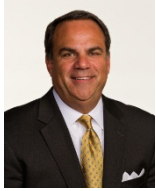


CUNA MUTUAL GROUP REPORT

Q2 2015

Committed to the Credit Union Industry



Bob Trunzo
President & CEO

At CUNA Mutual Group, we believe we have a great opportunity to strengthen the credit union movement by working together with the credit union industry.

United, we will become more relevant to consumers and demonstrate the credit union advantage over competitors, including new and nontraditional entrants to the financial services marketplace.

CUNA Mutual Group does more than just serve the credit union industry; we're part of it. We help credit unions serve their members, we support the financial security of our partners and customers, and we invest in research to better understand both credit unions and consumers.

Over the years, our company has worked to earn the trust of the credit unions and members we serve. Our commitment is as strong today as it was when the business was launched 80 years ago.

We're investing more than \$200 million in consumer-focused initiatives to help credit unions reach members with the products and services designed to support them when they need it most.

In the years ahead, we very much look forward to continuing to work with you. Thank you for your commitment to helping credit union members build a better financial future.

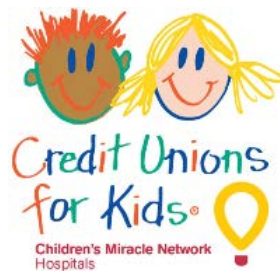
Value of Data Security



The escalating frequency and severity of cyber-attacks

continue to make data security and response a top priority for the financial services and insurance industry. That's why CUNA Mutual Group is excited to collaborate with the Financial Services Information Sharing and Analysis Center (FS-ISAC), the gold standard in risk and threat information sharing. FS-ISAC offers a discounted annual fee on a basic membership for credit unions that have a cyber insurance policy through CUNA Mutual Group. Twenty percent savings on new memberships and 10 percent on renewals are available so policyholders can mitigate cyber security threats, improve incident identification and reduce response times.

Our Commitment to an Industry Tradition




¹ 2015 CUNA Mutual Group Internal Report

Each year, credit unions and industry partners like CUNA Mutual Group, join together to support Children's Miracle Network Hospitals and Credit Union Miracle Day. By participating in the Credit Union Cherry Blossom Ten Mile Run and the Credit Union SACTOWN Ten Mile Run, we're joining credit unions to raise money that will help save the lives of sick children.

To show our support and commitment to this industry tradition, CUNA Mutual Group donated \$55,000 in 2015 to the cause and is sending a team of volunteers and runners to the event in Washington, D.C.¹

Alliance Formed to Introduce Mortgage Payment Protection

CUNA Mutual Group will offer a new mortgage payment protection insurance product to credit unions and their members through an alliance with D+H via an integration with MortgagebotPOS™, D+H's consumer direct mortgage solution. The alliance will bring to life the credit union industry's first, all-in-one, residential mortgage protection product to cover members in the event of unexpected job losses, death or disability – all within one, seamless user experience for application and enrollment. 

Through the alliance, CUNA Mutual Group will integrate its new mortgage payment protection insurance product directly into MortgagebotPOS. This will allow credit unions to seamlessly provide quotes and enroll members in the new insurance offering. CUNA Mutual Group plans to launch the product later this year and will include complimentary loan officer training for the credit unions that offer the payment security solution.

CUNA Mutual Group has more than 2 million conversations with credit union members each year and a database of more than 65 million credit union members. What Matters Now is part of an annual insights program to learn from middle-income Americans and credit union members alike. TruStage, CUNA Mutual Group's consumer brand, gathered insights from more than 25,000 individuals using a combination of quantitative, qualitative and social media research methods. It draws similarities and differences between credit union members and broader middle-income Americans in terms of core demographics and lifestyle preferences to show how this population defines success across generations.

"We use consumer insights to continuously improve our member experience including how we develop media plans, design products and optimize each consumer touch point," said Susan Sachatello, senior vice president, TruStage. "We plan to continue learning from members and will share our findings with credit unions to better serve them, their members and non-members alike."

RESEARCH INSIGHTS:

- **There is a huge opportunity to serve the unbanked.** Thirty-four percent of the individuals included in the research self-identify as having no banking relationship. Understanding this population and engaging them in the credit union value proposition could be a significant source of membership growth².
- **Financial stability far outweighs simply attaining wealth.** Sixty-two percent of middle-income Americans worry daily about financial stability, while only 6 percent defined success as having a lot of money³.
- **Middle-income Americans:**
 - Define success based on family, relationships and financial stability first.
 - Rank raising good/happy kids first (38 percent) and having a great partner relationship second (36 percent) as measures of success in life. Being financially stable ties with staying in good health (33 percent)⁴.

You can learn more about this research at cunamutual.com/whatmattersnow.

^{1, 3, 4} CUNA Mutual Group's TruStage, "What Matters Now™" survey results. Dec. 2014
² GfK Mediamark Research & Intelligence, LLC, 2013 MRI Doublebase, as provided by Hiebing.



What Matters Now™
research shows
62 percent
of middle-income Americans
worry about financial stability
every day¹

Helping CUs Offset Rising Benefits Costs

CUNA Mutual Group's Total Benefits Pre-Funding (TBPf) program reached \$1 billion in assets under management in January⁶—a positive sign credit unions are taking advantage of previously impermissible investments to help fund the rising costs of employee benefits programs.



TBPf defrays the rising cost of benefits because it allows credit unions to offset employee benefits obligations by using potentially higher-yielding investments that would otherwise be considered "impermissible" by the NCUA*.

Credit unions are challenged with flat or even shrinking margins, because returns on assets are not keeping pace with rising operating expenses, especially those related to employee benefits. In addition, family health care premiums have increased nearly 70 percent over the last 10 years, according to the Kaiser Family Foundation/Health Research & Educational Trust 2014 Employer Health Benefits Survey⁸.

Assets under management have more than doubled in the last two years. Participating credit unions shared \$40 million of incremental investment returns in 2014 alone⁷. That extra income helps the bottom-line and can be used to continue offering, or potentially add, high-quality employee benefits.

*In 2003, the National Credit Union Administration adopted a rule formalizing its long-held view that, subject to a few restrictions, certain expected employee benefits obligations of federal credit unions may be pre-funded via otherwise impermissible investments.

^{6, 7} 2014 CUNA Mutual Group Internal Report

⁸ Kaiser Family Foundation/ Health Research & Educational Trust 2014 Employer Health Benefits Survey