SUSTAINING OUR MISSION

for 75 years and beyond

2010 Annual Report

ALLIANT credit union

Great Rate Award Winner[1]
The Datatrac Great Rate Award certifies that Alliant Credit Union has consistently outperformed the U.S. financial institution market average for the 12-month period of April 2009 – March 2010 for the following accounts: new auto loans (48 & 60 months), used auto loans (36 & 48 months), 5-year home equity loans and home equity line of credit, and 1/1, 3/1 and 5/1 adjustable rate mortgages.

5-Star Superior Rated[2]
Bauer Financial, Inc., awarded Alliant Credit Union a "5-Star Superior" rating for our financial strength and stability, for the quarter ending September 2010. This is the 61st consecutive quarter that Alliant Credit Union has earned this highest honor. Only 16% of the nation's credit unions share this distinction.

Alliant Resilient

Lynn Hughitt
Chairperson

David W. Mooney
President/Treasurer

The U.S. economy and financial markets began to show signs of recovery in 2010. The slides in employment and housing abated, auto sales picked up, and equity markets recovered much of the losses of the previous two years. Fears of a "double dip" recession faded.

While conditions improved from the recession's depths, the recovery continues to be sporadic. Unemployment remains stubbornly high. Businesses are reluctant to hire and invest, waiting for clear evidence of stronger demand. Consumers, concerned about jobs and wary of debt, are spending cautiously. Home sales remain sluggish and foreclosures are at record levels. While financial institution earnings began to rebound, 157 banks failed in 2010, topping the total of 140 the previous year and the most since the savings & loan crisis.

Persistent low interest rates depressed yields on Alliant's assets – loans to members and securities investments – and pushed down share dividends. The Federal Funds Rate, the benchmark short-term interest rate, has remained at historic lows for 24 months.

We recognize that lower dividends weigh on those who depend on that income. Yet throughout 2010, Alliant members continued to earn among the highest deposit rates available in the market… more than six times the bank average. Borrowing members also benefitted from loan rates that were consistently below the market. And Alliant remained in the top 1% of credit unions nationally in "giveback" to members.[3]

Alliant's Retirement and Investment Services program provided members with helpful, objective advice on saving and investment alternatives as well as financial and retirement planning. Assets under management increased by 60% over 2009.

Our assets grew by 8% to almost $7.6 billion, as higher household saving rates, "flight to quality" and market leading rates attracted more members and deposits. The issue that we (and other financial institutions) faced was how to productively

deploy those additional funds in the low rate environment. Adding to the challenge was weak demand for loans. Due to the sluggish economic recovery and consumer debt overhang, total U.S. consumer credit outstanding contracted by 3.4%. For the first time in many years, Alliant's loan balances fell as repayments exceeded new originations.

In 2010 credit quality stabilized. Net loan losses as a percentage of loans outstanding were about the same as the previous year, and significantly below the average for banks and credit unions. As a result, the amount that we needed to set aside to cover future loan losses declined by over one-third.

As in 2009, banks and credit unions absorbed higher regulatory assessments to cover the costs of resolving troubled institutions. Alliant paid more than $14 million in assessments, nearly $7 million more than the previous year.

Operating expenses, excluding regulatory assessments, declined 3% from 2009. Alliant's exceptionally low operating costs continue to be a great advantage, allowing us to produce superior member giveback in all conditions without taking risks that would jeopardize returns.

Our conservative posture has served us well. Despite the challenging economic environment, Alliant consistently receives the highest commendations for safety and soundness. Total members' equity grew by over 9% to $770 million, and we finished 2010 with net worth/assets of 9.5%, well above the 7% regulatory standard of "well capitalized."

As a strong, healthy institution, Alliant is in a position to capitalize on market opportunities. In September 2010, we announced the merger of Continental Federal Credit Union into Alliant. The merger, which closed in January 2011, adds 24,000 new members and positions our credit union to serve the employees, retirees and their family members of the combined United and Continental Airlines. It will also create a relationship with the employees, retirees and their family members of US Airways.

During 2010 Alliant completed a number of initiatives to improve member service. We launched an upgraded Alliant Online Banking service with enhanced functionality, navigation and security. A mobile banking application for iPhone was introduced, and will be followed in 2011 with versions for other mobile devices. We installed a new, state-of-the-art telephone system in our Member Contact Center, which will support significant improvements in call center service. With the merger of Continental Federal Credit Union, we have added five more service centers in three cities including Houston, Newark and Tempe.

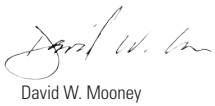
Alliant and its employees continued to contribute to the communities where our members live and work. The Alliant Credit Union Foundation completed its first year of operation, donating over $200,000 to charities and educational organizations. Alliant employee volunteers delivered financial literacy training to more than 700 students.

Last but definitely not least, we celebrated our 75th anniversary. Our mission – your financial success – continues to inspire us.

As we look to 2011, most forecasters are expecting the recovery to advance at a modest pace, with spending and borrowing restrained and interest rates remaining low. These conditions, along with greater regulatory burden, will continue to challenge financial institutions in the year ahead. We remain confident that our substantial strategic, financial and organizational strengths prepare us to continue to compete and serve our members well.

On behalf of the board of directors and employees of Alliant Credit Union, thank you for your membership.

Lynn Hughitt
Chairperson



David W. Mooney
President/Treasurer

Alliant Highlights of 2010

Financial

- Total assets grew to nearly $7.6 billion by year-end, up 8% from 2009.
- Interest income of $228.0 million was 12% lower than prior year. Interest income was negatively impacted by persistent low interest rates, which drove down asset yields. Additionally, loan balances remained low, which skewed asset mix to lower yielding securities, also depressing yields. This was partly offset by higher assets resulting from a surge in deposits.
- Non-interest income was $13.9 million or 44% below 2009. Excluding the 2009 one-time $26.6 million gain on the NCUSIF deposit recapitalization, non-interest income was $12.7 million or 264% higher than 2009. This increase was primarily due to gains on the sale of securities, loans and foreclosed assets.
- Non-Interest expense was 9% higher than 2009 (excluding the NCUSIF deposit impairment), due to higher premium assessments. Excluding the premium assessments, expenses were 3% below 2009.
- Provision for Loan Losses was better than prior year by 35%, reflecting improved credit performance and lower loan balances.
- Reported ROA was .69%, higher than the prior year's .40%. Net Income was $50.9 million, 93% higher than 2009. We managed to a higher net income to augment capital levels, which came under pressure due to heavy deposit inflows in late 2009 and early 2010.
- Deposits (Shares) ended the year at $6.3 billion, growing by 12% from prior year-end. Increased household saving rates, "flight to safety", and Alliant's market leading rates converged to produce high deposit inflows early in the year.
- Total loans finished $76.3 million or 2% below prior year-end as demand for credit was subdued by the weak job market and consumer debt overhang, and consumer preference shifted to fixed rate mortgages.

Non-Financial

- Alliant held its position in the top 1% of credit unions in "giveback" to members.[3]
- We launched the "next generation" Alliant Online Banking service with enhanced navigation, functionality and security and introduced a mobile banking application for iPhones. Members responded positively as active online banking users increased by 10%.
- Continental Federal Credit Union agreed to merge into Alliant. The merger will add 24,000 new members and support acquisition of heritage Continental Airlines employees. Alliant will also add US Airways as a sponsor. The transaction is expected to produce a payback in a little more than one year. Closing and systems/operations integration was completed on January 31, 2011, as planned.
- We added over 15,000 new members with over $750 million in new balances and a 92% loan/shares ratio among new members. And, we recruited 21 new sponsors representing over 70,000 potential members.
- The investment services program attracted $25 million in new assets under management. And, we added a financial advisor in Denver and an additional advisor in Chicago.
- We acquired and renovated additional space for expansion. The new facility will initially house the Member Contact Center beginning in January 2011, and provide options for additional space as needed over the next ten years. The facility will also serve as a disaster recovery site, and includes a previously outfitted data center to serve as a secondary systems "hot site."
- Alliant Credit Union consistently exceeded Global Compliance/Ethical Leadership Group benchmarks in the 2010 Ethical Culture Survey of employees.
- The Alliant Credit Union Foundation completed its first year of operation, donating over $200,000 to charities and educational organizations. Through our partnerships with schools and Operation HOPE, Alliant employee volunteers delivered over 70 hours of financial literacy classes to more than 700 students.

Highlights of 1935 - 2010

In 1935, on October 26, we incorporate as the United Air Lines Employees' Credit Union with headquarters in Hangar #3 at Chicago's Midway Airport. Membership is restricted to United Airlines employees. By year-end, we have 146 members, total deposits of $5,065.50, 38 loans totaling $4,210 and a net income of $16.33

In 1937, the credit union (CU) sets aside one morning or one day a week for handling loans and withdrawals. By year-end, we have 779 members. CU President of the Board R.E. Pfenning remarks, "I feel that a great deal has been accomplished in assisting (members) to straighten out their financial difficulties and in starting a great many others on the road to saving who had never saved anything before"

In 1940, E.J. Langel, a United employee, who had managed the CU, becomes the first person "paid" for working for the credit union. The board authorizes United to bill the CU for 50% of his salary. In 1941, due to the expansion of the CU, the board also decides it's necessary to hire someone to assist Mr. Langel and agrees to reimburse United $87.50 per month for the clerical services rendered

In 1949, membership is 5,451 (56% of all United employees). The board establishes the job of General Manager to serve as "custodian of the funds, securities, books of account and other valuable papers, and administer the day-to-day activities of the credit union." E.J. Langel is appointed to that job

In 1954, the CU uses the slogan, "Save more in '54" and increases savings account limits from $3,000 to $3,500. Average savings account balance: $345. For the first time, certified public accountants audit us. We also increase our paid staff to 16 and move headquarters to 6000 Cicero Ave. in Chicago

In 1958, we open offices in Denver and Los Angeles (we already operate offices in Chicago, New York and San Francisco)

In 1959, we have 17,710 members (83% of all United employees)

In 1961, United and Capital Air Lines merge. During the first few months after the merger, almost 2,000 former Capital employees join the CU. Headquarters is moved to Mount Prospect, IL

In 1972, the CU reaches $100 million in total assets and Gene Artemenko becomes General Manager

In 1975, the CU begins a loan continuous policy. (Previously membership benefits terminated on the effective furlough or termination date of a United employee and any loan balance was due immediately. With this policy, normal monthly repayments of an existing loan are permitted)

In 1978, the CU introduces an electronic accounting system, which automatically provides account balances after each transaction and enables each office to instantly service withdrawals. The CU analyzes the feasibility of offering mortgages, checking accounts and travelers' checks but decides these services don't justify start-up costs and potential decrease of dividend payouts

In 1982, the CU introduces IRAs, and in response to high member demand, permits spouses of members to establish separate IRAs. By year-end, 9,063 IRAs are opened

In 1987, the CU explores the feasibility of offering mortgages with a test program in Illinois, using conservative lending policies, no points, no application fees and no misleading introductory rates. Loan rates adjust to changes in the Prime Rate

In 1991, the CU introduces a toll-free phone number and creates the Telephone Service Center to consolidate all phone transactions into a centralized location

In 1992, Robert Bream becomes CEO. The CU introduces VISA® credit cards (in the first four months, 13,000 members sign up and charge $12 million in balances). Membership now extended to spouses. "Once a member, always a member" policy introduced (to accommodate United employees who later find themselves working for other companies – previously, they would have had to forfeit membership)

In 1995, the CU introduces our first checking account (Passport Plus) and ATM check card. By year-end, 17,000 accounts are opened and over 465,000 ATM transactions made

In 1999, the CU launches its first Internet site. Construction for the CU's new headquarters at 11545 W. Touhy Ave. in Chicago, next to O'Hare International Airport, is completed on time and under budget

In 2000, the CU launches "SkyBranch," our first online banking service. 55,000 members use our credit card

In 2001, the CU partners with BALANCE™ Financial Fitness to offer members free, expert financial counseling

In 2002, the CU introduces Bill Pay to enable members to pay their bills online. We also offer MEMBER'S CHOICE™ Protection debt cancellation coverage

In 2003, we change our name and brand identity to Alliant. After 68 years as a single-sponsor CU, the change signals a major shift – membership diversification. By year-end, we offer our services to 27 sponsor organizations and to individuals who live or work in 19 communities around O'Hare International Airport. David Mooney becomes President and CEO

In 2006, to provide additional high rate savings options, the CU introduces Certificates. We also begin offering student loans

In 2007, the CU introduces our Health Savings Account (HSA), eDeposits (allowing members to deposit checks online) and 24/7 phone access to Alliant Member Service Representatives

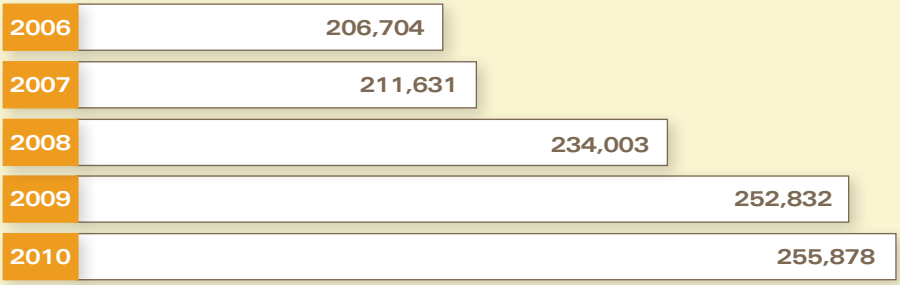
In 2008, our network of surcharge -free ATMs expanded to more than 80,000 and we acquire Kaiperm Federal Credit Union

In 2009, the CU introduces Free High Rate Checking, which adds $30 million in checking deposits – a 30% increase from 2008. We launch the not-for-profit, charitable-giving Alliant Credit Union Foundation to help people achieve economic empowerment and self-sufficency. We also re-introduce investment services, to offer members access to no-cost, no-obligation consultations

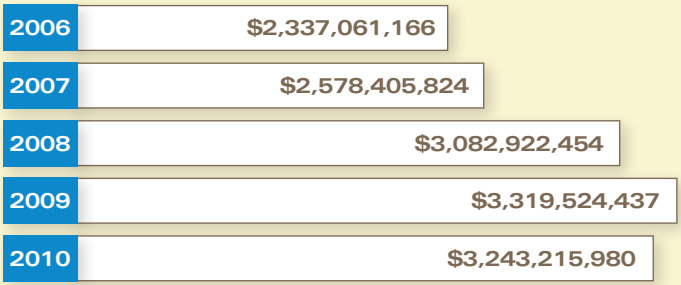
In 2010 Alliant becomes a sponsor of the Orphan Foundation of America, an organization that helps teens who "age out" of foster care become self-reliant, achieve educational goals and successfully enter the work force. Electronic signature pads introduced at Service Centers to make deposits, withdrawals and transfers. We also debuted on social media sites, such as Facebook and Twitter. And, we announced a merger with Continental Federal Credit Union, including its separately branded US Airways Credit Union

Performance Trends

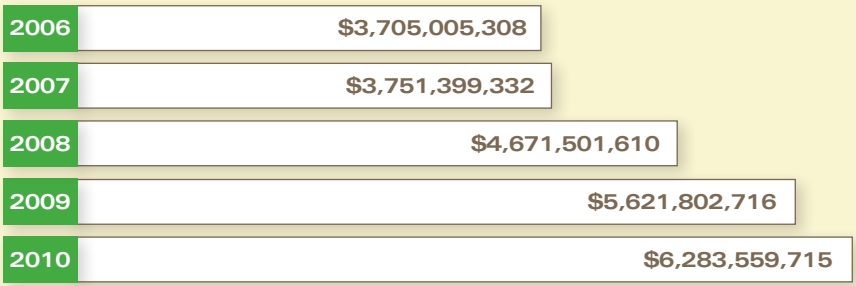
Total primary members



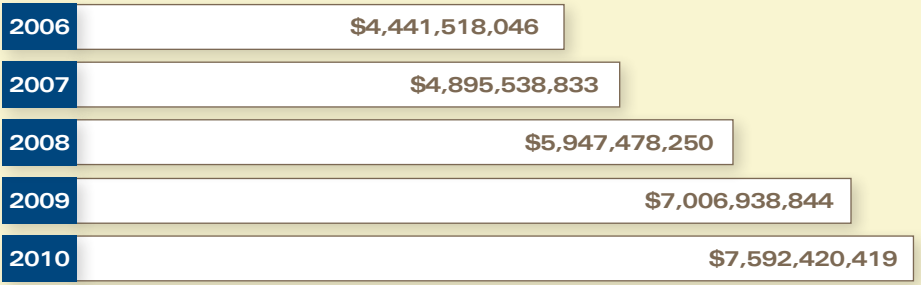
Total loans



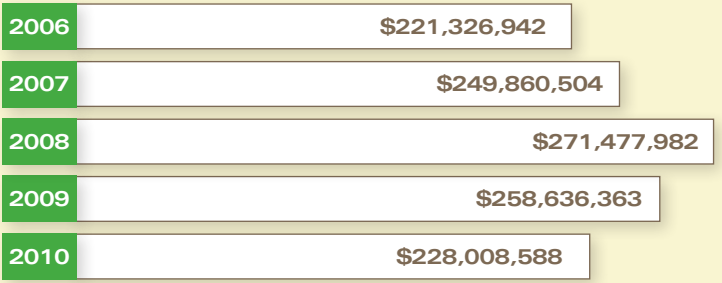
Total deposits



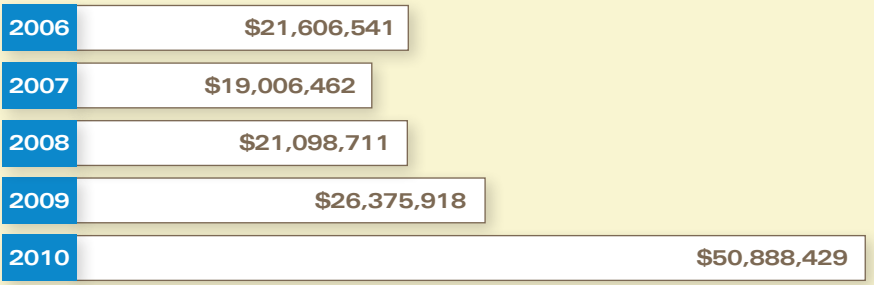
Total assets



Total Interest income



Net income



Financial Statements

for the year-ended December 31, 2010

STATEMENT OF FINANCIAL CONDITION (Unaudited)

($ millions)		2010		2009
ASSETS				
Cash and Cash Equivalents	$	166.0	$	428.2
Certificates of Deposit with other Financial Institutions		322.6		140.6
Securities Available-For-Sale		3,759.2		3,031.9
Loans to Members, Net of Allowance for Loan Losses		3,218.3		3,289.0
National Credit Union Share Insurance Fund Deposit		56.6		51.2
Other Assets		69.7		66.0
Total Assets	**$**	**7,592.4**	**$**	**7,006.9**
LIABILITIES AND MEMBERS' EQUITY				
Member's Shares				
Common Shares	$	4,478.4	$	4,093.2
Certificate Shares		997.8		796.6
IRA Shares		590.8		578.4
Checking Shares		182.3		126.4
HSA Shares		34.3		27.2
	$	**6,283.6**	**$**	**5,621.8**
Borrowings		513.8		656.7
Other Liabilities		25.5		24.8
	$	**539.3**	**$**	**681.5**
Members' Equity				
Regular Reserve		121.0		121.0
Undivided Earnings		599.1		548.2
Accumulated other Comprehensive Income		49.4		34.4
	$	**769.5**	**$**	**703.6**
Total Liabilities and Members' Equity	**$**	**7,592.4**	**$**	**7,006.9**

for the year-ended December 31, 2010

STATEMENT OF INCOME (Unaudited)

($ thousands)		2010		2009
INTEREST INCOME				
Loans to Members	$	165,343.8	$	174,142.3
Securities and Certificates of Deposit with other Financial Institutions		61,643.7		84,064.5
Other		1,021.1		429.6
Total Interest Income	**$**	**228,008.6**	**$**	**258,636.4**
INTEREST EXPENSE				
Members' Shares	$	101,800.5	$	131,906.3
Borrowings		2,368.1		6,256.7
Total Interest Expense	**$**	**104,168.6**	**$**	**138,163.0**
Net Interest Income	**$**	**123,840.0**	**$**	**120,473.4**
Provision for Loan Losses	$	24,866.1	$	38,539.9
Net Interest Income After Provision for Loan Losses	**$**	**98,973.9**	**$**	**81,933.5**
NON-INTEREST INCOME				
Net Gain (Loss) on Disposition of Investments	$	4,548.3	$	(6,943.6)
Gain (Loss) on Foreclosed Assets		804.3		(49.0)
Service Fees		4,196.0		4,993.9
Credit Card Interchange		2,281.7		2,126.4
Other Income		5,671.7		31,281.9
Total Non-Interest Income	**$**	**17,502.0**	**$**	**31,409.6**

(continued on page 12)

Financial Statements, continued

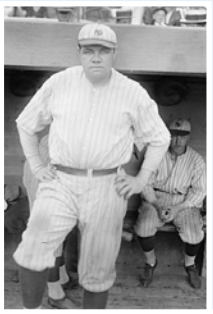
for the year-ended December 31, 2010

STATEMENT OF INCOME (Unaudited)

($ thousands)		2010		2009
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	$	27,336.0	$	28,206.0
Service Charges		8,079.5		7,093.3
Office Operations		6,342.9		5,883.6
Depreciation		3,631.8		3,025.4
Data Processing		2,297.4		1,686.7
Professional Fees		2,424.4		3,025.0
Other		976.1		3,746.3
NCUA Premium Assessment		14,499.4		7,687.3
NCUSIF Deposit Impairment		_		26,613.6
Total Non-Interest Expense	**$**	**65,587.5**	**$**	**86,967.2**
NET INCOME	**$**	**50,888.4**	**$**	**26,375.9**

Five fabulous things that happened in 1935

1. Babe Ruth hits his 714th home run
2. Benny Goodman gives birth to a danceable jazz craze – the swing
3. The Social Security Act takes effect
4. “Mutiny on the Bounty” wins the Oscar for best movie
5. A small group of United Airlines employees gets together and organizes our credit union as a safe place to save and to get loans at a fair rate – the start of Alliant Credit Union



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ALLIANT
CREDIT UNION
Established 1935

BOARD OF DIRECTORS

Lynn Hughitt, *Chairperson*
Scott Praven, *Vice Chairperson*
Laurene Bentel, *Secretary*
David W. Mooney, *President/Treasurer*
Shirley Jones
Amos Kazzaz
Marc Krohn
Alex Marren
Anne Pease
Ed Rogowski
Steve Spiegel

EXECUTIVE MANAGEMENT TEAM

David W. Mooney, *President & CEO*
Mona Leung, *SVP, Finance*
Rudy Pereira, *SVP, Operations & Technology*
Lee Schafer, *SVP, Corporate Affairs*
Timothy J. Wartman, *SVP, Investments*
Frank Weidner, *SVP, Member Services*

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. Datatrac is America's largest interest rate data base with retail deposit and/or lending rates for over 20,000 financial institutions. Datatrac has been conducting unbiased competitive research in the banking industry for over 20 years. For more information, please visit www.datatrac.net. **2.** Bauer Financial, Inc., the national bank and credit union rating firm. **3.** Source: Raddon Financial Group, a division of Open Solutions, Inc.

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.

ALLIANT credit union
P.O. Box 66945, 11545 W. Touhy Avenue
Chicago, IL 60666-0945
800-328-1935
www.alliantcreditunion.org

Equal Housing Lender

Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

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J676-R02/11