

Chairman & President's Letter.

On behalf of the Board of Directors we are please to welcome you to the 58th Annual Meeting of the Members of Alliance Credit Union.

Alliance has the unique privilege of serving members in two geographically distinct markets – California and North Carolina. Our financial centers may be 2000 miles apart but they are all truly committed to the same goal – serving members with the utmost care and concern. We have an amazing group of employees and volunteers on both coasts that understand the credit union philosophy of people helping people and work each and everyday to make decisions that are in your best interest.

We have a long history of helping members in our communities shape successful financial futures. Our success has always been defined in how well we meet our members' changing financial needs and we're pleased that in 2010 we were able to bring you a number of new technology based solutions that provide added convenience and simplify banking with us.

2010 Highlights

- We opened our new Sunnyvale Financial Center located at 540 Lawrence Expressway, providing a convenient location and upgraded facilities.
- All Alliance owned ATMs were replaced with the latest technology providing electronic deposit imaging with no envelopes required.
- We introduced E-Notices which converted most paper notices to email notifications making for faster notification from us and reducing the impact to the environment.
- Text messaging through our mobile banking services was introduced, enabling you to easily get updated balances and transaction information anytime/anywhere through your personal mobile device.
- We continued our commitment to financial education by providing monthly free financial and informational seminars to members.

- We honored three graduating high school seniors with \$2,000 scholarships.
- In our annual member survey over 95% of you indicated your satisfaction with the service provided at Alliance.

Although the economy and financial markets began to show some signs of improvement in 2010 we still struggled with stubbornly high unemployment in the communities we serve and consumers remained nervous about their financial stability.

Alliance experienced significant improvement in financial performance compared to the previous years primarily due to lower loan losses and by carefully managing expenses. However, economic recovery continues to be slow which resulted in fewer borrowers and therefore fewer opportunities. We are optimistic that the economy and the financial condition of our members will improve in 2011 and are therefore confident that the financial condition of the credit union will also continue to improve.

Alliance continued to meet members' needs with competitive and valuable services by lending over \$46 million in 2010. We also welcomed over 3,300 new members and we're pleased they see value in membership at Alliance. Management and the Board of Directors have worked diligently the past two years to manage operations with a focus on the member experience.

Regrettably, this past year we lost two credit union friends – Maynard (Tom) Jones and Roy Mory. Tom Jones served Alliance as a volunteer for 39 years. He was passionate about his service as a member of the Board of Directors and he cared deeply about the people in his life, including his Alliance family. Thirty-nine years of volunteer service is an impressive achievement. Roy Mory served as a volunteer Supervisory Committee member for three years. He was a loyal credit union supporter who took his duties and commitment seriously. Both will be greatly missed by everyone connected to Alliance. We're thankful for their commitment to Alliance and their friendship.

The success of any cooperative organization is a direct result of the support from its members – 2010 presented challenges and opportunities for Alliance to deliver on our promise of helping you make smart financial decisions. Thank you for doing business with us and we truly appreciate your support.



SURYA TURAGA : CHAIRPERSON



EILEEN LEWIS : PRESIDENT : CEO

CALIFORNIA FINANCIAL CENTERS

Curtner
265 Curtner Ave.
San Jose, CA 95125

Blossom Valley
5681 Snell Ave.,
Suite 2
San Jose, CA 95123

Fremont
39174 Argonaut Way
Fremont, CA 94538

O'Connor Hospital
2105 Forest Ave.
San Jose, CA 95128

Sunnyvale
501 Lawrence Expressway
Suite 1
Sunnyvale, CA 94085

NORTH CAROLINA FINANCIAL CENTERS

Glen Meade
2465 S. 17th St.
Wilmington, NC 28401

GE
3901 Castle Hayne Rd.
Castle Hayne, NC 28429

Myrtle Grove
5620 Carolina Beach Rd.
Wilmington, NC 28412

Racine
237 Racine Dr.
Wilmington, NC 28403

Going above and beyond to meet our members' goals has always been a cornerstone of Alliance Credit Union, and in 2010 that never wavered.

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ANNUAL REPORT

Board of Directors

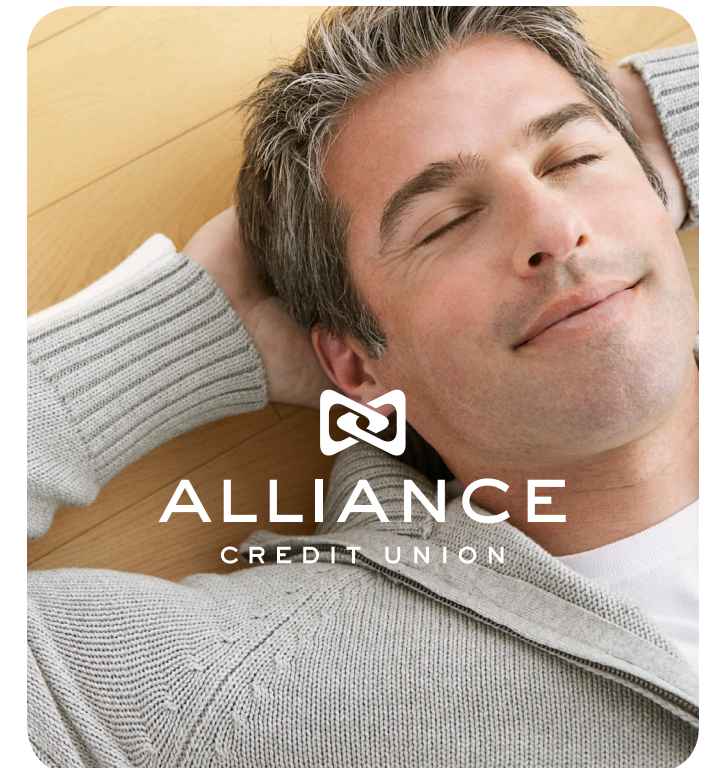
Barbara Alumbaugh	Secretary
Eric Battilega	Vice Chairperson
Chris Ekren	Director
Ralph Finelli	Director
Eileen Lewis	Treasurer
Pete Mazzucco	Director
Ram Misra	Director
Surya Turaga	Chairperson
Appointed First Quarter 2011	
Donna Rhody	Director



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CREDIT UNION
Personal. Banking.



Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government. National Credit Union Administration, a U.S. Government Agency. ©2010 Alliance Credit Union.



Supervisory Committee Report

The Supervisory Committee serves as “overseer” by monitoring, evaluating and assuring members that Alliance Credit Union is soundly managed through quality operations. We also validate the accuracy of records and confirm member deposits are protected. We perform these functions independently of the Board of Directors and management with assistance from an internal auditor who reviews credit union operations through internal audits and examinations.

The Supervisory Committee engaged McGladry & Pullen, LLP in 2010 to audit the financial statements. Copies of the audited financials are available to members upon request.

The Supervisory Committee is to be commended for their ongoing commitment and for maintaining the trust members have in the Credit Union. Their continued dedication to integrity and efficiency is also very much appreciated. Our sincerest thanks to the Board of Directors, management, staff and committees for their ongoing service to Alliance Credit Union.

2010 was a year to rebuild – to take the lessons of previous years and put them to use creating a stronger, better Alliance Credit Union. And we’re well on our way to realizing that goal. Of course the most important goal we’re striving for is the satisfaction and financial well being of our members. By that benchmark, we’re succeeding in excellent fashion and look forward to going even farther in 2011.



Supervisory Committee

Laura Golding Member
 Devin McAlpine Member
 Appointed First Quarter 2011
 Barbara Usher Member
 Brian Dorgan Member

North Carolina Liaison Committee

Chris Bruer Member
 Mike Kiernan Member
 Harold Trammel Member

STATEMENT OF INCOME

For the years ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest from Loans	13,042,637	15,044,960
Income from Investments	2,285,005	2,033,729
Total Interest Income	15,327,642	17,078,689
DIVIDEND & PROVISION EXPENSES		
Dividends	2,514,282	4,010,746
Provision for Loan Losses	3,526,752	8,072,607
Interest on Borrowed Money	590,238	1,044,298
Net Interest Income after Dividends and Provision for Loan Losses	8,696,371	3,951,037
Other Income	6,538,159	5,714,174
Total Income After Dividends	15,234,530	9,665,212

STATEMENT OF INCOME

For the years ended December 31, 2010 and 2009

	2010	2009
OPERATING EXPENSES		
Compensation & Benefits	6,663,099	6,450,742
Office Operations	4,461,822	4,216,472
Office Occupancy	931,784	1,056,552
Member Insurance	6,018	11,296
Professional & Outside Services	534,290	343,347
Marketing	448,751	470,405
Examination Fees	30,461	28,264
Loan Administration	292,546	305,620
NCUSIF Stabilization Expense	-	1,866,183
NCUSIF Premium Expense	380,890	312,861
TCCUSF Assessment	409,377	144,092
Other Expenses	247,400	175,983
Total Operating Expenses	14,406,437	15,381,817
Income / (Loss) from Operations	828,093	(5,716,606)
Income NCUA Earnings Pass Back	-	1,866,183
Wescorp PIC and MCS Write-Downs	-	(1,871,701)
Non-Operating Income / (Loss)	(1,381,503)	(1,051,375)
Net Income	(553,410)	(6,773,499)

STATEMENT OF FINANCIAL CONDITION

For the years ended December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash	6,010,174	5,175,132
Investments	114,549,394	72,182,694
Loans to Members	219,230,320	257,742,971
Accrued Income Receivable	1,275,531	1,284,694
Property and Equipment	10,763,747	11,361,527
Federal Share Insurance	3,066,744	3,046,355
Other Assets	1,432,269	1,583,707
Allowance for Loan Losses	(5,984,918)	(7,047,680)
Total Assets	350,343,262	345,329,399

STATEMENT OF FINANCIAL CONDITION

For the years ended December 31, 2010 and 2009

	2010	2009
LIABILITIES AND EQUITY		
Accounts Payable	595,842	546,724
Accrued Liabilities	1,120,863	1,015,765
Notes Payable	10,000,000	15,000,000
Unapplied Data	1,203,520	447,987
Total Liabilities	12,920,225	17,010,475
EQUITY		
Members' Deposits	312,407,266	304,638,409
Retained Earnings	25,015,771	23,680,514
Total Liabilities and Equity	350,343,262	345,329,399