^{se}
servicer edition

PIB
Personal Internet Branch
*protected

247 Lender

Lender*Hub

CU Talk
Telephone Banking

It's Me 247
Mobile

It's Me 247
Text Banking
TXT

Easy Pay
Online Bill Pay

ExamShare
CU*ANSWERS

PolicySwap
CU*ANSWERS

Inventorying our Assets

There are as many perspectives as there are observers...

- And let's not forget the future value of contracts perspective



- In the end, the most meaningful figures to your examiners and auditors continue to be purely financial
- So let's take a look at the big picture...

2011 Numbers Worth Celebrating

- The big picture:

Detail	YE 2010	YE 2011	% Change
Total Assets	\$17,317K	\$18,936	9.3%
Total Liabilities	\$12,355K	\$12,804	3.6%
Total Equity	\$4,963K	\$6,132	23.6%
Retained Earnings	\$1,107K	\$1,589	43.5%
Book Value of Class A Stock (\$ per share)	\$275.70	\$322.88	17.1%
Book Value of Ownership	\$55,140.53	\$64,575.72	17.1%

Projected for 2012: Book value of ownership may exceed \$71K

2011 Numbers Worth Celebrating

- Year-end 2011 dividend payments:

Detail	YE 2010	YE 2011	% Change
Patronage Dividend (\$)	\$700,000	700,000	0.0%
Bonus Patronage (\$)	\$500,000	700,000	40.0%
Ownership Dividend Rate	4.35%	4.4%	1.1%
Ownership Dividend (\$)	\$208,611	273,886	31.3%
Book Value of Class A Stock (\$ per share)	\$275.70	322.88	17.1%
Price to Purchase CUSO Ownership in 2011	\$125,000	150,000	20.0%

I can't guarantee (that's up to the Board), but the 2012 dividend checks are looking pretty healthy

2011 Return on Investment

2011 Gross Income Submitted by Owners to CU*Answers <i>(Excludes all vendor pass-throughs)</i>		\$ 13,791,870
2011 Patronage Dividends Paid	\$ 1,400,000	
2011 Class A Stock Dividends Paid	273,886 (4.40%)	
2011 Interest Paid Credit Unions on Loans	<u>435,667</u> (~6.0%)	
Total Revenue Returned to Credit Unions		\$ 2,109,553

Return Per Total Dollars Received: \$0.1530

$\$2,109,553 \div \$13,791,870$ (excludes vendor pass-throughs) = 15.29% return per CU*A \$ received

Thinking About 2011 Year-End

Network revenue numbers continue to impress

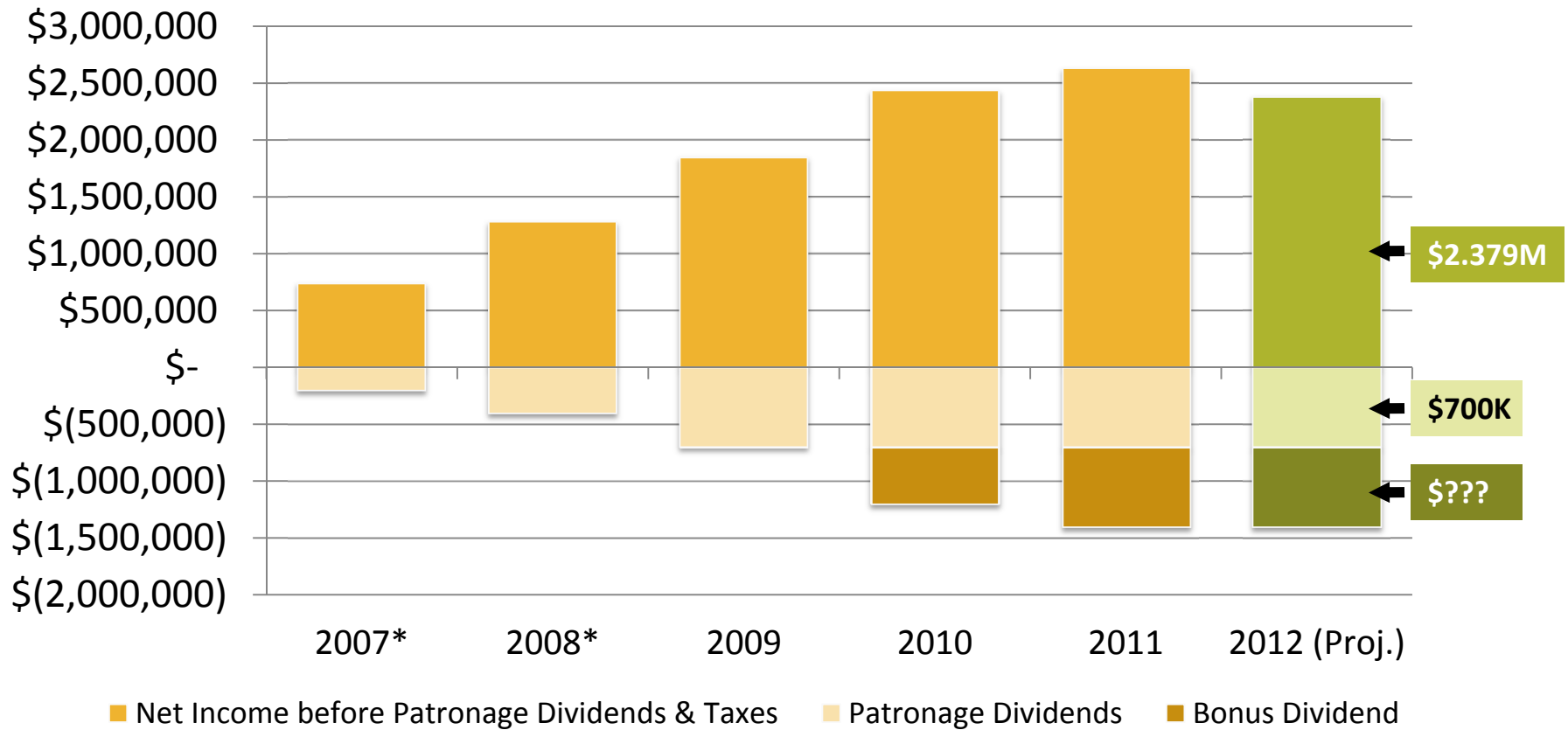
- CU*Answers direct revenues continue to evolve with new processes, internal capabilities, and new offerings
 - Projected for 2012: **\$35.491M**
- Just as important, CU*Answers' influence through partnering with other CU*BASE networks and investing in new initiatives is starting to add up
 - Xtend projected for 2012: **\$1,675K**
 - eDOC projected for 2012: **\$4,395K**
 - CU*NW projected for 2012: **\$2,232K**
 - CU*S projected for 2012: **\$1,260K**
 - Processing Alliance proj. for 2012: **\$74K**
 - Grand total: \$45.8 million**



Keeping track of all our network partners, products, and services is a real challenge
Visit www.cuasterisk.com for a running total

Net Income & Patronage Dividends

What do shareholders get, and what are we putting away for our future?

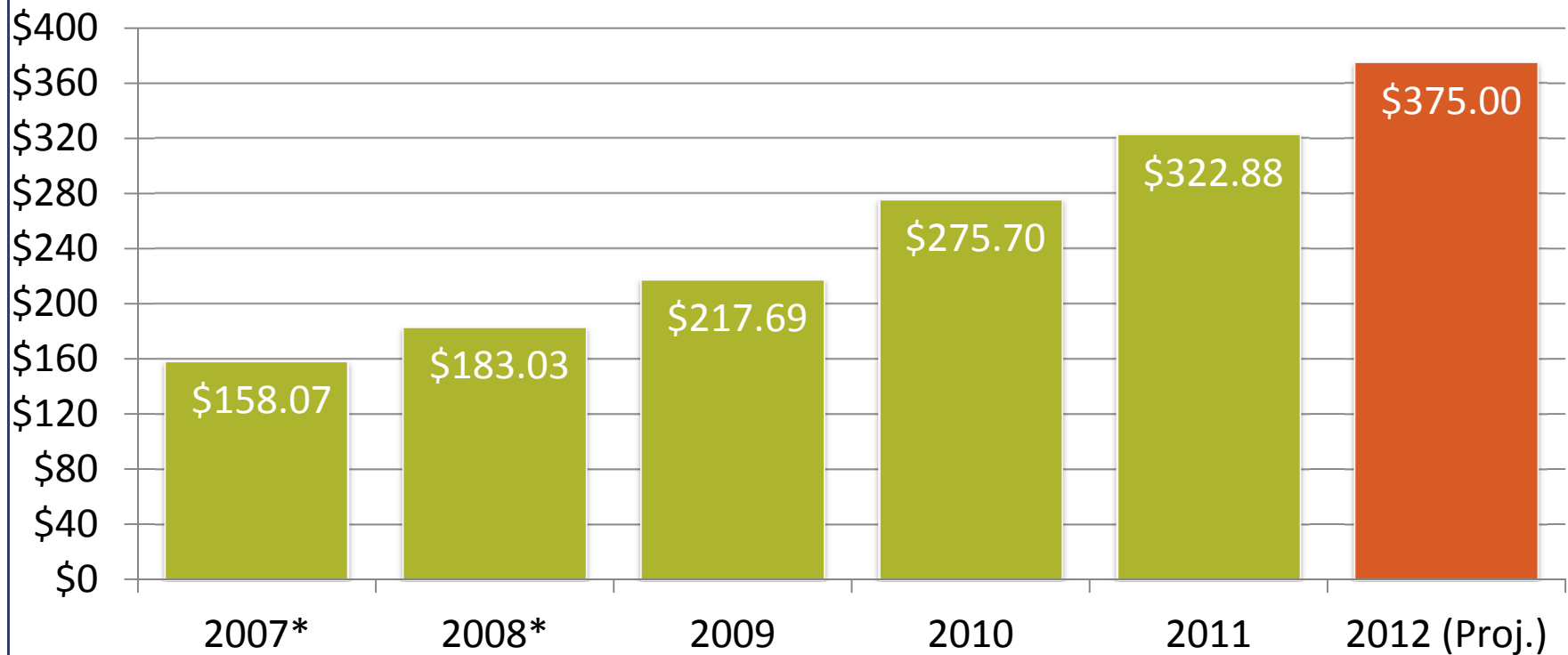


We understood the economic crunch, and we've been burning the candle at both ends...it's what a co-op does

Projecting Shareholder Value

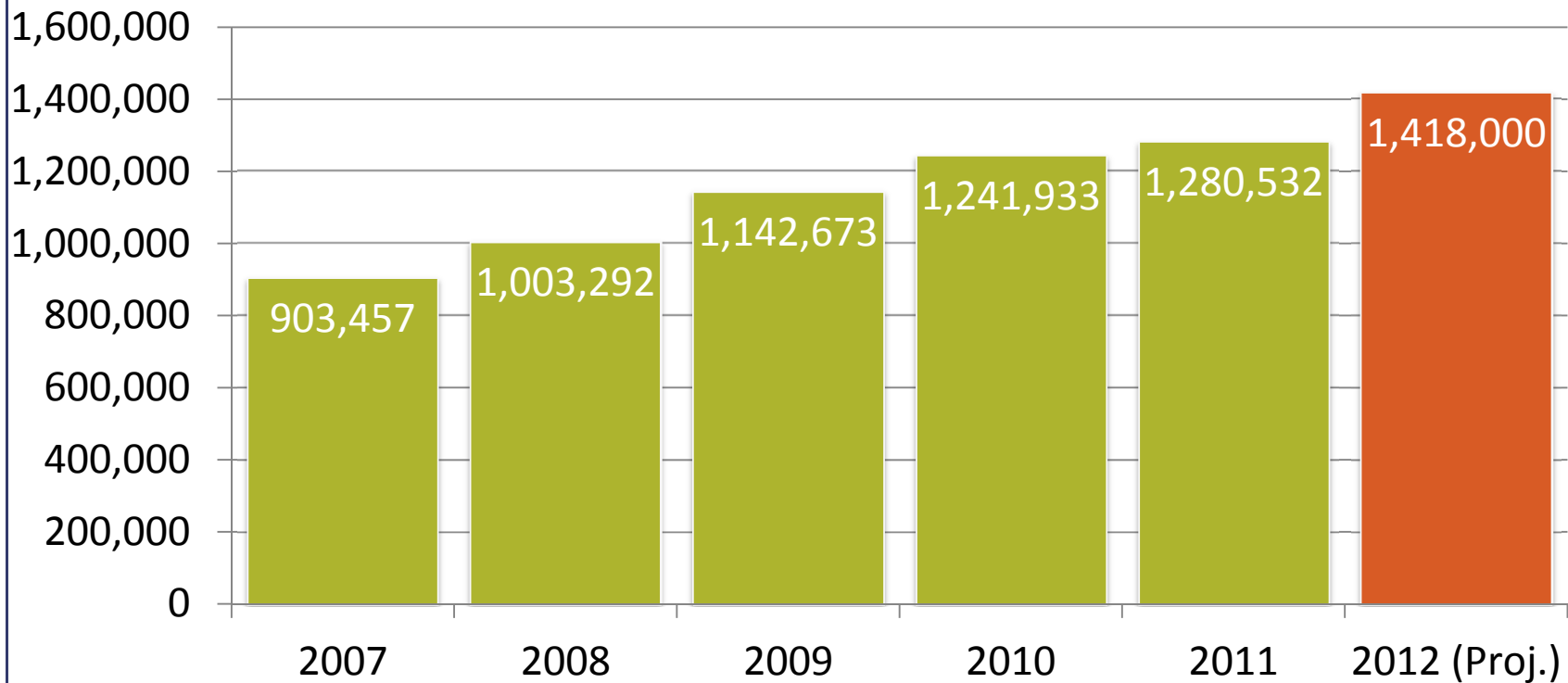
Depending on when you bought in, your perspective is different

Ownership price 1991: **\$59.31**, 2000: **\$176**, 2005: **\$460**, 2010: **\$495**, 2012: **\$750**



Members Served

The Point of All of Our Efforts...



What some might consider to be Randy's "sales jargon" is truly the driving force behind our financial model – we are built to facilitate credit union success

Are We the Cooperative We Think We Are?

Challenging ourselves to capitalize on the
International Year of Cooperatives



Sustainability: Every CEO's Challenge

A year-long search for a meaningful competitive differential

- The International Year of Cooperatives has given our CUSO a unique opportunity to challenge that our business design is truly the difference in our long-term sustainability
- **You, as customer owners, create the competitive advantage**
- So as a paid professional, focused on sustainability, I am now more convinced than ever that we can make this theme a tag line for the next decade

2012 International Year of Cooperatives

More than 15 minutes of fame...

- One year in, we are now more convinced than ever that this effort is worth our industry's and our network's sincere investment
- Now is the time to attack our marketplace with the confidence that our cooperative business design guarantees a difference
- Now is the time to build tools that allow us to walk the talk
- Now is the time to prove – along with our stakeholders – that this will be the *decade of cooperatives*

CELEBRATE
the INTERNATIONAL
YEAR of COOPERATIVES!

CU*Answers is a Proud Participant in the International Year of the Cooperatives

Cooperative enterprises build a better World because Co-ops!

DEAR 1% WE FELL ASLEEP FOR A WHILE. JUST WOKE UP. SINCERELY, THE 99%

2012 International Year of Cooperatives

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Can you separate the spark that sets your business apart? Can you dedicate yourself to the principle that guarantees the difference? Can you prove it to the marketplace?

Symbiotic, interdependent, synergetic, cooperative, reciprocal, mutual...

- As your faith in cooperatives goes, so goes CU*Answers
- If you're asking yourself, "What does all this Cooperative Score stuff have to do with data processing?" then I want you to think about the member who still cannot figure out what makes you different from a bank
- Be the customer owner that can sell the difference
- Join me in making the next 10 years the decade of cooperatives



Oh, by the way, I could go on and on
about what we're going to do next year,
what we'll sell, what we'll invent, and
how much money we'll make
Call me and we'll do lunch

Or...you could participate in the 2014 planning calendar

I hope to see you at these events in the next year:

- CEO Strategies Week, November 5-9, 2012
- Audit a CU*Answers Board meeting
- Attend one of dozens of webinars, focus group and education events
- Participate in the Lender*VP Top 10, Accounting Top 10, Vilker's Dirty Dozen, and the new CDFI low-income designation development efforts
- Get active on OfCourse.cuanswers.com
- Be an active Idea Form contributor
- ...etc., etc., etc.

“Leadership is practiced not so much in words as in attitude and in actions.”

...Harold S. Geneen

Back upstairs!

