2016 ANNUAL REPORT

CUsolutions GROUP

PRESIDENT/CEO'S REPORT, DAVE ADAMS

CU Solutions Group exists to help credit unions serve, grow and remain strong — and this mission grows more important over time.

Now, with less than 6,000 credit unions nationwide, 2016 witnessed a continued trend toward consolidation. That, by itself, is not necessarily bad news for the industry. We also saw continued trends in growth:

- Approaching 110 million, nationwide credit union membership rose by more than 4 percent
- Total credit union assets rose by more than 7 percent
- Total loans increased by more than 10 percent
- Assets per credit union grew by more than 11 percent

It all leads to a singular fact: As credit unions continue to centralize knowledge and resources, consumers continue to respond favorably.

By offering innovative solutions in the areas of technology, marketing and HR performance, we're committed to furthering the very knowledge and resources that are driving these trends in consumer engagement. To that end, 2016 was a successful year.

Through a Collaborative effort from all of CUSG's divisional leadership, we launched ***CU TrendScan™*** — a quarterly digital publication evaluating topics in technology, marketing and performance — just this January.

Announced in mid-2016, Performance Solutions made headway with ***CU PlanningPro™***, a new web-based application currently in development. Also in development is a new series of turnkey marketing materials generated by our FocusIQ marketing team.

In late 2016, we also laid the groundwork for the acquisition of mobile technology provider, CU Wallet. With an agreement finalized in early 2017, CU Wallet was rebranded as ***LifeStep Solutions™***, and a new vision and strategic approach were unveiled. The expanded ***LifeSteps™ Wallet*** application is now being built to reach beyond the standard mobile banking app. Based on real consumer behaviors, the LifeSteps mobile app is designed to align members' major life decisions — making a big purchase, planning a trip, buying a home or a vehicle — with their credit union's products and services. Details are outlined in the Technology Solutions section of this report.

As a result of these and other efforts, CU Solutions Group closed 2016 with a net income of $8.6 million — well ahead of plan. Up 4.6 percent, total assets closed at $84.7 million. Shareholder equity increased 13 percent to $62.6 million, and for the sixth consecutive year, the board declared a $3.5 million shareholder dividend. In short, the balance sheet is stronger than the year prior, and CUSG is well-positioned for the future.

Looking to 2017, we're reaffirming our commitment to the growth and reinvention of all core solutions.

On January 1, 2017, we launched our new Sprint® Credit Union Member Cash Rewards program. With an improved value proposition for members and streamlined logistics for credit unions, we're already seeing an influx of positive sentiment. The Love My Credit Union® Rewards team has produced a noteworthy boost in program uptake and is already planning new means of consumer engagement.

Additionally, the CUSG board approved a significant investment in our HR software, Performance Pro™. The next-generation system will provide an exponential increase in the flexibility and functionality of the application. Based on reviews of its reporting module already being previewed to prospects, signs indicate that we are far ahead of rival software.

As we continue down these paths, we'll do so with a commitment to the "why" that drives and motivates our actions. Just as it was before, that purpose is to grow and strengthen credit unions for the financial betterment of their members' lives.

So with that, I'd like to thank our dedicated and talented board of directors for their guidance and support as we position the company for the future. We have great talent within our organization and a solid vision for the year ahead.

Dave Adams

President/CEO, CU Solutions Group

2017 Q1 SHAREHOLDERS UPDATE

“Begin with the end in mind.”

– Stephen R. Covey, The 7 Habits of Highly Effective People

FAST FACTS
2016
$3.5 million
Shareholder Dividend,
sixth consecutive year
$62.6 million
Shareholder Equity,
13 percent increase
$84.7 million
Total Assets,
4.6 percent increase
$8.6 million
Net Income

CHAIRMAN'S REPORT, PETE GATES

It's often said that effective leaders spend more time preventing fires than putting them out. While we're sure to encounter the unexpected and unanticipated, we're at our best when we step back, evaluate our environment and take control of the future.

With this in mind, CU Solutions Group set out to reinvent many of its core solutions in 2016. Without question, this is an ongoing task, though we've made great strides evolving many of our core offerings.

Technology Solutions made advancements with its content management system, including 12 major updates to new and existing modules. The division also designed a framework for the approaching CU PlanningPro application, and released the new Performance Pro 3.8.

Marketing Solutions expanded its reach and capability through our FocusIQ venture, and over the past year, executed more than 30 new media buys, expanded social media offerings and integrated new digital technologies. We leveraged major expansions with what was already the nation's largest prize-linked savings program, Save to Win®, and we modernized the Love My Credit Union Rewards Sprint Program to the benefit of both credit unions *and* members.

Employing new marketing technologies and streamlined internal processes, Performance Solutions nearly doubled sales for core solutions

Performance Pro and Compease™, and Michigan Solutions generated roughly 70 percent higher-than-budgeted revenue with both FIS and CUNA Mutual Group.

Clearly, there's great reason for optimism as we continue forward. As we move into 2017, we'll continue to execute on a number of new initiatives, but we've narrowed our focus to five areas of emphasis. For the coming year, CUSG's key priorities are to:

1. **Grow the Sprint Credit Union Member Cash Rewards program**
2. **Continue to reinvent and grow all core solutions**
3. **Expand our revenue and earnings through product development and acquisitions**
4. **Improve our sales and marketing results**
5. **Streamline operating expenses**

Driven by our guiding principles of vision, focus, communication and service, as well as a firm commitment to our strategic plan, I'm confident that 2017 will be yet another positive and profitable year for CU Solutions Group.

Pete Gates, Chairman
CU Solutions Group

> *"Organizations are far more than brands, factory equipment, and balance sheets."*
>
> *– Josh Linkner, The Road to Reinvention*

“People don’t buy WHAT you do, they buy WHY you do it.”
– Simon Sinek, Start With Why

CU SOLUTIONS GROUP COMPANY PROFILE

MISSION

At CU Solutions Group, everything we do is centered around helping your credit union serve, grow and remain strong so that we can make an impact on people's lives.

OWNERSHIP

Some 130 investors, made up of the Michigan Credit Union League, other Michigan and national credit unions, leagues and credit union service organizations, including CUNA Mutual Group, CO-OP Financial Services and others

CUSTOMERS

Nearly 3,400 credit unions, in addition to the public sector, small and medium-sized businesses, universities and schools, hospitals and other vertical markets

LEADERSHIP

Dave Adams, President/CEO
Drew Egan, COO/CFO

EMPLOYEES/OFFICE

Approximately 150 employees headquartered in Livonia, Michigan

KEY PARTNERS

Sprint, Intuit TurboTax®, Gas Station TV, CUNA Mutual Group, CU Vendor Management, Spireon, and RapidAdvance®, as well as marketing partnerships with credit union trade associations spanning 48 states

KEY PRODUCT BRANDS

Love My Credit Union Rewards, FocusIQ, LifeStep Solutions, Performance Pro, Compease, ComplySight®, CU Policy Pro, CUBE TV® Studios, Save to Win

OWNERSHIP STRUCTURE

64% Michigan Credit Union League & Affiliates

31% National and Michigan Credit Unions

5% System Partners

"Renewal is the principle — and the process — that empowers us to move on an upward spiral of growth and change, of continuous improvement."

– Stephen R. Covey, The 7 Habits of Highly Effective People

OUR GUIDING PRINCIPLES

VISION

Create vivid experiences

COMMUNICATION

Reimagine our customers and tell our memorable story

FOCUS

Retool our operations and be willing to cannibalize our own core products

SERVICE

Overhaul our culture

CU SOLUTIONS GROUP LEADERSHIP

EXECUTIVE MANAGEMENT

DAVE ADAMS
President/CEO

DREW EGAN
COO/CFO

SENIOR MANAGEMENT

TIMMY BOHLMAN
Senior Vice President of Technology Solutions

KEVIN O'CONNOR
Senior Vice President of Marketing Solutions

AARON ADAMS
Senior Vice President of Performance Solutions

LISA RIZK
Senior Vice President of Sales and Corporate Marketing

ALAN AUGUSTINE
Senior Vice President of Michigan Solutions and Product Development

“The challenge for leaders is to provide a philosophical framework that allows people to express their creativity and have the confidence to innovate.”
– Josh Linkner, The Road to Reinvention

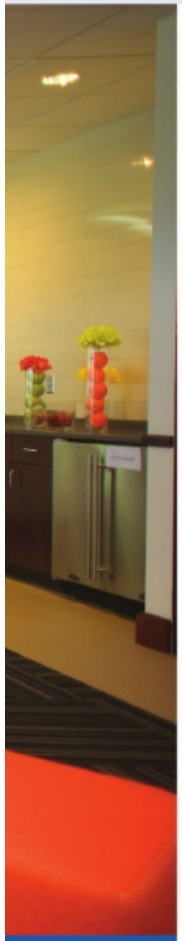
CU SOLUTIONS GROUP BOARD OF DIRECTORS

BOARD OFFICERS

PETE GATES
Chairman
CEO, Michigan Schools & Government CU

PETE DZURIS
Vice Chairman
CEO, Northland Area FCU

JACKIE BUCHANAN
Secretary/Treasurer
CEO, Genisys CU



BOARD MEMBERS

JOHN BUCKLEY
CEO
Gerber FCU

GARY MOODY
CEO
Credit Union One

KAREN CHURCH
CEO
ELGA CU

DEAN TRUDEAU
CEO
Public Service CU

BILL LAWTON
CEO
Community Financial CU

MARK SHOBE
CEO
DFCU Financial

SCOTT MCFARLAND
CEO
Honor CU

DAVID SNODGRASS
CEO
Lake Trust CU

2017 TOP TEN PRIORITIES
1
Reinvent all core solutions
2
Enhance support for League InfoSight® and Destination Compliance™
3
Improve FocusIQ company processes/performance metrics
4
Improve product launch plans and sales processes
5
Pursue LSC partnership strategies
6
Improve Product-led consulting
7
Reinvent multi-year LMCUR Sprint plan/strategies
8
Pursue acquisition/ investment opportunities
9
Maximize investor value with risk and contingency management
10
Improve functional cost analysis and product life cycle strategies

PROVIDING SOLUTIONS FOR EXCELLENCE

The dedication of CU Solutions Group to the credit union mission is reflected through service excellence to nearly 3,400 credit unions, credit union leagues and system partners spanning 48 states.

We serve the credit union industry through three key divisions: technology, marketing and performance.

RETHINK **TECHNOLOGY**

Offering technology solutions that make it easy for consumers to connect with credit unions

REIMAGINE **MARKETING**

Offering marketing solutions that produce awareness, grow membership and generate income

REINVENT **PERFORMANCE**

Offering performance solutions that drive employee engagement and productivity

TECHNOLOGY

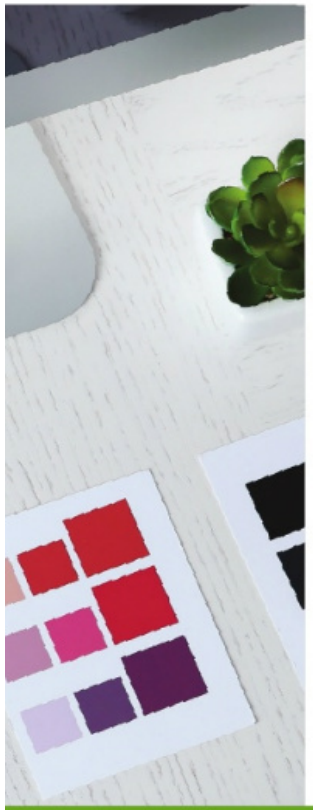
WEB DESIGN & HOSTING

Web Design & Hosting Solutions helps credit unions engage current and potential members with responsive websites that are attractive, fast and secure.

With the potential to be its greatest asset, or its greatest liability, a credit union's website is its most visible and influential communication tool.

We offer both custom designed and template-based websites. Each includes clean and modern aesthetics, intuitive navigation and pathways designed to lead users to key credit union products and services.

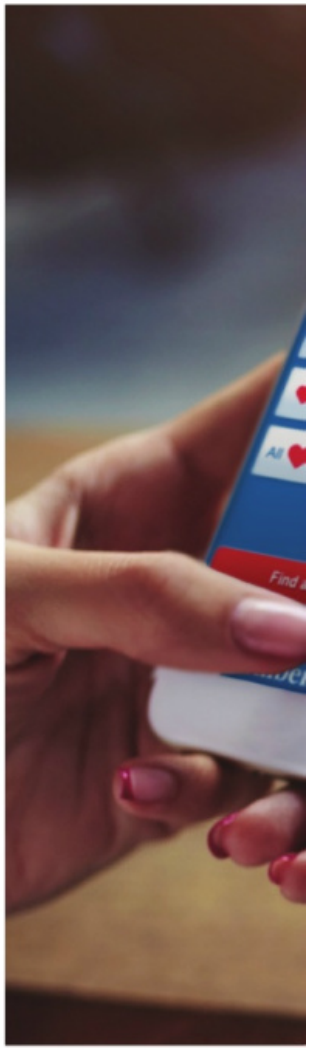
- Our responsive designs display the same on all devices and all platforms
- We blend modern design aesthetics with intuitive navigation
- Pathways are designed to lead users to key products and services
- We offer more than 20 years' experience designing for the credit union industry

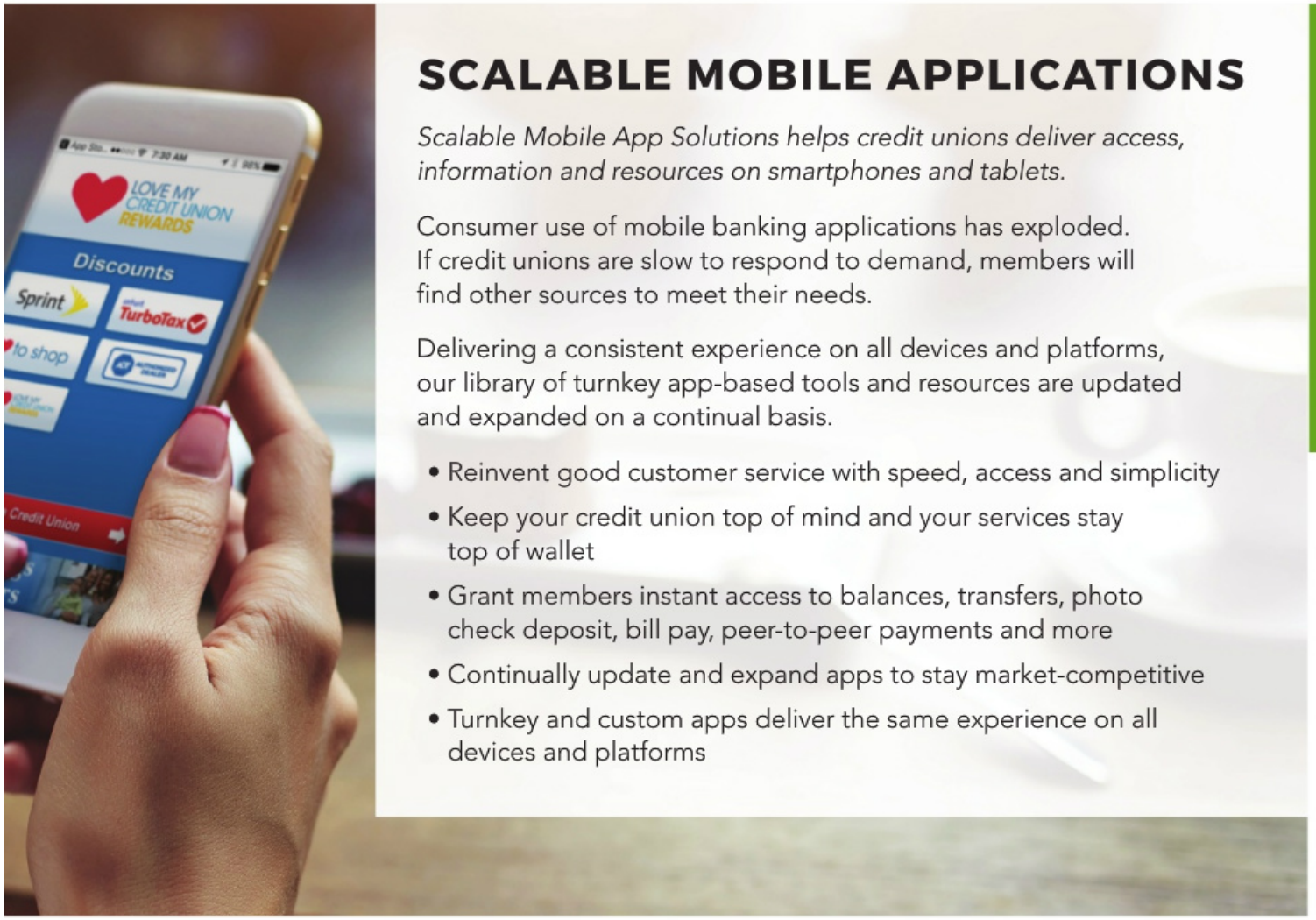


274
Credit Union Clients

Website Design &hosting Solutions

Scalable
mobile app
Solutions





SCALABLE MOBILE APPLICATIONS

Scalable Mobile App Solutions helps credit unions deliver access, information and resources on smartphones and tablets.

Consumer use of mobile banking applications has exploded. If credit unions are slow to respond to demand, members will find other sources to meet their needs.

Delivering a consistent experience on all devices and platforms, our library of turnkey app-based tools and resources are updated and expanded on a continual basis.

- Reinvent good customer service with speed, access and simplicity
- Keep your credit union top of mind and your services stay top of wallet
- Grant members instant access to balances, transfers, photo check deposit, bill pay, peer-to-peer payments and more
- Continually update and expand apps to stay market-competitive
- Turnkey and custom apps deliver the same experience on all devices and platforms

TECHNOLOGY

TECHNOLOGY

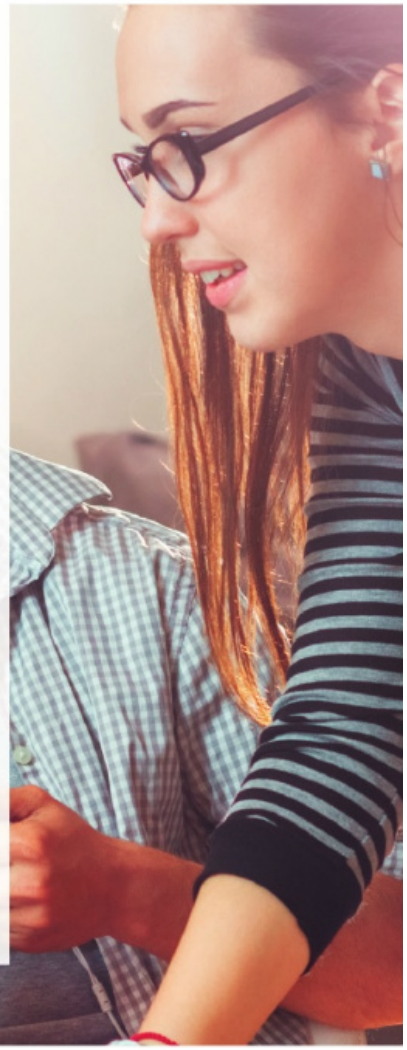
DESIGN & BUILD

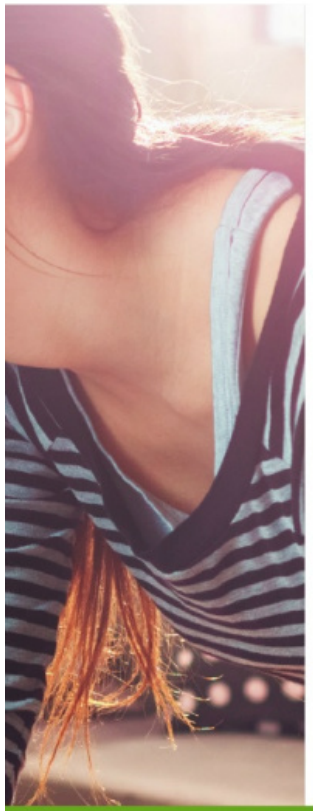
Design & Build Solutions provides credit unions with custom software applications that are built to specification.

Financial institutions spend a tremendous amount of time and resources managing, maintaining and processing data.

Our custom solutions have helped credit unions leverage their own data to increase efficiency and effectiveness for many different uses and applications. We consult our clients and present a custom solution that will work better, faster and present a far less painful process than converting data into enterprise-level software.

- Avoid the expensive and painful process of moving data into enterprise-level software
- As your partner, we provide ongoing support for the entire life cycle of your custom-designed solution
- Our consultants present custom software that will work better, faster and more efficiently than enterprise applications
- We've built industry staples, such as *Performance Pro*, *Compease*, *League InfoSight* and *ComplySight*

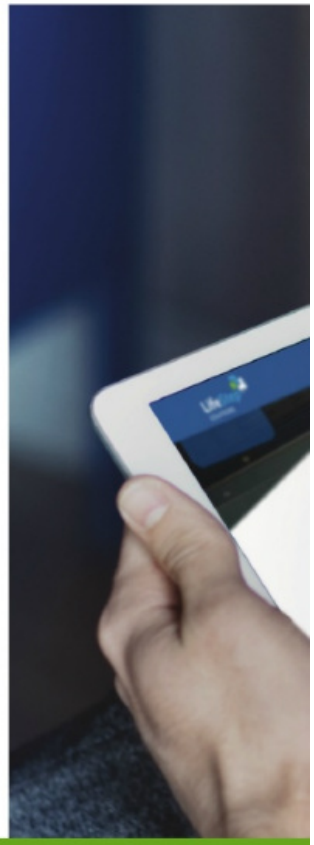




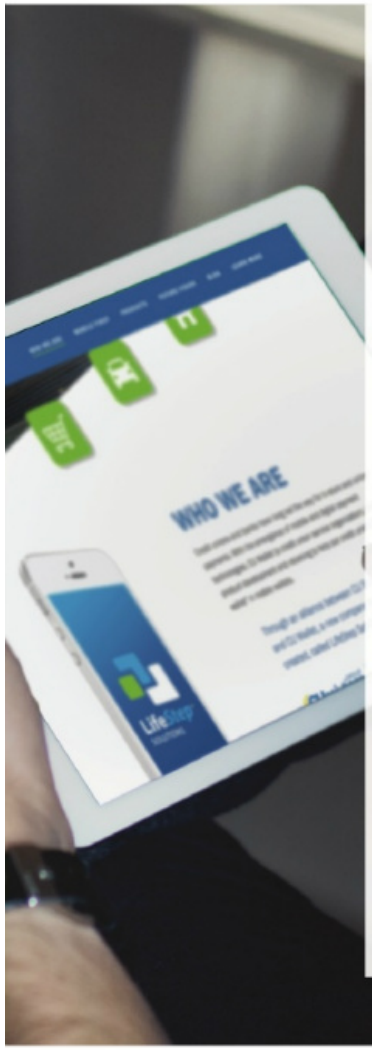
78
Credit Union Clients

Design&build Solutions

LifeStep™ SOLUTIONS



NEW PRODUCT



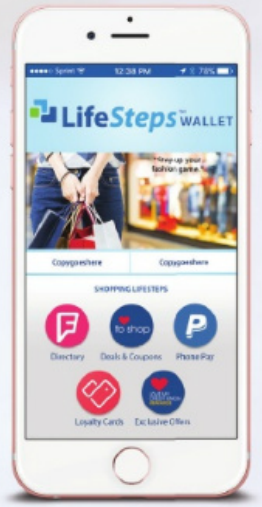
INTRODUCING LIFESTEP SOLUTIONS

Through an alliance between CU Solutions Group and CU Wallet, a new company has emerged: LifeStep Solutions. As your members continue to increasingly rely on the mobile environment to make financial decisions both large and small, LifeStep Solutions will be there every step of the way with convenient mobile commerce applications.

LIFESTEPS WALLET

Your members can save significant time and money thanks to our valuable suite of services.

- Business Directory
- Deals & Coupons
- Phone Pay capabilities
- Loyalty Cards
- Exclusive offers from Sprint, TurboTax, ADT® and more through Love My Credit Union Rewards
- Credit Union Mobile Banking integration
- Optional P2P platform



TECHNOLOGY

MARKETING

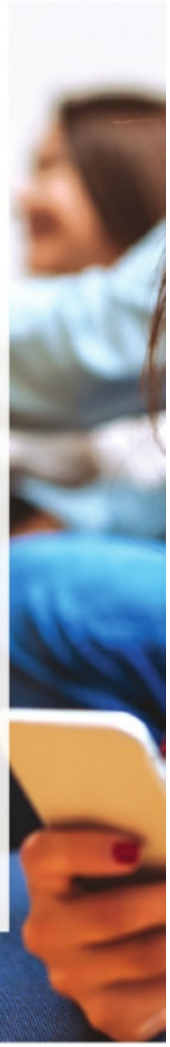
LOVE MY CREDIT UNION REWARDS

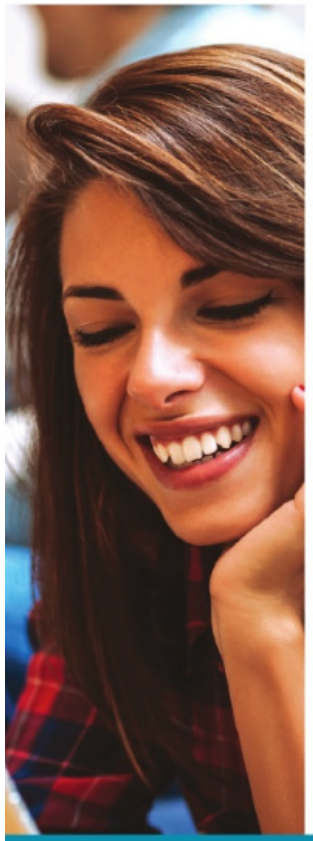
Love My Credit Union Rewards helps credit unions build member loyalty, generate non-interest income and boost wallet share.

It's essential for credit unions to build brand loyalty, stay top of mind and continually communicate the value of their membership.

By providing credit union members with exclusive, money-saving offers on national brands, such as Sprint and TurboTax, Love My Credit Union Rewards helps credit unions cut through the noise of a crowded marketplace and make an impact with current and potential members.

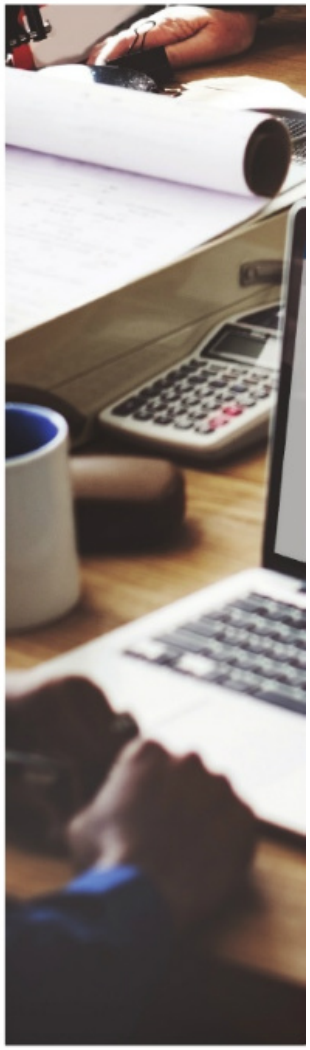
- Members have saved nearly **$2 billion** through Love My Credit Union Rewards' exclusive discounts
- With more than **1.6 million** active accounts, the **Sprint Credit Union Member Cash Rewards Program** from Love My Credit Union Rewards is Sprint's largest affinity partner program
- Members receive annually recurring, lump sum cash rewards for every Sprint line
- With more than **2.5 million** users, the TurboTax Credit Union Member Discount Program from Love My Credit Union Rewards is TurboTax's largest affinity partner program
- Members save up to $15 on TurboTax federal online and downloadable products





2,250+
Credit Union Clients

LOVE MY CREDIT UNION®
REWARDS



DIGITAL ADVERTISING

Digital Advertising Solutions powered by FocusIQ helps credit unions engage consumers through smart strategy development, media purchasing, online advertising and social media.

A growing majority of consumers research and purchase entirely in the digital space; financial institutions without a digital presence are out of sight and out of mind.

The FocusIQ digital advertising experts work with credit unions to develop compelling content and intelligent delivery. We push for maximum impact on every dollar by mapping out a target market, defining a strategy and executing with precision.

- Credit unions remain visible to consumers researching and purchasing entirely online
- We consult based on needs and resources to develop a customized advertising plan
- Credit unions can engage the FocusIQ team as a full-service provider or a supplemental partner
- The insight of an industry-leading CUSO and an award-winning ad agency, FocusIQ is a standalone in the credit union space

MARKETING

MARKETING

GAS STATION TV

Gas Station TV (GSTV®) in partnership with Verifone Systems Inc., helps credit unions drive brand awareness by giving them access to an audience that's captive, watching and near their branch — at the gas pump.

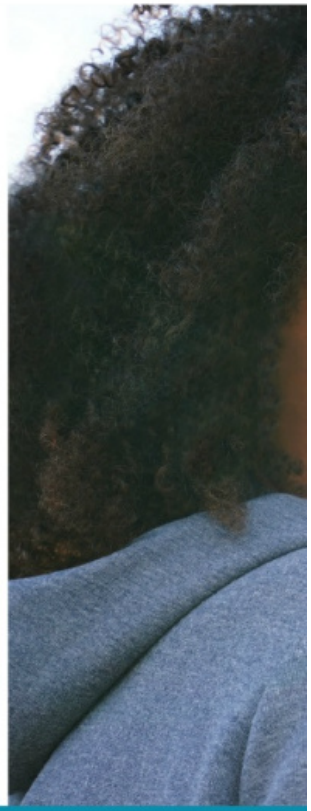
For a credit union to thrive, it needs a steady stream of new and engaged members. Awareness advertising is critical for brand recognition, especially at the local level.

With GSTV, credit unions can advertise to a large area, or target-market down to a single, specific gas station. These custom-produced videos are featured at over 13,650 of the nation's major gas retailers, such as Speedway, Shell, Exxon and Chevron.

- Broadcast advertising at a digital price, GSTV is the nation's leader in geo-targeted advertising
- GSTV is a simple, practical way to amplify any existing advertising campaign
- It is the most effective and cost-efficient way to engage qualified, local consumers
- Credit unions receive exclusive, discounted pricing through CU Solutions Group

50
Credit Union Clients

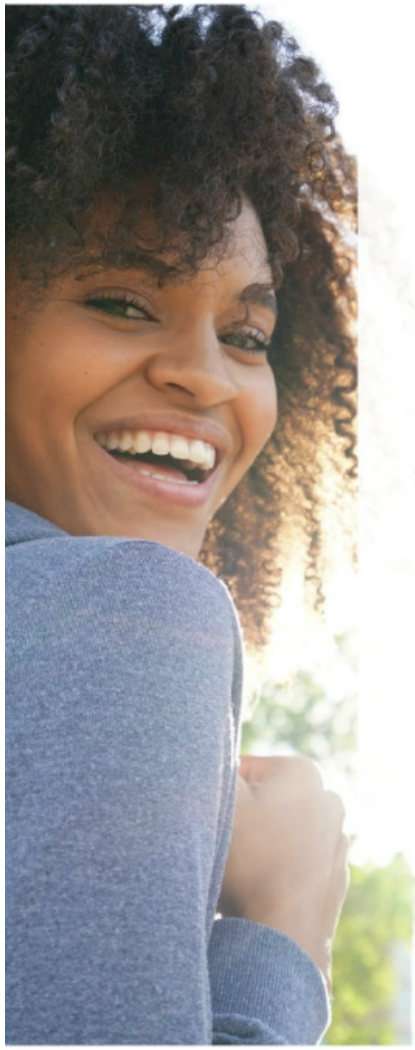
GSTV
GAS STATION TV



195
Credit Union
Clients

$AVE TO WIN

Available in: AR, AZ, CT, IN, IL, KS, LA, MI, MN, MO, NE, NC, NY, OR, SC, VA and WA



SAVE TO WIN

Save to Win helps credit unions promote financial education, incentivize smart saving and attract new members.

Helping more and more members save money and build wealth is a cornerstone of the credit union social mission.

Every time your members make a $25 deposit into their Save to Win savings account, they're entered into monthly and quarterly cash prize drawings. It's a fun, easy and risk-free way to incentivize savings for your members while growing wallet share for your credit union.

- More than 30 percent of Save to Win accounts are held by millennials (age 20–36)
- Save to Win is proven to attract new members
- Opportunities exist to expand business and cross-sell other services
- More than **$2 million has been awarded** to winning credit union members
- Nearly **$140 million has been saved** by credit union members

MARKETING

MARKETING

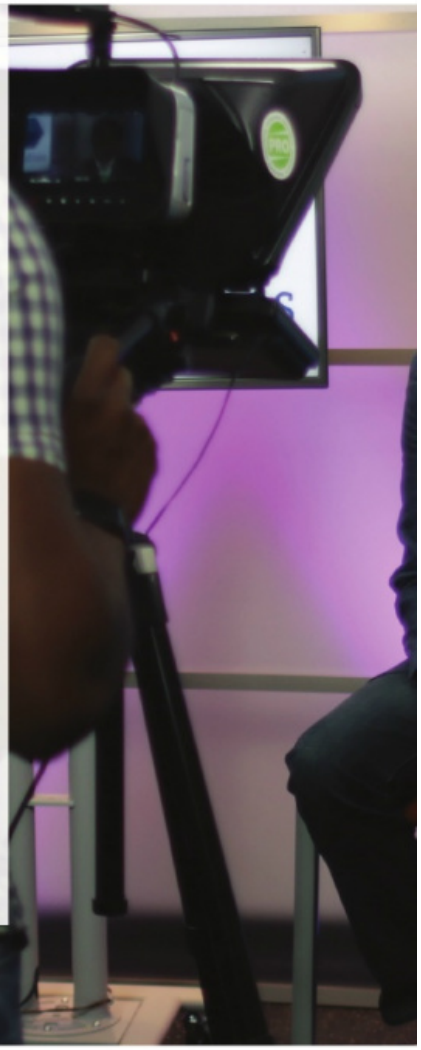
CUBE TV STUDIOS

CUBE TV Studios helps credit unions narrate their unique stories through high-quality audio and video production services.

Credit unions face stiff competition from national competitors — whether you're leveraging media to present yourself online, on air or in-lobby, perception is reality and quality matters.

We've assembled a media team with the technical knowledge and the creative vision needed to make a lasting impression in your market. We exist to help credit unions tell their stories — to show consumers the real meaning of the credit union difference.

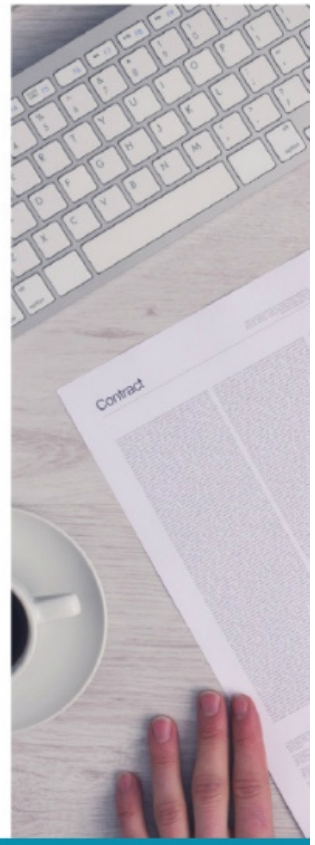
- A media partner with vast experience telling the story of credit unions
- The team works incredibly fast and produces high-quality, cost-effective work
- We have vision, knowledge and tools to create remarkable media, from template-based, turnkey media to fully customized productions
- Turnkey video can be customized and ready for delivery in as little as two days



107
Credit Union Clients

cube tv

CUTrendScan™



NEW PRODUCT

INTRODUCING CU TRENDSCAN
CU TrendScan is a new, digital publication available exclusively to CU Solutions Group clients and by subscription that explores issues in technology, marketing and performance for the credit union space. It provides a comprehensive resource for thought leadership on a variety of topics, including but not limited to:
• Reviews of top trends in the financial services industry
• Commentary and insights from credit union professionals across the country
• An overview of what credit unions, banks and other businesses are doing to stay competitive
• Analysis of relevant and informative data
• Strategies and solutions for credit unions
Inaugural issue is available at CUTrendScan.com
MARKETING

PERFORMANCE

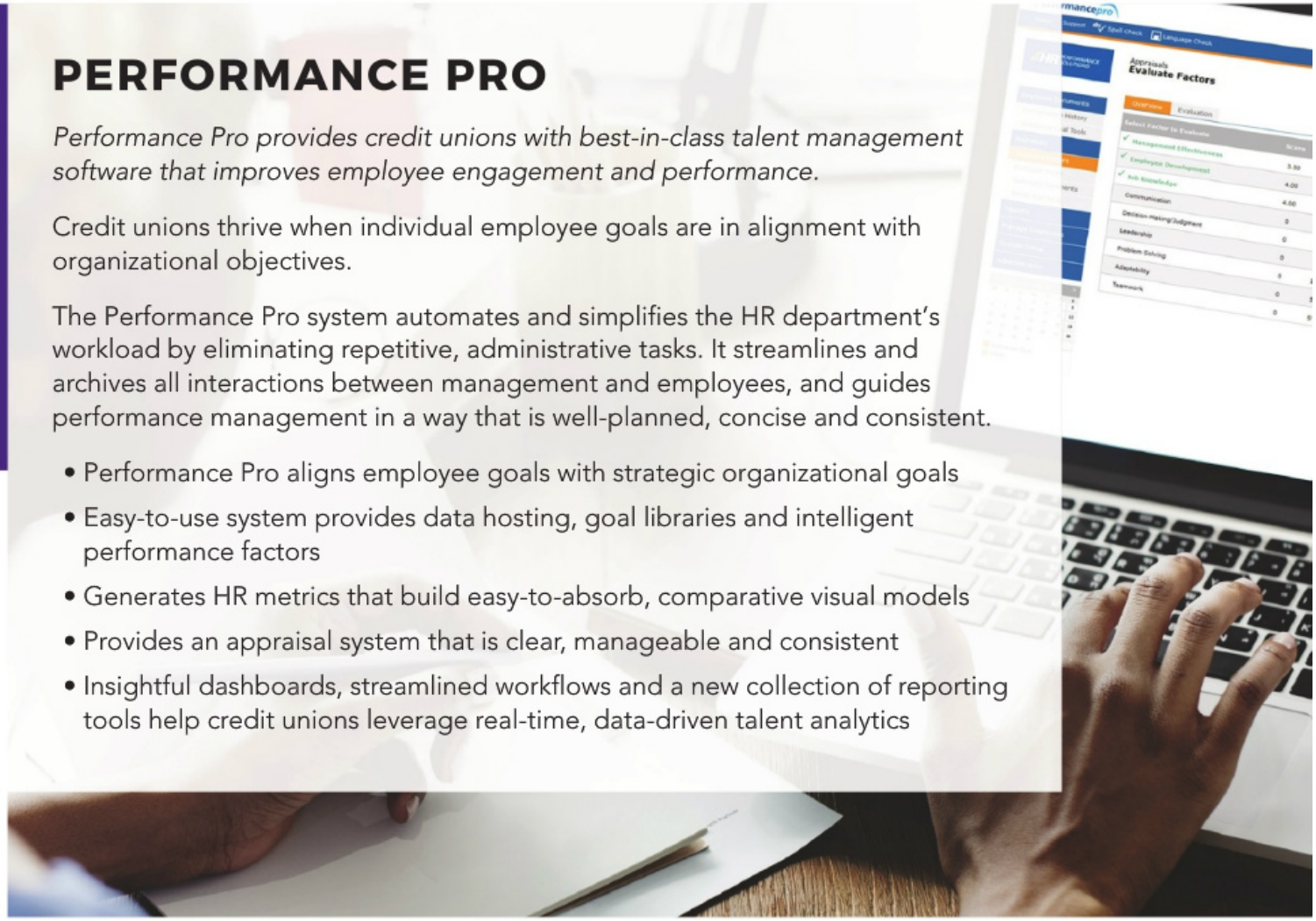
PERFORMANCE PRO

Performance Pro provides credit unions with best-in-class talent management software that improves employee engagement and performance.

Credit unions thrive when individual employee goals are in alignment with organizational objectives.

The Performance Pro system automates and simplifies the HR department's workload by eliminating repetitive, administrative tasks. It streamlines and archives all interactions between management and employees, and guides performance management in a way that is well-planned, concise and consistent.

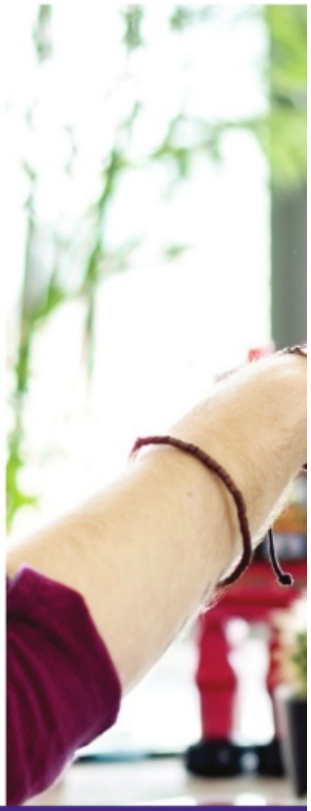
- Performance Pro aligns employee goals with strategic organizational goals
- Easy-to-use system provides data hosting, goal libraries and intelligent performance factors
- Generates HR metrics that build easy-to-absorb, comparative visual models
- Provides an appraisal system that is clear, manageable and consistent
- Insightful dashboards, streamlined workflows and a new collection of reporting tools help credit unions leverage real-time, data-driven talent analytics



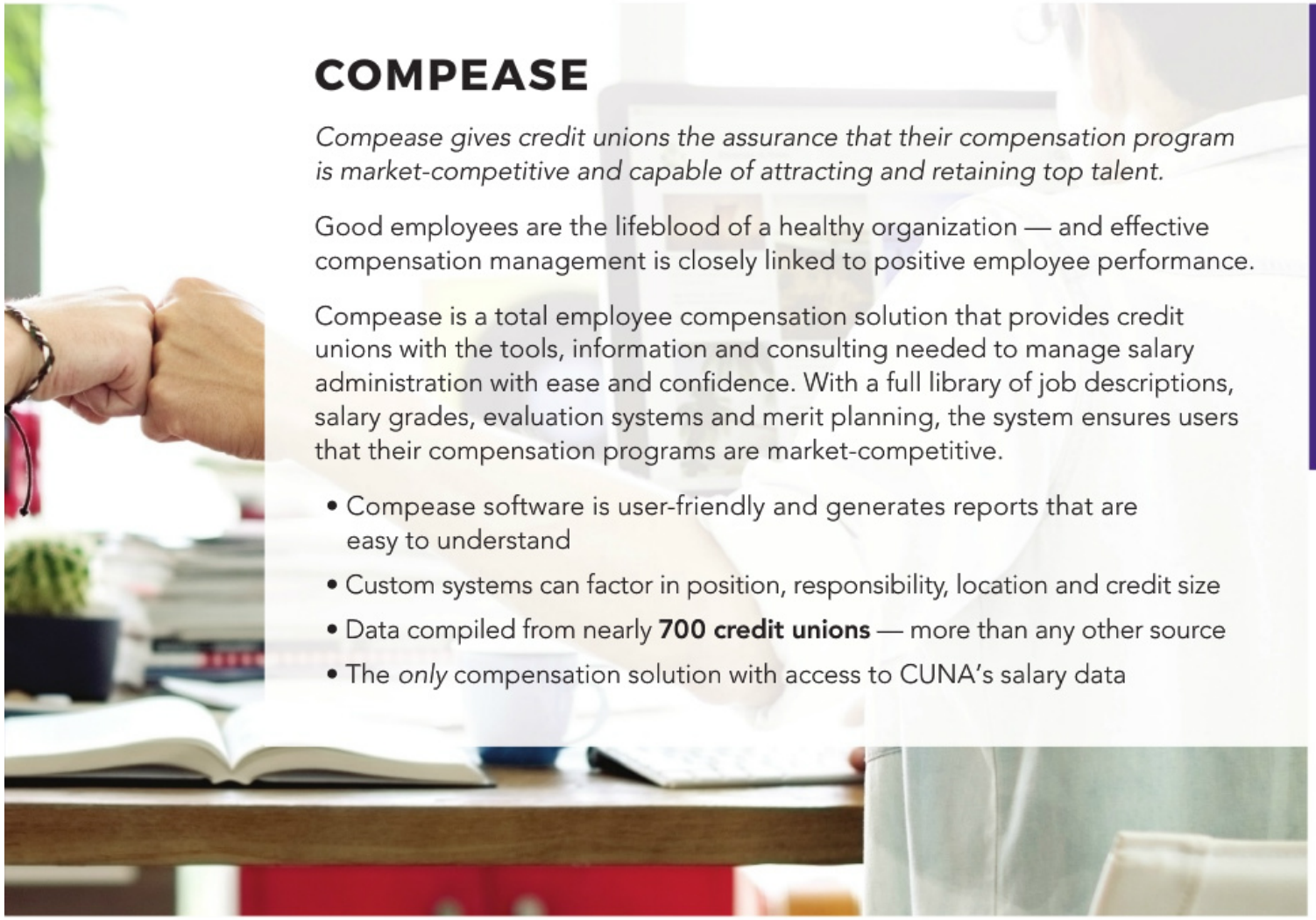
570
Credit Union Clients

Performancepro

Compease



721
Credit Union Clients



COMPEASE

Compease gives credit unions the assurance that their compensation program is market-competitive and capable of attracting and retaining top talent.

Good employees are the lifeblood of a healthy organization — and effective compensation management is closely linked to positive employee performance.

Compease is a total employee compensation solution that provides credit unions with the tools, information and consulting needed to manage salary administration with ease and confidence. With a full library of job descriptions, salary grades, evaluation systems and merit planning, the system ensures users that their compensation programs are market-competitive.

- Compease software is user-friendly and generates reports that are easy to understand
- Custom systems can factor in position, responsibility, location and credit size
- Data compiled from nearly **700 credit unions** — more than any other source
- The *only* compensation solution with access to CUNA's salary data

PERFORMANCE

PERFORMANCE

HR PRODUCT-LED CONSULTING

HR Product-led consulting helps ensure credit unions that all HR initiatives are working toward the long-term benefit and goals of the organization.

We're an SHRM, preferred provider, and our team of HR consultants collaborate with credit unions to make HR departments more effective and efficient. We ensure employee goals are aligned with strategic initiatives, drive increased employee engagement and retention, implement customized salary planning and much more.

- Perform a complete review of your performance management practices
- Identify easy-to-automate processes
- Uncover advanced HR metrics that grant new and powerful insights
- Ensure employee goals are aligned with strategic initiatives
- Maximize the power and potential of your HR software investments
- Employees and managers learn to utilize time more efficiently

641
Credit Union Clients

Powerful HR software can streamline HR processes, but it takes real understanding and insight to transform an HR department from administrator to strategist.

HIGHLIGHTS

CU Solutions Group closed 2016 with net income of $8.6 million and comprehensive income of $10.7 million

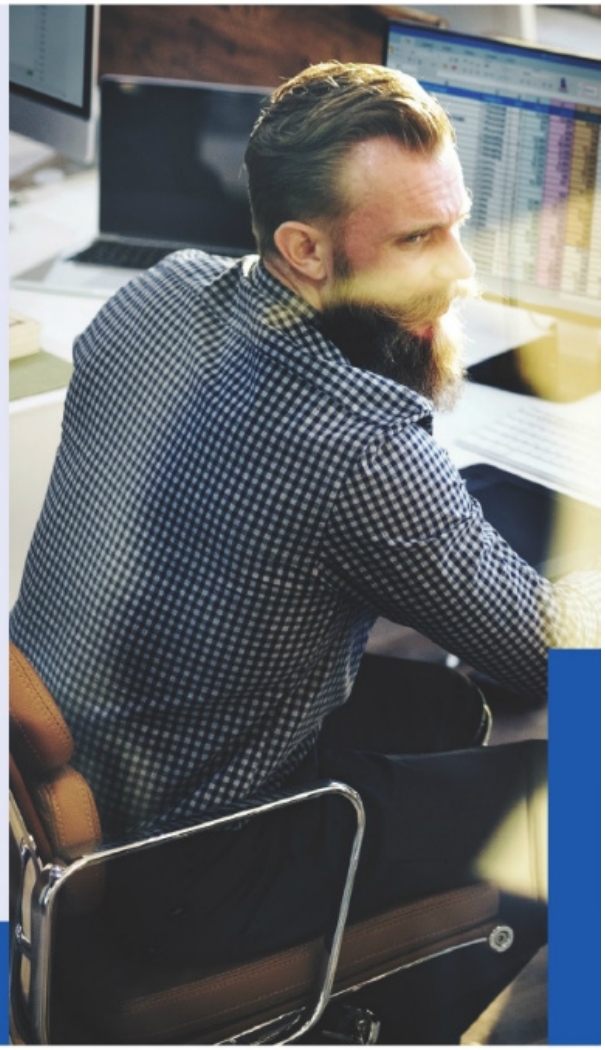
Here are some financial highlights:

Total gross profit of **$33.4 million**, an increase of **$1.8 million** compared to 2015

Paid **$11.7 million** to leagues and credit unions for sales and marketing efforts

The **$8.6 million** in net income allowed CU Solutions Group to continue to declare a **$3.5 million** dividend to its shareholders

2016 closed strong with total shareholders' equity ending at **$62.6 million**, or **$5,562** per share, an increase of **$640** per share from 2015



FINANCIAL REPORT
“If you want to have a successful enterprise, you clearly define what you’re trying to accomplish.”
– Stephen R. Covey, The 7 Habits of Highly Effective People

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