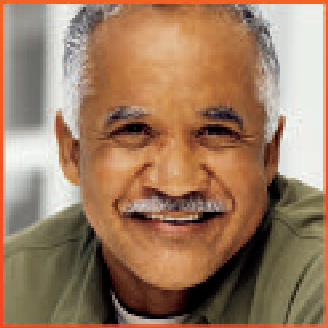
Value

Service



Convenience

2009 Annual Report

Bethpage™
Federal Credit Union

Our Vision

Commitment to extraordinary

value and **service**,

anytime, anywhere.

Main Office

899 S. Oyster Bay Road, Bethpage, NY 11714
800-628-7070 lovebethpage.com

Directory

Public Access Branches

Bethpage (Main Office)
899 South Oyster Bay Road

Bay Shore
591 E. Main Street (Montauk Highway)

Central Islip
233 South Research Place

Commack (King Kullen Supermarket)
120 Veterans Highway

Elmont
1633 Dutch Broadway

Farmingdale
1033 Route 109

Freeport
210 West Merrick Road

Glen Clove
111 School Street

Hempstead
170 Fulton Avenue

Huntington
33 Gerard Street

Levittown (King Kullen Supermarket)
3284 Hempstead Turnpike

Lynbrook
613 Sunrise Highway

Massapequa
6257 Sunrise Highway

Melville
722 Walt Whitman Road (Rte. 110)

Mineola
131 Jericho Turnpike

North Babylon
1350 Deer Park Avenue

Port Jefferson
4802 Nesconset Highway

Riverhead
1095 Old Country Road

Roosevelt
405 Nassau Road

Smithtown
240 Middle Country Road

Westbury
750 Old Country Road

Coming in 2010

Seaford
4006 Merrick Road

Limited Access Branch

Islandia (CA employees only)

Local Shared Service Centers

Amityville, Teachers FCU
Bay Shore, Teachers FCU
Briarwood, Melrose FCU
Brookville, Nassau Educators FCU
Central Islip, Teachers FCU
Commack, Suffolk FCU
Commack, Teachers FCU
East Meadow, Nassau Financial FCU
East Northport, Teachers FCU
Farmingdale, Sperry Associates FCU
Farmingville, Teachers FCU
Flushing, Qside FCU
Garden City, Nassau Financial FCU
Garden City, Sperry Associates FCU
Garden City Park, Sperry Associates FCU
Hauppauge, Island FCU
Hauppauge, Long Island State EFCU
Hicksville, Island FCU
Holbrook, Teachers FCU
Islandia, Suffolk FCU
Manhattan, First Entertainment CU
Manhattan, Justice FCU
Massapequa, Nassau Educators FCU
Medford, Suffolk FCU
Miller Place, Suffolk FCU
Mineola, Winthrop-University Hospital CU
Nesconset, Teachers FCU
North Babylon, Teachers FCU
Oceanside, Nassau Financial FCU
Oceanside, Oceanside Christopher FCU
Plainview, Nassau Educators FCU
Port Jefferson Station, Teachers FCU
Riverhead, Suffolk FCU
Riverhead, Teachers FCU
Rockville Centre, Nassau Educators FCU
Rocky Point, Teachers FCU
Sayville, Island FCU
Seaford, Oceanside Christopher FCU
Selden, Teachers FCU
Smithtown, Teachers FCU
South Setauket, Teachers FCU
Syosset, Nassau Educators FCU
Valley Stream, Nassau Educators FCU
West Babylon, Suffolk FCU
Westbury, Nassau Educators FCU
Woodside, LOMTO FCU

Corporate Information

Board of Directors

Richard B. Turan, Chair
Robert F. Kelly, Vice Chair
Don Balducci, Secretary
Philip Gandolfo, Treasurer
Francis E. Campbell
Thomas D. Gill
John C. Komst
Michelle Nearon
Sam Piazzola

Associate Directors
Jeffrey Alter
Jaci Clement
Jorge A. Martinez

Supervisory Committee

Joseph Moliterno, Chair
John Scano, Secretary
Ann Butera
Les Poinelli

Executive Team

Kirk Kordeleski
President & Chief Executive Officer

Wayne N. Grossé
Chief Operating Officer

Brian Clarke
Senior Vice President &
Chief Financial Officer

Linda Armyn
Senior Vice President, Corporate
Development & Government Affairs

James Breen
Senior Vice President,
Information Technology

Michele Dean
Senior Vice President,
Lending & Investment Operations

Robert Hoppenstedt
Senior Vice President, Operations & Marketing

Gary Jendras
Vice President, Internal Audit

Kevin Kavanah
Vice President, Branch Administration
& Business Services

Douglas O'Neill
Vice President, Human Resources

Gerard Schmitt
Vice President, Marketing

President's Message

This is an exciting time for your credit union. Last year, as the country faced unprecedented economic challenges, Bethpage was able to grow and continue providing extraordinary value and service to our members. When most financial institutions were struggling and losing money, Bethpage experienced record results. When the big banks consolidated and pulled back, we moved forward at a record pace, opening new branches, adding new members and reaching almost $3.7 billion in assets. For the first time in our history, we also surpassed $1.5 billion in loan production for the year. With record low interest rates, we were able to help thousands of Long Islanders reduce their monthly mortgage payments by refinancing with Bethpage.

Putting Members First

How did we accomplish these things? By never losing sight of the fact that our membership always comes first, in everything we do and every decision we make. You own us, so we do not chase short-term profits to benefit stockholders. We do, however, often go to great lengths to meet our members' needs. One member recently shared this story.

The member wanted to refinance her mortgage. She decided on a local bank because they offered her a 'teacher discount,' but when she got to closing she was told that the rate commitment had expired and she would have to pay more than $7,000 in points or choose a higher rate for the term of the loan. She refused and a friend put her in touch with Bethpage. The application was taken over the phone and we put a rush on everything so that the closing could take place two weeks later. In the member's words, "That personal touch is not something you find anymore."

A new branch was opened in Roosevelt in 2009, making Bethpage the first major financial institution to enter the community in 20 years.

Growing To Meet Your Needs

We will continue to invest in the future and in our members. We grew last year despite the financial crisis and will continue to grow not only because thousands of individual Long Islanders still need an alternative to banks, but because it also benefits our existing members. In addition to wanting the great rates and service that Bethpage provides, members tell us time and again that what they also want from their credit union is greater convenience. That means more branches, more surcharge-free ATMs (we already have more than 250 across Long Island), more and better online services, and a highly responsive telephone service center.

As we grow, we are able to invest in all these things. Last year we opened new branches in Roosevelt and Westbury. Serving the underserved is an important part of our credit union mission, and our Roosevelt branch makes Bethpage the first major financial institution to open in that community in 20 years. "Bethpage has always existed to serve its members and opening a branch in Roosevelt exemplifies the credit union's unwavering dedication to Long Island communities in need," said Congresswoman Carolyn McCarthy. "Thanks to Bethpage, its strong community leaders and deep-rooted families, Roosevelt is beginning to see a positive change."

A Financial Partner You Can Trust

Now, more than ever, people need a financial institution they can trust and one that can truly help them with all their personal financial needs. Bethpage is that organization. We take a measured, conservative approach to lending, so that our exposure to loss is minimized even during times of extreme economic uncertainty. As a result, we were not involved in sub-prime mortgages or the toxic investments that dominated the headlines of 2009. As the global financial marketplace and the US economy unraveled before our eyes, Bethpage remained strong by staying true to its vision of providing extraordinary value and service, anytime, anywhere. We have the best rates on Long Island and we have been named #1 in Service for Financial Institutions in the Mid-Atlantic Region by a leading consumer research firm.

Our vision has also provided the foundation for our brand and a new marketing campaign to introduce Bethpage to all Long Islanders so that they too can experience the benefits of banking with us. Research conducted in 2009 showed that while our current members are strong advocates who understand Bethpage, most Long Islanders are unaware that they too can join. Our new advertising spokespersons, "Beth and Paige" were developed to let all Long Islanders know about Bethpage. They personify our unwavering commitment to our members.

No matter how much we grow, we will always be a community credit union devoted to you, our member-owners. Thank you for banking at Bethpage Federal Credit Union and for placing your trust in us.

Kirk Kordeleski
President and Chief Executive Officer

Chairman's Message

In a year when individuals and companies alike struggled, Bethpage Federal Credit Union was once again able to provide a safe haven for its members.

Bethpage continues to be a trusted and valued partner, and the reason is simple. We are here to do what is best for each of you—our member-owners. As a credit union, we don't have stockholders to answer to at the end of each quarter. We are able to return our value to each of you through better rates, lower fees, more conveniences and the extraordinary service you deserve. Bethpage has experienced unprecedented growth this past year thanks to our members and despite a year of financial unrest. For the year ending December 31, 2009, Bethpage's assets grew by 15% and membership increased by 20,000 for a total of 165,000 members. As indicated in the President's Message, Bethpage also achieved record levels of loan production last year. In addition to consumer lending, we have expanded our commercial real estate lending.

Our Roots Run Deep

As a credit union, Bethpage has always been devoted to helping people, a philosophy rooted in the start of the credit union movement of the Great Depression. So last year, when the economy experienced its worst downturn since the Great Depression, your credit union continued to do what it has always done, providing safe and stable financial services for our members and a valuable resource for the Long Island economy.

When banks virtually stopped lending, Bethpage stepped in to help thousands of Long Islanders lower their monthly mortgage payments with low rate refinancing. And when Long Island's neediest residents felt the sting of the recession, Bethpage extended a helping hand. Knowing that the need for food in Long Island's soup kitchens and food pantries was growing, Bethpage partnered with Island Harvest, the largest hunger relief organization on Long Island, to organize a Thanksgiving turkey drive.

The staff at Bethpage amassed a team of volunteers and decided they would attempt to collect 1,000 turkeys. They sent emails, took out ads in *Newsday* and sent e-vites on Facebook to attract as many donors as possible. Then they expanded their team to include other corporate sponsors from the community. Cablevision, National Grid, Grumman Retiree Club Care Cats and the New York Islanders signed on. The drive ultimately collected 4,000 turkeys plus an additional 5,000 lbs. of non-perishable food and cash donations.

A Spirit of Giving

Bethpage's charitable spirit is reflected in our employees, who turn out enthusiastically and en masse whenever and wherever they are needed. Some employees choose to participate in food, clothing or toy drives, while others work on longer term projects or pro bono work for non-profit organizations. Last year, Bethpage employees logged more than 1,000 hours of community service.

In tough economic times, Long Islanders last year needed to make the most of every dollar they earned. Bethpage employees went above and beyond to help their friends and neighbors through our participation in the Volunteer Income Tax Assistance (VITA) program, now entering its fifth year providing tax help to individuals and families who cannot afford to pay for income tax services. Since the start of the program in 2006, Bethpage volunteers have more than tripled the number of returns that have been completed for low income wage earners—whether a Bethpage member or not. In 2009 alone, refund amounts that were provided topped $665,000!

Through the Voluntary Income Tax Assistance program, Bethpage volunteers last year helped Long Islanders obtain more than $665,000 in refunds.

Enhancing the Quality of Life for All Long Islanders

Bethpage is committed to Long Island—and it is seen in everything we do. Whether it is sponsoring the Bethpage Federal Credit Union Air Show at Jones Beach each Memorial Day weekend, being a part of countless local fairs and festivals, or providing a resource for those in need through events like our Thanksgiving Turkey Drop, Bethpage is a valued partner for Long Island.

By remaining true to our values and credit union mission, we will continue to work diligently to make Long Island a better place to live. Without our members, however, none of this would be possible. It is because of you that we are able to reach out beyond our offices and branches to help the communities where we live and work. Because of you, countless Long Islanders have seen a better quality of life and a ray of light even in difficult times.

Thank you for your ongoing support and for selecting Bethpage as your financial partner.

Richard Turan
Chairman of the Board

Supervisory Committee's Message
Independent Auditor's Report

Supervisory Committee's Message

The Supervisory Committee is composed of independent volunteers who are primarily responsible for ensuring that the financial condition of Bethpage Federal Credit Union is accurately stated and presented.

The Committee's major responsibilities are to you, the members of Bethpage Federal Credit Union. The Committee:

- Ensures compliance with NCUA guidelines and regulations.
- Monitors the financial reporting by management.
- Oversees the role of the Internal Audit department.
- Makes sure that Bethpage Federal Credit Union responds to the concerns of the members.

During 2009, the Committee engaged the services of Grant Thornton LLP to conduct the annual audit of Bethpage Federal Credit Union's financial statements. An annual audit is required by federal regulations. The 2009 audited financial statements of the Credit Union, and related independent auditor's reports, are included as part of the 2009 annual report, which includes the auditor's unqualified opinion. In addition, the NCUA examination conducted during 2009 found Bethpage to be a safe and sound financial institution.

The year 2009 was an extraordinary year for all financial institutions and Bethpage emerged from the year a strong institution and at the same time was able to maintain its service commitment to its members. New branches were opened in Roosevelt and Westbury and construction began on a branch in Seaford.

Bethpage continues to focus on measuring operational efficiency, service to members and financial performance. This is accomplished by use of internal and external scorecards and independent surveys. Use of these tools allows Bethpage to constantly deliver to its members exceptional service and value.

All of these accomplishments show the continued commitment by Bethpage to provide extraordinary value and service to each of you, the member-owners. These steps ensure the members' needs are being addressed while providing assurance that Bethpage Federal Credit Union's financial condition is accurately stated and presented.

Joseph M. Moliterno

Joseph Moliterno
Supervisory Committee Chair

Independent Auditor's Report

To the Members of Bethpage Federal Credit Union
Bethpage, New York

We have audited the accompanying consolidated statements of financial condition of Bethpage Federal Credit Union and Subsidiaries (the "Credit Union") as of December 31, 2009 and 2008, and the related consolidated statements of income, members' equity and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethpage Federal Credit Union and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Grant Thornton LLP
New York, New York
April 13, 2010

Consolidated Statements of Financial Condition

December 31, 2009 and 2008 (in thousands)

	2009	2008
Assets		
Cash and cash equivalents	$ 20,852	$ 35,575
Investments		
Available-for-sale	1,560,823	1,066,616
Other	115,561	107,952
Loans held for sale	19,125	6,158
Loans receivable, net	1,897,685	1,927,299
Mortgage servicing rights, net	11,184	4,446
Accrued interest receivable	15,485	13,482
Property and equipment	19,959	20,147
National Credit Union Share Insurance Fund deposit	30,329	23,466
Real estate acquired through foreclosure	839	—
Other assets	4,924	3,948
Total assets	$ 3,696,766	$ 3,209,089
Liabilities and members' equity		
Liabilities		
Members' shares	$ 3,246,851	$ 2,874,179
Borrowed funds	100,324	38,226
Accrued expenses and other liabilities	55,000	59,621
Total liabilities	3,402,175	2,972,026
Commitments and contingent liabilities		
Members' equity		
Retained earnings	277,364	249,351
Accumulated other comprehensive income (loss)	17,227	(12,288)
Total members' equity	294,591	237,063
Total liabilities and members' equity	$ 3,696,766	$ 3,209,089

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended December 31, 2009 and 2008 (in thousands)

	2009	2008
Interest income		
Interest on loans receivable	$ 101,399	$ 109,392
Interest on investments and cash equivalents	57,701	49,021
Total interest income	159,100	158,413
Interest expense		
Dividends on members' shares	68,258	85,906
Interest on borrowed funds	2,930	4,098
Total interest expense	71,188	90,004
Net interest income	87,912	68,409
Provision for loan losses	21,385	11,451
Net interest income after provision for loan losses	66,527	56,958
Non-interest income		
Members' shares service charges and other fees	9,663	8,185
Mortgage servicing and loan fees	1,401	332
Gain on sale of mortgage loans	16,380	2,567
Investment services and insurance fees – commissions	8,911	5,074
Other non-interest loss	(676)	(1,348)
Total non-interest income	35,679	14,810
Net income before expenses	102,206	71,768
Non-interest expenses		
Salaries and benefits	34,086	28,214
Operations	34,274	26,622
Occupancy	5,833	5,282
Total non-interest expenses	74,193	60,118
Net income	$ 28,013	$ 11,650

The accompanying notes are an integral part of these statements.

Consolidated Statements of Members' Equity and Comprehensive Income (Loss)

Years ended December 31, 2009 and 2008 (in thousands)

	Regular reserve	Undivided earnings	Total	Accumulated other comprehensive income (loss)	Comprehensive income (loss)
Balance, December 31, 2007	$ 21,384	$ 216,317	$ 237,701	$ 4,850	
Net income	—	11,650	11,650	—	$ 11,650
Net change in unrealized holding losses on available-for-sale investments	—	—	—	(417)	(417)
Net change due to pension	—	—	—	(16,721)	(16,721)
Comprehensive loss	—	—	—	—	$ (5,488)
Balance, December 31, 2008	$ 21,384	$ 227,967	$ 249,351	$ (12,288)	
Net income	—	28,013	28,013	—	$ 28,013
Net change in unrealized holding gains on available-for-sale investments	—	—	—	28,522	28,522
Net change due to pension	—	—	—	993	993
Comprehensive income	—	—	—	—	$ 57,528
Balance, December 31, 2009	$ 21,384	$ 255,980	$ 277,364	$ 17,227	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008 (in thousands)

	2009	2008
Cash flow from operating activities		
Net income	$ 28,013	$ 11,650
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization and impairment of servicing rights	2,568	2,664
Amortization of net premium on investments	8,665	559
Amortization of gain on secured borrowing	(874)	(874)
Provision for loan losses	21,385	11,451
Other-than-temporary impairment	4,273	4,399
Gain on sale of available-for-sale investments	(1,302)	(569)
Gain on sale of mortgage loans	(16,380)	(2,567)
Depreciation and amortization	3,388	3,350
Increase in loans held for sale	(12,967)	(5,443)
(Increase) decrease in accrued interest receivable	(2,003)	1,947
Increase in other assets	(976)	(382)
(Decrease) increase in accrued expenses and other liabilities	(3,629)	4,852
Net cash provided by operating activities	30,161	31,037
Cash flow from investing activities		
Purchases of available-for-sale investments	(857,377)	(1,093,955)
Proceeds from maturities of available-for-sale investments	296,601	214,365
Proceeds from sale of available-for-sale investments	87,729	655,871
Proceeds from sale of loans	947,314	208,758
Net (increase) decrease in other investments	(11,882)	123,465
Net increase in loans receivable	(932,788)	(312,482)
Increase in the National Credit Union Share Insurance Fund deposit	(6,863)	(3,070)
Purchases of property and equipment	(3,200)	(5,755)
Net cash used in investing activities	(480,466)	(212,803)
Cash flows from financing activities		
Increase in borrowed funds	62,910	1,615,477
Repayment of borrowed funds	—	(1,817,408)
Net increase in members' shares	372,672	377,948
Net cash provided by financing activities	435,582	176,017
Decrease in cash and cash equivalents	(14,723)	(5,749)
Cash and cash equivalents at beginning of year	35,575	41,324
Cash and cash equivalents at end of year	$ 20,852	$ 35,575
Supplemental cash flow information		
Dividends paid on members' shares and interest paid on borrowed funds	$ 71,028	$ 90,303
Schedule of non-cash investment activities		
Transfer from loans receivable, net to real estate acquired through foreclosure	$ 839	$ —
Transfer from loans receivable, net to loans held for sale	$ 943,901	$ 211,634

The accompanying notes are an integral part of these statements.

Note A. Significant Accounting Policies

Organization

Bethpage Federal Credit Union (the "Credit Union") is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly owned subsidiary, Bethpage Management Services, LLC ("BMS"). BMS owns 51% of Land Bound Services, LLC, and CU Settlements Services, LLC. All material intercompany balances and transactions have been eliminated in consolidation. Other affiliates in which there is at least 20% ownership are accounted for by the equity method; those in which there is less than 20% ownership are carried at cost.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The principal estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and temporary impairment of investment securities. The evaluation of the adequacy of the allowance for loan losses includes an analysis of the individual loans and overall risk characteristics and size of the different loan portfolios, and takes into consideration current economic and market conditions, the capability of specific borrowers to pay specific loan obligations, as well as current loan collateral values. However, actual losses on specific loans, which are also encompassed in the analysis, may vary from estimated losses.

The Credit Union periodically evaluates each individual investment for impairment. Based upon the impairment testing completed as of December 31, 2009 and 2008, the Credit Union determined that certain investments in corporate member capital accounts were other than temporarily impaired. The Credit Union recorded other-than-temporary impairment charges of approximately $4.3 million and $4.4 million at December 31, 2009 and 2008, respectively, in other non-interest loss. All other than temporary impairment charges were credit related losses. Given changes in the market place, including further deterioration of the economy, future evaluations may indicate further impairment charges may need to be recognized through the consolidated statement of income.

Cash, Cash Equivalents and Cash Flows

Cash and cash equivalents consist of cash on hand, demand deposits, overnight investments, and nonterm share deposits in a Corporate Credit Union. For purposes of reporting cash flows, loans receivable, other investments, and members' shares are reported net.

Investments

Investments that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on investments classified as available-for-sale have been accounted for as accumulated other comprehensive income.

Gains and losses on available-for-sale securities are determined using the specific-identification method.

Amortization of premiums and discounts are recognized in interest income over the period to maturity. Declines in the fair value of individual available-for-sale securities below their respective costs that are other than temporary will result in write-downs of the individual securities to their fair value. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value. Other investments are classified separately and are stated at cost.

Federal Home Loan Bank Stock

At year end, the Credit Union was required to hold Federal Home Loan Bank of New York ("FHLBNY") stock equal to the sum of .2% of mortgage-related assets and 4.5% of outstanding FHLBNY borrowings. The Credit Union has met these requirements for both 2009 and 2008.

No ready market exists for the FHLBNY stock, and it has no quoted market value. Therefore, the Credit Union's investment in FHLBNY stock is carried at cost and tested for impairment. At December 31, 2009 and 2008, management did not believe the stock was impaired.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated market value. All sales are made without recourse. Mortgage loans held for sale are sold with the mortgage servicing rights retained by the Credit Union.

Loans Receivable and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and increased by deferred net loan origination costs. Interest on loans receivable is recognized over the terms of the loans and is calculated using the interest method on principal amounts outstanding. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

The Credit Union determines a loan to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date.

The Credit Union maintains its allowance for loan losses in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 450, "Contingencies" and FASB ASC 310, "Receivables." Both statements require the Credit Union to evaluate the collectability of interest and principal loan payments. FASB ASC 450 requires the accrual of a loss when it is probable that a loan has been impaired and the amount of the loss can be reasonably estimated. FASB ASC 310 requires that impaired loans be measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or, as an alternative, at the loan's observable market price of fair value of the collateral. As the majority of the Credit Union's loans are collateral dependent, impairment is usually measured using the lower of cost or fair value of the collateral.

A loan is defined under FASB ASC 310 as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. In applying the provisions of FASB ASC 310, the Credit Union considers its investment in residential loans and consumer loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. These homogeneous loan groups are evaluated for impairment on a collective basis under FASB ASC 450. With respect to the Credit Union's investment in commercial and other loans, and its evaluation of impairment thereof, management believes such loans are collateral dependent and as a result impaired loans are carried as a practical expedient at the lower of cost or fair value of the collateral.

It is the Credit Union's policy to charge off unsecured loans that are more than ninety days delinquent. Similarly, collateral-dependent loans which are more than ninety days delinquent are considered to constitute more than a minimum delay in repayment and are evaluated for impairment under FASB ASC 310 at that time.

The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. The allowance is an amount management believes will be adequate to absorb estimated losses on existing loans. Management's periodic evaluation of the adequacy of the allowance is based on the Credit Union's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. While management uses the best information available to make its evaluations, further adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Transfers and Servicing of Financial Assets

The Credit Union accounts for the right to service mortgage loans sold to others under FASB ASC 860, "Transfers and Servicing," Mortgage servicing rights have been recognized as a separate asset and are being amortized in proportion to and over the period of estimated net servicing income.

FASB ASC 860 requires the Credit Union to recognize as a separate asset the right to service mortgage loans for others. An institution that acquires mortgage servicing rights through either the purchase or the origination of mortgage loans and sells those loans with servicing rights retained must allocate a portion of the cost of the loans to the mortgage servicing rights. Under FASB ASC 860, the Credit Union could elect to either amortize the mortgage servicing rights over the life of the loan or carry the mortgage servicing rights at fair value. Under both methodologies, the mortgage servicing rights would be tested for impairment. Management elected to continue with the amortization method of accounting for mortgage servicing rights.

Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest and current expected future prepayment rates. For purposes of measuring impairment, the rights must be stratified by one or more predominant risk characteristics of the underlying loans. The Credit Union stratifies its capitalized mortgage servicing rights based on the type of loan, term, investor, interest rate, maturity date and origination date of the underlying loans. The amount of impairment recognized is the amount, if any, by which the amortized cost of the rights for each stratum exceed their fair value.

The mortgage servicing rights recorded by the Credit Union were segregated into pools for valuation purposes, using as pooling criteria the loan type, loan term, investor, interest rate, maturity date, origination date, and coupon rate. Once pooled, each grouping of loans was evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from each portfolio. Earnings were projected from a variety of sources including loan servicing fees, interest earned on float, net interest earned on escrows, miscellaneous income, and costs to service the loans. The present value of future earnings is the economic value of the pool, i.e., the net realizable present value to an acquirer of the servicing rights.

The valuation of mortgage servicing rights is influenced by market factors, including servicing volumes and market prices, as well as management's assumptions regarding mortgage prepayment speeds and interest rates. Impairment is measured based on the fair value of each pool. Management utilizes periodic third-party valuations by qualified market professionals to evaluate the fair value of its capitalized mortgage servicing assets.

Accrued Interest on Loans

Interest is accrued as earned unless the collectability of the loan is in doubt. Accrual of interest on loans is discontinued when management believes that, after considering economics, business conditions, and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. The Credit Union's policy is to stop accruing interest when the loan becomes 90 days delinquent. All interest accrued but not collected for loans that are placed on nonaccrual status or subsequently charged off is reversed against interest income. Income is subsequently recognized on the cash basis until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal and future payments are reasonably assured, in which case the loan is returned to accrual status.

Property and Equipment

Land is carried at cost. Building, furniture and equipment, data processing and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings, furniture and equipment and data processing are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund ("NCUSIF") is in accordance with National Credit Union Administration ("NCUA") regulations, which require the maintenance of a deposit by each federally insured Credit Union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA board.

Real Estate Acquired Through Foreclosure

Real estate acquired through foreclosure is carried at the lower of fair value or the balance of the loan on the property on the date of acquisition plus certain capitalized costs, not to exceed fair value, net of estimated disposal costs. Gains on the sale of real estate are recognized upon disposition of the property to the extent allowable based on certain down payment and other requirements. Losses are charged to operations as incurred. Carrying costs such as maintenance, interest and taxes are charged to operations as incurred.

Members' Shares

Members' shares are the deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's management.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

Pension Plan

The Credit Union has a qualified, noncontributory defined-benefit pension plan covering substantially all of its employees. The Credit Union's policy is to fund an amount in excess of the minimum amount required under ERISA. The Credit Union adopted FASB ASC 715, "Compensation," effective January 1, 2007. FASB ASC 715 requires an employer to (a) recognize in its balance sheet the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation; (b) measure a plan's assets and its obligations that determine its funded status as of the date of its year-end balance sheet; and (c) recognize as a component of other comprehensive income the actuarial gains and losses and the prior service costs and credits that arise during the period. FASB ASC 715 does not change how an employer determines the amount of net periodic benefit cost.

December 31, 2009 and 2008 (Dollars in thousands)

Comprehensive Income/Loss
The Credit Union records unrealized gains and losses on available-for-sale securities in other comprehensive income in the members' equity section. Gains and losses on available-for-sale securities reclassified to net income as gains or losses are realized upon the sale of securities. Unrealized gains arising during 2009 approximated $27,220 and are recorded in other comprehensive income net of a reclassification adjustment of approximately $1,302 for gains included in net income. Unrealized losses arising during 2008 approximated $986 and are recorded in other comprehensive income net of a reclassification adjustment of approximately $569 for gains included in net income.

The Credit Union recorded $993 in comprehensive gains and $16,721 in comprehensive losses related to the pension plans in 2009 and 2008, respectively. See Note J – Employee Benefits for further information.

Recent Accounting Pronouncements
On July 1, 2009, the Credit Union adopted FASB ASC 105-10, "The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles." ASC 105-10 establishes the FASB ASC as the source of authoritative accounting principles recognized by the FASB to be applied in preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The implementation of ASC 105-10 did not have a material impact on the consolidated financial statements of the Credit Union.

In conjunction with the issuance of ASC 105-10, the FASB also issued its first Accounting Standards Update ("ASU") No. 2009-1, "Topic 105 – Generally Accepted Accounting Principles." ASU 2009-1 is effective for interim and annual periods ending after September 15, 2009 and did not have an impact on the Credit Union's consolidated statements of financial condition or statements of income, but did change the referencing system for accounting standards.

In June 2009, the FASB issued ASU 2009-16, "Accounting for Transfers of Financial Assets." ASU 2009-16 seeks to improve the relevance and comparability of the information that a reporting entity provides in its financial statements about transfers of financial assets; the effects of the transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The standard requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. ASU 2009-16 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, and clarifies other sale-accounting criteria. ASU 2009-16 is effective for interim and annual reporting periods beginning after November 15, 2009. The implementation of ASU 2009-16 did not have a material impact on the consolidated financial statements of the Credit Union.

In April 2009, the FASB issued ASC 320, "Recognition and Presentation of Other-Than-Temporary Impairments ("OTTI")," which amends the OTTI guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of OTTI on debt and equity securities in the financial statements. This guidance does not amend existing recognition and measurement guidance related to OTTI of equity securities. ASC 320 is effective for interim and annual reporting periods ending after June 15, 2009. The implementation of ASC 320 did not have a material impact on the consolidated financial statements of the Credit Union.

In December 2008, the FASB issued ASC 715-20-65-2, "Employers' Disclosures about Postretirement Benefit Plan Assets." ASC 715-20-65-2 amends ASC 715, to require additional disclosures about plan assets held in an employer's defined benefit pension or other postretirement plan, to provide users of financial statements with an understanding of (i) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (ii) the major categories of plan assets, (iii) the inputs and valuation techniques used to measure the fair value of plan assets including the level within the fair value hierarchy, using the guidance in ASC 820, "Fair Value Measurements and Disclosures" and (iv) significant concentrations of risk within plan assets. ASC 715-20-65-2 is effective for financial statements issued for fiscal years ending after December 15, 2009. The implementation of ASC 715-20-65-2 did not have a material impact on the consolidated statements of financial condition or statements of income. Required additional disclosures are included in Note J – Employee Benefits.

In August 2009, the FASB issued ASU 2009–05, "Fair Value Measurements and Disclosures (Topic 820) – Measuring Liabilities at Fair Value" to provide guidance when estimating the fair value of a liability. When a quoted price in an active market for the identical liability is not available, fair value should be measured using (a) the quoted price of an identical liability when traded as an asset; (b) quoted prices for similar liabilities or similar liabilities when traded as assets; or (c) another valuation technique consistent with the principles of ASC 820 such as an income approach or a market approach. If a restriction exists that prevents the transfer of the liability, a separate adjustment related to the restriction is not required when estimating fair value. The ASU was effective October 1, 2009 for the Credit Union and did not have a material impact on the consolidated financial statements of the Credit Union.

In May 2009, the FASB issued ASC 855, "Subsequent Events," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued. Specifically, ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. ASC 855 is effective for interim and annual reporting periods ending after June 15, 2009. The implementation of ASC 855 did not have a material impact on the consolidated financial statements of the Credit Union. The Credit Union evaluated subsequent events through April 13, 2010. The Credit Union is not aware of any subsequent events which require recognition or disclosure in the audited financial statements.

Note B. Investments

Investments classified as available-for-sale consist of the following:

December 31, 2009	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. government obligations and federal agencies securities	$ 78,521	$ 2,059	$ (15)	$ 80,565
Mortgage-backed securities/ collateralized mortgage obligations	1,194,398	27,971	(2,177)	1,220,192
Municipal bonds	205,599	6,941	(217)	212,323
Auction rate securities	49,350	—	(1,607)	47,743
	$1,527,868	$ 36,971	$ (4,016)	$1,560,823

December 31, 2008	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. government obligations and federal agencies securities	$ 92,103	$ 2,962	$ —	$ 95,065
Mortgage-backed securities/ collateralized mortgage obligations	725,084	11,352	(330)	736,106
Municipal bonds	129,746	1,406	(980)	130,172
Auction rate securities	115,250	—	(9,977)	105,273
	$1,062,183	$ 15,720	$ (11,287)	$1,066,616

December 31, 2009 and 2008 (Dollars in thousands)

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2009 and 2008 are as follows:

December 31, 2009	Fair value	No. of securities	Less than 12 months	No. of securities	12 months or greater	Total no. of securities	Total unrealized losses
			Continuous unrealized losses existing for				
Available-for-sale							
U.S. government obligations and federal agencies securities	$ 4,777	1	$ (15)	—	$ —	1	$ (15)
Mortgage-backed securities/ collateralized mortgage obligations	175,682	45	(2,177)	—	—	45	(2,177)
Municipals	23,922	22	(217)	—	—	22	(217)
Auction rate certificates	43,743	—	—	7	(1,607)	7	(1,607)
	$248,124	68	$ (2,409)	7	$(1,607)	75	$ (4,016)

December 31, 2008	Fair value	No. of securities	Less than 12 months	No. of securities	12 months or greater	Total no. of securities	Total unrealized losses
			Continuous unrealized losses existing for				
Available-for-sale							
Mortgage-backed securities/ collateralized mortgage obligations	$ 80,784	22	$ (254)	6	$ (76)	28	$ (330)
Municipals	70,920	29	(980)	—	—	29	(980)
Auction rate certificates	63,373	11	(9,977)	—	—	11	(9,977)
	$215,077	62	$(11,211)	6	$ (76)	68	$(11,287)

The unrealized losses associated with these investments are considered temporary as the Credit Union does not have the intention to sell nor will they be required to sell prior to recovery or maturity. Management believes that the temporary unrealized loss is due to the interest rate and credit environment. Such determination was based upon an evaluation of the creditworthiness of the issuers and/or guarantors, the underlying collateral, if applicable, as well as the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an other-than-temporary impairment condition. This includes, but is not limited to, an evaluation of the type of security and length of time and extent to which the fair value has been less than cost, as well as certain collateral related characteristics.

Other investments consist of the following:

December 31	2009	2008
Certificates of deposit in banks and savings institutions	$ 42,762	$ 23,996
Share certificates in corporate credit unions	4,000	75,000
Federal Home Loan Bank stock	4,763	3,556
Credit Union System Investment Program (CU SIP)	60,910	—
Homeowners Affordability Relief Program (CU HARP)	2,000	—
Member capital account in a corporate credit union	1,126	5,400
	$ 115,561	$ 107,952

Certificates are generally nonnegotiable and nontransferable, and may incur substantial penalties for withdrawal prior to maturity.

The member capital account is an uninsured equity capital account with a Corporate Credit Union. No ready market exists for the equity capital, and there is no quoted market value. The Credit Union's investment in the Corporate Credit Union is carried at cost and tested for impairment. An other-than-temporary impairment charge was recorded during the year ended December 31, 2009, to partially write off approximately $4,300 of a member capital account. An other-than-temporary impairment charge was recorded during the year ended December 31, 2008, to fully write off approximately $3,800 of a member capital account and partially write off approximately $600 of a second member's capital account. Other-than-temporary impairment charges are included in other non-interest loss on the consolidated statements of income.

The Credit Union held $4,763 and $3,556 of FHLBNY stock as of December 31, 2009 and 2008.

At December 31, 2009 and 2008, there were approximately $12,691 and $103,044, respectively, in Credit Union and bank deposits with individual balances in excess of the insured limit.

The Credit Union participated in the 2009 Credit Union System Investment Program (CU SIP), which was designed by the NCUA to provide liquidity to corporate credit unions. Under this program, the Credit Union borrowed a total of $60.9 million and purchased NCUSIF-guaranteed CU SIP notes each with one year maturities.

Maturity Date	Rate	Amount
January 9, 2010	.815%	$25,000
February 13, 2010	.956%	25,000
March 13, 2010	1.079%	10,900
		$60,900

See Note G – Borrowed Funds for further information

The Credit Union also participated in the Credit Union Homeowners Affordability Relief Program (CU HARP) that was created by the NCUA to assist credit unions with costs associated with helping members restructure mortgages and avoid foreclosure. Under this program, the Credit Union borrowed a total of $2 million and purchased a corresponding NCUSIF-guaranteed HARP note at .5% maturing on December 31, 2010. See Note G – Borrowed Funds for further information.

Investments by maturity as of December 31, 2009, are summarized as follows:

	Available-for-sale Amortized cost	Available-for-sale Fair value	Other investments
No contractual maturity	$ —	$ —	$ 5,889
Less than 1 year maturity	40,791	41,201	80,889
1–5 years maturity	223,849	231,812	28,783
5–10 years maturity	19,480	19,875	—
Mortgage-backed securities	1,194,398	1,220,192	—
Auction rate securities	49,350	47,743	—
	$1,527,868	$1,560,823	$ 115,561

Expected maturities of mortgage-backed securities may differ from contractual maturities because borrowers may have the right to prepay the obligations and are, therefore, classified separately with no specific maturity date. Member capital account and FHLBNY stock have been classified with no contractual maturity.

There were $178,732 in available-for-sale securities and $4,763 in FHLBNY stock pledged to the FHLBNY and Federal Reserve Bank as collateral for potential borrowings at December 31, 2009. There were no amounts borrowed at December 31, 2009 and 2008. There were $67,461 in available-for-sale securities and $3,556 in FHLBNY stock pledged as collateral for potential borrowings at December 31, 2008.

December 31, 2009 and 2008 (Dollars in thousands)

During 2009, $41.9 million of Auction Rate Securities were redeemed by the issuers or broker. These securities were recorded at par on December 31, 2008, and subsequently redeemed at par with no effect on the unrealized loss on the Consolidated Statements of Income.

Note C. Loans Receivable

Loans receivable consist of the following:

December 31	2009	2008
Real estate loans		
Fixed rate mortgages	$ 478,147	$ 470,392
Hybrid/balloon mortgages	407,235	402,727
Home equity line of credit, variable rate	459,641	444,188
Home equity loans	169,258	215,619
Commercial loans	42,045	21,372
Commercial participation loans	82,593	84,715
	1,638,919	1,639,013
Vehicle loans	174,813	186,806
Vehicle participation loans	2,144	5,085
Consumer loans	51,061	52,832
Business loans	11,142	11,690
Credit card loans	35,666	35,604
	1,913,745	1,931,030
Deferred net loan origination costs	5,586	6,478
Allowance for loan losses	(21,646)	(10,209)
	$1,897,685	$1,927,299

The Credit Union has purchased commercial loan participations originated by various other Credit Unions. All of these loan participations were purchased without recourse and are collateralized by real property. The Credit Union also purchased vehicle participation loans originated by various other Credit Unions that consist of pools of vehicle loans. These loans were purchased nonrecourse, full recourse and limited subordination. In limited subordination, the Credit Union is responsible for loan losses that exceed a threshold of 5%. The originating Credit Unions perform all servicing functions on these loans.

The Credit Union offers nontraditional hybrid/balloon mortgage loans to its members. Hybrid/balloon loans consist of loans that are fixed for an initial period of three, five or seven years. After this period, the mortgages are converted to variable rate using the fully indexed rate capped at an annual increase of two percent, which can result in significant payment shock to the borrower. During 2009 and 2008, the Credit Union did not engage in subprime lending.

The Credit Union entered into an agreement to sell the credit card loan portfolio in December 2006. Due to specific provisions of the sale agreement, the transaction is treated as a secured borrowing under FASB ASC 860, "Transfers and Servicing." Since the Credit Union has not released effective control over those assets, the loans are required to be classified as pledged. Credit card loans pledged under this participation loan agreement totaled $35,666 and $35,604 as of December 31, 2009 and 2008, respectively.

The following is an analysis of the allowance for loan losses:

Years ended December 31	2009	2008
Balance, beginning of year	$ 10,209	$ 7,906
Provision for loan losses	21,385	11,451
Recoveries	1,155	1,331
Loans charged off	(11,103)	(10,479)
Balance, end of year	$ 21,646	$ 10,209

In accordance with U.S. GAAP, the Credit Union is required to account for certain loan modifications or restructurings as "troubled debt restructurings." In general, such a modification or restructuring of a loan constitutes a troubled debt restructuring if the Credit Union grants a concession to a borrower experiencing financial difficulty. Loans modified in a troubled debt restructuring are considered impaired loans. Loans modified in a troubled debt restructuring, totaled $4,491 at December 31, 2009. There were no troubled debt restructurings at December 31, 2008.

The total amount of loans on non-accrual status was $13,604 and $6,146 at December 31, 2009 and 2008, respectively. If interest on those loans had been accrued at original contracted rates, interest income would have been approximately $392 and $249 higher for 2009 and 2008, respectively. The total amount of loans classified as impaired was $21,304 and $3,552 at December 31, 2009 and 2008, respectively. The portion of the allowance for loan losses allocated to impaired loans was $5,947 and $1,461 at December 31, 2009 and 2008, respectively.

Note D. Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at December 31, 2009 and 2008 are summarized as follows:

December 31	2009	2008
Mortgage loans underlying pass-through securities		
Federal National Mortgage Association	$1,199,219	$ 785,640
Charlie Mac, LLC	15,101	18,680
Federal Home Loan Mortgage Corporation	375,096	49,539
	$1,589,416	$ 853,859

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in members' shares, were approximately $9,763 and $5,633 at December 31, 2009 and 2008, respectively.

A summary of the changes in the balance of mortgage servicing rights in 2009 and 2008 was as follows:

Years ended December 31	2009	2008
Balance, beginning of year	$ 4,446	$ 5,029
Servicing assets recognized during the year	9,306	2,081
Amortization of servicing assets	(2,557)	(1,834)
Impairment of servicing assets	(11)	(830)
Balance, end of year	$11,184	$4,446
Fair value of mortgage servicing rights	$ 15,060	$ 4,738

Note E. Property and Equipment

Property and equipment are summarized as follows:

December 31	2009	2008
Land and improvements	$ 1,770	$ 1,760
Building	14,930	14,850
Furniture and equipment	8,973	8,841
Data processing	13,946	13,419
Leasehold improvements	12,008	9,553
	51,627	48,423
Accumulated depreciation and amortization	(31,668)	(28,276)
	$ 19,959	$ 20,147

The Credit Union leases various offices. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. All rental payments are dependent only upon the lapse of time. Minimum rental payments under operating leases with initial or remaining terms of one year or more at December 31, 2009, are as follows:

December 31, 2009 and 2008 (Dollars in thousands)

Years ending December 31,	
2010	$ 2,215
2011	2,083
2012	1,830
2013	1,630
2014	1,578
Subsequent years	9,742
	$ 19,078

Rental expense for the years ended December 31, 2009 and 2008 for all facilities leased under operating leases totaled $2,562 and $2,224, respectively.

Note F. Members' Shares

Members' shares are summarized as follows:

December 31	2009	2008
Regular shares	$ 322,521	$ 275,168
Share draft accounts	252,949	197,429
Money market accounts	1,053,835	820,527
Individual retirement accounts – money market	110,448	103,192
Certificates	1,507,098	1,477,863
	$3,246,851	$2,874,179

Shares by maturity as of December 31, 2009 are summarized as follows:

No contractual maturity	$1,739,753
0–1 year maturity	1,124,371
1–2 years maturity	166,548
2–3 years maturity	72,947
3–4 years maturity	98,350
4–5 years maturity	44,882
	$3,246,851

Regular shares, share draft accounts, money market accounts, and individual retirement account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

The National Credit Union Share Insurance Fund insures members' shares up to $250. The aggregate amount of certificates in denominations of $250 or more at December 31, 2009 and 2008 is approximately $80,092 and $68,881, respectively.

At December 31, 2009 and 2008, overdraft demand shares reclassified to loans totaled $128 and $152, respectively.

Note G. Borrowed Funds

Borrowed funds are summarized as follows:

December 31	2009	2008
Secured borrowing related to credit card loans	$ 37,414	$ 38,226
Credit Union System Investment Program	60,910	—
Homeowners Affordability Relief Program	2,000	—
	$ 100,324	$ 38,226

As also discussed in Note B – Investments, the Credit Union became a participant in the CU SIP program during 2009. Under this program, the Credit Union received advances from the Central Liquidity Facility ("CLF") totaling $60.9 million. We received three one year advances during the year ended December 31, 2009:

i) January for $25 million at a fixed rate of .565%
ii) February for $25 million at a fixed rate of .706% and
iii) March for $10.9 million at a fixed rate of .829%.

The proceeds of these advances were invested in NCUSIF-guaranteed CU SIP notes to provide liquidity to the corporate credit union network.

As also discussed in Note B – Investments, the Credit Union became a participant in the CU HARP program during 2009. Under this program, the Credit Union received advances from the CLF totaling $2 million at .5% maturing on December 31, 2010. The proceeds of the advances were invested in NCUSIF-guaranteed notes.

The Credit Union has lines of credits with various financial institutions. The terms of the agreements call for pledging assets as security for any and all obligations taken by the Credit Union. The agreements provide for a total credit limit of $310 million with interest charged at a rate determined by the lenders on a periodic basis. At December 31, 2009 and 2008, there were no borrowings under these agreements. Additionally, there were no draws outstanding on these lines of credit for any material length of time in 2009 or 2008. The agreements are reviewed for continuation by the lender and the Credit Union annually. The Credit Union has been approved to borrow at the Federal Reserve Discount Window and has pre-pledged securities worth $83,260 as collateral.

Note H. Concentrations of Credit Risk

Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's bylaws. Under a community charter approved during 2003 by the National Credit Union Administration ("NCUA"), the Credit Union's field of membership includes all individuals who live, work, worship, or attend school in New York's Nassau County and in substantially all of New York's Suffolk County. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the overall geographic region in which borrowers reside.

Note I. Commitments and Contingent Liabilities

The Credit Union is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

The Credit Union has approximately $44,684 and $27,642 in outstanding commitments to sell loans at December 31, 2009 and 2008, respectively. There are no commitments to sell investments at December 31, 2009.

Outstanding mortgage loan commitments at December 31, 2009 and 2008 total approximately $100,066 and $93,696, respectively.

Available credit on home equity and unsecured lines of credit is summarized as follows:

December 31	2009	2008
Home equity	$ 239,831	$ 267,597
Other consumer	119,155	125,155
Other unused member business loans	8,632	8,449
	$ 367,618	$ 401,201

Commitments for home equity and unsecured lines of credit may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the financial statements.

Note J. Employee Benefits

The Credit Union sponsors a funded, noncontributory defined benefit pension plan. The Credit Union also sponsors an unfunded, noncontributory, nonqualified defined benefit supplemental executive retirement plan. The plans call for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Credit Union and compensation levels at retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of equity securities.

December 31, 2009 and 2008 (Dollars in thousands)

The Credit Union also sponsors a postretirement benefit plan to provide health care benefits to retirees of the Credit Union from retirement until Medicare benefits become available. The postretirement benefits take into account actuarial assumptions that consider the employee's age, years to retirement, and years to Medicare benefits. Other assumptions include that the plan will pay a portion of the health care premium for the retirees, and a factor of the health care cost trend rate.

The accrued pension benefits and net periodic pension costs for the years ended December 31, 2009 and 2008 are as follows:

	Pension plans		Postretirement benefit	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation at beginning of year	$ 29,878	$ 26,116	$ 5,545	$ 5,800
Service cost	1,068	917	277	264
Interest cost	1,920	1,764	360	362
Plan amendments	10	85	(498)	(679)
Benefits paid	(1,188)	(1,123)	(226)	(282)
Actuarial loss	2,195	2,119	718	80
Benefit obligation at end of year	$ 33,883	$ 29,878	$ 6,176	$ 5,545
Change in plan assets				
Fair value of plan assets at beginning of year	$ 19,613	$ 28,197	$ —	$ —
Actual return on plan assets	3,714	(8,461)	—	—
Employer contributions	2,016	1,000	226	282
Benefits paid	(1,188)	(1,123)	(226)	(282)
Fair value of plan assets at end of year	$ 24,155	$ 19,613	$ —	$ —
Funded status at end of year	$ (9,728)	$ (10,265)	$ (6,176)	$ (5,545)
Accumulated benefit obligation	$ 30,544	$ 27,529	$ —	$ —
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	(9,728)	(10,265)	(6,176)	(5,545)
Accumulated other comprehensive income	$ 14,650	$ 15,852	$ 1,078	$ 869
Amounts recognized in accumulated other comprehensive income (loss) consist of:				
Net actuarial loss	$ 15,047	$ 16,399	$ 1,935	$ 1,275
Prior service credit	(397)	(547)	(857)	(406)
Total	$ 14,650	$ 15,852	$ 1,078	$ 869
Weighted-average assumptions used to determine benefit obligations as of Dec.31				
Discount rate	6.11%	6.43%	6.05%	6.50%
Rate of compensation increase	4.00	4.00	N/A	N/A
Weighted-average assumptions used to determine net periodic pension cost as of Dec. 31				
Discount rate	6.43%	6.85%	6.50%	6.73%
Expected return on plan assets	8.00	8.00	N/A	N/A
Rate of compensation increase	4.00	5.00	N/A	N/A
Inflation	3.00	3.00	N/A	N/A

	Postretirement benefit	
	2009	2008
Health care inflation		
Medical trend rates	8.0%–5.0%	9.0%–5.0%
Year of ultimate achievement	2013	2013
Dental trend rates	5.0%	5.0%
Year of ultimate achievement	N/A	N/A

	1% point increase	1% point decrease
Effect on total service and interest cost components	$ 123	$ (95)
Effect on postretirement benefit obligation	1,006	(789)

The funded, noncontributory defined benefit pension plan's expected long-term rate of return assumption is based on a building block approach, determining risk-free asset return assumptions, and applying a weighted average methodology to the proportion of plan assets in each applicable asset class.

The Credit Union's pension plan approximate weighted-average asset allocations by asset category are as follows:

	Pension plans	
	2009	2008
Equity securities (level 1)	78%	72%
Debt securities (level 2)	20%	28%
Other (level 1)	2%	0%
	100%	100%

The Credit Union's pension investment strategies are targeted to produce a total return that, when combined with the Credit Union's contributions to the plan, will maintain the fund's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash.

The minimum contribution requirement is $570 for the pension plan and approximately $273 to the postretirement benefit plan in 2010.

The following pension and postretirement benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending December 31,	
2010	$ 1,475
2011	1,546
2012	1,613
2013	1,686
2014	1,818
2015–2019	11,610
	$ 19,748

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act established a prescription drug benefit under Medicare, known as "Medicare Part D," and a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Credit Union believes that benefits provided to certain participants will be at least actuarially equivalent to Medicare Part D and, accordingly, the Credit Union will be entitled to a subsidy. In March 2010, President Obama signed Health Care Reform into law, which could prospectively impact the accounting treatment for the subsidy. The magnitude of the impact cannot be determined at this time until the details of the law are analyzed.

The Credit Union has a defined contribution 401(k) plan that allows employees to defer a portion of their salary into the 401(k) plan. The Credit Union matches a portion of employees' wage reductions. Plan costs are accrued and funded on a current basis. The Credit Union contributed approximately $674 and $585, respectively, to the plan for the years ended December 31, 2009 and 2008.

December 31, 2009 and 2008 (Dollars in thousands)

The compositions of plan assets for the years ended December 31, 2009 and 2008 are all level 1 and 2 securities.

Note K. Members' Equity

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, Credit Unions over $10,000 in assets are also required to calculate a risk-based net worth ("RBNW") requirement which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of December 31, 2009 and 2008 were 5.87% and 5.69%, respectively. The minimum requirement to be considered "complex" under the regulatory framework is 6%. Management believes, as of December 31, 2009 and 2008, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, the most recent call reporting period, and 2008, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

The Credit Union's actual capital amounts and ratios are presented in the following table:

	December 31, 2009		December 31, 2008	
	Amount	Ratio/ requirement	Amount	Ratio/ requirement
Amount needed to be classified as "adequately capitalized"	$ 221,806	6.0%	$ 192,545	$6.0%
Amount needed to be classified as "well capitalized"	258,774	7.0%	224,636	7.0%
Actual net worth	$ 277,364	7.5%	$ 249,351	7.8%

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

Note L. Related Party Transactions

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members and executive officers. The aggregate loans to related parties at December 31, 2009 and 2008 are $3,239 and $3,063, respectively. Deposits from related parties at December 31, 2009 and 2008 amounted to $2,253 and $2,018, respectively.

Note M. Fair Value of Financial Instruments

The Credit Union generally holds its earning assets, other than securities available-for-sale and loans held for sale, to maturity and settles its liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Credit Union's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include property and equipment, leases, foreclosed properties, and equity.

Further, fair value disclosure does not attempt to value future income or business. These items may be material and, accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of the Credit Union.

The Credit Union accounts for and discloses fair value using the guidance of FASB ASC 820, "Fair Value Measurement and Disclosures". FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement. There have been no material changes in valuation techniques as a result of the adoption of FASB ASC 820.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and significant to the fair value of the assets or liabilities that are developed using the reporting entities' estimates and assumptions, which reflect those that market participants would use.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, are as follows:

Securities classified as available-for-sale are reported using Level 1, Level 2 and Level 3 inputs. Level 1 securities generally include equity securities valued based on quoted market prices in active markets. Level 2 instruments include U.S. government agency obligations, municipal bonds, mortgage-backed securities, collateralized mortgage obligations and certain auction rate securities. For these securities, the Credit Union obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Level 3 securities available-for-sale consist of instruments that are not readily marketable and may only be redeemed with the issuer at par such as Federal Home Loan Bank stock and certain auction rate securities. These securities are stated at par value, which is deemed to approximate fair value.

Mortgage servicing rights are classified as Level 3 financial instruments with the methodology described in Note A-9 – Significant Accounting Policies: Transfers and Servicing of Financial Assets.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of the recorded investment in the loan or market value. The loans identified as impaired are collateral dependent secured by real estate. Market value is determined by using the value of the collateral securing the loans and is therefore classified as a level 3 hierarchy. The value of the real estate is determined by qualified independent licensed appraisers contracted by the Credit Union to perform the assessment. The appraised value is then discounted based upon management's experience, which includes estimated disposal costs, understanding of the member and the member's business as well as economic conditions. Impaired loans are reviewed and evaluated on a quarterly basis for additional impairment and adjusted accordingly, based upon the pertinent conditions.

The Credit Union may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis. Assets measured at fair value on a nonrecurring basis for the year ended December 31, 2009 that were still reported on the balance sheet at December 31, 2009 totaled $22,143. This amount consists of $21,304 for impaired loans and $839 for real estate acquired through foreclosure that were classified as Level 3 assets. During the year ended December 31, 2009, the Credit Union recorded $5,679 and $204 respectively, in losses related to impaired loans and the real estate acquired through foreclosure based on the appraised value of the underlying collateral.

Assets measured at fair value on a recurring basis are summarized below (in thousands).

	Fair value measurement using			
	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance Dec. 31 2009
Assets				
Investment securities available for sale	$ —	$1,513,080	$ 47,743	$1,560,823
Mortgage servicing rights	—	—	15,060	15,060
Loans held for sale	—	19,125	—	19,125
Total assets	$ —	$1,532,205	$ 62,803	$1,595,008

The above table includes $4,016 in unrealized losses on the Credit Union's available-for-sale securities. The Credit Union has reviewed its investment portfolio at December 31, 2009, and has determined that the unrealized losses are temporary.

The following table sets forth the Credit Union's assets and liabilities that are carried at fair value on a recurring basis, classified within Level 3 of the valuation hierarchy for the period indicated:

	Auction Rate Securities – Level 3	
December 31	2009	2008
Balance, beginning of year	$ 63,373	$ —
Transfer into Level 3	—	63,373
Securities called by the issuer	(24,000)	—
Change in unrealized losses included in other comprehensive loss	8,370	—
Balance, end of year	$ 47,743	$ 63,373

The financial assets and financial liabilities that were transferred to Level 3 during 2008 were transferred due to an inactive market for these financial instruments. The determination of fair value required models which take into consideration market spread data for similar instruments and other contractual features. The Credit Union uses an independent third party to model these assumptions.

The estimated fair value amounts have been determined by the Credit Union using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Credit Union could realize in a market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate fair values of financial instruments not previously discussed as disclosed herein:

Loans Receivable, net and Loans Held for Sale

The estimated fair value for all fixed rate loans is determined by discounting the estimated cash flows using the current rate at which similar loans would be made to borrowers with similar credit ratings and maturities.

The estimated fair value for variable rate loans is the carrying amount. Credit card loans are considered, for estimation of fair value purposes, variable rate loans since interest rates may be changed by the Credit Union.

The impact of delinquent loans on the estimation of the fair values described above is not considered to have a material effect and, accordingly, delinquent loans have been disregarded in the valuation methodologies employed.

The estimated fair value of loans held for sale is determined in the aggregate based on the market price of similar loans.

Other Investments

For other investments the fair value is deemed to approximate cost.

Members' Shares and Borrowed Funds

The estimated fair value of demand deposit accounts (regular shares, share draft accounts, money market accounts and individual retirement accounts) is the carrying amount. The fair value of fixed-maturity certificates and borrowed funds is estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

Other On-Balance-Sheet Financial Instruments

Other on-balance-sheet financial instruments include cash and cash equivalents and accrued interest receivable. The carrying value of each of these financial instruments is a reasonable estimation of fair value.

Off-Balance-Sheet Financial Instruments

The fair values for the Credit Union's off-balance-sheet commitments are estimated based on fees charged to others to enter into similar agreements taking into account the remaining terms of the agreements and credit standing of the members. The estimated fair value of these commitments is not significant.

The estimated fair value of the Credit Union's financial instruments is summarized as follows:

	December 31, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	$ 20,852	$ 20,852	$ 35,575	$ 35,575
Investments available-for-sale	1,560,823	1,560,823	1,066,616	1,066,616
Other investments	115,561	115,370	107,952	109,568
Loans held for sale	19,125	19,125	6,158	6,158
Loans receivable, net	1,897,685	1,898,270	1,927,299	1,916,404
Financial liabilities				
Members' shares	3,246,851	3,253,410	2,874,179	2,875,729
Borrowed funds	100,324	100,324	38,226	38,226

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