

# Pentegra Defined Contribution Plan for Financial Institutions

Employer Identification Number: 13-6321489  
Plan Number: 333

Financial Statements as of December 31, 2010 and  
2009, and for the Year Ended December 31, 2010,  
Supplemental Schedule as of December 31, 2010,  
and Independent Auditors' Report

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

## TABLE OF CONTENTS

---

	<b>Page(s)</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Net Assets Available for Benefits as of December 31, 2010 and 2009	2
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2010	3
Notes to Financial Statements as of December 31, 2010 and 2009, and for the Year Ended December 31, 2010	4-13
SUPPLEMENTAL SCHEDULE:	
Form 5500, Schedule H, Part IV, Line 4i — Schedule of Assets (Held at End of Year) as of December 31, 2010	14-15
NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Participants of  
The Pentegra Defined Contribution Plan for Financial Institutions

We have audited the accompanying statements of net assets available for benefits of Pentegra Defined Contribution Plan for Financial Institutions (the "Plan") as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan'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. 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 Plan'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, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. Such supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

October 12, 2011

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

## STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2010 AND 2009 (In thousands)

---

	2010	2009
<b>ASSETS:</b>		
Cash	\$ 846	\$ -
Investments	1,133,196	1,003,131
Receivables:		
Notes receivable from participants	25,946	21,662
Accounts receivable — administrative	83	35
Contributions receivable	3,526	3,748
Receivables for securities sold	<u>                    </u>	<u>130</u>
Total receivables	<u>29,555</u>	<u>25,575</u>
Total assets	<u>1,163,597</u>	<u>1,028,706</u>
<b>LIABILITIES:</b>		
Accrued administrative expenses	95	101
Payables for securities purchased	103	15
Other liabilities	<u>4,822</u>	<u>6,024</u>
Total liabilities	<u>5,020</u>	<u>6,140</u>
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	1,158,577	1,022,566
ADJUSTMENT FROM FAIR VALUE TO CONTRACT VALUE FOR FULLY BENEFIT-RESPONSIVE STABLE VALUE FUND	<u>(7,791)</u>	<u>(4,390)</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$1,150,786</u>	<u>\$1,018,176</u>

See accompanying notes to financial statements.

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2010 (In thousands)

---

### ADDITIONS:

#### Contributions:

Employers	\$ 30,042
Participants	52,954
Rollovers	<u>7,520</u>

Total contributions 90,516

#### Investment income:

Net change in appreciation in fair value of investments	119,050
Earnings on self — directed brokerage accounts	205
Interest bearing cash — including money market fund and government STIF	230
Dividends	<u>79</u>

Net investment income 119,564

Interest on notes receivable from participants 1,181

Other income 6,398

Total income 217,659

### DEDUCTIONS:

Benefits paid to participants	73,916
Corrective distributions	270
Deemed distribution of participant loans	1,739
Management fees	5,348
Other expenses	<u>6,788</u>

Total deductions 88,061

NET INCREASE IN NET ASSETS 129,598

### TRANSFERS OF ASSETS:

Transfers into the Plan	26,005
Transfers out of the Plan	<u>(22,993)</u>

Net transfers into the Plan 3,012

TOTAL INCREASE IN NET ASSETS 132,610

### NET ASSETS AVAILABLE FOR BENEFITS:

Beginning of year 1,018,176

End of year \$ 1,150,786

See accompanying notes to financial statements.

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

## NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010 AND 2009, AND FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in thousands)

---

### 1. DESCRIPTION OF THE PLAN

The following description of the Pentegra Defined Contribution Plan for Financial Institutions (the “Plan”) is provided for general information purposes only. Participants should refer to their respective Summary Plan Descriptions for more complete information.

**General** — The Plan is a multiple-employer, tax-exempt trustee savings plan. The Board of Directors of the Plan control and manage the operation and administration of the Plan. The Bank of New York Mellon served as the trustee of the Plan through June 30, 2009. Reliance Trust Company serves as the trustee of the Plan effective July 1, 2009. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

**Contributions** — All contributions made to the Plan were in the form of cash. Participating employers may, at their option, elect the 401(k) feature of the Plan. This feature permits participants to defer current federal income tax, and the income taxes of most states, on the amounts contributed to and earned on the 401(k) account. Contributions on behalf of each participant are invested in accordance with the participant’s instructions, entirely in one fund or in any combination of funds in multiples of 1%. If a participant fails to make an investment election, contributions made on their behalf are invested in the Plan’s Qualified Default Investment option (State Street Global Advisors Target Retirement Fund Series). The profit sharing feature offers employers the option of allowing participant-directed investments as described above or investing at the employer’s discretion.

**Participant Accounts** — Individual accounts are maintained for each Plan participant. Each participant’s account is credited with participant contributions, the employer contributions, forfeiture allocation, loan repayments and investment earnings and charged with withdrawals, administrative expenses, loan advances and investment losses. Allocations, if any, are based on participant account balances or compensation. Any additions to the participant’s account purchase units based on the unit values of the respective investment funds. Any distributions from the account result in a decrease in units. The difference between the value of a participant’s account at the end of the previous day and the value at the end of the current day, net of all transactions occurring during the current day (contributions, withdrawals, etc) is the amount of earnings (losses) credited to the participant’s account. The total value of a participant’s account is determined by multiplying the number of units in each investment fund by the unit value of such fund and aggregating the results. The benefit to which a participant is entitled is their vested account balance. Participating employers select the vesting schedule that will apply to employer contributions made to the Plan.

**Investments** — Total nonparticipant-directed investments in the Plan were \$2,703 and \$2,328 as of December 31, 2010 and 2009, respectively. In addition, \$4,615 and \$4,478 as of December 31, 2010 and 2009, respectively, is held by the Plan for liquidity purposes, which is primarily used to pay expenses incurred by the Plan. Generally, participants direct the investment of their contributions into various investment options offered by the Plan. Participants should refer to their Summary Plan Descriptions. The Plan offers a wide variety of investment options spanning the risk/return spectrum, from stock to asset allocation funds. The investments are managed by State Street Global Advisors (“SSgA”), American Beacon Advisors, Inc., Artio Global Management LLC, Capital Research and Management

Company, Harbor Capital Advisors, Inc., Royce & Associates, LLC, TD Ameritrade Trust Company and Invesco National Trust Company. In addition to the investment options managed by the listed advisors, the Plan offers expanded investment flexibility through the Personal Choice Retirement Account (“PCRA”). The PCRA is a self-directed brokerage feature that works in tandem with the other investment options, providing access to additional mutual funds and individual securities. It is administered through Charles Schwab and Company, Inc.

**Vesting** — Participants are vested immediately in their contributions plus actual earnings thereon. Participants should refer to their respective Summary Plan Descriptions to determine the vesting schedule for employer contributions.

**Notes Receivable from Participants** — Employers may also, at their option, make available a loan program to their employees. This program, depending on the option elected by the employer, allows a participant to borrow from their 401(k) and/or their non-401(k) account balance subject to limitations imposed by federal law. The loans are secured by the balance in the participant’s account. The rate of interest for the term of the loan is established as of the loan date and shall bear interest rates comparable to the rates of interest in effect at a major banking institution (the Barron’s Prime Rate plus one percent). Loan repayments of principal and interest, less an administrative charge, are credited to participants’ accounts. Loans initiated prior to 2000 had an administrative charge deducted from each repayment. For loans initiated during calendar year 2000 and later, a one-time setup fee and an annual maintenance fee is charged to participant accounts. Loan defaults are classified as withdrawals and treated as taxable distributions. Participants should refer to their respective Summary Plan Descriptions for more complete information.

**Payment of Benefits** — A participant may elect to receive either a lump-sum amount equal to the value of the participant’s vested interest in their account or a portion of their account, subject to limitations imposed by federal law or options elected by the participating employer. Participants should refer to their respective Summary Plan Descriptions for more information.

**Transfers** — Transfers into the Plan represent participant accounts related to new employers coming into the Plan and transfers out of the Plan represent monies related to participant accounts whose employers are leaving the Plan.

**Forfeited Accounts** — At December 31, 2010 and 2009, forfeited non-vested accounts totaled \$2,032 and \$1,860, respectively. These accounts may be used to reduce future employer contributions or administrative fees or be allocated to all eligible participants. During the year ended December 31, 2010, forfeiture withdrawals of \$324 were used to offset employer contributions and allocated to eligible participants and \$25 were used to offset administrative fees.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Use of Estimates and Risk and Uncertainties** — The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The Plan’s investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with a majority of the investment options, management believes it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. (see Notes 3 and 4).

**Income Recognition** — Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

Management fees charged to the Plan for investments are reflected as an expense on the Statement of Changes in Net Assets Available for Benefits.

Realized gains or losses on investment transactions are recorded as the difference between proceeds received and cost. Cost is determined on the average cost basis. Net appreciation in fair value of investments includes the reversal of previously recognized appreciation related to investments sold during the period.

**Investment Valuation** — The Plan's investments are stated at fair value, except for the stable value fund (the "SVF") which is stated at fair value and then adjusted to contract value (Note 5). Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A more detailed description of the individual types of securities and fair value measurement methods can be found in Note 3.

**Notes Receivable from Participants** — If applicable, notes receivable from participants are measured at their unpaid principal balances plus any accrued but unpaid interest. Delinquent participant loans are recorded as distributions based on the term of the Plan document. In accordance with the Internal Revenue Service ("IRS"), if a repayment is missed, the loan is treated as a distribution the end of the quarter following the quarter in which the repayment was missed.

**Other Income** — Other income includes asset-based and administrative fee income which is charged to employers and participants and is used to pay for administrative, management and professional expenses of the Plan.

**Administrative Expenses** — Other expenses include total administrative expenses paid by employers and those charged against the Plan's assets amounted to \$6,403 for the year ended December 31, 2010.

To the extent the amount of total administrative expense is greater or less than total collections, such amount is recorded as a prepaid asset or deferred liability, respectively, and is included in the Statements of Net Assets Available for Benefits. The net deferred liability at December 31, 2010 and 2009 was \$2,776 and \$3,564, respectively, which is adequately covered by a portion of the \$4,615 and \$4,478 as of December 31, 2010 and 2009, respectively, held by the Plan as discussed in the investments caption in Note 1.

Fiduciary liability insurance premiums aggregating \$36 in 2010 were billed directly to and paid by participating employers and are not reflected in the Plan's financial statements.

**Payment of Benefits** — Benefit payments to participants are recorded upon distribution. At December 31, 2010 and 2009, there were no outstanding benefit payments.

**Excess Contributions Payable** — The Plan is required to return contributions received during the plan year in excess of the Internal Revenue Code ("IRC") limits.

**New Accounting Standards Adopted** — The accounting standards adopted in the 2010 financial statements described below affected certain note disclosures and impacts the statements of net assets available for benefits and the statement of changes of net assets available for benefits.

**Accounting Standards Updates (“ASU”) No. 2010-06, Fair Value Measurements and Disclosures** — In January 2010, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2010-06, which amends Accounting Standards Codification (“ASC”) 820, adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU No. 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The new guidance is not applicable to the Plan in 2011.

**ASU No. 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans** — In September 2010, the FASB issued ASU No. 2010-25. The ASU, which is effective for annual periods ending after December 15, 2010, requires that participant loans be classified as notes receivable rather than a plan investment and measured at unpaid principal balance plus accrued but unpaid interest rather than fair value. The Plan has adopted this new guidance retrospectively in 2010. Net assets available for benefits were not affected by the adoption of the new guidance.

**ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards** — In May 2011, the FASB issued ASU No. 2011-04, which amends ASU 820. ASU 2011-04 also requires the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 15, 2011. The adoption will not have a material effect on the statements of net assets available for benefits and statement of changes in net assets available for benefits. Plan management has not determined the impact on the disclosures in the financial statements.

### **3. FAIR VALUE MEASUREMENTS**

ASC 820 set a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Plan classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan’s policy is to recognize significant transfers between levels at the end of December 31, 2010 and 2009.

The following is a description of the valuation methodologies and inputs used to measure fair value for major categories of investments:

**Self-Directed Brokerage Account** — Valued at quoted market prices except for the fixed income investments which are at estimated fair value based on their underlying investment in short term and fixed income securities.

**Interest Bearing Cash** — Valued based on quoted market prices.

**Mutual Funds** — Stated at fair value based on quoted net asset value (“NAV”).

**Money Market Fund and Government Short Term Investment Fund (“STIF”)** — Stated at estimated fair value based on the NAV practical expedient, as described below. The underlying investments include short-term securities issued by the U.S. government, including treasuries and agencies, as well as short-term corporate and bank securities.

**Common Collective Trust Funds (“CCTs”)** — Stated at estimated fair value based on the NAV practical expedient, as described below. The CCTs are invested in the following categories according to their respective strategies:

*Equity* — These funds seek to match the performance of an index of a particular segment of the financial market, such as the Standard & Poors 500 Index.

*Fixed Income* — These funds seek to invest its assets in a diversified portfolio of bonds, including corporate bonds, government bonds, mortgage backed and asset backed securities and Treasury Inflation Protected securities. The strategies seek to match the performance of particular bond indexes such as the Barclays Capital U.S. Aggregate Bond Index.

*Asset Allocation* — These funds offer broad diversification and a disciplined rebalancing process. These funds seek to maintain the mix of U.S. and International stocks and U.S. bonds according to the asset allocation targets set at a conservative to aggressive asset mix or based on the target retirement date.

*Stable Value Fund* — The SVF consists primarily of synthetic guaranteed investment contracts (“synthetic GICs”) and guaranteed investment contracts (“GICs”). The SVF is included at estimated fair value in the statements of net assets available for benefits, and an additional line is presented representing the adjustment for fair value to contract value. The statement of changes in net assets available for benefits is presented on a contract value basis. The strategy’s return consists of investment income from its components (see Note 5).

In September 2009, the Financial Accounting Standards Board provided investors with a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. The practical expedient enables an entity holding investments in certain entities that calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment. No adjustments to reported NAV reported by an asset manager have been recorded. There are no unfunded commitments related to these investments. Investments in these funds can be redeemed on a daily basis and there are no redemption restrictions, except for the SVF which is explained in Note 5.

The following tables set forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value on a recurring basis at December 31, 2010 and 2009.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2010 Total
Self directed brokerage account:				
Cash	\$ 519	\$ -	\$ -	\$ 519
Equity	1,697			1,697
Fixed income		82		82
Mutual funds	<u>85</u>	<u></u>	<u></u>	<u>85</u>
Total self directed brokerage account	<u>2,301</u>	<u>82</u>	<u>-</u>	<u>2,383</u>
Common collective trust funds:				
Equity funds		540,155		540,155
Stable value fund		280,026		280,026
Fixed income funds		65,767		65,767
Asset allocation funds	<u></u>	<u>165,727</u>	<u></u>	<u>165,727</u>
Total common collective trust funds	<u>-</u>	<u>1,051,675</u>	<u>-</u>	<u>1,051,675</u>
Mutual funds:				
Equity funds	1,974			1,974
Fixed income funds	<u>725</u>	<u></u>	<u></u>	<u>725</u>
Total mutual funds	<u>2,699</u>	<u>-</u>	<u>-</u>	<u>2,699</u>
Money market fund		63,036		63,036
Government STIF fund	<u></u>	<u>13,403</u>	<u></u>	<u>13,403</u>
Total	<u>\$ 5,000</u>	<u>\$ 1,128,196</u>	<u>\$ -</u>	<u>\$ 1,133,196</u>

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2009 Total
Interest bearing cash-JP Morgan Chase Bank, NA				
	\$ 1,856	\$ -	\$ -	\$ 1,856
Self directed brokerage account:				
Cash	480			480
Equity	1,355			1,355
Fixed income		110		110
Mutual funds	<u>221</u>	<u></u>	<u></u>	<u>221</u>
Total self directed brokerage account	<u>2,056</u>	<u>110</u>	<u>-</u>	<u>2,166</u>
Common collective trust funds:				
Equity		458,239		458,239
Stable value fund		269,443		269,443
Fixed income		56,310		56,310
Asset allocation	<u></u>	<u>128,837</u>	<u></u>	<u>128,837</u>
Total common collective trust funds	<u>-</u>	<u>912,829</u>	<u>-</u>	<u>912,829</u>
Money market fund		70,994		70,994
Government STIF fund	<u></u>	<u>15,286</u>	<u></u>	<u>15,286</u>
Total	<u>\$ 3,912</u>	<u>\$ 999,219</u>	<u>\$ -</u>	<u>\$ 1,003,131</u>

For the years ended December 31, 2010 and 2009, there were no significant transfers in or out of Level 1, 2, or 3.

#### 4. INVESTMENTS

The Plan's investments that represented five percent or more of the Plan's net assets available for benefits as of December 31, 2010 and 2009 are as follows:

	2010	2009
S&P 500 stock fund, at estimated fair value (equity index flagship fund)*	\$ 177,601	\$ 159,853
Stable value fund, at contract value (investment contracts — note 5)*	272,235	265,053
S&P midcap stock fund, at estimated fair value (mid-cap equity index fund)*	140,493	112,738
Money market fund, at estimated fair value (short term investment fund)	63,036	70,994

\*Common collective trust funds (not publicly traded)

During the year ended December 31, 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated / (depreciated) in value as follows:

Common collective trust funds:	
Equity funds	\$ 85,371
Stable value fund	9,556
Fixed income funds	5,413
Asset allocation funds	<u>18,552</u>
Total common collective trust funds	<u>118,892</u>
Mutual funds:	
Equity funds	184
Fixed income funds	<u>(26)</u>
Total mutual funds	<u>158</u>
Net Appreciation of Investments	<u>\$ 119,050</u>

**Securities Lending** — Several of the Plan's investments managed by SSgA participate in a securities lending program. Under this program, the Plan's investment securities are loaned to investment brokers for a fee. Securities so loaned are fully collateralized by cash, letters of credit, and securities issued or guaranteed by the U.S. government, its agencies, and instrumentalities. Funds that engage in securities lending do so in order to benefit from the potential additional income that securities lending offers to institutional investors, whether to augment returns, offset plan expenses or other similar purposes. However, the disruption that the market and economic crisis has brought to the market for fixed income securities presents significant challenges for all securities lending programs. The collateral pools have not realized any material credit losses nor do they hold securities of issuers that have defaulted on their obligations. In October 2008, in an effort to help investors in lending funds from realizing losses, SSgA implemented benefit plan withdrawal parameters for the lending funds. Defined contribution plan participants were able to make ordinary course contributions and withdrawals within their accounts from the lending funds. In August 2010, SSgA terminated the withdrawal restrictions.

## 5. STABLE VALUE FUND

On December 12, 2010, Invesco National Trust Company succeeded SSgA as manager of the SVF. The beneficial interest of each participant is represented by units. Units are issued and redeemed daily at the SVF's net unit value at contract value. Contract value represents the principal plus accrued interest.

The SVF imposes certain restrictions on the Plan, and the SVF itself may be subject to circumstances that impact the ability to transact at contract value, as described below.

**Events Limiting Contract Value Treatment** — Investment contracts are valued at contract value principally because participants are able to transact at contract value when initiating benefit-responsive withdrawals and transfers. Based on meeting the requirements for investment contract accounting, the SVF accounts for investment contracts in accordance with ASC 946-210 (formerly, FASB Staff Position (FSP) No. AAG INV-a, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contributions Health and Welfare and Pension Plans*), which limits the circumstances in which the net assets of an investment company will be able to reflect the contract value of wrapper agreements and provides guidance with respect to the financial statement presentation and disclosure of fully benefit-responsive investment contracts.

**Circumstances That Impact the SVF** — The SVF invests primarily in fully-benefit responsive GICs, Synthetic GICs, bank investment contracts and short term investments. Investments in bank, insurance company and other financial institution investment contracts are stated at contract value which is equal to principal balance plus accrued interest. Synthetic investment contracts represent individual assets placed in a trust, with ownership by the SVF; a third party issues a “wrapper” that guarantees participant transactions are executed at contract value. In a typical wrap contract, the wrap issuer agrees to pay a portfolio the difference between the contract value and the market value of the underlying assets once the market value has been totally exhausted. The wrap contracts generally contain certain provisions that limit the ability of the SVF to transact at contract value upon the occurrence of certain events. These events include termination of the Plan, a material adverse change to the provisions of the Plan, the employer elects to withdraw from a wrapper contract in order to switch to a different investment provider, or if the terms of a successor plan (in the event of the spin-off or sale of a division) do not meet the wrapper contract issuer's underwriting criteria for issuance of a clone wrapper contract. While it is possible that some of the Plans participating in the SVF may experience plan terminations or other events that would trigger fair value payouts under the SVF's wrapper agreements, based on prior experience, management believes it is not probable that such events would be of sufficient magnitude to limit the ability of the SVF to transact at contract value with the participants in the SVF. Given that such events are beyond the control of the SVF, however, there can be no guarantee that this will be the case. In addition, investment contracts have elements of risk due to lack of a secondary market and resale restrictions resulting in the inability of the SVF to sell a contract. Investment contracts may be subject to credit risk based on the ability of the wrapper providers to meet their obligations under the terms of the contract. Plan management believes that the occurrence of events that would cause the SVF to transact at less than contract value is not probable.

## 6. EXEMPT PARTIES-IN-INTEREST TRANSACTIONS

The Board of Directors of the Plan is comprised of executive officers of participating employers of the Plan and as such are participants of the Plan. Pentegra Services Inc. (“PSI”) and the Plan entered into a five year service agreement effective May 1, 2007 whereby PSI will provide all administrative services to the Plan. This agreement outlines the fees that PSI will charge the Plan and as such are related parties. For the period January 1, 2010 through December 31, 2010, the Plan incurred \$6,238 in administrative expenses charged by PSI.

## 7. PLAN TERMINATION

The Board of Directors shall have the right to amend or terminate the Plan or trust agreement subject to the provisions set forth in ERISA, at any time in whole or in part, for any reason, and without the consent of any participating employer or participant, and each employer by its adoption of the Plan and trust agreement shall be deemed to have delegated this authority to the Board. No amendment, however, shall impair such rights of payment as the participant would have had, if such amendment had not been made, with respect to contributions made by them or on their behalf to such amendment.

## 8. FEDERAL INCOME TAX STATUS

The IRS has determined and informed the Plan by letter dated March 2, 2010 that the Plan and related trust are designed in accordance with the applicable regulations of the IRC. The Plan has been amended since receiving the determination letter. It is the view of the Plan administrator and the Plan's counsel that the Plan continues to be designed and operated in compliance with the applicable requirements of the IRC and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

ASC 740, *Income Taxes*, requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

## 9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

A reconciliation of net assets available for benefits per the financial statements to the total net assets per the Form 5500 as of December 31, 2010 and 2009, and the increase in net assets per the financial statements to the net income per the Form 5500 for the year ended December 31, 2010, is as follows:

	<b>2010</b>	<b>2009</b>
Net assets available for benefits per the financial statements	\$ 1,150,786	\$ 1,018,176
Adjustment from contract value to fair value for fully benefit-responsive stable value fund	<u>7,791</u>	<u>4,390</u>
Total net assets per the Form 5500	<u>\$ 1,158,577</u>	<u>\$ 1,022,566</u>
Net increase in net assets per the financial statements:	\$ 129,598	
Adjustment from contract value to fair value for fully benefit-responsive stable value fund — December 31, 2010	7,791	
Adjustment from contract value to fair value for fully benefit-responsive stable value fund — December 31, 2009	<u>(4,390)</u>	
Net income per Form 5500	<u>\$ 132,999</u>	

## **10. SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 12, 2011. It was determined that no subsequent events were required to be disclosed for the year ended December 31, 2010.

\* \* \* \* \*

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

Employer ID No.: 13-6321489

Plan No.: 333

## FORM 5500, SCHEDULE H, PART IV, LINE 4i — SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF DECEMBER 31, 2010

(b) Identity of Issue, Borrower, (a) Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
Invesco National Trust Co.	Invesco Stable Value Fund	**	\$ 280,026,129
State Street Global Advisors	S&P 500 R Index SL SF CL I	**	177,601,322
State Street Global Advisors	S&P 500 Midcap R Indx SL SF CL I	**	140,493,307
State Street Global Advisors	US Long Treasury Indx SL SFCL I	**	37,583,330
State Street Global Advisors	Intl Indx SL SF CL I	**	48,013,162
State Street Global Advisors	Conservative Strategic Balanced Fund	**	22,517,079
State Street Global Advisors	Moderate Strategic Balanced Fund	**	47,139,501
State Street Global Advisors	Aggressive Strategic Balanced Fund	**	35,774,695
State Street Global Advisors	S&P Large Cap Growth R Indx SL SF	**	38,784,944
State Street Global Advisors	S&P Large Cap Value R Indx SL SF	**	34,012,954
State Street Global Advisors	Russell Small Cap R Indx SL SF CL I	**	48,302,397
State Street Global Advisors	Nasdaq 100 Index R NL SF CL A	**	34,887,614
State Street Global Advisors	Tuckerman US REIT Indx NL SF CL A	**	16,932,426
State Street Global Advisors	US Bond Indx SL SF CL I	**	19,142,362
State Street Global Advisors	Target Retirement 2015 SL SF CL I	**	19,343,946
State Street Global Advisors	Target Retirement 2025 SL SF CL I	**	16,472,531
State Street Global Advisors	Target Retirement 2035 SL SF CL I	**	9,865,375
State Street Global Advisors	Target Retirement 2045 SL SF CL I	**	6,666,160
State Street Global Advisors	US Inflation Pro Bond Indx NL SF	**	9,040,819
State Street Global Advisors	Target Retirement 2010 NL SF CL A	**	549,845
State Street Global Advisors	Target Retirement 2020 NL SF CL A	**	2,969,083
State Street Global Advisors	Target Retirement 2030 NL SF CL A	**	987,078
State Street Global Advisors	Target Retirement 2040 NL SF CL A	**	989,868
State Street Global Advisors	Target Retirement 2050 NL SF CL A	**	511,315
State Street Global Advisors	Target Retirement Income NL SF CL A	**	241,634
State Street Global Advisors	S&P 500 (R) Indx NL SF CL A	**	437,795
State Street Global Advisors	S&P Midcap (R) Indx NL SF CL A	**	689,205
State Street Global Advisors	Target Retirement 2015 NL SF CL A	**	378,072
State Street Global Advisors	Target Retirement 2025 NL SF CL A	**	25,484
State Street Global Advisors	Target Retirement 2035 NL SF CL A	**	125,468
State Street Global Advisors	Target Retirement 2045 NL SF CL A	**	71,666
TD Ameritrade Trust Company	Sunrise Capital Preservation Fund	**	9,848
TD Ameritrade Trust Company	Sunrise Balanced Equity Fund	**	46,138
TD Ameritrade Trust Company	Sunrise Balanced Fund	**	910,520
TD Ameritrade Trust Company	Sunrise Diversified Equity Fund	**	3,933
TD Ameritrade Trust Company	Sunrise Income Fund	**	590
TD Ameritrade Trust Company	Sunrise Diversified Income Fund	**	127,220
TD Ameritrade Trust Company	Sunrise Diversified Equity with Income Fund	**	309
Total Investments in Common Collective Trusts***			1,051,675,124
Royce Funds	Royce Pennsylvania Mutual Fund Investment	**	322,154
American Funds	Growth Fund Of America R-5	**	572,904
Harbor Funds	Harbor Bond Fund Institutional	**	724,803
American Beacon Funds	American Beacon Large Cap Value Fund Institutional	**	341,942
Artio Global Funds	Artio International Equity Fund II Institutional	**	736,999
Total Investments in Mutual Funds			2,698,802

(Continued)

# PENTEGRA DEFINED CONTRIBUTION PLAN FOR FINANCIAL INSTITUTIONS

Employer ID No.: 13-6321489

Plan No.: 333

## FORM 5500, SCHEDULE H, PART IV, LINE 4i — SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF DECEMBER 31, 2010

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost **	(e) Current Value
	Charles Schwab and Company, Inc	Self Directed Brokerage Account	**	\$ 2,383,434
	State Street Global Advisors	Interest Bearing Cash Money Market Fund***	**	63,035,524
	State Street Global Advisors	Interest Bearing Cash Government Short Term Investment Fund***	**	13,403,285
*	Notes Receivable from Participants	Loans — Interest Rates 2.45% to 10.50%, Maturity Date 1/27/2011 to 12/7/2026		25,945,743
		Adjustment From Fair Value to Contract Value for Fully Benefit-Responsive Stable Value Fund	**	<u>(7,790,592)</u>
	<b>TOTAL</b>			<b><u>\$ 1,151,351,320</u></b>

\*Party-In-Interest

\*\*Cost information not provided

\*\*\*Common Collective Trusts, Money Market Fund and Government Short Term Investment Fund include non-participant directed investments that have an aggregate cost and current value of \$2,159,168 and \$2,703,450 respectively, as of 12/31/2010.

(Concluded)