

ANNUAL REPORT TO THE MEMBERSHIP

2010: THE YEAR IN REVIEW

2010 was a challenging year in the financial services industry. The U.S. Economy continued to experience a severe recession and interest rates remained at historic low levels. The recession contributed to a decline in loan demand which resulted in a decline in gross income.

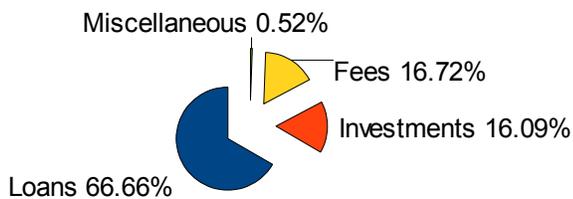
Despite these challenges, the BCFCU realized net income of \$2,698.00 or .06% of average assets. Other credit unions in our peer group experienced losses in 2010 equivalent to -.27% of average assets. Total assets and total loans increased during the year.

A significant number of individuals continued to seek us out as an alternative to traditional financial service providers. The BCFCU welcomed 172 new members during 2010. There was a net increase of 81 members during 2010.

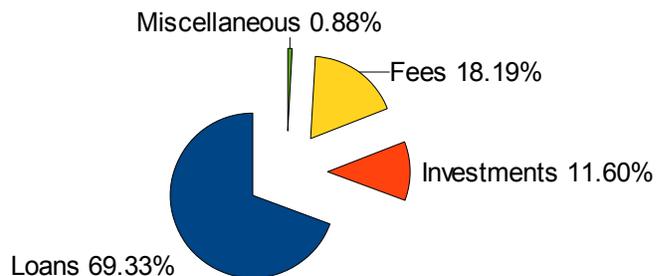
Fiscal restraint was in order during 2010 due to the pressure on earnings which resulted from the reduction in revenue attributable to the unfavorable interest rate environment. No new services were introduced during 2010, and several expenses were reduced.

A new Office Manager was hired in October 2010 who will be trained in her duties by the current Treasurer.

2009 Income by Source



2010 Income by Source



Income

Gross income in 2010 fell 4.5% below the level of 2009 due to the combination of falling interest rates, and weak loan demand. Revenue from loan interest income and fee income increased, but not enough to offset declines in investment income and miscellaneous income. The credit union ended the year 2010 with \$246,873.00 in gross income, as compared to \$272,569.00 in gross income for 2009.

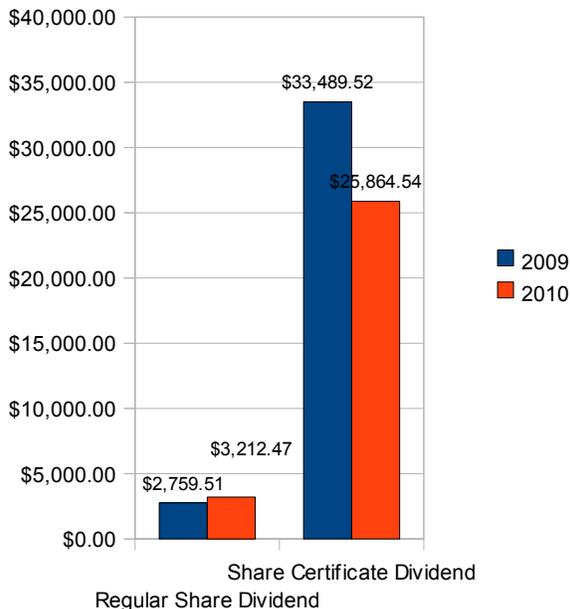
Expenses

During 2010, management continued its efforts to reduce operating expenses relative to asset size. Operating expenses as a percent of average assets fell from 4.43% in December 2009 to 4.13% in December 2010. The business plan sets a target of operating expenses to average assets of 4.00%. Operating expenses as a percent of gross income increased from 71.44% in 2009 to 75.03% in 2010. The increase in operating expenses was attributable to increased employee costs associated with the transition to a new manager. Effective internal controls continued to keep losses from share draft account abuse and debit card fraud in check, although the BCFCU experienced \$2,076 in debit card losses during 2010.

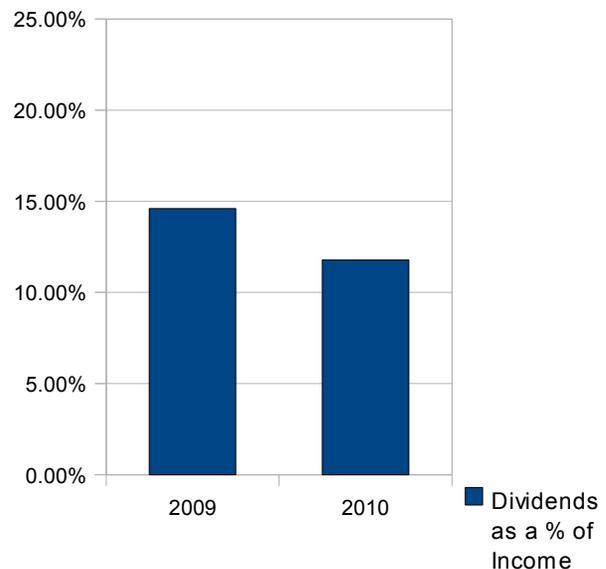
Dividends

Interest rates fell slightly in 2010 and ended the year at historically low levels. This resulted in the decline in regular share dividend totals and share certificate dividends paid to the membership. Dividends paid to the membership decreased from \$36,249.00 in 2009 to \$29,077.00 in 2010. The proportion of gross income returned to the membership in dividends decreased to 11.78% in 2010 from 14.61% in 2009.

Dividends Paid to Members 2009 vs. 2010



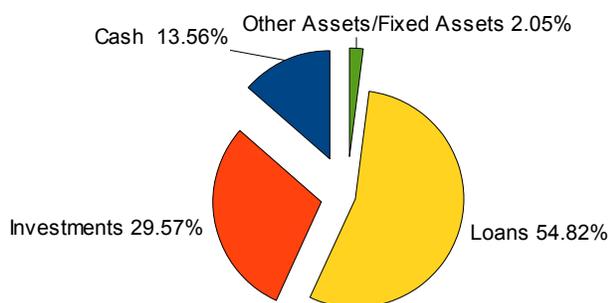
Dividends as a Percentage of Income



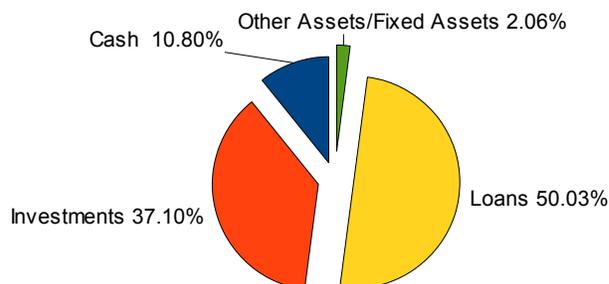
Assets

The credit union experienced asset growth during 2010. The inflow of deposits seeking a safe haven stopped, but deposits grew as individuals sought out alternatives to traditional financial institutions. Assets grew from \$4,196,738.00 on December 31, 2009 to 4,697,798.00 on December 31, 2010. The annualized rate of asset growth in 2010 was 11.94%, which was in excess of the target of 5.68%. Loan growth fell to 2.01% during 2010 from 13.09% in 2009. The loan-to-asset ratio fell to 50.53% at year end from 54.82% at the end of 2009.

Asset breakdown by Type - 12/31/2009



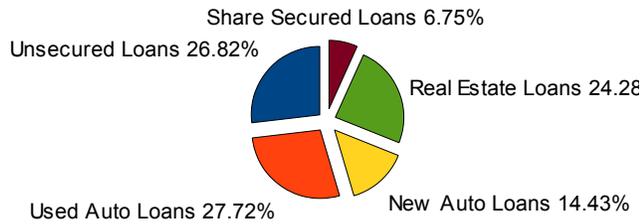
Asset breakdown by Type - 12/31/2010



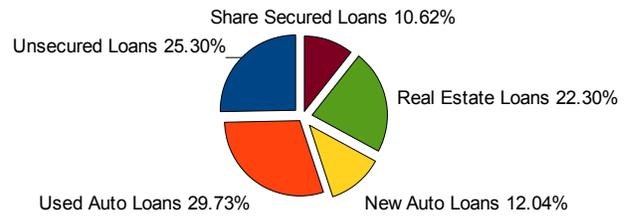
Loans

Outstanding loans totaled \$2,373,628.00 on December 31, 2010. This is an increase of \$46,742, or 2.01% above the total for December 31, 2009. 119 closed-end loans were disbursed during 2010 in the amount of \$1,138,644.00. 2010 marked the second consecutive year in which the BCFCU originated more than \$1,000,000 in new loans. By comparison, during 2009, 120 closed-end loans were disbursed in the amount of \$1,109,068.00.

Loan Portfolio by Loan Type - 12/31/2009

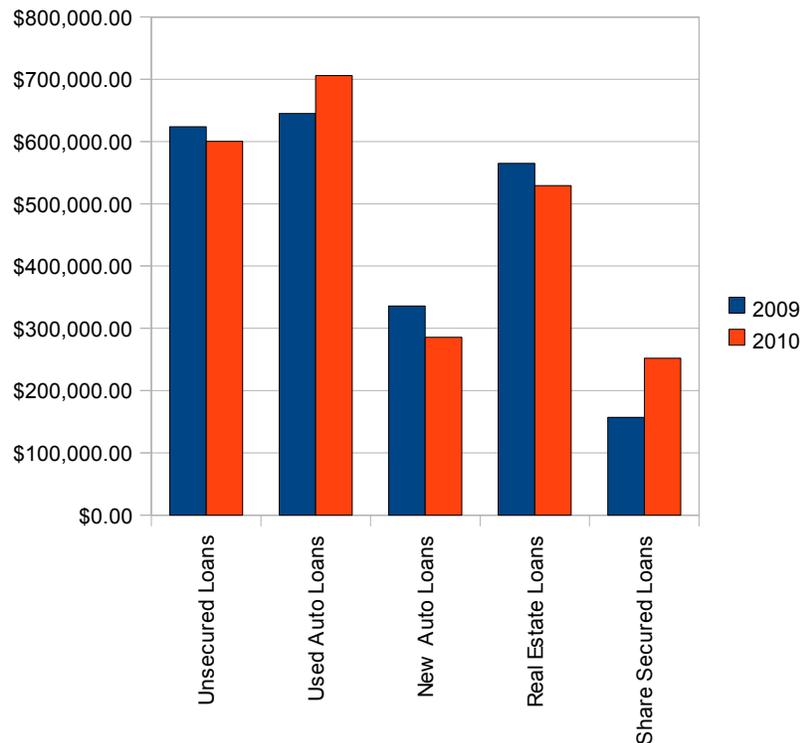


Loan Portfolio by Loan Type - 12/31/2010



Management continued its efforts to increase the portion of the loan portfolio comprised by short-term consumer loans with a higher yield. During 2009, there was growth in the outstanding amount of used auto loans, share-secured loans, and unsecured lines of credit.

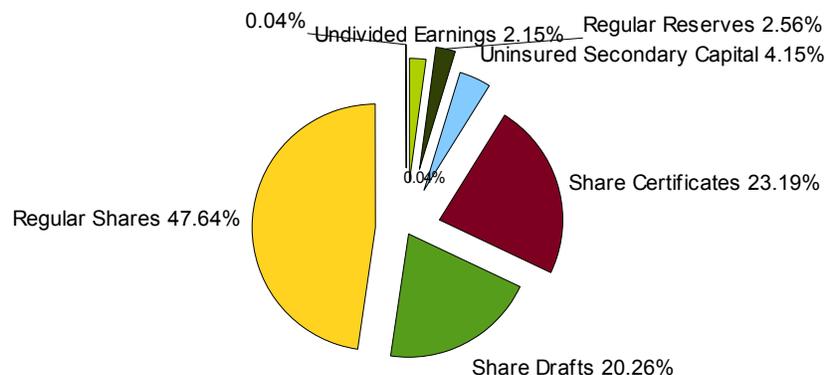
Comparison of Loan Types - 2009 vs. 2010



Delinquency

Delinquent loan balances totaled \$66,317.00 on December 31, 2010 as compared to \$80,433.00 or 3.50% of all loans On December 31, 2009. During 2010, delinquency continued at elevated levels due to the impact of the severe recession on household finances. Management has worked out extension agreements with many members who are experiencing financial difficulties. Aggressive collection efforts have been utilized against members who have demonstrated an unwillingness to repay their debt to the credit union. During 2010, net charge-offs were \$28,007.00.

Equity Breakdown by Type - 12/31/2010



Equity

Member equity increased by \$352,000.00 during 2010. Regular shares (savings) on deposit increased by \$404,000.00, member share certificates decreased by \$46,000.00, and share drafts on deposit decreased by \$6,000.00.

A small surplus of \$2,698.00 was record in 2010. This is equivalent to an ROAA of 0.061%. By comparison, our peer credit unions in the \$2,000,000 to \$10,000,000 asset range experienced an average ROAA of -0.27%. 2010 was the second consecutive year during which the earnings performance of the BCFCU exceeded the performance of its peers.

During 2010, the BCFCU was assessed a total of \$10,223 by NCUA for costs associated with the stabilization of the corporate credit union system and the recapitalization of the NCUSIF. The assessments are projected to continue for the next several years. During 2010, Members United Corporate FCU, which provides investment services, liquidity, and payment and settlement services to the BCFCU, suffered impairment to capital reserves subsequent to the devaluation of their investment holdings in mortgage-backed securities. BCFCU capital shares in Members United Corporate FCU was depleted 2010 by a total of \$9,025.00.

PLANS FOR THE FUTURE: 2011 AND BEYOND

The BCFCU business plan sets out a target of \$5 million in assets to be reached by 2013. Asset growth during 2008, 2009, and 2010 has exceeded projections in the business plan. The current business plan has been amended as a result of the impairment of our capital reserves. Asset growth projections have been reduced 5% per year to promote net worth retention. It is very possible that the BCFCU will reach the \$5 million milestone prior to the end of 2011. Asset growth is critical to our long-term viability as it provides the base necessary to generate the revenue required to support the service structure our membership desires.

Expansion of Services

The BCFCU plans to introduce a bill pay service in the first quarter of 2011. The introduction of this service has been under consideration for some time. Its introduction to the membership was accelerated subsequent to a vendor offer to waive set-up fees. Active consideration is also being given to an expansion of office hours during 2011.

Enhancement of Operations

The BCFCU will continue to invest in technology in order to provide quality service to the membership. During 2010, the BCFCU was awarded an NCUA technical grant in the amount of \$4,421.00 to cover the cost of enhancing our security equipment and the purchase of a new fireproof fire cabinet.

Targets

A target of .70% ROAA has been set to promote net worth accumulation. However, the operating budget for 2011 projects an ROAA of .20%. This projection reflects the lingering impact of the severe recession and the unfavorable interest rate environment. Earnings projections for 2012 and beyond are more promising.

Plans call for 120 new members of the credit union per year.