

# CU\*Answers Growth Analysis 1995-2015

February 2016

## How far have we come in the last twenty years?

In 1994, WESCO, a core data processor, was struggling. The organization had lost clients over the previous decade and growth was limited. The Board of Directors recognized that a new perspective was needed. With the recruitment of Randy Karnes in 1994 as the new CEO and the development of a talented leadership team in the years that followed, WESCO, now CU\*Answers, has enjoyed tremendous success. The organization reinvented itself under the model that partnership, shared equity, and mutual goals will enhance member value—and they have! CU\*Answers now touches over 250 credit unions through its alliances and has achieved this growth over the last twenty years.

	1995	2015	Change	Percent Change	Average Annual Growth
Total Sales	\$3,277,801	\$47,187,442	\$43,909,641	1340%	14.26%
Total Assets	\$2,433,201	\$27,490,495	\$25,057,294	1030%	12.89%
Total Liabilities	\$2,042,187	\$13,214,608	\$11,172,421	547%	9.79%
Owner's Equity	\$391,014	\$14,275,887	\$13,884,873	3551%	19.71%
Stockholders	27	124	97	359%	7.92%
Employees	36	210	174	483%	9.22%

**1**

**CU\*Answers has experienced sales growth every year since 1994.**

**2**

**Average sales per employee has increased from \$91,050 in 1995 to \$224,702 observed today.**

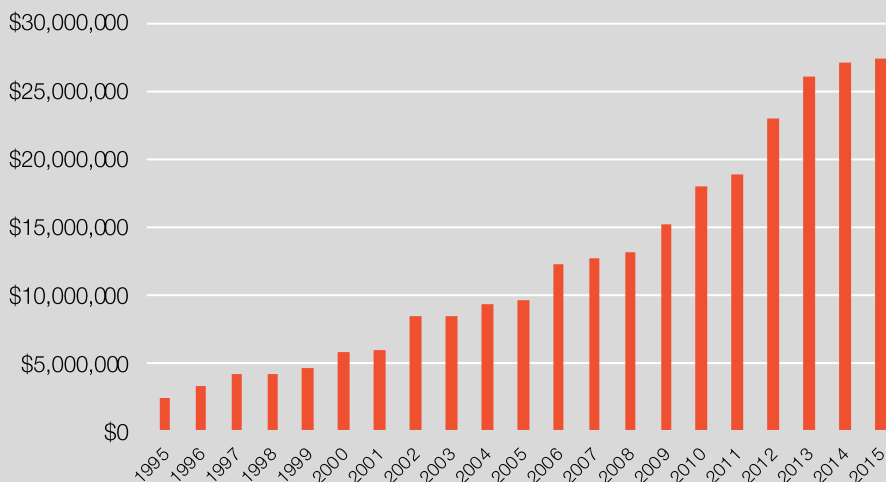
**3**

**CU\*Answers has issued a patronage dividend the last 19 years totaling \$13.35 million.**

**4**

**Average equity per stockholder has increased from \$14,482 in 1995 to \$115,128 in 2015.**

CU\*Answers Assets



CU\*Answers has enjoyed a 12.9% average annual growth rate since 1995.

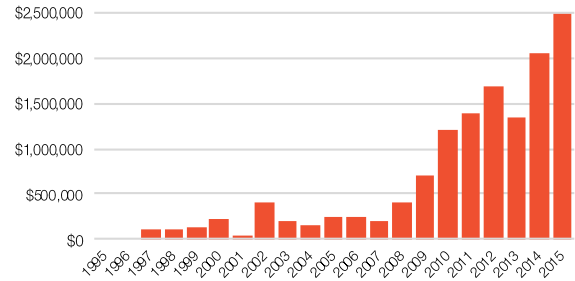
## Timeline

- 1994—Randy Karnes hired as President/CEO
- 1999—CU@HOME PC Home Banking introduced
- 2000—WESCO recognized as "Operational CUSO of the Year" by NACUSO
- 2003—WESCO changes its name to CU\*Answers
- 2010—CU\*Answers celebrates 40 years and issues first patronage dividend greater than \$1M
- 2015—CU\*BASE exceeds two million members nationwide

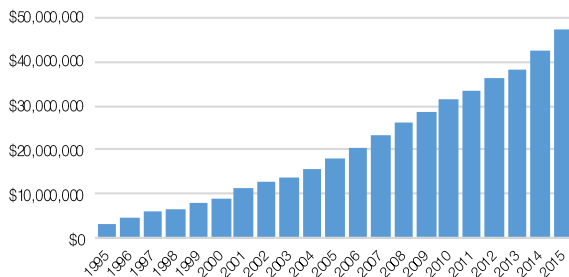
## A legacy of giving back...

CU\*Answers has returned a patronage dividend to clients every year since 1997. In that time, \$13,350,000 has been paid to clients!

Patronage Dividend



CU\*Answers Total Sales

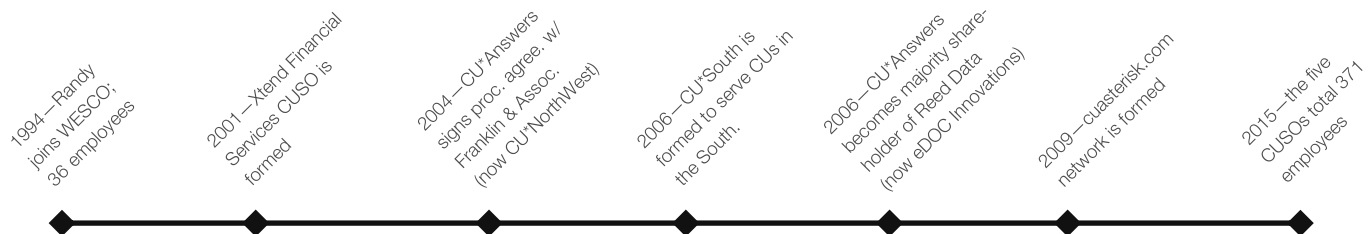


## And earning more...

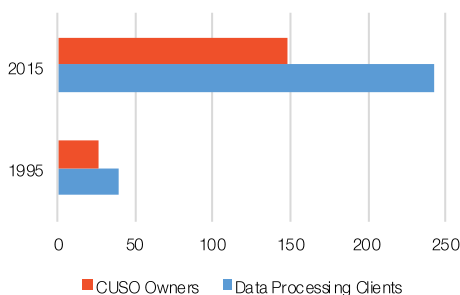
Sales have grown consistently since 1995, climbing from \$3.28M to \$47.19M in 2015, an average annual growth rate of over 14%.

## A look inside the cuasterisk.com network of CUSOs

cuasterisk.com represents a network of credit union owned CUSOs that have developed a capability for serving members in a whole new way. This collaborative leverages the power and effectiveness of a network of business partners committed to coming together to provide credit unions a variety of popular services at competitive CUSO prices.



CU\*BASE clients across the cuasterisk.com network



1

Since 1995, the number of members served using CU\*BASE has increased from 193,007 to 2,025,741 (12.5% avg. annual growth)

2

Total assets of credit unions using CU\*BASE have increased from \$755 million (est.) to \$18.9 billion (17.5% avg. annual growth)

3

Average CU\*BASE credit union size has increased from \$19.3 million in 1995 to \$77.5 million in 2015.

# Developing a Leadership Team

One of the greatest assets CU\*Answers has to offer is that our structure mirrors that of credit unions: the people who lead the CUSO are the same people who own it and participate in it as partners. Our Board of Directors consists of a diverse group of seven dedicated credit union CEOs that provide focused leadership, as each member has a vested interest in the success of CU\*Answers' clients.

The Executive Council consists of five professionals who have all dedicated themselves to and prided themselves in the success of the organization, and who have imbued a passion for collaboration and innovation within their teams.



**Randy Kames, CEO**

**Joined: 1994**

Mr. Kames has an infectious vision and drive for bringing credit unions together to explore the power of collaboration in entirely new ways. His enthusiasm for imagining and building new credit union business models has been helping to change the way many credit unions will approach serving members now and in the future.

A participant in the credit union industry since 1985, Mr. Kames currently serves on the Boards of Xtend and eDOC Innovations and formerly served on the Board of Callahan and Associates. Mr. Kames is an active speaker and facilitator for credit union board planning sessions and industry events across the country, and regularly participates in industry commentary in forums such as creditunions.com.

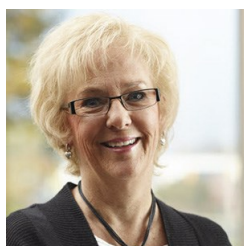


**Bob Frizzle, CFO**

**Joined: 1997**

Mr. Frizzle has been instrumental in launching major initiatives such as the cuasterisk.com network of CUSOs, as well as the purchase of majority ownership in eDOC Innovations. Under his guidance, CU\*Answers was able to launch innovative programs including the Spirit of CU\*Answers scholarship, a De Novo program providing free data processing for credit union start-ups, and the Investment Grant initiative.

Mr. Frizzle provides accounting and CFO services to numerous national organizations and CUSOs including Xtend, eDOC Innovations, NACUSO, CU Student Choice, Callahan and Associates, and Chatter Yak. He is an active board member for eDOC Innovations.



**Jody Kames, CIO**

**Joined: 1994**

Prior to coming to CU\*Answers in 1994, Ms. Kames served as the Assistant Vice President of Systems and Programming at Fiserv/Spokane, and has also held Systems Programmer/Analyst positions at various regional financial service and banking organizations.

As CIO, Ms. Kames oversees the creation, maintenance, and development of all technical products offered by CU\*Answers. Her day-to-day focus centers around the technical direction and development of programming, computer operations, and systems personnel.



**Geoff Johnson, COO**

**Joined: 2005**

Mr. Johnson brings a wealth of practical lending experience and industry knowledge to the table with sixteen years in credit union leadership roles that oversaw the strategic direction of lending and sales.

Since joining CU\*Answers in 2005 as the Executive Vice President of Client Interactions, Mr. Johnson has worked closely in the growth and development of the Management Services teams including Audit Link, Earnings Edge, Imaging Solutions, Lender\*VP, SettleMINT EFT, and Web Services.



**Scott Page, EVP**

**Joined: 1989**

Mr. Page has passionately served the credit union industry since 1979, having previously served as a board member for credit unions, offering his knowledge and experience to help credit unions reach higher.

Scott Page is currently Executive Vice President and an Executive Council member for corporate strategic development at CU\*Answers. Mr. Page is responsible for client and third party contract negotiations, and for product sales including the CU\*BASE data processing system, e-document solutions, item processing, and more.

# CU\*Answers Today

Today, CU\*Answers serves over 250 credit unions in 36 states and Washington D.C. through our core processing platform CU\*BASE and self-service products featuring It's Me 247. The CUSO's growth is attributable to the popularity of our tightly integrated products, wide variety of credit union managed services, aggressive pricing strategy, and reputation as a leader in collaboration and the cooperative spirit.

## We Are a Cooperative



[www.cuanswers.com/products/coop/](http://www.cuanswers.com/products/coop/)

## Take a Guided Tour of CU\*Answers



[www.cuanswers.com/tour/](http://www.cuanswers.com/tour/)

## The CU\*Answers Business Plan



<http://score.cuanswers.com/biz-plan/>

## A Leader in Collaboration

A founding member of the cuasterisk.com network of CUSOs

Learn more: [www.cuasterisk.com](http://www.cuasterisk.com)

Driving collaboration at network events

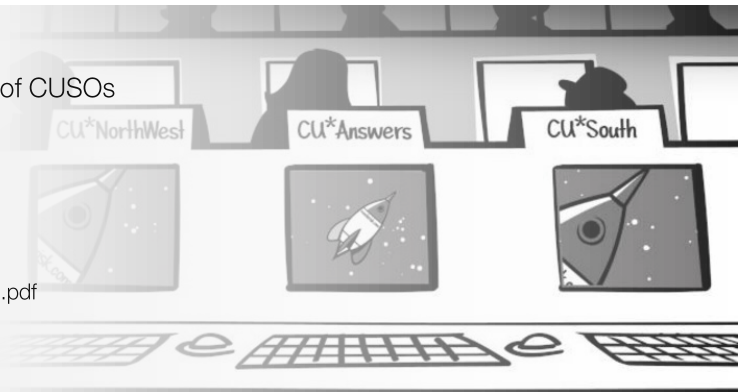
Learn more: [www.cuanswers.com/events/](http://www.cuanswers.com/events/)

Starting a Credit Union with CU\*Answers

Learn more: <http://www.cuanswers.com/pdf/visitor/StartingaCU.pdf>

The Spirit of CU\*Answers Scholarship Program

Learn more: <http://www.cuanswers.com/about/scholarship/>



## Service Provider

CU\*Answers offers a variety of credit union managed services:

- Accounting
- Audit and Compliance
- Business Continuity
- Client Services and Education
- Conversion Support
- Earnings Edge
- Imaging Solutions
- Lender\*VP
- Marketing Services
- Network Services
- Organizational Development
- OpsEngage
- SettleMINT EFT
- Web Services

Learn more: [www.cuanswers.com/solutions/](http://www.cuanswers.com/solutions/)

## Tool Provider

**Core Software:** CU\*BASE is our state-of-the-art member data processing system combining the best of member information databases, marketing tools, high quality presentation tools, powerful processing capability and flexible configuration.



**Member Self-Service:** designed to meet CU and member needs. Including It's Me 247 online banking, mobile web, text banking, mobile apps, bill pay, CU\*Talk, and more.

**Imaging Solutions:** e-document strategies for the modern credit union.

**My CU Today:** your credit union's vitals at your fingertips.

Learn more: [www.cuanswers.com/products/](http://www.cuanswers.com/products/)

# An Inside Look at Merger Activity

Since 1969, while credit union members and assets have grown dramatically, the decline in the number of credit unions has been similarly dramatic. The number of chartered credit unions have dropped from their peak of nearly 24,000 in 1969 to slightly over 6,000 today. While many credit unions have closed their doors, many others have chosen to merge as a solution. Here's a little historical perspective on the changing environment:

Michigan	# of CUs	# of CU Members	CU Assets
1964	1,190	1.24 million	\$831 million
2004	413 (↓65%)	4.40 million (↑255%)	\$31 billion (↑3630%)
2014	269 (↓35%)	4.79 million (↑8.9%)	\$46 billion (↑48%)

This has placed added stress on credit union vendors as the available client pool has shrunk dramatically. It has also increased emphasis on customer loyalty and retention. We performed an analysis of merger activity at CU\*Answers since 2003 to see how the CUSO was faring in light of the evolving industry.

Year	# of Projects: Incoming Mergers	Net Member Change	# of Projects: Outgoing Mergers	Net Member Change
2003-2005	13	24.8K	0	-
2006-2008	11	24.6K	4	38.9K
2009-2011	12	5.6K	7	30.5K
2012-2014	23	61.2K	10	45.6K
2015-2016 to date	16	10.4K	4	16.6K
<b>Total</b>	<b>75</b>	<b>126.6K<sup>1</sup></b>	<b>25</b>	<b>131.6K</b>

<sup>1</sup> Does not include ~80K members retained via mergers of existing CU\*BASE clients. Those mergers are considered "incoming" projects.

Since 2003, CU\*Answers has facilitated 75 incoming mergers to only 25 outgoing mergers. And while the net member change shows a slight loss in the number of total members, it does not account for the roughly 80,000 members that were retained on the system through the decision of existing CU\*BASE credit unions to merge together to remain on it.

## So then what has made CU\*Answers successful? Our credit unions.

Our credit unions are vested partners who believe in the value of cooperation and equity. They are active merger acquirers who turn to their CUSO partner to assist in that process because they trust and believe in the model. And they are owners who recognize that collaborative solutions are better than the alternative.