

2013 annual report

Preparing for new financial realities:

Seizing opportunities. Overcoming challenges.



Federally insured by
NCUA



ALLIANT[™]
credit union

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AND PRESIDENT
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MESSAGE FROM THE CHAIRMAN AND PRESIDENT



Ed Rogowski
Chairman

As the fallout from the 2008 financial crisis and “Great Recession” has abated, banks and credit unions are confronting a new and challenging set of realities:

- Anemic revenue growth as persistent low interest rates weigh on asset yields and the mortgage refinancing tsunami recedes;
- Increasing regulatory burden and compliance costs;
- A persistent shift in consumer preference from retail branches to online and mobile access;
- Encroachment by new non-bank competitors.



David W. Mooney
President/Treasurer

During 2013, Alliant produced strong financial, operational and organizational results while building capabilities necessary to sustain our member-focused mission.

Among the ways that Alliant is addressing the revenue challenge is by expanding our lending to members. In addition to serving members’ financing needs, Alliant earns more from a loan than from a securities investment. (We only invest in very low risk, highly liquid instruments.) In 2013, a record \$1.9 billion in new loans was originated. Loans outstanding increased by 24%, to \$4.1 billion, with strong growth across all major loan categories.

Another growing business is the Alliant Retirement and Investment Services* (ARIS) program. Assets under management increased by 57%, to \$204 million, over the past year. In 2013, phone-based advisors were added to expand member access to financial planning and asset management services.



MESSAGE FROM THE CHAIRMAN AND PRESIDENT (CONTINUED)

The economic environment continued to favor borrowers and punish savers. 2013 marked the fifth year of the Federal Reserve's low interest rate policy, further depressing bank and credit union asset yields as new, lower yielding loans and investments replaced maturing assets booked during higher rate periods.

Still, Alliant maintained its market leading member "giveback." Alliant paid an average 0.72% regular savings dividend in 2013 – down from 2012, but nearly five times the average credit union rate and six times the average bank rate. Savings and Certificate rates were always among the highest available. Loan rates were consistently below most other lenders, despite thin margins and intense competition.

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

Alliant produces consistently high member returns by operating a low-cost model and carefully managing risk. Operating expense, as a percent of assets, remained under 1%, compared to the bank or credit union average at around 3%. Effective risk management is critical to Alliant's ability to provide superior value year-in and year-out. In 2013, Alliant again earned the highest ratings for safety and soundness from state and federal regulators. We ended the year with a net worth ratio of 10.42%, well above the 7% regulatory standard for "well capitalized" credit unions and up from 9.78% in 2012.

Mirroring the marketplace, Alliant members are increasingly adopting online and mobile banking. Today, 80% of members' financial transactions are conducted through online and mobile channels. Members made over 160,000 check deposits using their mobile devices. In the past year, we continued to enhance Alliant's online and mobile capabilities, including integrating our mobile banking and deposit apps and improving our online new-member and loan applications.

Alliant and its employees have maintained support of the communities in which our members live and work. In 2013, the Alliant Credit Union Foundation donated over \$240,000 to charities and educational organizations. Alliant employees raised funds for a number of worthy causes and provided financial literacy instruction to over 400 students. For the second consecutive year, Alliant was named to the Honor Roll of the Center for Companies That Care, which recognizes employers for outstanding workplace practices and community involvement.

As we confidently face the opportunities and challenges of the emerging financial services marketplace, we want to thank you for your business and continued trust in Alliant. As a cooperative, Alliant's exclusive purpose is to serve the interests of our member owners, and we are deeply committed to that mission.



Ed Rogowski
Chairman



David W. Mooney
President/Treasurer



Alliant Highlights of 2013

Financial

- Alliant maintained at least a 0.70% savings dividend throughout 2013, nearly five times the credit union average and six times the bank average
- Originated over \$1.9 billion in loans, 77% more than prior year
- Deposits declined \$166 million or 2%, led by Certificates, which were down 15%, as savers began to move funds back into higher-yielding instruments
- Interest income totaled \$163.6 million, 9% under prior year as persistent low interest rates continued to erode asset yields
- Total assets ended the year at \$8.2 billion, flat to 2012 year-end
- Net loan balances at year-end were \$4.1 billion, an increase of \$789 million or 24% from prior year
- All major loan categories posted strong growth, with consumer loans and residential mortgages increasing by 35% and 23%, respectively
- Net income was \$39.7 million, \$2.8 million above prior year
- The net worth ratio stood at 10.42% at year-end, up from 9.78% at year-end 2012
- Non-interest expenses of \$80.3 million were 7% greater than prior year. The year-over-year spending increase was driven by investments in the lending and Alliant Retirement and Investment Services* businesses, marketing, remote channels, data infrastructure, online and mobile services, technology, security and regulatory projects
- Provision for loan losses of \$10.0 million was \$8.8 million, or 47% below 2012, reflecting continuing improvements in credit quality coming out of the recession. Loan delinquency and charge-off rates remained below credit union and bank industry averages

Non-Financial

- Alliant again received CUNA's award for highest direct member financial benefit among credit unions over \$500 million in assets
- Alliant Retirement and Investment Services* program assets under management grew 57%, finishing the year at \$204 million
- Alliant again earned the highest ratings for safety and soundness in 2013 state and federal regulatory examinations
- Welcomed 23,251 new members in 2013, increasing total membership by 2% over year-end 2012
- Added 26 new sponsors (SEGs) representing 79,630 employees
- Continued to enhance our online and mobile banking capabilities, replacing our new member application to significantly streamline the enrollment process. Implemented a new online loan application, reducing applicant input and manual intervention. Integrated the mobile banking and mobile check deposit apps with added features and improved mobile deposit image capture
- Named to the Honor Roll of the Center for Companies That Care for the second consecutive year
- Initiated a multi-year effort to modernize Alliant's legacy technology infrastructure. Over the next three years, most technology components will be replaced, supporting improvements in member and employee experience, new product and channel features, enhanced business intelligence and lean operations



Recognition for great rates, strength, stability and service



Great Rate Award Winner¹
2009 - 2013



5-Star Superior Rating²
70 consecutive quarters



Companies That Care³
Honor Roll 2013



Top Performer Award⁴
2013

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 Center for Companies That Care is a national, not-for-profit organization dedicated to ensuring social sustainability by engaging employers in improving the lives of employees, families and communities. Center for Companies That Care's Honor Roll is a national list recognizing employers for outstanding workplace practices and active community involvement. ⁴ Customized Analysis of Member Benefits for Alliant Credit Union for the 12-month period ending December 2012, prepared by the Credit Union National Association Economics and Statistics Department

Community Involvement and Charity Assistance

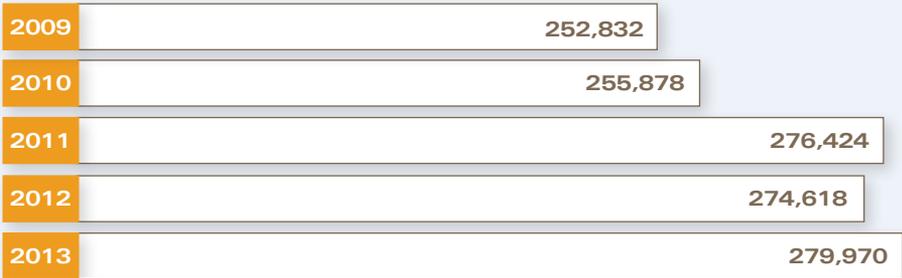
Civic Affairs - During 2013, Alliant's Civic Affairs Committee conducted numerous fundraising events and supported programs that assisted a variety of worthy organizations. The generosity and participation of our employees contributed greatly to the success of these initiatives.

Foundation - 2013 was a great year of giving for the Alliant Credit Union Foundation, with donations of over \$240,000 to various charities and educational organizations. The Foundation's purpose is to help people attain economic empowerment and self-sufficiency.

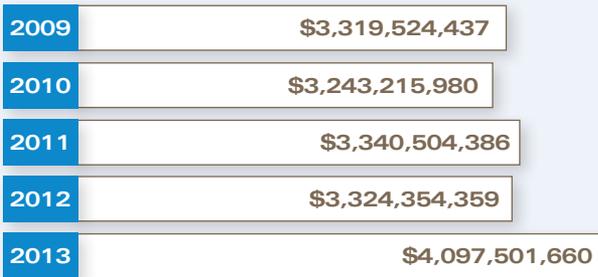


Performance Trends

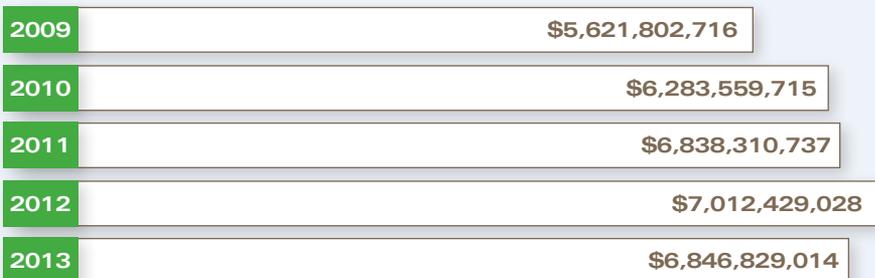
Total primary members



Total loans



Total deposits



Total assets

2009	\$7,006,938,844
2010	\$7,592,420,419
2011	\$8,235,535,560
2012	\$8,270,837,261
2013	\$8,151,987,438

Total interest income

2009	\$258,636,363
2010	\$228,008,588
2011	\$213,030,343
2012	\$179,609,275
2013	\$163,595,814

Net income

2009	\$26,375,718
2010	\$50,888,429
2011	\$52,279,929
2012	\$36,850,910
2013	\$39,683,405

Financial Statements

for the year-ended December 31, 2013

STATEMENT OF FINANCIAL CONDITION (Unaudited)

(\$ millions) 2013 2012

ASSETS

Cash and Cash Equivalents	\$	304.6	\$	339.3
Certificates of Deposit with other Financial Institutions		0.1		0.5
Securities Available-For-Sale		3,632.8		4,504.5
Loans to Members, Net of Allowance for Loan Losses		4,091.5		3,302.7
National Credit Union Share Insurance Fund Deposit		64.6		66.0
Other Assets		58.4		57.8

Total Assets	\$	8,152.0	\$	8,270.8
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LIABILITIES AND MEMBERS' EQUITY

Members' Shares				
Common Shares	\$	5,016.2	\$	5,031.1
Certificate Shares		893.1		1,055.9
IRA Shares		575.7		599.6
Checking Shares		295.9		269.2
HSA Shares		65.9		56.6

Total Members' Shares	\$	6,846.8	\$	7,012.4
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Borrowings		429.4		382.0
Other Liabilities		22.8		34.7

Total Liabilities	\$	452.2	\$	416.7
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Members' Equity				
Regular Reserve		121.0		121.0
Undivided Earnings		728.7		688.2
Accumulated Other Comprehensive Income		3.3		32.5

Total Members' Equity	\$	853.0	\$	841.7
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Total Liabilities and Members' Equity	\$	8,152.0	\$	8,270.8
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for the year-ended December 31, 2013

STATEMENT OF INCOME (Unaudited)

(\$ thousands)		2013		2012
INTEREST INCOME				
Loans to Members	\$	136,062.4	\$	144,524.8
Securities and Certificates of Deposit with other Financial Institutions		27,525.0		34,753.4
Other		8.4		331.1
Total Interest Income	\$	163,595.8	\$	179,609.3
INTEREST EXPENSE				
Members' Shares	\$	57,065.8	\$	71,970.4
Borrowings		780.9		1,197.5
Total Interest Expense	\$	57,846.7	\$	73,167.9
Net Interest Income	\$	105,749.2	\$	106,441.4
Provision for Loan Losses	\$	10,037.7	\$	18,862.5
Net Interest Income After Provision for Loan Losses	\$	95,711.5	\$	87,578.9
NON-INTEREST INCOME				
Net Gain (Loss) on Disposition of Investments	\$	5,711.2	\$	3,633.0
Gain on Loan Sale		2,799.1		5,895.5
Gain (Loss) on Foreclosed Assets		(934.4)		(1,282.8)
Service Fees		3,924.5		4,219.4
Credit Card Interchange		3,007.8		2,756.2
Other Income		9,770.7		8,445.0
Total Non-Interest Income	\$	24,278.9	\$	23,666.3

(continued on page 12)

Financial Statements, continued

for the year-ended December 31, 2013

STATEMENT OF INCOME (Unaudited)

(\$ thousands)	2013	2012
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	\$ 36,968.0	\$ 34,405.3
Service Charges	11,004.8	9,415.7
Office Operations	8,678.7	8,030.1
Depreciation	4,698.8	4,927.4
Data Processing	3,351.7	3,026.4
Professional Fees	4,331.5	2,966.1
Other	6,106.3	5,355.2
NCUA Premium Assessment	5,167.2	6,268.1
Total Non-Interest Expense	\$ 80,307.0	\$ 74,394.3
NET INCOME	\$ 39,683.4	\$ 36,850.9

Alliant Mission

As a member-owned cooperative, Alliant provides members...

- Consistently superior financial value through high returns on deposits and low rates on loans and
- Friendly, efficient and personalized service

BOARD OF DIRECTORS

Ed Rogowski, *Chairman*
John Gebo, *Vice Chairman*
David W. Mooney, *President/Treasurer*
Irwin I. Gzesh, *Secretary*
Julian Chu
Ted Davidson
David Leib
Alex Marren
Anne Pease
Scott Praven
Scott Wilson

EXECUTIVE MANAGEMENT TEAM

David W. Mooney, *President & CEO*
Harry Zhu, *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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