NAVIGATING

through uncertain times

2009 Annual Report

ALLIANT℠
credit union

Great Rate Award
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, 2008 – March, 2009 for the following accounts: regular savings, one & two-year Certificates, new auto loans (48 & 60 months), used auto loans (36 & 48 months), 5-year home equity loans and home equity line of credit.

5-Star Superior Rated
Bauer Financial, the national bank and credit union rating firm, awarded Alliant Credit Union a "5-Star Superior" rating for our financial strength and stability. This rating is the highest possible and designates Alliant as one of America's strongest credit unions. Alliant has earned this rating for 56 consecutive quarters – a distinction only 16% of the nation's credit unions share.

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.

MESSAGE FROM THE CHAIRPERSON AND PRESIDENT

At the close of our 2008 Annual Report message, we noted...

Lynn Hughitt
Chairperson

David W. Mooney
President/Treasurer

"With conditions still highly uncertain and volatile, Alliant is charting a conservative course until visibility improves. That is not to say that we are retrenching. We have substantial opportunities within our existing membership and sponsors, and our financial, strategic and organizational strengths position Alliant for continued healthy growth."

...at year-end 2009, these notes continue to ring true.

Indeed, the environment continues to be hostile for most financial institutions. But, Alliant continues to maintain a robust balance sheet and remain a safe, stable institution for our members' money. In 2009, the U.S. economy experienced its worst downturn since the Great Depression. Unemployment reached double digit levels. The housing market remained listless, with foreclosures soaring despite government efforts to help troubled homeowners and stimulate activity. Soured loans and investments led to 140 bank failures – the largest one year total since the Savings & Loan crisis. Weak employment and depressed housing markets, along with losses at corporate credit unions, also impacted retail credit unions. Many were forced to shrink balance sheets and slash spending, and failures and forced mergers multiplied.

While Alliant was not entirely immune to the difficult conditions, as predicted we continued to produce strong returns and healthy growth.

Throughout 2009, Alliant remained in the top 1% of credit unions nationally in "giveback" to members. ("Giveback" is a measure of Alliant's deposit and loan rates relative to other credit unions.) With short-term interest rates at historical lows, yields on our assets declined and members saw savings dividends drop considerably. Still, Alliant's savings rate was consistently among the highest available and more than seven times the bank average! Members responded to Alliant's superior value by adding nearly $1 billion in deposits.

Alliant members continued to enjoy "everyday low rates" on loans, borrowing at rates below those at most other lenders, depending on type of loan. Alliant originated over $1.1 billion in new loans, and total loans outstanding grew by 9% during the year.

Similar to other lenders, and as anticipated, Alliant did experience higher loan losses in 2009. Net charge-offs were 0.86% of loans, compared with 0.51% in 2008. On a positive note, our charge-offs were well below the credit union industry average of 1.17%.

Corporate credit unions were a big story in 2009. Corporates – institutions that are owned by and serve "retail" credit unions like Alliant – incurred significant impairment charges on their mortgage securities holdings. (Impairment occurs when there is a substantial possibility that a portion of principal will not be repaid.) As a result, the National Credit Union Administration (NCUA), the federal regulatory agency that oversees credit unions, took actions to stabilize the corporate system, resulting in assessments to credit unions to cover the costs. Alliant's assessment was about $8 million. We also wrote down the value of our membership equity in corporate credit unions by almost $7 million. Unlike the banking industry, credit unions did not receive any taxpayer "bailouts."

Despite elevated credit costs and regulatory assessments, Alliant produced a full year net income of $26 million. Our extremely low operating costs are a great advantage, allowing us to produce good returns even in challenging conditions and without taking excessive risk.

Alliant continues to maintain a robust balance sheet. We added $80 million in capital, ending 2009 with over $700 million in total equity. State and federal examiners again awarded Alliant the highest rating for safety and soundness – no small distinction in this environment.

Amidst encouraging signs of economic recovery, financial institutions continue to face significant challenges. If the job market, as expected, is slow to rebound, then loan losses will remain at elevated levels. Deposit insurance premiums for both banks and credit unions are likely to stay high as well. Elected officials are expanding regulation, with inevitable unintended consequences. Still, we are confident that Alliant will continue to fulfill its mission to provide consistently superior financial value and helpful, knowledgeable, memorable service to our members.

Lynn Hughitt
Chairperson

David W. Mooney
President/Treasurer

Alliant Highlights of 2009

Member Giveback

- Maintained our ranking in the top 1% of credit unions in total "giveback" to members, according to Raddon Financial Group, a division of Open Solutions, Inc.
- Total dividends paid to members were $132 million
- Alliant's "dividend premium" was 1.34 percentage points over the credit union average rate
- Our Health Savings Account (HSA) continued to offer one of the highest rates in the market
- Members continued to enjoy "everyday low rates" on loans, borrowing at rates 0.25% - 1.00% below those at most other lenders, depending on product

Income and Operations

- Net interest income of $121 million was 49% above prior year
- Provision for loan losses were more than double 2008 levels, reflecting elevated unemployment and higher loan balances. Net charge-offs were 0.86%, compared with 0.51% in 2008, which was also well below the bank and credit union industry averages
- Non-interest income was $31 million, which included reimbursement of the recapitalization of the National Credit Union Share Insurance Fund corporate stabilization program of $27 million. Without factoring in the reimbursement impact, non-interest income was $5 million, a decrease of $7 million from prior year. Main drivers were the write down of corporate credit union capital and an investment security held in Alliant's investment portfolio
- Non-interest expenses were $60 million, 12% higher than 2008, due to the National Credit Union Administration deposit insurance fund premium assessment and mortgage incentive compensation. Excluding the impact of the premium assessment, expenses declined 2% from 2008
- Alliant ranked in the top 2% of credit unions in operating expenses/assets at 0.84% compared to the industry average of 3.66% (as of 9/30/09 – the most recent available data)
- Total net income for the year was $26 million, an increase of 25% over prior year
- Total capital at year-end was $703.6 million, up $80.2 million over 2008
- Year-end net worth stood at 9.55%, down from 10.81% at year-end 2008, reflecting strong asset growth exceeding retained earnings accumulation. Alliant maintained net worth well above the 7% regulatory definition of "well capitalized"
- Total assets topped $7 billion at year-end, up 18% from 2008

Member Participation

- Deposits reached $5.6 billion, growing by $950 million or 20% from prior year-end
- Loans exceeded $3.3 billion, finishing 9% greater than 2008 due to strong mortgage volume. Originated $1.1 billion in loans, 10% more than the prior year
- Number of active online banking users grew to 77,709, a 34% increase from 2008

Expand and Diversify Membership

- Added more than 20 new sponsor groups, including Google and Morningstar
- Converted over 16,000 RR Donnelley HSAs from Mellon Bank to our HSA program
- Membership grew to nearly 253,000, an increase of over 8% from the prior year

Earn and Keep Member Trust

- Achieved 62.1% top box (very satisfied) member satisfaction, down from 62.7% in 2008. Satisfaction with deposit rates declined due to historically low market interest rates, while satisfaction with service improved
- Completed 355 loan modifications and 500 home equity subordinations, enabling members to lower payments and maintain access to credit lines
- Earned the highest rating for safety and soundness form state and federal examiners

Product and Service Enhancements

- Introduced Free High Rate Checking, a product that added $30 million in checking deposits, an increase of 30% from 2008
- Re-introduced investment services, offering members access to no-cost, no-obligation consultations, objective advice, and financial education and planning tools
- Implemented enhancements to online banking functionality, including the SimpliFi personal financial planning tools, credit scores, credit card statements, prior year IRA contribution capability, debit card activation and PIN reset, HSA account opening, transfer and bill pay capabilities
- Re-engineered our tax reporting process, enabling us to provide members with most 2009 tax forms within two weeks of year-end. Implemented an automated address verification process to reduce the incidence of bad addresses and associated mail delivery problems

Charitable Activities

- Formally launched the Alliant Credit Union Foundation to expand and institutionalize Alliant's philanthropic and community development activities
- Employee volunteers conducted financial literacy classes to over 700 middle school students
- Formed a partnership with Prescott Magnet School in Chicago to provide employee/volunteer participation in support of school improvement projects and financial literacy instruction
- Alliant employees built 70 bicycles which were delivered to underprivileged children

Extraordinary Events in 2009

There were several industry events that took place in 2009 that affected our Statement of Income results. In early January 2009, NCUA, our governing body, enacted the National Credit Union Insurance Fund (NCUSIF) Corporate Stabilization Program to stabilize the corporate credit union system. The impetus of this program was the increasing loss positions of two corporate credit unions, U.S. Central and Western Corporate Federal Credit Union. The program affected expenses of all credit union's proportionate to their insured deposits and specifically for Alliant the impact was recorded and realized in our March 2009 results as follows:

- An estimated $26.6 million devaluation of our portion of the share insurance fund
- An $11.6 million incremental premium assessment to replenish the equity ratio of the NCUSIF

In May 2009, the President signed into law the "Helping Families Act," which amended the Federal Credit Union Act. It included two specific provisions: (1) create a temporary Corporate Credit Stabilization Fund to mitigate near-term corporate stabilization costs; and (2) provide the NCUSIF authority to assess premiums over eight years to rebuild the NCUSIF equity ratio. In June 2009, the NCUA Board approved actions to legally obligate the Stabilization Fund for the cost of stabilizing the corporate system, thus releasing the NCUSIF of its obligations related to corporate stabilization actions. The result of the amendment in the "Helping Families Act" and NCUA Board action had additional impacts to all credit unions' statement of income, and for Alliant the impact was recognized in our June 2009 results as follows:

- Recapitalized the estimated $26.6 million impairment costs taken in March 2009, and recorded it as an income according to NCUA guidance and Generally Accepted Accounting Principles (GAAP)
- Incurred a new premium assessment that was lower than the estimate given in March 2009, which resulted in an expense credit of $11.6 million and an expense charge of $7.7 million

Lastly, due to the losses at Western Corporate Federal Credit Union and Members United Corporate Federal Credit Union, we recognized a total of $6.7 million as the impairment to our member capital positions at those corporate credit unions.

Performance Summary

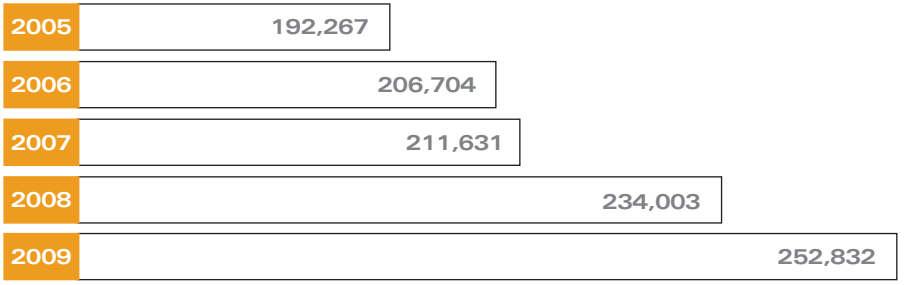
Overall in 2009, Alliant Credit Union sustained strong financial growth during one of the most turbulent periods in financial services history. The economic downturn was extreme. Unemployment rates skyrocketed. The residential real estate market deteriorated. And public concerns about prudent business leadership, especially in financial services companies, became headline news. All of these issues and conditions certainly impacted Alliant. However, Alliant's strategy and business model demonstrated its strength and helped the organization navigate the rough waters of 2009. Although Alliant's savings dividends were substantially lower than in prior years, they were dramatically higher (more than three times) than the credit union average, in terms of blended savings, money market and certificate rates – and more than seven times higher than the average bank savings rate in 2009. The return provided on Alliant's Health Savings Account (HSA) continued to be among the highest rate in the market. Additionally, members continued to enjoy "everyday low rates" on loans with borrowing rates at 0.25% to 1.00% below those offered by most other lenders, depending on product. Alliant also achieved specific progress, strategically and operationally, around key enterprise success factors, positioning Alliant for continued success.

Alliant membership and loan balances both grew significantly in the past year. We grew through existing and new Select Employer Group (SEG) relationships. During the year, Alliant added more than 20 new sponsor organizations, including Google and Morningstar. In December 2008, we introduced a free high rate checking product, which spurred significant percentage basis growth in our checking account shares. We also focused on our remote and self-service access channels to improve our members' experience when using those systems to access their accounts. Specific enhancements to our online banking functionality, including access to credit scores, credit card statements, prior year IRA contribution capability, debit card activation and PIN reset, as well as HSA account opening, enable our members to more easily transact and manage their business with Alliant.

Membership exceeded 250,000

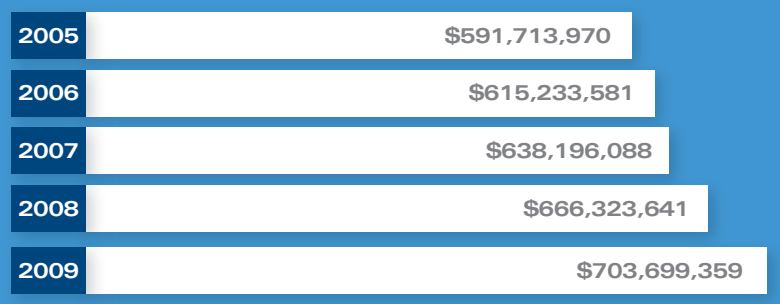
Total Alliant membership at December 31, 2009, stands at nearly 253,000 members. This is an increase of over 8% in total membership, compared to 2008. We generated total interest income of $258.6 million and we distributed $131.9 million (51.0%) of that as dividends to members. The percentage giveback of total interest income decreased as compared to prior year because of extraordinary events in 2009. However, Alliant's giveback to members through dividends and "everyday low rates" on loans, as measured and reported by a leading industry group, continued to rank in the top 1% of all credit unions. Deposits grew substantially for the second year in a row with the balance at December 31, 2009, totaling $5.6 billion. This growth exceeded plan by 17.5% and is an increase of 20% compared to prior year-end.

Total primary members

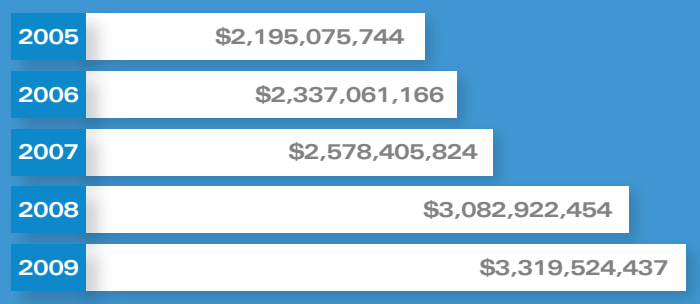


Financial Performance

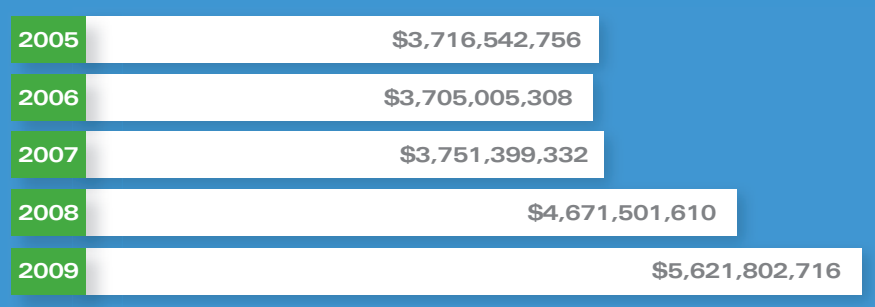
Total reserves



Total loans



Total deposits

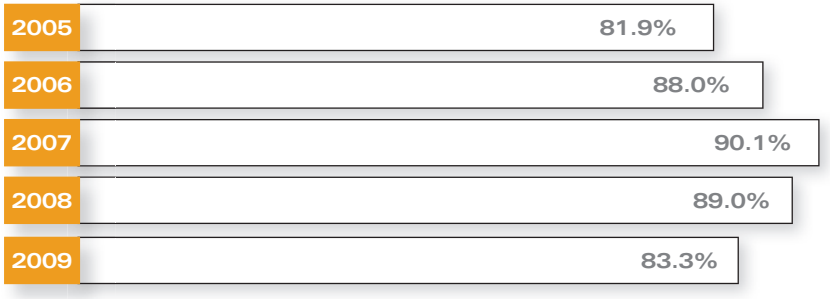


Loan balances at year-end exceeded $3.3 billion – up 9% from prior year-end. This growth is attributable to strong mortgage volume throughout the first three quarters of the year. This growth slowed in the fourth quarter, but our total loan balance at December 31, 2009, was 3% over plan. Consumer lending levels decreased primarily due to our nation's economic turbulence and its impact on U.S. automakers and their decreased volume of car sales. Growth in our loan portfolio impacts our loan loss provision on an absolute basis, even on an assumption of steady and stable market conditions and factors. The economic conditions of 2009 also led to a decline in residential real estate values, and as a result, created a substantial negative impact to the loan loss provision. Alliant's ratio of charge-offs to average outstanding balances increased to 0.86% as compared to 0.51% in 2008. While the increase is dramatic, our charge-off ratio significantly trails the credit union average of 1.17% measured and derived through the third quarter of 2009. Our overall Allowance for Loan Loss, provided for outstanding loans, increased $11 million or 46% compared to 2008. The charge to earnings for the year related to loan losses and associated losses with disposal of property securing those loans more than doubled. These increased losses negatively impacted our earnings with losses on both an absolute basis, as well as from an overall percentage standpoint for our loan portfolio. Alliant recognizes that we are not immune to the economic issues and concerns that currently exist. However, we continue to focus on sound, prudent and consistent underwriting principles. And we've seen that these practices have served our membership well during the recent economic stress. While losses in the aggregate, and as a percentage of outstanding loan balances, have grown in recent years, Alliant continues to actively monitor and manage credit risk to ensure the impact to our members is minimized over the long term.

Alliant in top 1% in "giveback"

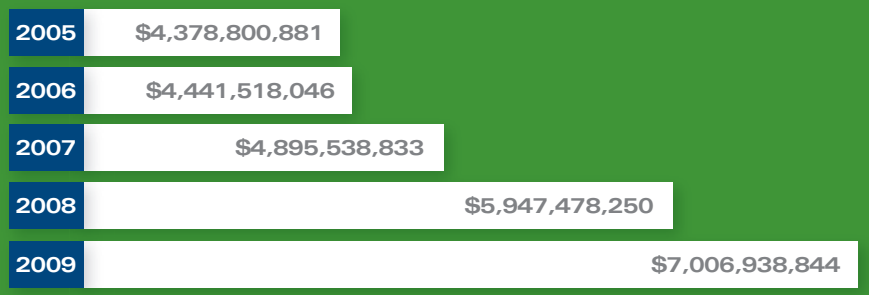
A weak interest rate environment throughout the year constrained overall investment earnings. This compressed the net interest margin relative to the member giveback through dividends. The substantial growth in member deposits provided on one hand substantial liquidity, but on the other hand challenged our ability to generate sufficient returns in the investment arena (through investment securities and/or loans). Our total investment balance at December 31, 2009, (including cash and cash equivalents) was 30% higher than the prior year. While Alliant lowered its savings dividend in total by 150 basis points over the year, our giveback or return to members, as measured and reported by a leading industry group, continued to rank in the top 1% of all credit unions. To keep our savings dividend among the highest in the nation, we focused on maintaining our operational efficiency and low cost position. This focus paid off – Alliant continues to rank in the top 2% of credit unions in the ratio of operating expenses to assets.

Dividends distributed to members/Net earnings

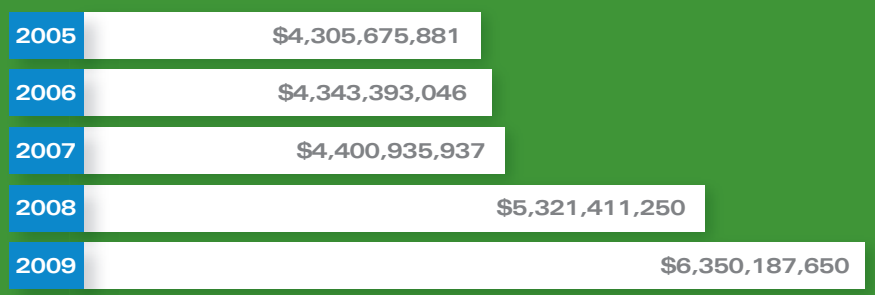


Financial Performance, continued

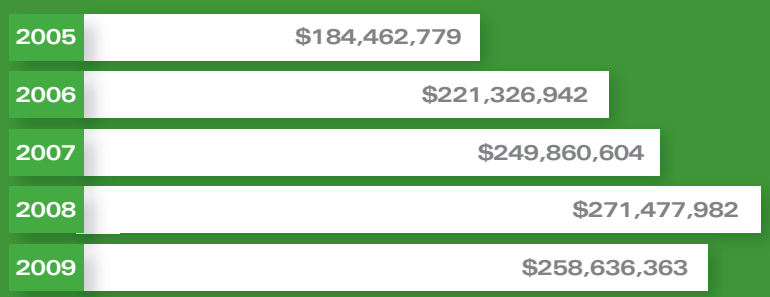
Total assets



Net assets



Interest income



Alliant incurred some unique charges as a result of the economic conditions. These charges, which directly impacted net income, were as follows:

- A $6.7 million write-down of membership capital in corporate credit unions due to losses in those institutions' investment portfolios. The remaining value of corporate credit union membership capital on Alliant's books at December 31, 2009, is less than $500,000
- A $7.3 million impairment write-down of an investment security held in Alliant's portfolio
- A $7.7 million premium assessment to Alliant by the National Credit Union Administration to repay costs of stabilizing the corporate credit union system. The reason: corporate credit unions, overall, suffered significant losses in their investment portfolios

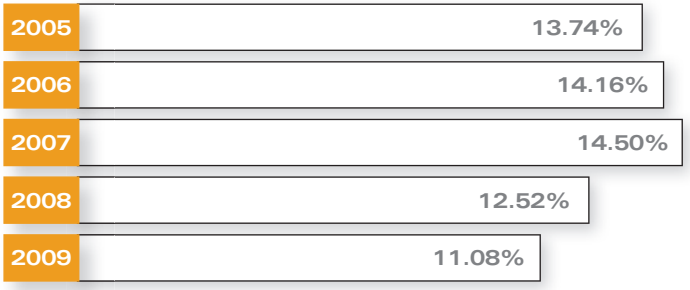
The impact of these charges: a direct reduction in our current year income of $21.7 million.

Alliant's total reserves, including undivided earnings and allowance for loan loss in 2009, grew by approximately $91.1 million, compared to balances as of December 31, 2008. Current year earnings of $26.4 million, an increase of $11.0 million in the allowance for loan losses plus a $53.7 million change in market valuation of the investment portfolio, contributed to the increased level of reserves as compared to the end of last year. At December 31, 2009, the unrealized gain associated with the investment portfolio of Alliant was $34.4 million, compared to an unrealized loss position of $19.3 million 12 months earlier. The market value adjustment of the investment portfolio at December 31 is less than 1% and indicates, from a broad based perspective, that Alliant is now reasonably well positioned with respect to its portfolio.

Alliant continues to grow despite the economy

In summary, Alliant's financial results in 2009 were strong in the midst of a severe economic downturn. Our overall results relative to the marketplace and peer institutions demonstrate that Alliant continues to deliver on its mission: providing members with consistently superior financial value through high return on deposits and low rates on loans. Additionally, Alliant remains committed to earn our members' trust through enhancements that improve member experience and financial well-being. Our financial results reflect our strategic focus and emphasis on building and enhancing the capabilities of the organization to meet the needs of our members. Alliant continues to have a high quality asset base, strong capital position and a steadfast focus on cost efficiency, which provides management with confidence that the organization can continue to achieve its mission in any economic environment. The uncertainty and economic issues of 2009 have created challenges for all financial organizations. These challenges will certainly impact our performance in 2010. Yet, these challenges also create opportunities. We expect to continue to strengthen and build the capability of our organization – and maximize its value to our members – through a consistent and steady focus on sound fundamental principles and key success factors. Our focus makes us well positioned to deliver on the mission for the long term.

Capital/Net Asset Ratio



Financial Statements

for the year-ended December 31, 2009

STATEMENT OF FINANCIAL CONDITION (Unaudited)

($ millions)	2009	2008
ASSETS		
Total Cash and Cash Equivalents	$ 428.2	$ 169.6
Certificates of Deposit with other Financial Institutions	140.6	323.6
Securities Available-For-Sale	3,031.9	2,283.0
Loans to Members, Net of Allowance for Loan Losses	3,289.0	3,063.2
National Credit Union Share Insurance Fund Deposit	51.2	36.8
Other Assets	66.0	71.3
Total Assets	**$ 7,006.9**	**$ 5,947.5**
Net Assets	**$ 6,350.2**	**$ 5,321.4**
LIABILITIES AND MEMBERS' EQUITY		
Common Shares	$ 4,093.2	$ 3,383.2
Certificate Shares	796.6	708.5
IRA Shares	578.4	480.2
Checking Shares	126.4	96.9
HSA Shares	27.2	2.8
Accrued Expenses and Liabilities	681.5	652.5
Reserves and Undivided Earnings	703.6	623.4
Total Liabilities and Members' Equity	**$ 7,006.9**	**$ 5,947.5**
Net Liabilities and Members' Equity	**$ 6,350.2**	**$ 5,321.4**

for the year-ended December 31, 2009

STATEMENT OF RESERVES AND UNDIVIDED EARNINGS (Unaudited)

($ millions)	2009	2008
Reserves and Undivided Earnings - Including Allowance for Loan Losses (Beginning of Year)	$ 647.0	$ 640.3
Net Income	26.4	21.1
Change in Unrealized Gain (Loss) on Securities Available for Sale	53.7	(21.4)
Change in Other Reserves and Allowance for Loan Losses	11.0	7.0
Reserves and Undivided Earnings - Including Allowance for Loan Losses (End of Year)	**$ 738.1**	**$ 647.0**

for the year-ended December 31, 2009

STATEMENT OF INCOME (Unaudited)

($ thousands)	2009	2008
INTEREST INCOME		
Loans to Members	$ 174,142.3	$ 163,435.6
Securities and Certificates of Deposit with other Financial Institutions	84,064.5	107,519.6
Federal Funds Sold	414.6	415.7
Other	14.9	107.1
Total Interest Income	**$ 258,636.4**	**$ 271,478.1**
INTEREST EXPENSE		
Members' Shares	$ 131,906.3	$ 170,816.3
Repurchase Agreements	1,312.9	4,920.7
Investments	4,943.8	14,753.5
Total Interest Expense	**$ 138,163.0**	**$ 190,490.5**
Net Interest Income	**$ 120,473.4**	**$ 80,987.6**
Provision for Loan Losses	$ 38,539.9	$ 18,318.3
Net Interest Income After Provision for Loan Assessment	**$ 81,933.5**	**$ 62,669.3**
NON-INTEREST INCOME		
Net Gains on Sales of Securities	$ 1,408.0	$ 2,241.5
Impairment of Available for Sale Securities	(8,351.6)	175.0
Loss on Foreclosed Assets	(49.0)	(1,405.2)
Service Fees	4,993.9	4,715.7
Credit Card Interchange	2,126.4	2,206.4
Other Income	31,281.9	4,207.4
Total Non-Interest Income	**$ 31,409.6**	**$ 12,140.8**

for the year-ended December 31, 2009

STATEMENT OF INCOME (Unaudited)

($ thousands)	2009	2008
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	$ 28,206.0	$ 26,495.8
Service Charges	7,093.3	6,957.5
Marketing	1,270.4	1,334.9
Office Operations	5,883.6	5,774.2
Depreciation	3,025.4	2,859.6
Data Processing	1,686.7	1,474.1
Professional & Outside Services	3,025.0	2,167.1
Training & Travel	1,428.5	1,369.5
Other	1,047.4	5,279.0
NCUA Premium Assessment	7,687.3	–
Total Non-Interest Expense	**$ 60,353.6**	**$ 53,711.7**
Net Income Before NCUSIF Stabilization Expenses	**$ 52,989.5**	**$ 21,098.4**
NCUSIF Stabilization Expense	$ 26,613.6	$ –
NET INCOME	**$ 26,375.9**	**$ 21,098.4**

for the year-ended December 31, 2009

STATEMENTS OF CASH FLOWS (Unaudited)

($ millions)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 26.4	$ 21.1
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation	2.8	2.6
Provision for Possible Loan Losses	38.3	18.3
Gain on Sale of Investments, Foreclosed Property and Assets, net	(1.4)	(0.3)
Premium Amortization and Discount Accretion on Securities, net	10.7	(2.4)
Impairment Charge - Investment Securities and Corporate Credit Union Membership Capital	8.4	–
Other	0.5	0.6
Change in Other Operating Assets and Liabilities		
Increase in Other Assets	(1.0)	(2.8)
(Decrease) Increase in Other Liabilities	(1.5)	2.3
Net Cash Provided By Operating Activities	**$ 83.2**	**$ 39.4**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	$ (3,181.9)	$ (1,479.2)
Sale of Investment Securities	369.3	223.2
Maturities and Paydowns on Investment Securities	2,289.6	749.2
Net Change in Loans	(263.9)	(437.0)
Purchase of Property and Equipment	(3.6)	(3.5)
Increase in NCUSIF Insurance Deposit	(14.4)	(5.8)
Net Cash Used for Investing Activities	**$ (804.9)**	**$ (953.1)**

for the year-ended December 31, 2009

STATEMENT OF CASH FLOW (Unaudited) continued

($ millions)	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Membership Shares Before Dividends	$ 817.7	$ 666.6
Dividends Paid	131.9	170.8
Cash Acquired in Purchase and Assumption of Kaiperm Federal Credit Union		2.0
Change in Repurchase Agreements and Advances Under Financing Agreements	30.7	124.5
Net Cash Provided By Financing Activities	**$ 980.3**	**$ 963.9**
Net Increase in Cash and Cash Equivalents	**$ 258.6**	**$ 50.2**
Cash and Cash Equivalents at Beginning of the Year	**$ 169.6**	**$ 119.4**
Cash and Cash Equivalents at End of the Year	**$ 428.2**	**$ 169.6**

Supplementary Notes

Basis of Presentation: Certain prior period data has been reclassified to conform to current period presentation.

Net Assets – The determination of Net Assets is Total Assets less securities temporarily loaned to brokers or securities purchased with and directly collateralized to outstanding debt agreements. A disclosure of Net Assets is presented in the Statement of Financial Condition. This amount is net of the described transactions, as they are included in both total assets and total liabilities in accordance with Generally Accepted Accounting Principles.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, cash and cash equivalents include cash and balances due from banks, short-term investments and federal funds sold which mature within 90 days.

Securities Available for Sale – As of December 31, 2009, investments in Collateralized Mortgage Obligations accounted for 54.4% of the portfolio of securities available for sale. U.S. Treasury, U.S. Agency and Sponsored Agency securities was 16.8% of the portfolio, 22.2% of the funds were invested in bank and corporate debt securities and the remaining 6.6% of the portfolio was invested in government guaranteed and other securities. The entire investment portfolio (excluding one small stock equity holding acquired through a bankruptcy proceeding related to the debt issuer) was designated as available for sale prior to maturity as of December 31, 2009. The value of those securities is presented on the Statement of Financial Condition at current market value, which is $34.4 million higher than book value.

Loans – Loans to members represent principal balances remaining unpaid on consumer, credit card and mortgage loans. A summary of the balances of loans to members at December 31, 2009 and 2008 is a follows:

(in millions)	2008	2009
Mortgage Loans	$ 2,780.0	$ 2,476.9
Consumer Loans		
Automobile	342.5	421.6
Credit Cards	99.0	99.0
Other	102.0	89.2
Total Consumer Loans	543.5	609.8
Total loans	3,323.5	3,086.7
Less allowance for Loan Loss	34.5	23.5
Net Loans	$ 3,289.0	$ 3,063.2

Allowance for Loan Loss – The Allowance represents an amount estimated by management to be sufficient to cover potential losses from loans currently outstanding. Loan losses deemed uncollectible are charged to this account upon approval of the Board of Directors. As of December, 31, 2009, the Allowance totaled $34.5 million.

Share Insurance Deposit – This deposit is equal to 1.0% of member shares insured by the National Credit Union Administration, an agency of the U.S. Government. As of December 31, 2009, the deposit totaled $51.2 million.

Reverse Repurchase Agreement – Alliant participates in a reverse repurchase agreement in which securities are pledged in exchange for cash, which is then reinvested to generate arbitrage income. As of December 31, 2009, securities in the amount of $396.3 million were committed for this purpose.

Lines of Credit – Unused commitments on lines of credit in mortgages, credit cards and unsecured share draft loans totaled $278.2, $427.9 and $37.5 million, respectively, as of December 31, 2009. These commitments are not reflected in the financial statements.

Accrued Expenses and Liabilities – Alliant's obligations with respect to the securities loaned to brokers totaled $396.3 million as of December 31, 2009.

At December 31, 2009, Alliant also had advances outstanding from the Federal Home Loan Bank of Chicago in the amount of $99.5 million. The advances mature or are payable as follows: $50 million – January 2010; $20 million – February 2010; and $29.5 million – June 2012.

At December 31, 2009, Alliant has loans payable with Members United Corporate Federal Credit Union. The outstanding loans payable are fully secured by certificates of deposit with Credit Union System Investment Program of $160.9 million. The loans are also secured by $160.9 million of a $500 million line credit with Members United Corporate Federal Credit Union. The loans are repayable as follows: $50 million – January 2010; $100 million – February 2010; and $10.9 million – March 2010.

The remaining liabilities balance of $24.8 million represents other short-term liabilities.

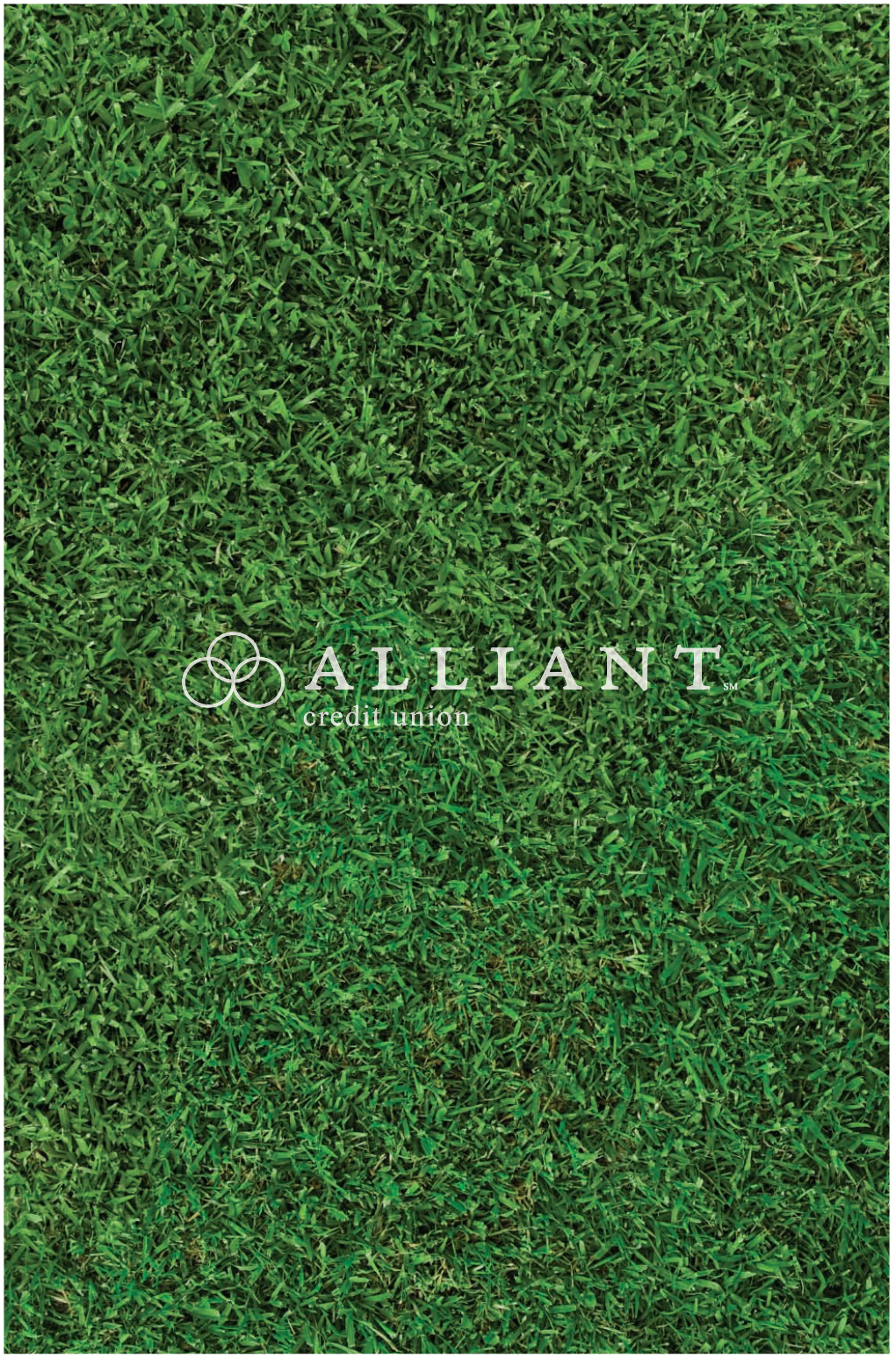
Supplementary Notes, continued

Reserves and Undivided Earnings – Quantitative measures established by regulation to ensure capital adequacy require Alliant to maintain minimum amounts and ratios of net worth to total assets. The minimum ratios per applicable regulation at December 31, 2009, and 2008, were 7%, and corresponding capital levels were $490.5 million and $416.3 million, respectively. Capital levels at December 31, 2009, and 2008, were $669.2 million and $642.8 million, respectively. Management believes, as of December 31, 2009, that Alliant meets all capital adequacy requirements to which it is subject.

The reserves and undivided earnings of Alliant Credit Union consist of a number of separate components. A Statutory Regular Reserve (prescribed by state regulation) is maintained, and amounted to $121.0 million at December 31, 2009, and December 31, 2008. Capital reserves represent a general reserve for unforeseen contingencies and totaled $548.2 million and $521.8 million at December 31, 2009, and 2008, respectively. Undivided earnings include net unrealized gains/(losses) on investments available for sale, which were $34.4 million and ($19.4) million at December 31, 2009, and 2008, respectively.

Taxation – Alliant is exempt, by statute, from federal and state income taxes. The Internal Revenue Service (IRS) and certain state taxing authorities are currently revisiting what, if any, products and services provided by state-chartered credit unions, are subject to unrelated business income tax (UBIT). There is currently very little guidance in the IRS code on what activities should be subject to UBIT. As a result, some uncertainty currently exists as to whether state chartered credit unions should pay income tax on certain activities, that may be considered by taxing authorities as unrelated to the tax-exempt purpose of the credit union. In the opinion of Alliant's management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to Alliant's non-taxable status is not expected to have a material effect on our position or results of operation.

Audited Report – The financial information provided in this annual report, although believed to be accurate, is unaudited as of December 31, 2009. Audited financial statements, on which an opinion is provided by Plante & Moran, PLLC, are available from Alliant Credit Union for the year-ended June 30, 2009.



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