

2018 Annual Report



This credit union is federally insured up to \$250,000 by NCUA.

March 20, 2019 Meeting

Great Wolf Lodge

1700 Nations Drive
Gurnee, IL 60031

Agenda:

- ▶ Welcome & Introduction of Guests
- ▶ Mr. John R. Janezic, Chairman of the Board
- ▶ Dinner
- ▶ Call to Order
- ▶ Determination of Quorum
- ▶ Report of the Registration Committee
- ▶ Reading and Approval of Agenda
- ▶ Approval of Minutes of 88th Annual Meeting
- ▶ Report to the Members
- ▶ Report of the Nominating, Supervisory, and Loan Review Committees
- ▶ Election of Directors
- ▶ Unfinished Business
- ▶ New Business
 - A. By-law Change –
Number of Supervisory
Committee Members
 - B.
- ▶ Adjournment



Kildeer Ribbon Cutting



CCU Board Members & CEO

89th Annual Meeting

Present and Former CCU Leaders:



SEAN RATHJEN
CEO
2004-Present



WILLIAM REIDEL
President
1979-2004



ANTON KERZIC, JR.
President
1970-1978



ANTHONY PIERCE
President
1956-1970



LEO SAARI
President
1930-1956

Present and Former Chairpersons:

- | | | |
|--|---------------------------------------|---|
| ▶ John R. Janezic
(2008-Present) | ▶ George Harro
(1977-1979) | ▶ Ellen (Sandvick) Nantz
(1958-1965) |
| ▶ James A. Mahnich, Sr.
(2002-2008) | ▶ Ernest W. Wooldridge
(1975-1976) | ▶ Russ Alford
(1948-1957) |
| ▶ Raymond W. DeWeerth
(1979-2002) | ▶ Helen Dragunas
(1966-1974) | ▶ Jack Liukku
(1930-1947) |

Board Members:

- | | |
|--|--------------------------------------|
| ▶ John R. Janezic – <i>Chairman</i> | ▶ James A. Mahnich, Sr. |
| ▶ Ann Campanella – <i>Vice Chairperson</i> | ▶ Spiridoula (Litza) Mavrothalasitis |
| ▶ Denise Charts – <i>Secretary</i> | ▶ Joseph M. Rajceovich |
| ▶ Shawn Clisham | ▶ Michael Raysakis |
| ▶ Scott Drabicki | ▶ Dr. John R. Schwab |
| ▶ Spiro Giotis | ▶ Frank Soyka |

Committee Members:

- | | |
|-----------------|--------------------|
| ▶ Demar Harris | ▶ Kenneth Robinson |
| ▶ Horacio Lopez | |

Nominating Committee:

- | | |
|------------------------------------|--------------------------------------|
| ▶ Scott Drabicki – <i>Chairman</i> | ▶ Spiridoula (Litza) Mavrothalasitis |
| ▶ Shawn Clisham | |

Board Candidates *(as approved by the Nominating Committee):*

- | | |
|----------------------------------|-----------------------------------|
| ▶ Lekecia Barclay (Applicant) | ▶ Jamaine Parish (Applicant) |
| ▶ Daniel J. Burdett (Applicant) | ▶ Joseph Rajceovich (Incumbent) |
| ▶ Ann Campanella (Incumbent) | ▶ Christine Serwinski (Applicant) |
| ▶ Geoffrey Chaumette (Applicant) | ▶ Barb Sorensen (Applicant) |
| ▶ Jean V. Kartje (Applicant) | ▶ Frank Soyka (Incumbent) |
| ▶ Horacio Lopez (Applicant) | |

Chairman & CEO Report

JOHN R. JANEZIC
Chairman of the Board



SEAN M. RATHJEN
CEO



The impressive growth Consumers Credit Union (CCU) achieved in 2018 stemmed from our commitment in providing Members an exceptional business experience for improved financial well-being today and for the future. It's what makes us stand out. It's why over 116,000 Member-owners have chosen CCU. For that we say "thank you" and share our achievements during the past year.

New Communities to Serve

In the fall, we celebrated the grand opening of our state-of-the-art Service Center in Kildeer. This new, open-layout branch design is a hit with Members as it offers quick, self-serve technology like interactive ATMs and video assistance. Knowledgeable CCU staff members are on-site to greet Members, help those who may need a quick walk through with new technology, or would like to discuss CCU financial offerings. This blend of digital technology and face-to-face service is key to making future branches relevant and inviting.

We were also excited to welcome Members of Meadows Credit Union (MCU) in September when our team completed the move of MCU accounts to the CCU system. The merger provided MCU Members with enhanced value, more locations, and increased digital services. The merger also left CCU with two Palatine locations within close proximity to each other. Therefore, the smaller Palatine Service Center on Northwest Highway closed and the former MCU branch transitioned to a more convenient, enhanced CCU Service Center.

Accolades

We are grateful to have earned national recognition for the 4th consecutive year, this time from Forbes media. The 2018 award recognizes CCU as a "Best-in-State" credit union for its comprehensive gallery of products and services, along with the overall value the Member-owned cooperative delivers to Members.

The most recent recognition for CCU follows three consecutive years of awards from organizations such as NerdWallet and Wallethub. Wallethub named CCU's Rewards Checking the "Best Online Checking Account" available nationwide, while NerdWallet said CCU had the best interest rate for credit union checking products nationwide.

More Digital Enhancements

Last year we continued to enhance the online and mobile experience to give Members more easy-to-use, timesaving tools to manage accounts. This included Touch/Face ID login, the ability to update passwords within online banking, and travel notes, allowing Members to place alerts on debit and credit cards to avoid service interruptions while traveling.

Always Improving

Our commitment to provide Members with superior service and products unequal in the marketplace has only gotten stronger. So much so, we put it in writing with a new Mission Statement to reflect our renewed promise.

And the best way to learn how we can continue to deliver the experience and products for our Members is to just ask. So we did. We completed an extensive Member Loyalty Survey in October. This, along with our new Mission statement, will guide the Board, management, and staff as we develop improved service delivery, digital interaction, and new product offerings in 2019.

MISSION:

To serve our Members by providing financial solutions that improve their lives.

BRAND PROMISE:


To educate while creating and delivering positive experiences that help Members achieve financial success.

STRATEGIC VISION:

To become the partner of choice with our Members, employees, and all business relationships while pursuing profitable growth, allowing further investment in the credit union, our employees, Members and the communities we serve.

Looking Ahead

We have a lot in store for the next several years, and we have made giant leaps in laying the groundwork to achieve these goals with investment in staff training, improved processes and technology, and a sound fiduciary base. The Board of Directors, leadership team, and staff want to thank you for your continued support and remain dedicated to serving you for years to come. Thank you for choosing CCU to be your Credit Union.


Chairman of the Board


CEO

Supervisory Committee Report

Supervisory Committee:

- ▶ Joseph M. Rajceвич – Committee Chairperson
- ▶ Denise Charts

- ▶ Spiridoula (Litza) Mavrothalasitis
- ▶ James A. Mahnich, Sr.

The Supervisory Committee met monthly to monitor and review credit union operations.

Our external auditors, WIPFLi Ullrich Bertelson LLP (WIPFLi), conducted the annual verification of share and loan accounts as of September 30, 2018, and the Annual Audit of our Financial Statements (Audit) for the year ended September 30, 2018. It is WIPFLi's opinion that the financial statements present fairly, in all material respects, the financial position of Consumers Cooperative Credit Union (CCU) at September 30, 2018, and the results of its operations and its cash flows for the year then ended are in conformity with Generally Accepted Accounting Principles in the United States. The results of this Audit were reviewed at the December, 2018 Board of Directors meeting, with each Director receiving a copy of these reports.

In 2018, WIPFLi also audited our 401(k) Plan and Trust and Defined Benefit Plans as of December 31, 2017. These audits were provided to the Supervisory Committee at the September, 2018 Supervisory Committee meeting. In the opinion for these audits, WIPFLi stated that the form and content of the information included in the 2017 financial statements and schedules, other than that derived from the information certified by the trustee (CUNA Mutual), have been audited in accordance with Generally Accepted Accounting Principles in the United States and, in their opinion, are in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

WIPFLi also conducted an Information Technology examination in late 2018. The report will be reviewed by management when received in 2019.

In 2018, CCU was also examined by the NCUA and the Illinois Department of Professional and Financial Regulation. The NCUA also conducted its new cyber risk examination ("ACET assessment") on CCU. In 2018, NCUA conducted the ACET assessment on federally-insured credit unions that have \$1 billion or more in assets.

In 2017, CCU acquired a minority stake in Spectrum Business Resources LLC CUSO through CCU's merger with Meadows Credit Union. Selden Fox conducted a 2017 annual financial statement audit for Spectrum Business Resources, LLC. In the fourth quarter of 2018, CCU management hired Doeren Mayhew to commence a 2018 audit of the financial statements of Spectrum Business Resources LLC. CCU management will receive the Doeren Mayhew audit report in early 2019.

During 2018, CCU's Internal Audit function and CCU Compliance function were both expanded to continue to provide internal audit coverage and compliance review coverage as the credit union expands and grows. Management executes a risk-rated Internal Audit Plan for the year and a separate Compliance Review Plan for the year. The Internal Audit team conducted the required annual audits and additionally internal audit reviews of many areas throughout the organization, such as Lending-Quality Control, Payroll, Debit Cards, Remote Deposit Capture, Automated Clearing House (ACH), Expense Reimbursements, and HR-Onboarding and Terminations. The Compliance team separately reviewed policies and procedures for compliance in several areas of the credit union. Additionally, management also hired WIPFLi to perform certain additional compliance reviews of policies and procedures.

Loan Summary

Loan Review Committee:

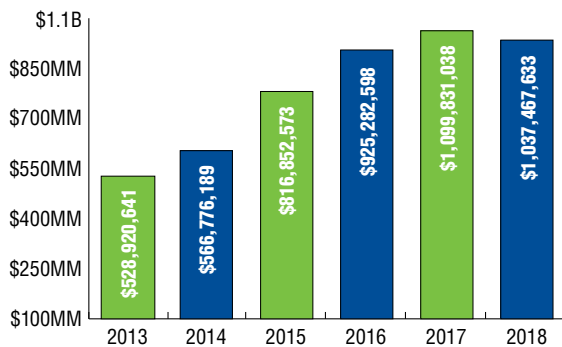
▶ Frank Soyka – Chairman
▶ Demar Harris
▶ Horacio Lopez
▶ Michael Raysakis

LOAN TYPE	2018 Number	2018 Amount	2017 Number	2017 Amount
New Auto	2,677	\$ 82,550,774	1,910	\$ 58,788,624
Used Auto	8,928	188,458,828	7,900	160,242,780
Motorcycle	422	3,901,096	431	3,906,812
Boats, Campers, and Motorhomes	0	0	65	2,603,302
Personal Watercraft, Snowmobiles, ATVs	127	3,921,931	49	1,007,734
Other Secured	1,199	11,797,999	1,383	12,207,284
Savings (includes Share and CD Secured)	158	1,618,794	148	1,316,319
Signature and Cosigner	1,302	5,627,826	1,505	5,528,398
Overdraft Loan	0	0	3,965	538,614
NSGCU Redit Cash	0	0	28	8,069
Home Equity Loans	83	2,625,200	148	5,346,638
Home Equity Lines of Credit (HELOC)	441	27,662,378	3,440	23,486,033
First Mortgages	440	75,266,819	484	77,296,566
Commercial Loan	72	42,113,249	81	27,524,166
MCU Loans	1,780	9,925,348	274	2,305,568
Total	15,849	\$ 455,470,241	21,811	\$ 382,106,908

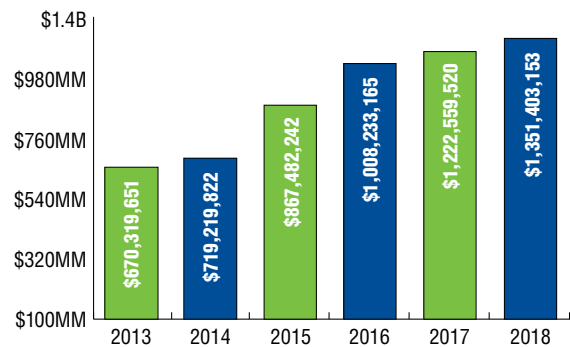
LOAN RECAP

Rewrites and Extensions	275	\$ 3,848,919	262	\$ 4,076,222
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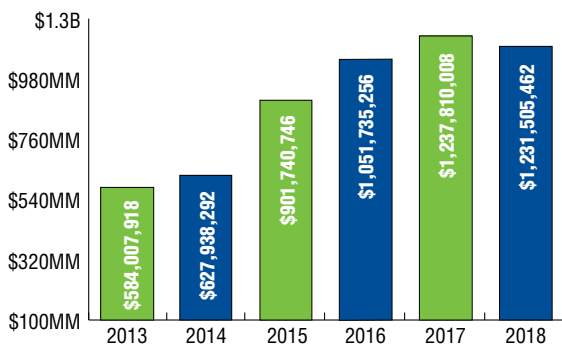
TOTAL DEPOSIT BALANCE HISTORY



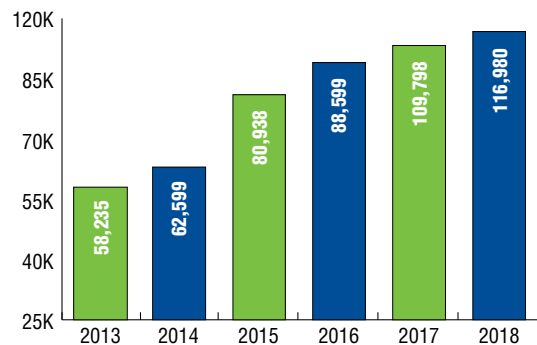
SERVICED LOAN HISTORY



ASSETS



MEMBERS



FINANCIAL CONDITION

	2018	2017	Difference
ASSETS			
Cash and Equivalents	\$ 35,769,454	\$ 38,294,739	\$ (2,525,285)
Loans to Members	958,039,216	849,708,370	108,330,846
Investments	172,901,275	291,326,391	(118,425,116)
Fixed Assets, net	28,682,427	24,450,177	4,232,250
Other Assets	36,113,089	34,030,331	2,082,759
Total Assets	\$1,231,505,462	\$1,237,810,008	\$ (6,304,546)
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities	\$ 13,107,810	\$ 11,501,972	\$ 1,605,838
Total Borrowed Funds	80,790,933	28,158,980	52,631,952
Members' Shares and Certificates	1,037,467,633	1,099,831,038	(62,363,405)
Total Reserves and Net Income	100,139,087	98,318,018	1,821,068
Total Liabilities and Members' Equity	\$1,231,505,462	\$1,237,810,008	\$ (6,304,546)
TOTAL MEMBERS	116,980	109,798	7,182

OPERATING STATEMENT

	2018	2017	Difference
INTEREST INCOME			
Interest on Loans	\$ 46,689,833	\$ 36,729,205	\$ 9,960,628
Income from Investments	8,390,473	7,719,154	671,320
Total Interest Income	\$ 55,080,306	\$ 44,448,359	\$ 10,631,947
INTEREST EXPENSE			
Member Dividends	\$ 7,552,943	\$ 7,822,808	\$ (269,865)
Borrowed Funds	4,878,882	3,220,511	1,658,371
Total Interest Expense	\$ 12,431,825	\$ 11,043,320	\$ 1,388,505
Net Interest Income	42,648,482	33,405,040	9,243,442
Provision for Loan Loss	5,821,101	3,610,343	2,210,758
Net Interest Income After Provision	\$ 36,827,381	\$ 29,794,697	\$ 7,032,684
OTHER INCOME			
Service Charges and Other Fees	\$ 22,117,529	\$ 18,981,997	\$ 3,135,532
Other Operating Income	3,078,124	3,520,665	(442,541)
Total Other Operating Income	\$ 25,195,653	\$ 22,502,662	\$ 2,692,991
OPERATING EXPENSES			
Salaries and Benefits	\$ 25,569,273	\$ 22,084,017	\$ 3,485,256
Office Occupancy	2,236,907	1,738,284	498,623
Office Operations	6,121,706	5,562,325	559,382
Professional Services	6,787,136	5,047,079	1,740,057
Meetings, Travel, Conference	314,394	219,679	94,714
Marketing	1,266,927	1,104,112	162,816
Loan Servicing	9,226,225	7,423,243	1,802,983
Miscellaneous Operating Expense	2,494,384	1,881,655	612,729
Total Operating Expenses	\$ 54,016,952	\$ 45,060,393	\$ 8,956,559
Loss (Gain) on Investments/Loans/Assets	27,865	(60,821)	88,686
Other Re-Owned (OREO)	117,816	76,628	41,188
Total Other Income/Expense	\$ 145,681	\$ 15,807	\$ 129,874
Net Income	\$ 7,860,400	\$ 7,221,158	\$ 639,242

Locations

HEADQUARTERS

(Limited access, by appointment only):
1075 Tri-State Parkway
Gurnee, IL 60031

CCU Service Centers:

► GURNEE

4946 Grand Avenue
Gurnee, IL 60031

► KILDEER

20413 N. Rand Road Suite 106
Kildeer, IL 60074

► MUNDELEIN

1210 S. Lake Street
Mundelein, IL 60060

► NORTHBROOK

1334 Shermer Road
Northbrook, IL 60062

► NORTH WAUKEGAN

3737 N. Lewis Avenue
Waukegan, IL 60087

► PALATINE

2401 Plum Grove Road
Palatine, IL 60067

► ROUND LAKE BEACH

2626 N. Route 83
Round Lake Beach, IL 60073

► SCHAUMBURG

22 W. Schaumburg Road
Schaumburg, IL 60194

► VOLO

195 East Route 120
Volo, IL 60073

► WAUKEGAN

2750 Washington Street
Waukegan, IL 60079



CCU employees and friends participating in Deer Park's Cocoa Classic 5K Run/Walk.



CCU employees volunteering at the Feed My Starving Children food pantry.