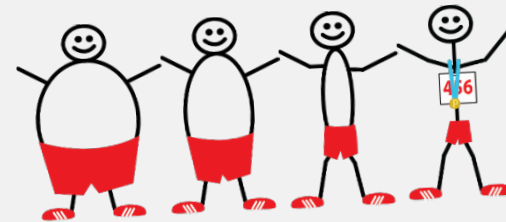


Preparing for a New Race

ANNUAL STOCKHOLDERS MEETING
JUNE 21, 2017

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION



WELCOME!

Agenda

■ Call to Order

- Review 2016 Minutes

■ Chairman's Comments

- *Preparing for a new race...* As owners and operators of credit unions, how do we anticipate a new race (a new credit union industry)?

■ Election

■ CFO Report

- *Preparing for a new race...* What do the numbers from 2016 imply about the future? What do we know from where we are in 2017?

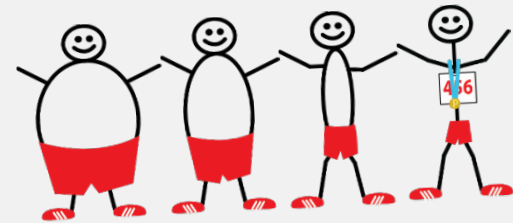
■ CEO Report

- *Preparing for a new race...* What will we take forward to the future on the way to the racetrack?

■ Adjourn

Preparing for a New Race

AS OWNERS AND OPERATORS OF CREDIT UNIONS, HOW DO WE ANTICIPATE A NEW RACE (A NEW CREDIT UNION INDUSTRY)?



CHAIRMAN'S COMMENTS

It's not just business...it's a business molded by owners

- Why does our CUSO offer non-assignable contracts?
- Why does our CUSO lower prices significantly between contract renewals?
- Why does our CUSO offer contract cancellation terms at 50% instead of 100%?
- Why does our CUSO provide credits and money for CUs to use in merger projects?



Molded by owners with a win-win customer perspective

- Why does our CUSO provide significant investments so that CUs can move into new products and services before they're profitable?
- Why does our CUSO invest in shared execution and start new firms to support our technology?
- Why is our CUSO starting a project to expand board governance opportunities to include more owners?



Negotiating win-win takes a strong, dynamic owner's voice

- It's a cooperative thing...*it's our thing*
- As we look to the future, what new things will we add to this list?
- How will we come together and envision what the future CU industry means to us as owners, and send a clear signal as to what our CUSO needs to offer to its owners?



Your 2016-2017 Board of Directors



Scott McFarland, Chairman
CEO, Honor Credit Union
Board Member since August 2009



Linda Bodie
CEO, Element Federal CU
Board Member since October 2013



Tom Gryp
President/CEO, Notre Dame Federal CU
Board Member since October 2016



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



Jeff Jorgensen, Director
CEO, Sioux Empire Federal CU
Board Member since December 2009



Dean Wilson, Director
CEO, Focus Credit Union
Board Member since January 2008

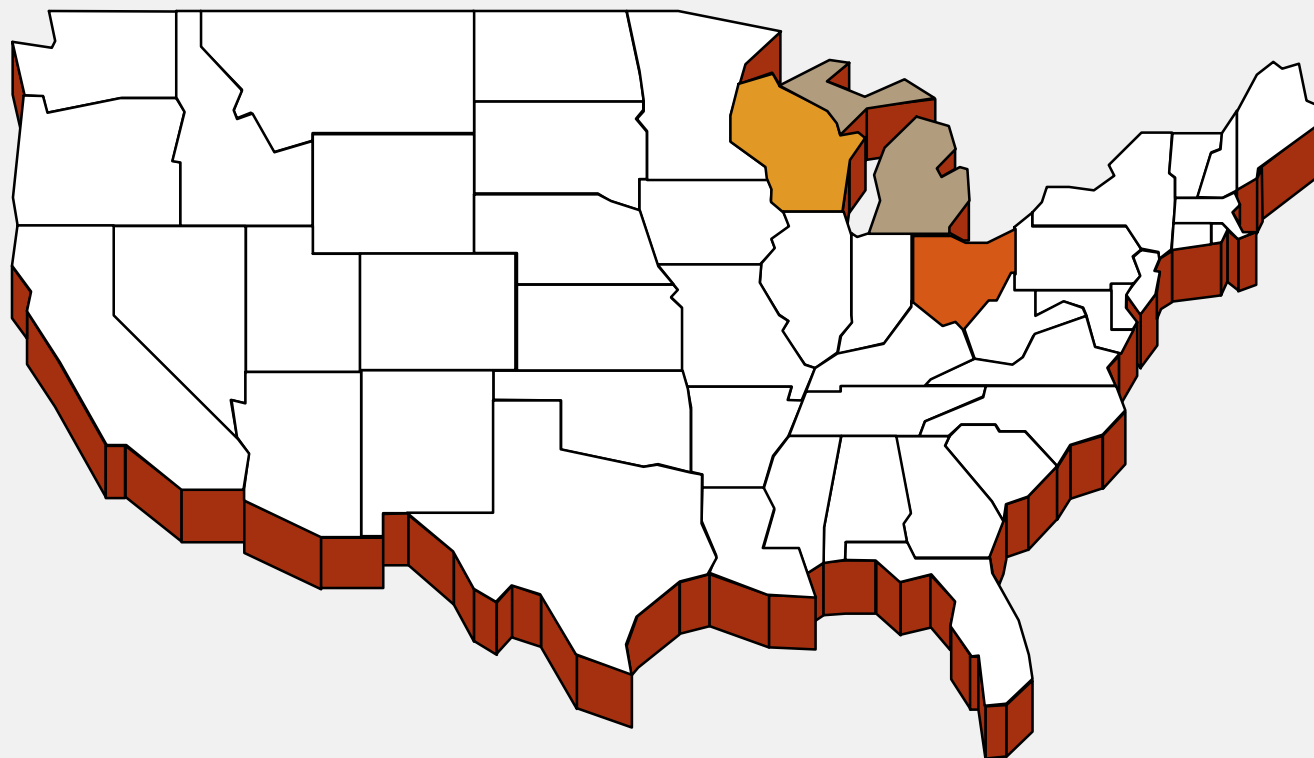


Vickie Schmitzer, Secretary/Treasurer
CEO, Frankenmuth Credit Union
Board Member since October 2007

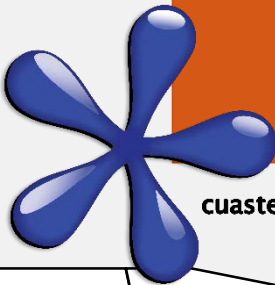
Speaking of thank you...

Welcome to 4 new owners in 3 states!

- **Commodore Perry FCU**
(Oak Harbor, OH)
- **Community West CU**
(Kentwood, MI)
- **Metro North FCU**
(Waterford, MI)
- **Park City CU**
(Merrill, WI)

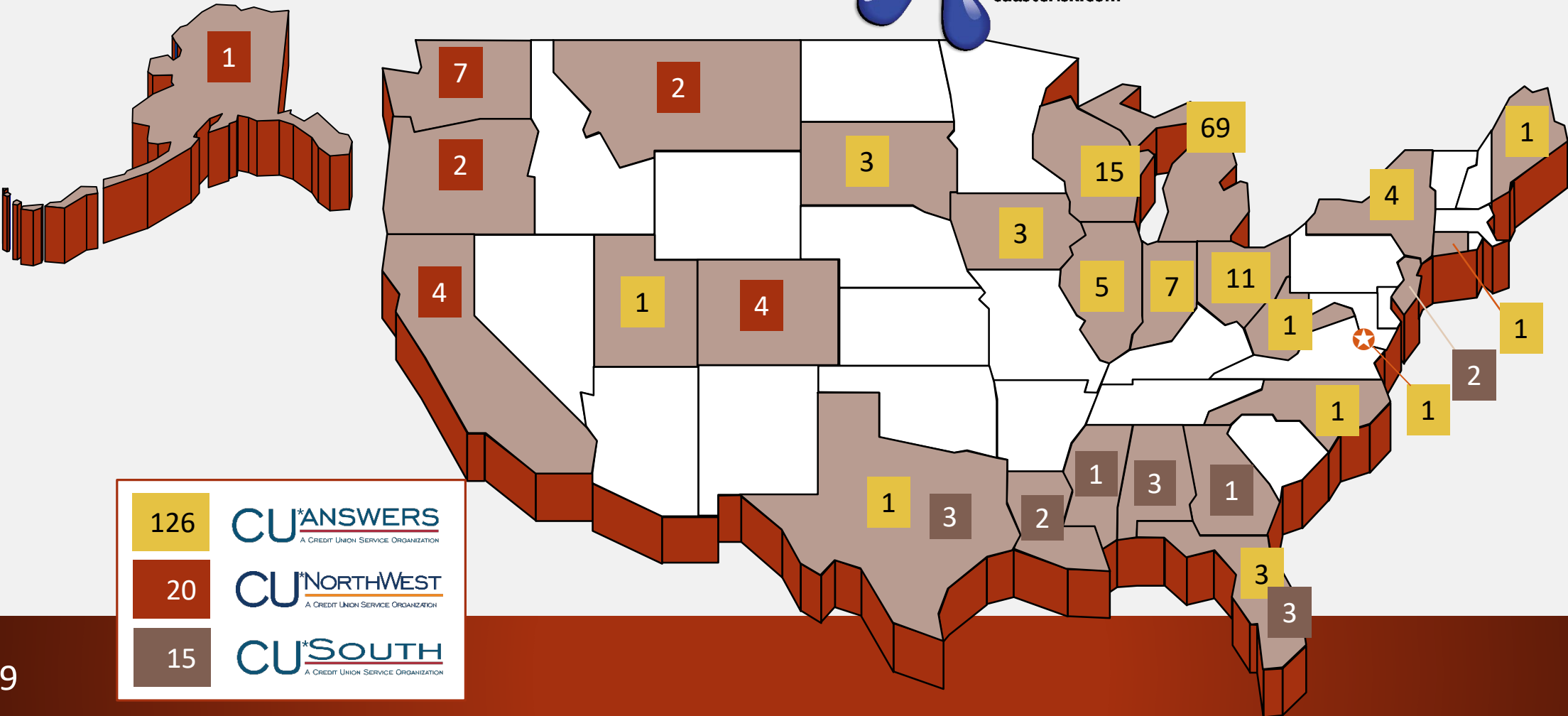


Our Community of Owners



161 Credit Union Owners in 27 States
62% of all Client CUs

cuasterisk.com



126

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

20

CU*NORTHWEST
A CREDIT UNION SERVICE ORGANIZATION

15

CU*SOUTH
A CREDIT UNION SERVICE ORGANIZATION

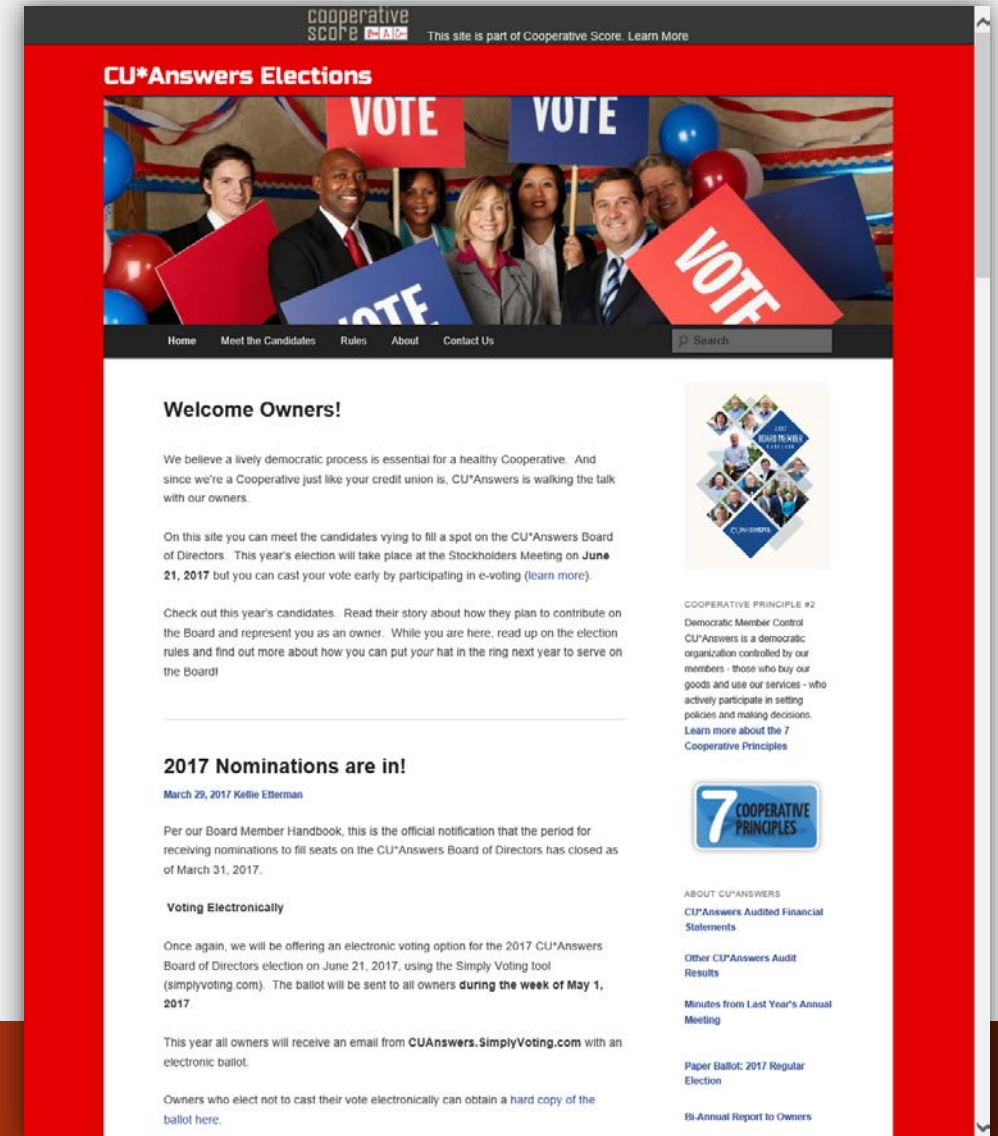
2017 Board Elections

REPRESENTING THE 2017
NOMINATING COMMITTEE:
LINDA BODIE

LET'S VOTE!

Elections Market the Power of Ownership

- A lively democratic process is essential for a healthy cooperative
- Your participation in choosing Board members and volunteering for leadership means we're walking the talk
- Thank you for participating as owners!

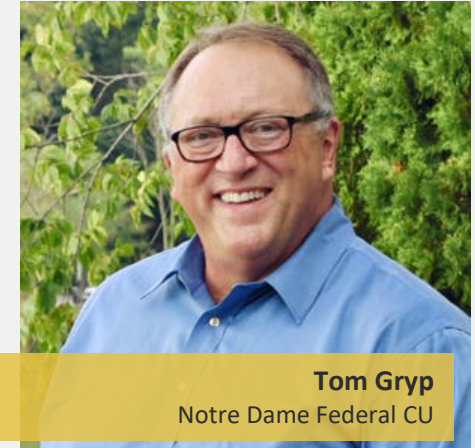


Special thanks to this year's Nominating Committee

- Each year we work from a well-documented process
 - Helps us dot all the i's and cross all the t's
 - Ensures we keep our promise to keep ownership participation alive and well in our Cooperative



Linda Bodie, Committee Chair
Element Federal CU



Tom Gryp
Notre Dame Federal CU



Don Mills, Director
Alpena Alcona Area CU



Jeff Jorgensen, Director
Sioux Empire Federal CU



Let's hear from the candidates

■ Vickie Schmitzer

- CEO, Frankenmuth Credit Union
(Frankenmuth, Michigan)
- *Incumbent*



■ Dean Wilson

- CEO, FOCUS Credit Union
(Wauwatosa, Wisconsin)
- *Incumbent*



Let's hear from our candidates

■ Vickie Schmitzer

■ CEO, Frankenmuth
(Frankenmuth)

■ *Incumbent*

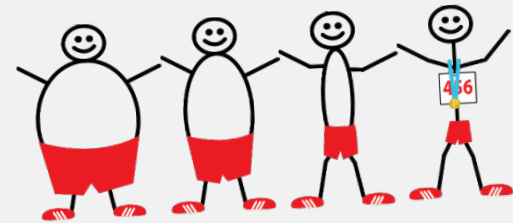


Let's vote!

(Do I have a motion to cast a vote
for unanimous consent?)

Preparing for a New Race

WHAT DO THE NUMBERS FROM 2016
IMPLY ABOUT THE FUTURE? WHAT DO WE
KNOW FROM WHERE WE ARE IN 2017?



CFO REPORT

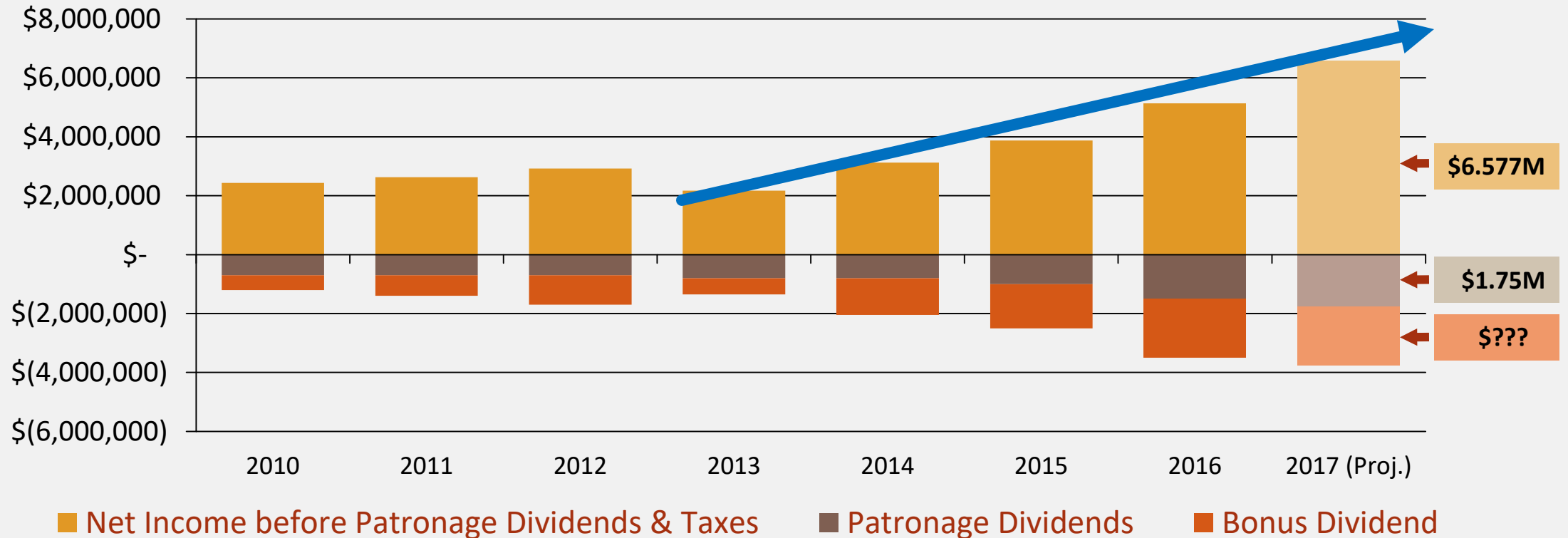
Burn it down with an attitude of revolution for evolution

Not what they usually teach CPAs...but it's a Cooperative Thing

- As we look at 2016, we're all going to feel pretty good about the year we had
 - And when we look at trends from the last 5 years or so, the attitude might be, "leave well enough alone"
- So what do you do when the theme for the year is "burn it down"?
 - You challenge the status quo
 - You look for any hints of the trendline to radically change
 - You remember that we're looking at the results here tonight, but we always have to think about what's in front of us

Net Income & Patronage Dividends

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



2016 Numbers Worth Celebrating

Detail	YE 2015	YE 2016	2016-2015 % Change	2015-2014 % Change	2014-2013 % Change
Total Assets	\$27,739K	\$31,764K	14.5%	3.3%	3.1%
Total Liabilities	\$14,802K	\$17,145K	15.8%	3.2%	(8.2%)
Total Equity	\$12,937K	\$14,619K	13.0%	3.3%	19.9%
Retained Earnings	\$2,442K	\$2,923K	19.7%	14.9%	7.4%
Book Value of Class A Stock (\$ per share)	\$521.64	\$571.07	9.5%	6.7%	10.5%
Book Value of Ownership	\$104,327	\$114,214	9.5%	6.7%	10.5%

Year-end 2016 Dividend Payments

These numbers can flex, and I predict they will again in the future

Detail	YE 2015	YE 2016	2016-2015 % Change	2015-2014 % Change	2014-2013 % Change
Patronage Dividend (\$)	1,000,000	1,500,000	50.0%	25.0%	0.0%
Bonus Patronage (\$)	1,500,000	2,000,000	33.3%	20.0%	127.3%
Ownership Dividend Rate	4.0%	4.0%	0.0%	0.0%	0.0%
Ownership Dividend (\$)	529,117	597,198	12.9%	5.2%	23.7%
Book Value of Class A Stock (\$ per share)	521.64	571.07	9.5%	6.7%	10.5%
Price to Purchase CUSO Ownership	245,000	275,000	12.2%	8.9%	25.0%

2017 Net Earnings as of May 2017:

\$2,148,000 after adjustments for \$1,083,000 patronage dividends and \$1,495,000 taxes
(projected to be \$2,655M by 9/30/17)

2016 Return on Investment

2016 Gross Income Submitted by Owners to CU*Answers

\$ 25,075,368

(Excludes all vendor pass-throughs)

2016 Patronage Dividends Paid

\$ 3,500,000

2016 Class A Stock Dividends Paid

597,198 (4.0%)

2016 Interest Paid Credit Unions on Loans

186,888 (~3.75%)

Total Revenue Returned to Credit Unions

\$ 4,284,086

Return Per Total Dollars Received: \$0.1708

$\$4,284,086 \div \$25,075,368$ (excludes vendor pass-throughs) = 17.08% return per CU*A \$ received

Understanding this formula is important to how we set the boundaries for our future

2014 Return Per Total Dollars Received: \$0.1489

$\$2,907,759 \div \$19,517,845$ (excludes vendor pass-throughs) = 14.89% return per CU*A \$ received

2015 Return Per Total Dollars Received: \$0.1486

$\$3,222,817 \div \$21,688,292$ (excludes vendor pass-throughs) = 14.86% return per CU*A \$ received

2016 Return Per Total Dollars Received: \$0.1708

$\$4,284,086 \div \$25,075,368$ (excludes vendor pass-throughs) = 17.08% return per CU*A \$ received

Thinking About 2017 Year-End

cuasterisk.com network revenue numbers continue to impress

CU*Answers Direct Revenues

■ Projected for 2017 **\$53.53M**



Grand Total: \$68.83 million

Our Network Partners

Projected
for 2017

■ eDOC Innovations	\$4.4M
■ CU*NorthWest	\$3.7M
■ CU*South	\$3.5M
■ Xtend	\$3.1M
■ Site-4	\$0.6M
■ ChatterYak	\$0.1M

Visit www.cuasterisk.com to keep up with
network partners, products and services

Investing in a Community and Building a Network



15%
ownership stake



1.2%
ownership stake



48%
ownership stake



1%
ownership stake



A convertible
debt investment



20%
ownership stake



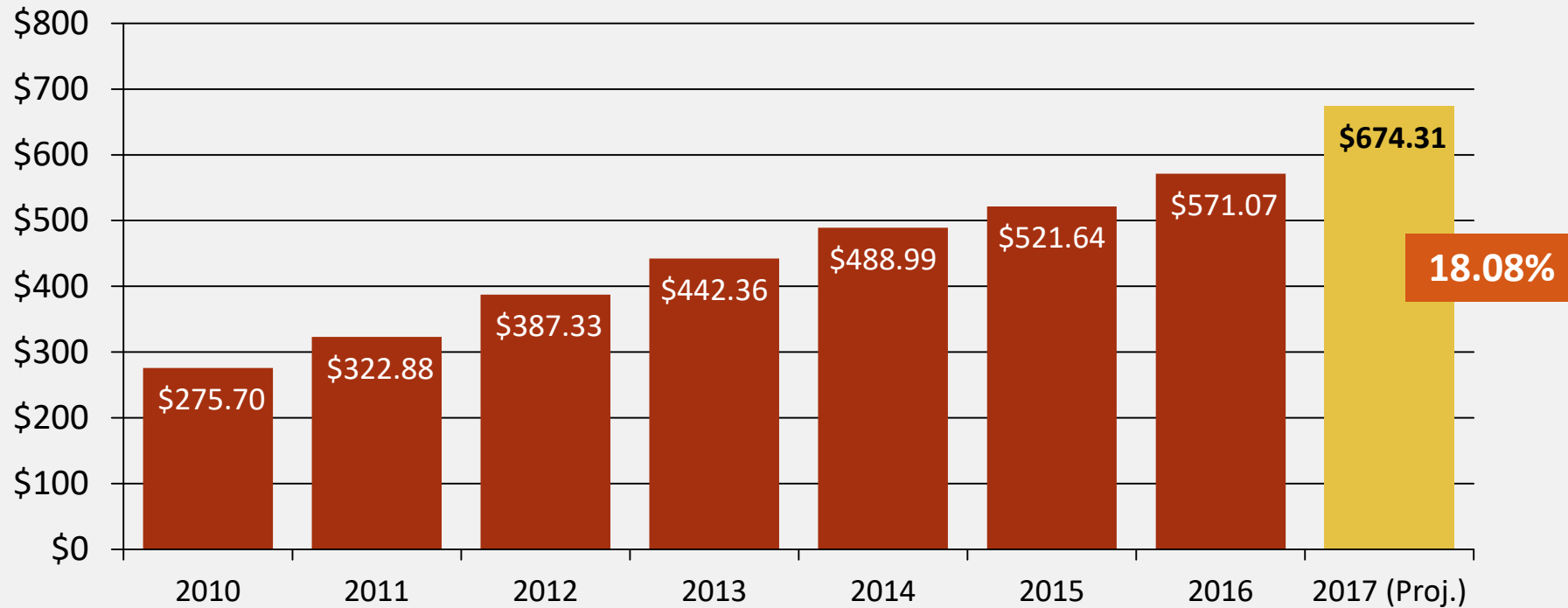
5%
ownership stake



A convertible
debt investment

Projecting Shareholder Value

Depending on when you bought in, your perspective is different

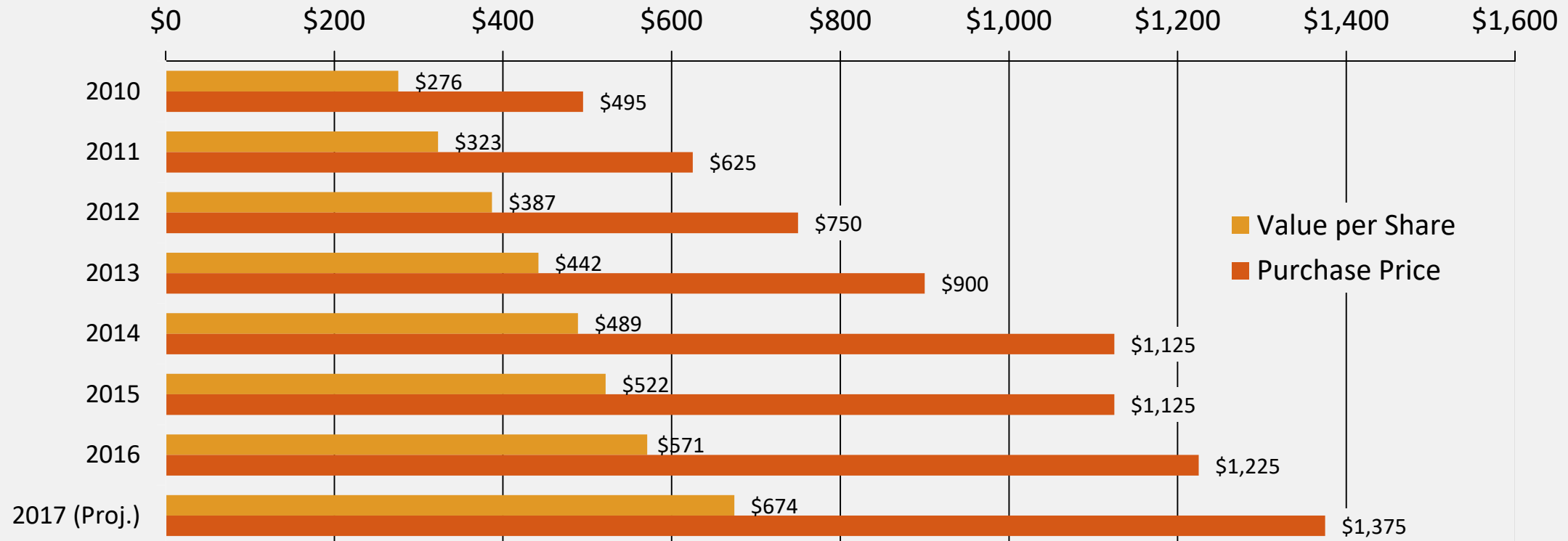


THE PRICE OF OWNERSHIP OVER THE YEARS

1991:	\$59.31
2000:	\$176.00
2005:	\$460.00
2010:	\$495.00
2012:	\$750.00
2014:	\$995.00
2015:	\$1,125.00
2016:	\$1,225.00
2017:	\$1,375.00

The importance of our per-share price

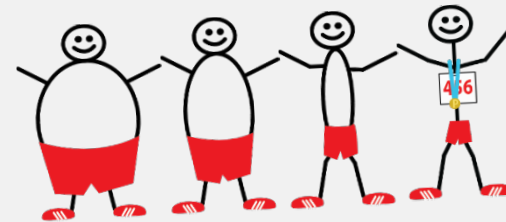
Balancing today's payback against the value of your equity



Let the Board know how you hope they vote: Current year dividends to help your operations, or shareholder value for the long term

Preparing for a New Race

WHAT WILL WE TAKE FORWARD TO
THE FUTURE ON THE WAY TO THE
RACETRACK?



CEO COMMENTS

Thinking about the future

Think radically, challenge momentum, and design to succeed, no matter what the weather

Think radically

rad·i·cal (răd'ĭ-kəl) *adj.* Relating to or advocating fundamental or revolutionary changes in current practices, conditions, or institutions

Challenge momentum

Whose momentum should we challenge? Credit unions'? Or CU*Answers'? Do we have the right to separate the two?

Design to succeed

No matter the outcome, no matter how you feel about where things are going, no matter what it might mean to the sacred cows of our traditions

Thinking about the future

Think radical, challenge momentum and design for the day, no matter what the weather

Think radical

ing to or advocating
changes in current

When somebody's
losing, someone else is always
winning...

Change

challenge? Credit
have the right

No matter the condition,
design to succeed

Design to win

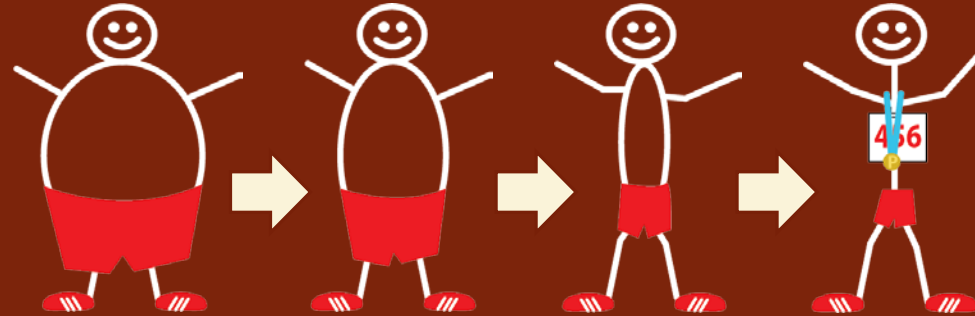
matter how you feel

no matter what it
sacred of our traditions

2020 is our firm's 50th anniversary

A marathon completed, and anticipating a new race to train for

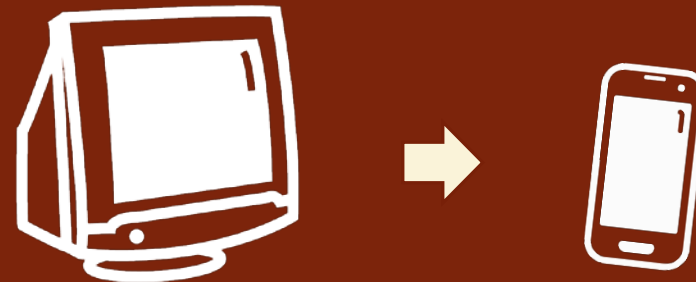
Who do we need to be?



What vehicle will take us to the future?



How will we prioritize future spending?



Lower our prices and fuel our customer-owners

Asking for less proves the point that sometimes less is more

How do we change for the EFT marathon?

INCOME PRESSURE ON CU ATM/DEBIT/CREDIT CARD PROGRAMS NEEDS A LONG-TERM INVESTMENT



- Starting Oct 2017 we will reduce **ATM/debit card click fees** by 2.5% each year for the next 4 years
 - Ultimately a 10% reduction, or approx. \$400K/year by 2021, with a goal to go even deeper
- We will eliminate the **resource utilization fee** over the next 3 years
 - 50% in 2018, 25% more in 2019, 25% more in 2020
 - This will reduce revenue by \$1.8 million annually by the end of 2020
 - The offset: **Statement processing fees** will be charged to CUs starting in 2018

90

How do we support the online marathon?

EVERY CU MUST PRESENT AN INTERNET RETAILING STRENGTH



- Starting October 2017, CU*Answers will waive **EFT click fees** for all CUs with 2,000 or fewer members
- We'll also waive **e-commerce fees** for all CUs with 2,000 or fewer members
- We've already talked about our intent to reduce **fees for RDC** until every CU can offer it
- We will reduce **closed-member fees** by 1¢ – a reduction of 4%
- We will lower the monthly **service charge fee** by \$2.50 per fee
- Approximate impact of all these changes: **\$125K annually**

91

Why maintenance is the thing to worry about in a long race

24

NEW
NAVIGATION

It's a search generation

THE 17.03 NAVIGATION RELEASE SHOULD GET YOU THINKING ABOUT THE FUTURE


The User Experience

- Search and sort from the home page
- See only the tools you use
- Set favorites by employee
- Faster learning curve
- Permanent tool #s

The Data Experience

- How we'll use data to determine what we should take to the future
- Reduce our expenses based on maintenance carried to the future
- Increase our budgets for innovation and sending on the future

It's the same for you: if you prioritize carrying less to the future, you'll never afford the future.



25

NEW
NAVIGATION

Average # of tools per employee

TOTAL # OF TOOLS AVAILABLE TO CU EMPLOYEES:

768

CUID	Total # of employee IDs	Average tools assigned per employee	% total tools (768 possible tools)
TC	34	212	28%
WV	42	174	23%
WA	64	508	66%
SX	84	166	22%
AL	162	108	14%
ND	215	185	24%
FR	262	102	13%
BT	327	138	18%

Sampling of 8 online CU*Answers clients; excludes data center employee alias IDs (89-9x).

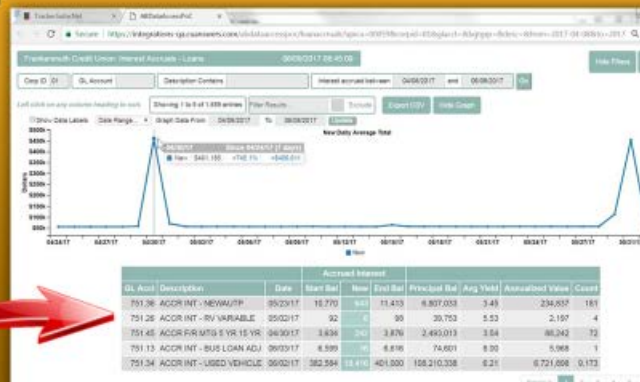
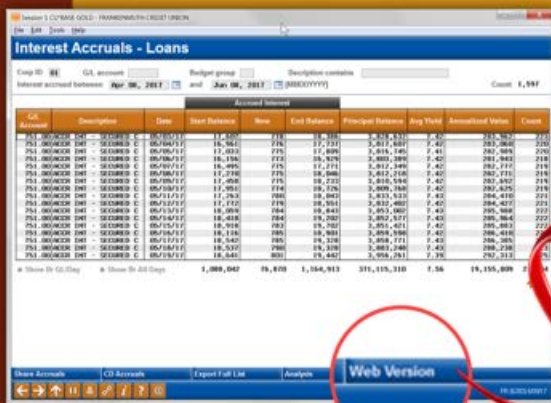
31

Letting go, to grab new ideas and invest in innovation: as much as 30%

Letting go, to grab new ideas and invest in innovation

CU*BASE via a browser?

2018 PROTOTYPES LEAD THE WAY



139

CU*BASE via a browser?

140

3 PROOF-OF-CONCEPT PROJECTS, SETTING US UP FOR THE NEXT 5 YEARS

- At CEO Strategies this fall, we'll review these projects as part of envisioning the next CU*BASE

Browser-based analytical dashboards

CU*BASE Teller processing

CU*BASE LOS

- Even though we can, should we?
- These projects will help us work through issues such as...
 - Printing
 - Browser selection and management
 - And the biggest of all, **private information via the web**

Over the next 5 years, we'll experiment with hybrids, on the way to a potentially 100% browser-based CU*BASE

Preparing to bend to market expectations, and validating paths forward

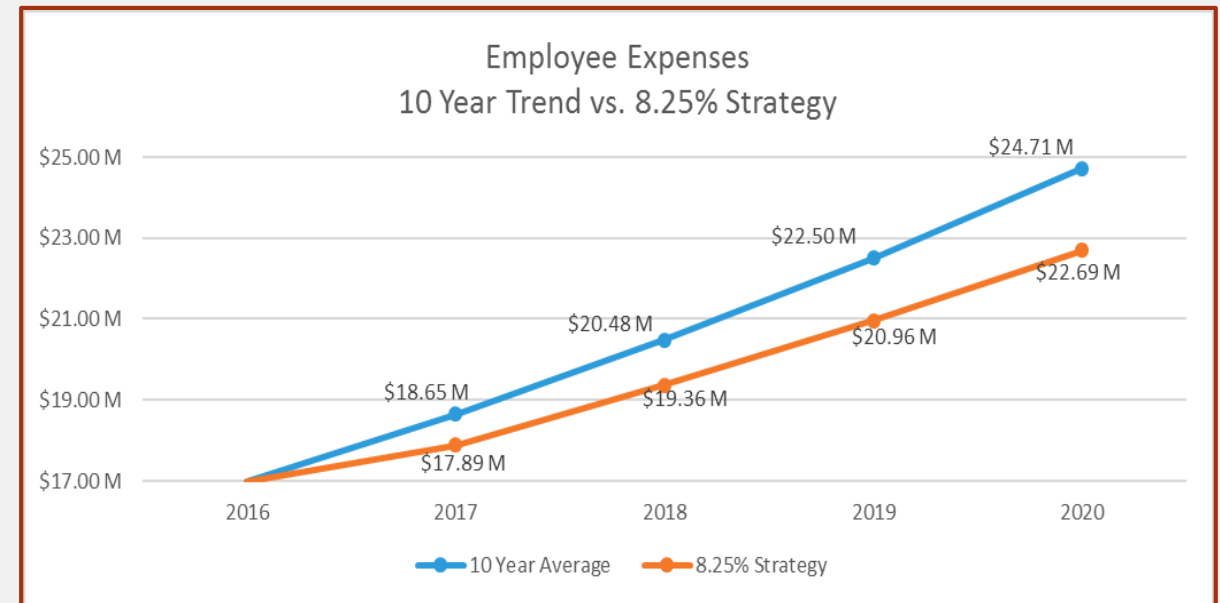
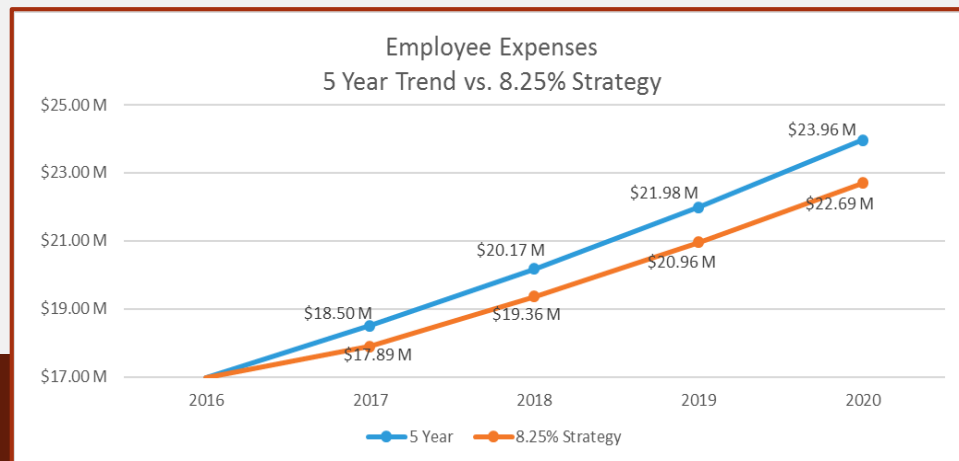
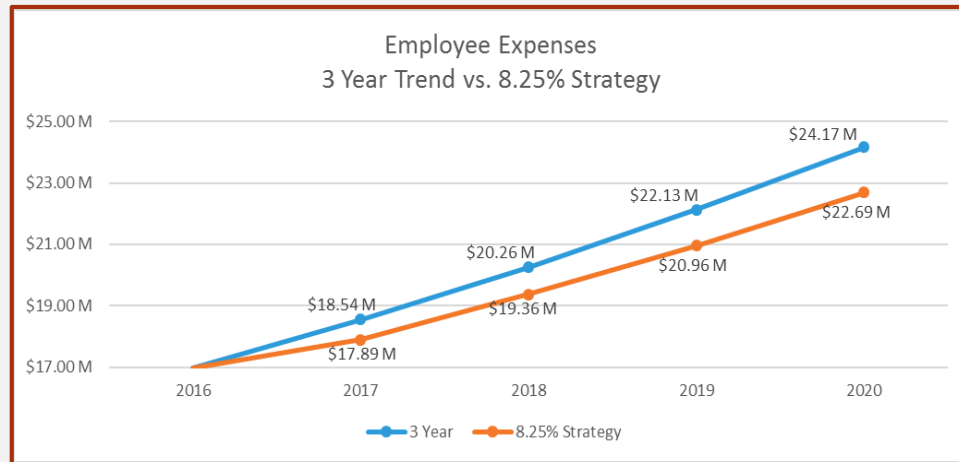
Changing the trajectory of our investments

Delta from Current Trajectory	Budget				
	FY2017	FY2018	FY2019	FY2020	FY2021
2007-2017(Budget) 10year (9.85% Average)					
9% Year over Year Increase	\$ (756,776)	\$ (982,494)	\$ (1,244,045)	\$ (1,546,179)	\$ (1,894,229)
8.75% Year over Year Increase	\$ (756,776)	\$ (1,027,216)	\$ (1,341,426)	\$ (1,705,216)	\$ (2,125,097)
8.5% Year over Year Increase	\$ (756,776)	\$ (1,071,938)	\$ (1,438,584)	\$ (1,863,523)	\$ (2,354,379)
8.25% Year over Year Increase	\$ (756,776)	\$ (1,116,660)	\$ (1,535,519)	\$ (2,021,102)	\$ (2,582,081)
8% Year over Year Increase	\$ (756,776)	\$ (1,161,381)	\$ (1,632,230)	\$ (2,177,955)	\$ (2,808,211)

2012-2017 (Budget) 5year (9.00% Average)					
9% Year over Year Increase	\$ (612,892)	\$ (667,616)	\$ (727,225)	\$ (792,156)	\$ (862,884)
8.75% Year over Year Increase	\$ (612,892)	\$ (712,337)	\$ (824,606)	\$ (951,192)	\$ (1,093,752)
8.5% Year over Year Increase	\$ (612,892)	\$ (757,059)	\$ (921,764)	\$ (1,109,499)	\$ (1,323,034)
8.25% Year over Year Increase	\$ (612,892)	\$ (801,781)	\$ (1,018,699)	\$ (1,267,078)	\$ (1,550,736)
8% Year over Year Increase	\$ (612,892)	\$ (846,503)	\$ (1,115,410)	\$ (1,423,931)	\$ (1,776,866)

2015-2017 (Budget) 3year (9.24% Average)					
9% Year over Year Increase	\$ (654,089)	\$ (757,523)	\$ (874,383)	\$ (1,006,260)	\$ (1,154,920)
8.75% Year over Year Increase	\$ (654,089)	\$ (802,244)	\$ (971,765)	\$ (1,165,296)	\$ (1,385,788)
8.5% Year over Year Increase	\$ (654,089)	\$ (846,966)	\$ (1,068,923)	\$ (1,323,603)	\$ (1,615,069)
8.25% Year over Year Increase	\$ (654,089)	\$ (891,688)	\$ (1,165,857)	\$ (1,481,182)	\$ (1,842,771)
8% Year over Year Increase	\$ (654,089)	\$ (936,410)	\$ (1,262,568)	\$ (1,638,035)	\$ (2,068,901)

Changing the trajectory of our investments



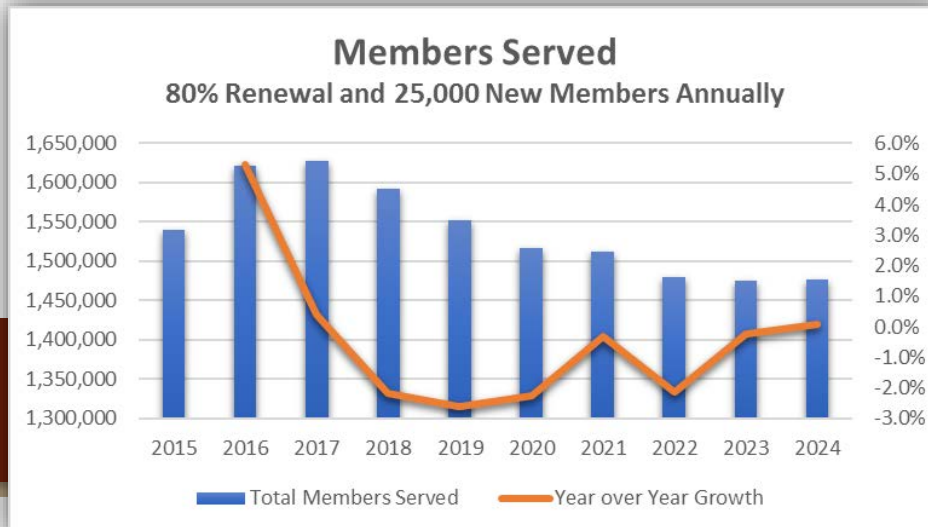
How do customers respond when their vendors announce a plan to be smaller?

Evaluating the SWOT of our core revenue models

25,000 New Members Annually	Fiscal Year	Members Under Contract	Renewal Potential	Members Served (80% Renewal)	New Members	Total Members Served	Year over Year Growth
	2015	1,539,729				1,539,729	
	2016	1,621,640				1,621,640	5.3%
	2017	1,627,950				1,627,950	0.4%
	2018	1,327,480	300,470	1,567,856	25,000	1,592,856	-2.2%
	2019	995,649	331,831	1,501,490	25,000	1,551,490	-2.6%
	2020	696,421	299,228	1,441,644	25,000	1,516,644	-2.2%
	2021	547,891	148,530	1,411,938	25,000	1,511,938	-0.3%
	2022	261,146	286,745	1,354,589	25,000	1,479,589	-2.1%
	2023	117,473	143,673	1,325,855	25,000	1,475,855	-0.3%
	2024	0	117,473	1,302,360	25,000	1,477,360	0.1%

25,000
new members
annually

80%
contract renewal
strategy



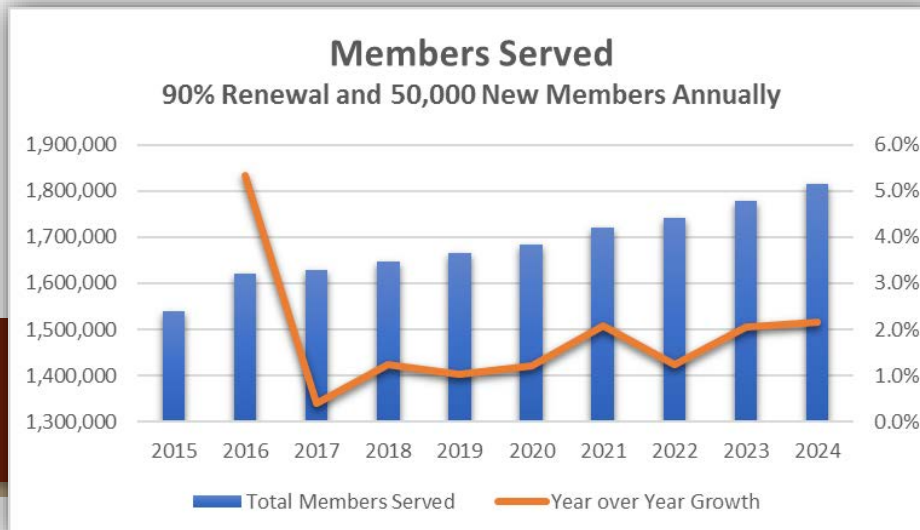
Why none of us should bail on our futures

Evaluating the SWOT of our core revenue models

50,000 New Members Annually	Fiscal Year	Members Under Contract	Renewal Potential	Members Served (90% Renewal)	New Members	Total Members Served	Year over Year Growth
	2015	1,539,729				1,539,729	
	2016	1,621,640				1,621,640	5.3%
	2017	1,627,950				1,627,950	0.4%
	2018	1,327,480	300,470	1,597,903	50,000	1,647,903	1.2%
	2019	995,649	331,831	1,564,720	50,000	1,664,720	1.0%
	2020	696,421	299,228	1,534,797	50,000	1,684,797	1.2%
	2021	547,891	148,530	1,519,944	50,000	1,719,944	2.1%
	2022	261,146	286,745	1,491,270	50,000	1,741,270	1.2%
	2023	117,473	143,673	1,476,902	50,000	1,776,902	2.0%
	2024	0	117,473	1,465,155	50,000	1,815,155	2.2%

50,000
new members
annually

90%
contract renewal
strategy



Why none of us should bail on our futures

Evaluating the SWOT of our core revenue models

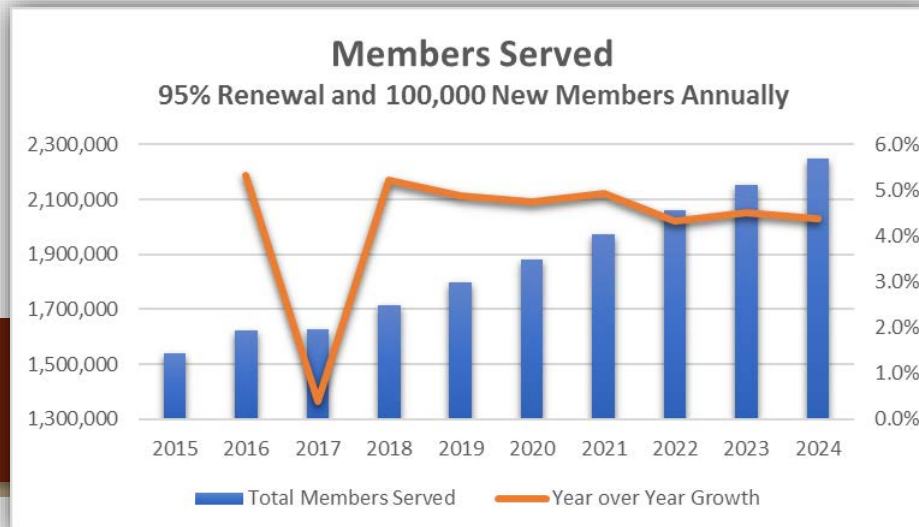
100,000 New Members Annually	Fiscal Year	Members Under Contract	Renewal Potential	Members Served (95% Renewal)	New Members	Total Members Served	Year over Year Growth
	2015	1,539,729				1,539,729	
	2016	1,621,640				1,621,640	5.3%
	2017	1,627,950				1,627,950	0.4%
	2018	1,327,480	300,470	1,612,927	100,000	1,712,927	5.2%
	2019	995,649	331,831	1,596,335	100,000	1,796,335	4.9%
	2020	696,421	299,228	1,581,374	100,000	1,881,374	4.7%
	2021	547,891	148,530	1,573,947	100,000	1,973,947	4.9%
	2022	261,146	286,745	1,559,610	100,000	2,059,610	4.3%
	2023	117,473	143,673	1,552,426	100,000	2,152,426	4.5%
	2024	0	117,473	1,546,553	100,000	2,246,553	4.4%

100,000

new members
annually

95%

contract renewal
strategy



Why none of us should bail on our futures

We have a track record of running marathons together

No matter the conditions, the weather...or how heavy Randy happens to be that year

10 Years of Celebrating "It's a Cooperative Thing"

Year	Theme
2008	The Owners are Here
2009	Realized Dreams Start Here
2010	Everyone is an Artist
2011	My Credit Union is My Community
2012	Every Day is a Grand Opening
2013	Life is a Construction Zone
2014	Walking in The Member's Shoes
2015	Would You Like Fries With That?
2016	Redefining Everything Credit Union
2017	It's a Cooperative Thing



10 Years of CUATV



A Decade of CEO School

2006	What a CEO Should Know about Member Data; Leading Meetings; Reporting; Digital Content; Working with Your Peers
2007	What a CEO Should Know about Member Data; Leading Meetings; Driving the Buzz With Your Membership; Understanding Service Income; Networking Credit Unions for Growth; Working Under the Best Contracts
2008	What CEOs Should Have On Their Radar: Achieving the lowest cost of going active with innovation; Having the lowest cost in the industry for compliance; Being known as one of the most aggressive mortgage servicing networks
2009	Getting a Handle on Automated Service Income; Pinning Down the "Duh" Statistics; Learn From a Peer; Reviewing CEO Dashboards
2010	Putting on your Developer Hat; Introducing the Analytics Team; A new style/template for analysis; Micro-awareness vs. Micromanagement; Pushing the buttons (or assigning someone to push them for you)
2011	Building Solutions With the Spirit of Collaborative Venture Capitalists: What a CEO Needs to Know (pushing the buttons or having someone push them for you); CEOs as Solution Designers; CEOs Inspiring Your Teams to be Developers; CEOs Creating an Innovator's Culture
2012	A Community Focused On Driving Opportunity: Actionable Analytical Approach; Making Ownership Real; Do You Have an Online Channel Strategy?
2013	Responding to the Challenges of Big Data: Actionable Analytical Approach 2.0; Patronage Databases; Big projects where CEOs need to lead the way
2014	A Day of Mentoring and Coaching around Using CU*BASE Tools: Actionable Analytical Approach 3.0; Moving Data to the Edge of Your Cooperative; Retooling for the Next Decade at CUs & Our CUSO
2015	A Day of Mentoring and Coaching around Using CU*BASE Tools: Data 2016, Behind the Firewall; Data 2016, Out in the Open, Extended for the World to See; Building a Collaborative Bench of Data Analysts

It's intuitive that data is the key to answering the riddles that perplex every business . . . but what is intuitive is not always simple to act on

At CU*Answers, we're pushing our network and customer-owners to crack the riddle

Back to Our Chairman

MOTION TO ADJOURN, ANYONE?