

What will we take to the future?

ANNUAL STOCKHOLDERS MEETING
JUNE 27, 2018

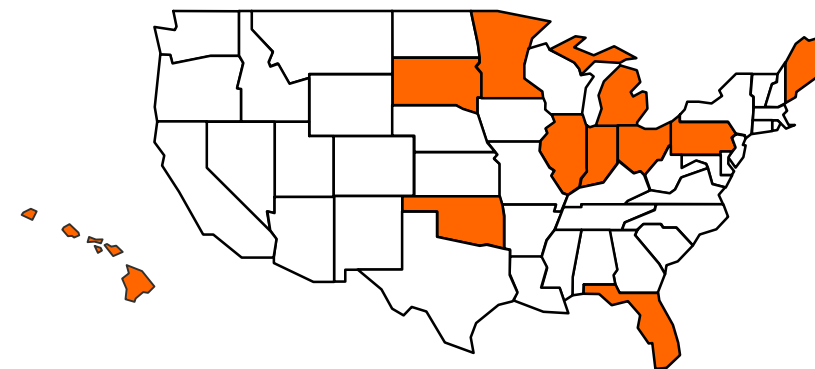
CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

WELCOME!

Welcome to 16 new owners in 12 states!

- **ABD Federal CU**
Warren, MI
- **Affinity CU**
Des Moines, IA
- **Building Trades CU**
Maple Grove, MN
- **Century Heritage FCU**
Pittsburgh, PA
- **Cherokee Strip CU**
Ponca City, OK
- **Everence FCU**
Lancaster, PA

- **Fire Police City County FCU**
Fort Wayne, IN
- **Hawaii Central FCU**
Honolulu, HI
- **Heartland FCU**
Dayton, OH
- **PowerNet CU**
Tampa, FL
- **River Valley CU**
Dayton, OH
- **Sentinel FCU**
Box Elder, SD



- **SPE Federal CU**
State College, PA
- **TruChoice Federal CU**
Portland, ME
- **Viriva Community CU**
Warminster, PA
- **Western Illinois CU**
Macomb, IL

Agenda

■ Call to Order

- Review 2017 Minutes

■ Chairman's Comments

- Who will take us to the future?

■ Election

■ CFO Report

- How will we fund our future?

■ CEO Report

- What will we take to the future?

■ Adjourn

Who will take us to the future?



The Center for
Action Through Consumer Ownership
Success through Consumer Owned Business Strategies



Coming
in 2019

CHAIRMAN'S COMMENTS



Birthdays are a mixed bag of fun

CU*ANSWERS IS PREPARING FOR OUR 50TH ANNIVERSARY IN 2020

- It's too early to start planning for the details of the celebration – we'll save that for the 2019 business plan
- But like a 50th birthday, a 50th anniversary can make you think about what will change the day after the party
- As a cooperative, led by its owners (the CEOs in this room), we have to be ready to lead, encourage, and ensure our community's future as the pioneers for the next 50 years

We will take us to the future

Investing in a Community and Building a Network

site-four

2 credit union CEO
board members

Xtend

7 credit union CEO
board members

eDOC
INNOVATIONS

3 credit union CEO
board members

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

7 credit union CEO
board members

CU*NORTHWEST
A CREDIT UNION SERVICE ORGANIZATION

6 credit union CEO
board members

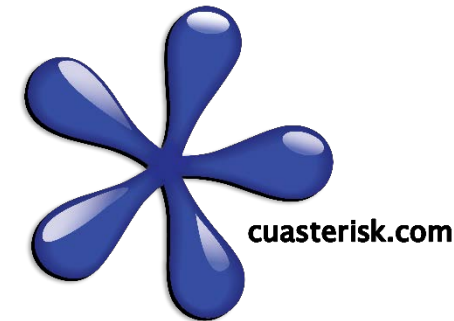
CU*SOUTH
A CREDIT UNION SERVICE ORGANIZATION

6 credit union CEO
board members

2017-2018: Broaden the vision for CU leadership in our CUSO

As we think about the future of our CUSO and our extended CUSO community (cuasterisk.com), we've been making some big moves:

- We chartered the **Asterisk Advisory Group**
 - Committed to two coordinating meetings per year
 - Includes the six CUSO CEOs and their six board chairs
- We relaunched the **cuasterisk.com website**
- We launched a new venture firm, **Variable Ventures**
 - You'll hear more about this today from our CEO



2017-2018: Broaden the vision for CU leadership in our CUSO

cuasterisk.com

Home About Network Stars Variable Ventures Join Contact

Variable Ventures
Home > Variable Ventures

WHAT IS VARIABLE VENTURES

Variable Ventures is an exciting and new proof of concept taking the power of network dynamics to a new level of collaborative idea incubation, development and investment.

Vic Pantea and his team are building this new company, leveraging his experience at the collaborative credit union incubator, Member Gateways and the network of owners of cuasterisk.com.

including and beyond the credit union community. A community of citizens who are passionate about their own businesses and their owner-members. Keep your eyes on our story. Better yet give us a call or drop us an email.

This is the best time for us to collaboratively leverage our combined network assets within an incubator and investor business model.

Download Our Investor Letter

VARIABLE VENTURES TEAM

Vic Pantea and his team are building this new venture, leveraging his experience at the collaborative credit union incubator, Member Gateways and the network of owners of cuasterisk.com. Vic's experience, knowledge and familiarity with the original network of cuasterisk.com partners proves Variable Ventures will be a viable vehicle to promote and enable network sustainability and growth.

In addition, Variable Ventures will be leveraging the talents of Stephanie Underwood as a Project Administrator and Nick Gowey to coordinate Research and Development.

VARIABLE VENTURES BOARD OF DIRECTORS

cuasterisk.com

Home About Network Stars Variable Ventures Join Contact

CU*Answers
CU*Answers Management Services
CU*Answers Network Services
CU*Northwest
CU*South
eDOC Innovations
Site-Four
Xtend

Are you wondering how to give your business plan a lift, to find a new bubble of opportunity? Then activate a network building strategy. On cuasterisk.com, our community might need you.

Partners

Resources

Leadership

Are you a Credit Union, Credit Union Service Organization (CUSO) or an entrepreneur?

Are you looking for a strategy and trusted partners in order to bring your next great idea to the credit union marketplace?

cuasterisk.com exposes your ideas to the credit union marketplace.

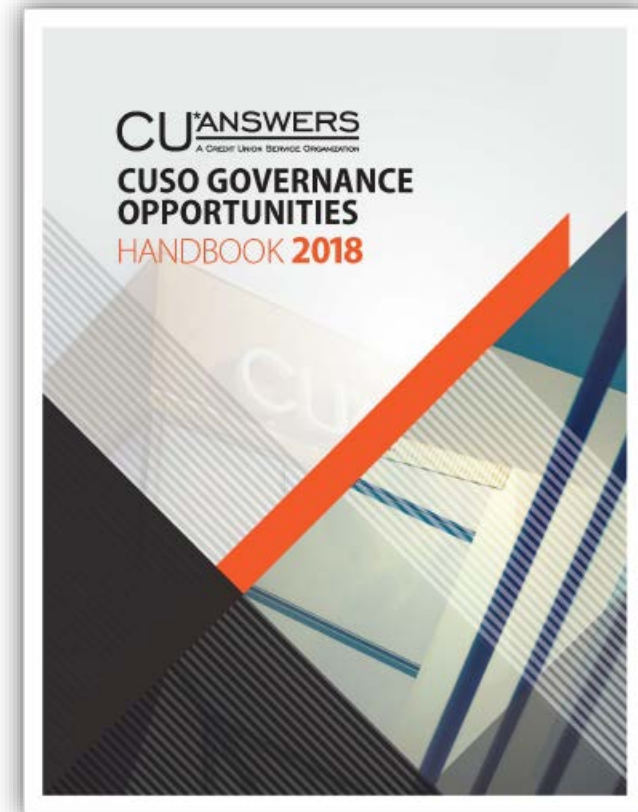
By its very nature, the strategy of a collaborative network leverages the opportunity to build new network-wide breadth and depth of skills sets and both material and intellectual resources. Identifying and adding a variety of new network partners to enhance the growth and quality of network resources is both an expertise and continuous process of cuasterisk.com.

Participation in a collaborative network and management of the network strategy takes both entrepreneurial and management skills sets unique to the credit union environment. CU*Answers.com has a proven history of leadership in the collaborative and multi-credit union CUSO business model. The free flow of entrepreneurial spirit must be nurtured by the proven practice of principles of open governance and a demonstrated incubation model that allows for innovation and new ideas to be exposed to a process that encourages rigorous review and evaluation during the development process while encouraging the pursuit of business initiatives that challenge the norm.

Our vision is clear – to help organizations grow and offer innovative strategies and cutting-edge solutions for the credit union community. We are the premier resource for product incubation and delivery in the credit union marketplace.

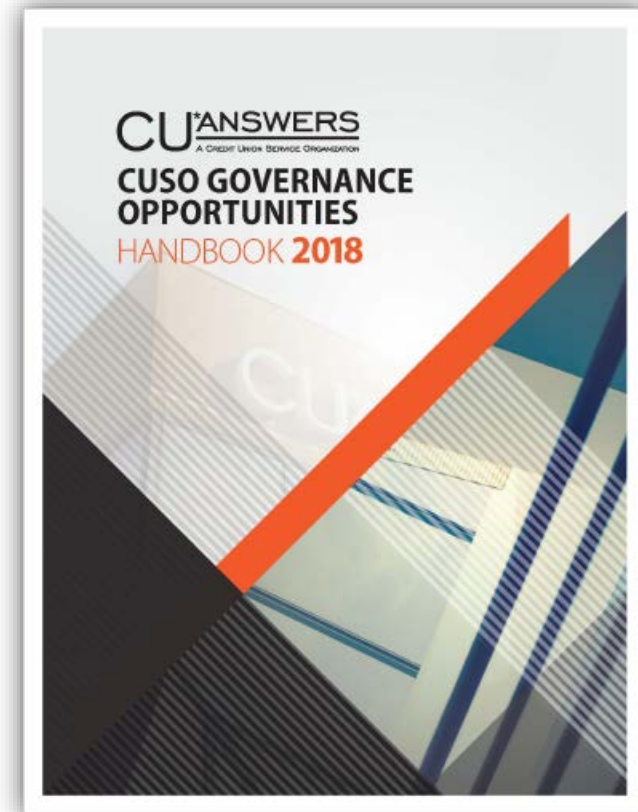
Oct.-Nov. 2018: Add more of you to CUSO leadership roles

- **GOAL 1:**
BROADEN THE TYPE OF PARTICIPANTS WE INCLUDE (RESUMES AND TITLES)
- **GOAL 2:**
BROADEN THE TYPE OF INFLUENCE WE INCLUDE
- **GOAL 3:**
BROADEN OUR TRUST OF THE CROWD



Oct.-Nov. 2018: Add more of you to CUSO leadership roles

- Our board will complete our reorganization in October
- In November we hope to seat:
 - Our first **Associate Board Members** (two of them) to the 2019 team
 - Our first **Board Committee** member who is not on the CU*Answers Board
 - Our first representatives to **cuasterisk.com CUSO boards**



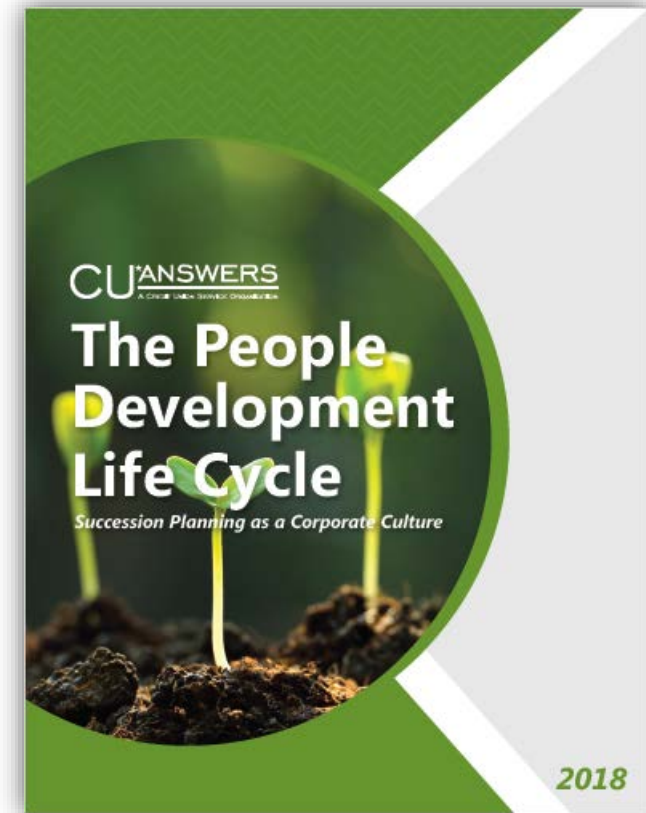
Shareholders driving the development of our professional teams

- As we wind down the 2018 business year, we're looking forward to successfully meeting a key goal: supporting team transitions



Shareholders driving the development of our professional teams

- This morning we heard about the SDLC as the key document in understanding our CUSO's prioritization of projects (Solutions Boot Camp)
- This year the board and management ratified an equally important document:
The People Development Life Cycle (PDLC)
- We have many team transitions in our future; it's important we are all confident that we're developing a team to make successful transitions a skill at CU*Answers



Your 2017-2018 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

A Special Thank You to one of Our CUSO's Heroes!



Don Mills
President & CEO
Alpena Alcona Area CU

CU*ANSWERS BOARD MEMBER
SINCE 2010

Thank you, Don!

2017 Board Elections

REPRESENTING THE 2018
NOMINATING COMMITTEE:
LINDA BODIE, CHAIR

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!

cooperative
SCORE This site is part of Cooperative Score. Learn More

CU*Answers Elections

Home Meet the Candidates Rules About Contact Us Search

Welcome Owners!

We believe a lively democratic process is essential for a healthy Cooperative. And since we're a Cooperative just like your credit union is, CU*Answers is walking the talk with our owners.

On this site you can meet the candidates vying to fill a spot on the CU*Answers Board of Directors. This year's election will take place at the Stockholders Meeting on **June 21, 2017** but you can cast your vote early by participating in e-voting ([learn more](#)).

Check out this year's candidates. Read their story about how they plan to contribute on the Board and represent you as an owner. While you are here, read up on the election rules and find out more about how you can put your hat in the ring next year to serve on the Board!

2017 Nominations are in!

March 29, 2017 Kellie Etterman

Per our Board Member Handbook, this is the official notification that the period for receiving nominations to fill seats on the CU*Answers Board of Directors has closed as of March 31, 2017.

Voting Electronically

Once again, we will be offering an electronic voting option for the 2017 CU*Answers Board of Directors election on June 21, 2017, using the Simply Voting tool ([simplyvoting.com](#)). The ballot will be sent to all owners **during the week of May 1, 2017**.

This year all owners will receive an email from [CUAnswers.SimplyVoting.com](#) with an electronic ballot.

Owners who elect not to cast their vote electronically can obtain a hard copy of the ballot [here](#).

COOPERATIVE PRINCIPLE #2
Democratic Member Control
CU*Answers is a democratic organization controlled by our members - those who buy our goods and use our services - who actively participate in setting policies and making decisions. [Learn more about the 7 Cooperative Principles](#)

7 COOPERATIVE PRINCIPLES

ABOUT CU*ANSWERS
[CU*Answers Audited Financial Statements](#)
[Other CU*Answers Audit Results](#)
[Minutes from Last Year's Annual Meeting](#)
[Paper Ballot: 2017 Regular Election](#)
[BI-Annual Report to Owners](#)

Your 2018 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



Dean Wilson, Director
CEO, Focus Credit Union



Jeff Jorgensen, Director
Sioux Empire Federal CU



Let's hear from the candidates

■ Thomas Gryp

- CEO, Notre Dame FCU (Notre Dame, Indiana)
- *Incumbent*



■ Scott McFarland

- CEO, Honor Credit Union (St. Joseph, Michigan)
- *Incumbent*



■ Kris Lewis

- CEO, Allegan Credit Union (Allegan, Michigan)



Let's hear from candidates

■ Thomas Gryp

- CEO, Notre Dame Credit Union (Notre Dame, Michigan)
- *Incumbent*



■ Chris Lewis

- CEO, Notre Dame Credit Union (Notre Dame, Michigan)



Let's vote!

How will we fund our future?

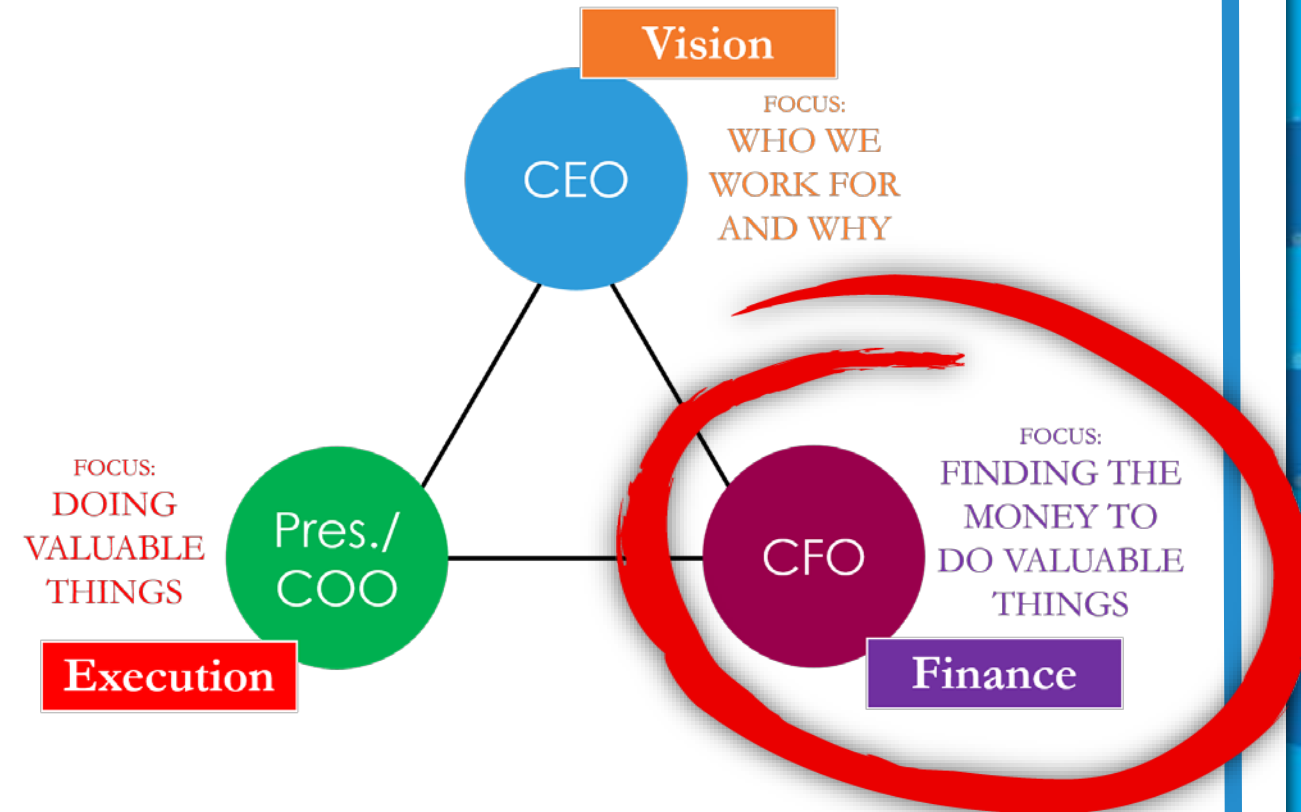


The Center for
Action Through Consumer Ownership
Success through Consumer Owned Business Strategies

CFO REPORT

How will we fund our future?

- This is a diagram from our 2018-19 Employee Resource Outlook
- It sets a simple goal for me as a CFO: find the money so that the CUSO can do valuable things
- While you can get bogged down in the details of running a company, you *build* a company by fueling its future to do valuable things



How will we fund our future?

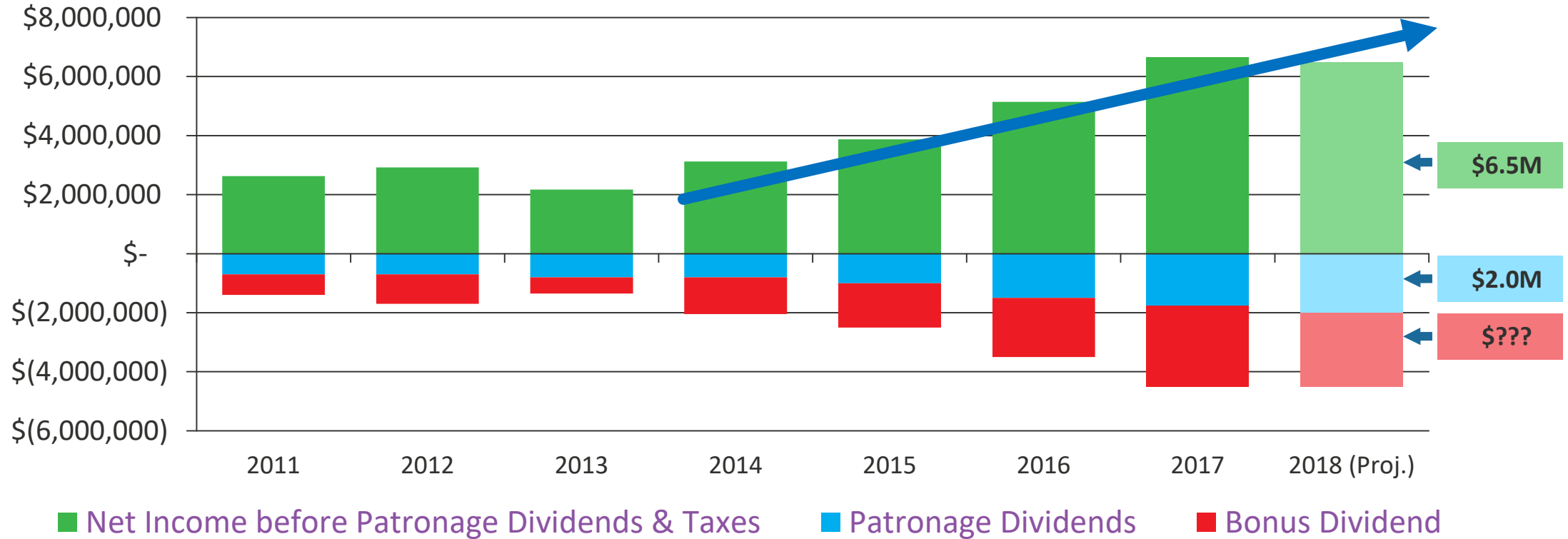
In the next few minutes we'll go over the results from our 2017 business year, but first I want to touch on some ideas related to the next ten years:

- The importance of new owners
- Respecting the diversity of our returns to owners
- Potential challenges to our one-owner, one-vote cooperative



Net Income & Patronage Dividends

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



2017 Numbers Worth Celebrating

Detail	YE 2016	YE 2017	2017-2016 % Change	2016-2015 % Change	2015-2014 % Change
Total Assets	\$31,764K	\$34,096K	7.3%	14.5%	3.3%
Total Liabilities	\$17,145K	\$18,561K	8.3%	15.8%	3.2%
Total Equity	\$14,619K	\$15,535K	6.3%	13.0%	3.3%
Retained Earnings	\$2,923K	\$3,588K	22.8%	19.7%	14.9%
Book Value of Class A Stock (\$ per share)	\$571.07	\$621.41	8.8%	9.5%	6.7%
Book Value of Ownership	\$114,214	\$124,282	8.8%	9.5%	6.7%

Year-end 2017 Dividend Payments

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

Detail	YE 2016	YE 2017	2017-2016 % Change	2016-2015 % Change	2015-2014 % Change
Patronage Dividend (\$)	1,500,000	1,750,000	16.7%	50.0%	25.0%
Bonus Patronage (\$)	2,000,000	2,750,000	37.5%	33.3%	20.0%
Ownership Dividend Rate	4.0%	4.0%	0.0%	0.0%	0.0%
Ownership Dividend (\$)	597,198	638,456	6.9%	12.9%	5.2%
Book Value of Class A Stock (\$ per share)	571.07	621.41	8.8%	9.5%	6.7%
Price to Purchase CUSO Ownership	275,000	290,000	5.5%	12.2%	8.9%

2018 Net Earnings as of May 2018:

\$2.3M after adjustments for \$1.3M patronage dividends and \$918K taxes

(projected to be \$3.2M by 9/30/18)

2017 Return on Investment

2017 Gross Income Submitted by Owners to CU*Answers

\$ 27,023,005

(Excludes all vendor pass-throughs)

2017 Patronage Dividends Paid

\$ 4,500,000

2017 Class A Stock Dividends Paid

638,456 (4.0%)

2017 Interest Paid Credit Unions on Loans

208,074 (~4.25%)

Total Revenue Returned to Credit Unions

\$ 5,346,530

Return Per Total Dollars Received: \$0.1979

$\$5,346,530 \div \$27,023,005$ (excludes vendor pass-throughs) = 19.79% return per CU*A \$ received

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

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

2017 Return Per Total Dollars Received: \$0.1979

$\$5,346,530 \div \$27,023,005$ (excludes vendor pass-throughs) = 19.79% return per CU*A \$ received

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

- 2015-2017 returns will be a tough trendline to extend...but should we?
- CU*Answers is doing everything it can to be a lighter firm, to take less from our clients' monthly income and give more to their successful futures
- These cuts will make a big difference in the future

WHAT WILL WE TAKE TO THE FUTURE?

THE IMPACT OF THE THREE-YEAR PRICE CUTS WE ANNOUNCED LAST YEAR

- 3-year program to eliminate Resource Utilization fee
- EFT price cuts 4 years at 2.5% per year
- EFT fees waived for CUs <2K members
- eCommerce fees waived for CUs <2K members

■ These programs are projects to save CUs **\$1.2 million** in our 2018 fiscal year

■ In the 2019 fiscal year:

- The RU fee cut will be \$425,000
- The 2.5% reduction in EFT fees will save CUs \$275,000
- Savings for CUs under 2,000 members will exceed \$123,000

■ Ultimately, the **fee cuts are projected to save credit unions an additional \$838,000** in 2019

- Total 2018-2019 savings projected at **\$2.0 million**

Thinking About 2018 Year-End

cuasterisk.com Network Revenue Numbers Continue To Impress

CU*Answers Direct Revenues

■ Projected for 2018 **\$54.03M**



Grand Total: \$70.9 million

Our Network Partners

Projected
for 2017

- eDOC Innovations **\$4.4M**
- CU*NorthWest **\$4.1M**
- CU*South **\$4.2M**
- Xtend **\$3.1M**
- Site-4 **\$0.8M**

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

Investing in a Community and Building a Network



site-four

20%
ownership stake



Xtend

1.2%
ownership stake



eDOC
INNOVATIONS

48%
ownership stake



Payveris

1%
ownership stake



TRUST EXCHANGE

A convertible
debt investment



CU* NORTHWEST
A CREDIT UNION SERVICE ORGANIZATION

5%
ownership stake

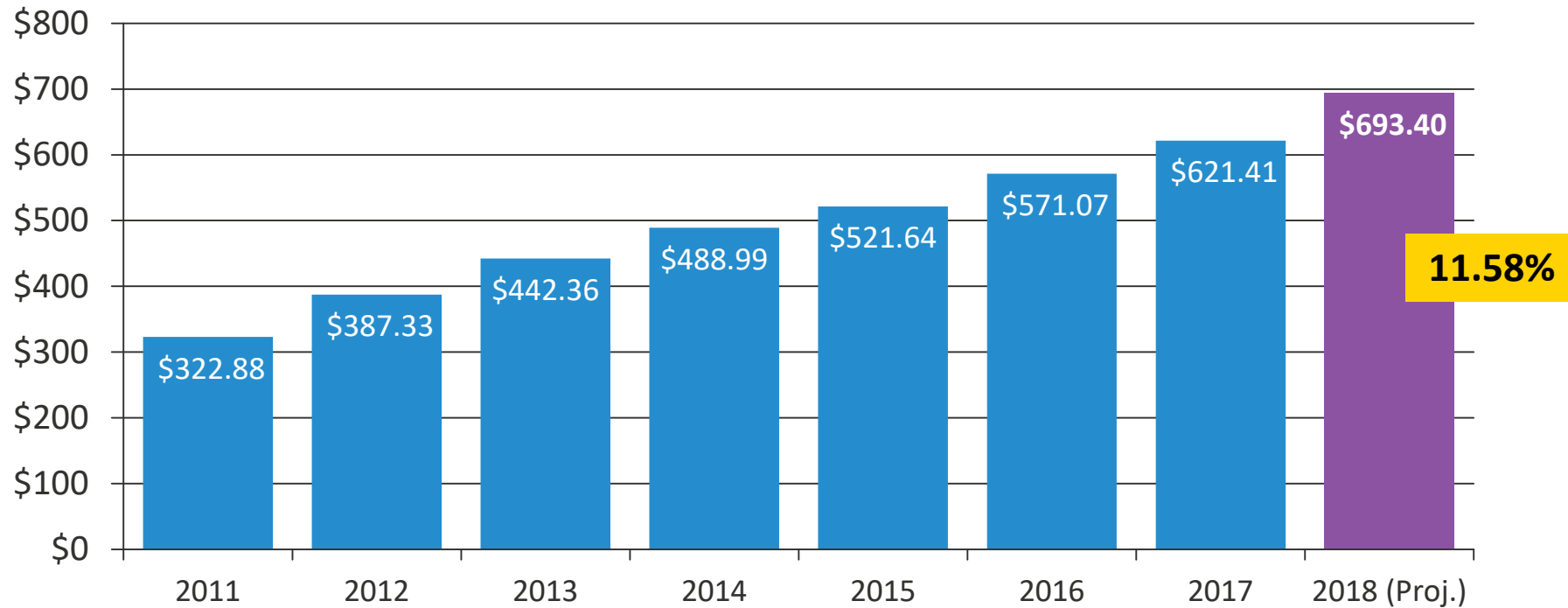


my VIRTUAL
StrongBox

A convertible
debt investment

Projecting Shareholder Value

Depending on when you bought in, your perspective is different

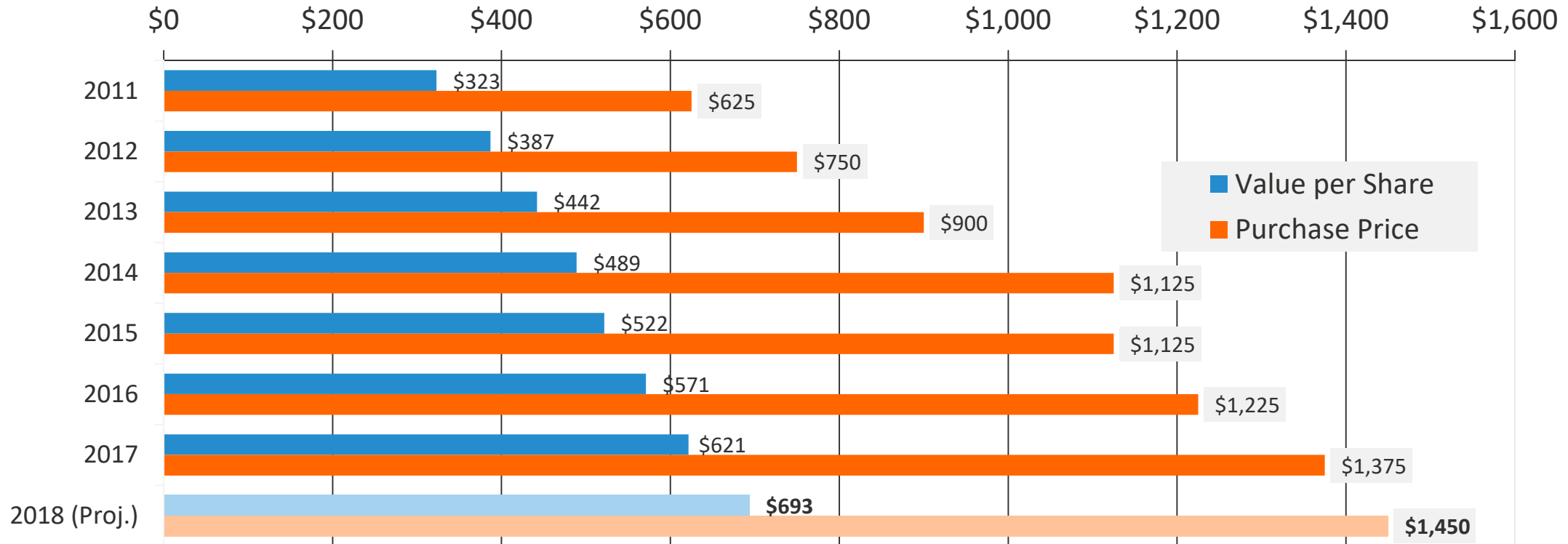


THE PRICE OF OWNERSHIP OVER THE YEARS

1991:	\$59.31
2000:	\$176.00
2005:	\$460.00
2010:	\$495.00
2015:	\$1,125.00
2016:	\$1,225.00
2017:	\$1,375.00
2018:	\$1,450.00

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

How will we fund our future?

- Never say never...but it's been decades since our CUSO has been short on funding our operations and our dreams for the future, based on your leadership
- But if we want never really to be *never*, we have to be diligent in our efforts to evolve our model, balance our expectations, and recognize that our success is based on your success – on member success
- How will we fund our future? By making sure we stay focused on doing valuable things



What will we take to the future?



The Center for
Action Through Consumer Ownership
Success through Consumer Owned Business Strategies



Coming
in 2019

CEO COMMENTS

Remember this from last year?

Thinking about the future

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

Think radically

rad·i·cal (răd'ī-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

XX Steps Forward, YY Steps Backward

A formula for a consolidating industry



This morning's call for CEOs to come to our CEO Strategic Developers Boot Camp is symbolic of the opportunity we have as a consumer-owned cooperative to build to our industry situation and to our community's agendas for success

What should the CUSO do?

CU
CEO

What will CUs do with it?

How do shareholders see the future?

Wearing two hats can be tricky, and timing is everything



Whether it be “what do we do next” or “what do we eliminate,”
you have to balance being a consumer and an owner

When things get tricky, that's the best time for leaders to engage

What will we take to the future?

ENGINES FOR THE FUTURE OF LOAN ORIGATION SYSTEMS

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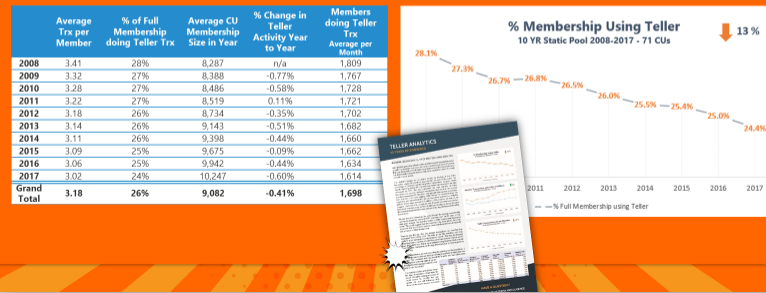
WHY WE'RE GOING TO GO CRAZY WITH LOS OPTIONS FOR CUS IN THE NEXT 5 YEARS

Engine	Loan Origination System	The Business Going Forward
1	CU*BASE native soup-to-nuts (S2N) LOS solution	Continued priority investment based on what we learn from other integrations, and based on keeping costs down for our community
2	CU*BASE integrations for ready-to-look LOS solutions	Drive aggressively to make sure CUs are multiplying their chances to harvest loan applications from anywhere
3	CU*BASE integrations for ready-to-book LOS solutions	Choice generates revenue for the CUSO; maximize the revenue and build a new foundation for investment
4	CU*BASE integrations for internet channel LOS solutions	Do all of this in the virtual realm

TODAY'S TELLER AUDIENCE IS DIFFERENT FROM TEN (OR EVEN TWO) YEARS AGO

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HOW HAVE YOU CHANGED YOUR TELLERS' EXPECTATIONS OF THE TOOLS? HAVE YOU TRIED?



HOW DO WE PLAN FOR THE NEXT DECADE?

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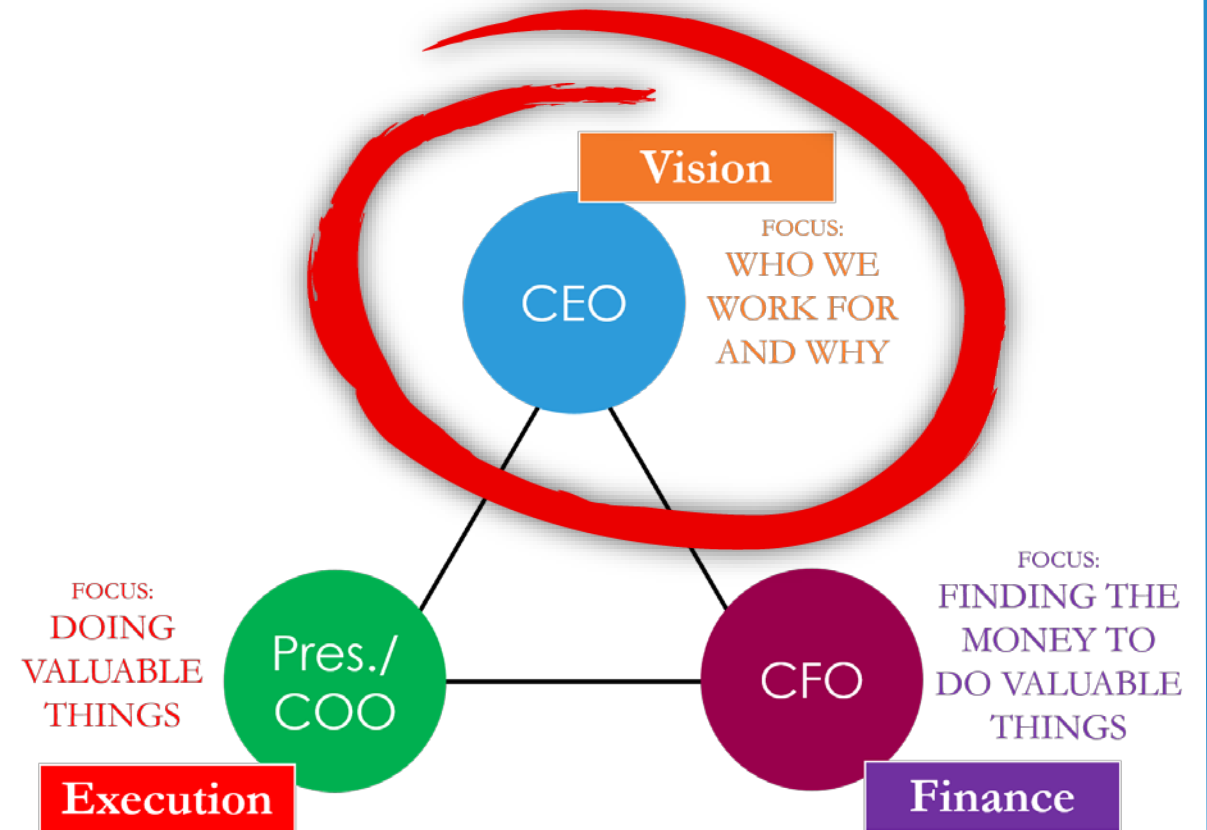
TWO MAJOR CONCEPTS WE SHOULD USE TO FUEL OUR BRAINSTORMING

- Non-transactional data analysis: Optics
 - We now keep 30 days of details about what your members did when they visited **It's Me 247** desktop banking
 - We're creating a new business line where Asterisk Intelligence can walk you through analyses to better harvest insight about what your members do
- Specialize in authenticated activities to know who's doing what
 - As a vendor, we have to choose where we are going to specialize and how to have the biggest impact
 - As an industry, you may have to do the same thing when you think about your traditions and fields of membership

In 2019-2020 we'll have more data and capabilities than ever before to plot our course

Why I count on you, and why you should count on yourself

- We have an army of consumers and judges of what is valuable to their futures
- We have plenty of schemes, mechanisms, and templates for raising money
- But to pick and choose, you need CEOs who know who they work for and why...*cooperative owners*



P.S.:



PUT UP OR SHUT UP

CAN WE WAKE OURSELVES UP
FROM SLEEPING THROUGH A
PAINT-BY-NUMBERS APPROACH
AND REGAIN THE ENTHUSIASM
AND DRIVE OF INSPIRED
ARTISTS?

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Success through Consumer Owned Business Strategies

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Change the Game!

Be ready to start a consumer revolution to ensure your success

Consumer owned business strategies are a roadmap for success.

Learn More

- Consumer Ownership Certification**
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- DeNovo Support Programs**
Lorem ipsum dolor sit amet, consectetur adipiscing elit. Suspendisse iaculis varius cursus.
- Regulatory Design & Agency Innovation**
Lorem ipsum dolor sit amet, consectetur adipiscing elit. Suspendisse iaculis varius cursus.

A Network Business Economy
Starting with a Cooperative Business

Election Results

LET'S SEE WHO WON!

AND THE WINNERS ARE...

Back to Our Chairman

MOTION TO ADJOURN, ANYONE?