



FINANCIAL REPORT AND ANALYSIS

GULF STATES CREDIT UNION

MAITLAND, FL

Star Rating: *****

Derived from NCUA Data Reported as of December 31, 2008

Updated as Available

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DISCLAIMER

The financial data in this report, unless otherwise noted, was obtained from reports filed with the National Credit Union Administration (NCUA), the regulatory agency for credit unions. Although the data received from this source is consistently reliable, its accuracy and completeness cannot be guaranteed by BauerFinancial, Inc. In fact, an astute investor would agree, and experience has shown, that marginally performing institutions frequently give themselves the benefit of the doubt when filing their reports. Our historical data helps us detect these variances.

INTRODUCTION

The financial data used to prepare this report, unless otherwise noted, was derived from data provided by the National Credit Union Administration (NCUA). The database contains data on federal and state credit unions derived from the Form #5300 report that each credit union submits quarterly. The data is then reviewed and classified by the NCUA prior to publication and released approximately three months after the end of the period.

STAR RATING SYSTEM

BauerFinancial's star ratings classify each institution based upon a complex formula which factors in relevant data including, but not limited to: current capital levels, proposed regulations, profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance and asset quality. Negative trends are projected forward to compensate for the lag time in the data. We employ conservative measures when assigning these ratings and consequently our analysis may often be lower than those supplied by other analysts or the institutions themselves. Nearly twenty-five years of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

- ******* :Superior. These institutions are on BauerFinancial's Recommended Credit Union Report.
- ****** :Excellent. These institutions are also on BauerFinancial's Recommended Credit Union Report.
- ***** :Adequate.
- **** :Problematic.
- *** :Troubled.
- ZERO** :Our lowest rating.
- N.R.** :Not rated. The institution's shares are not federally insured or it has assets less than \$1.5 million.
- S.U.** :Start-up credit union. Institutions that are too new to rate.

Institutions with three or more stars meet all current regulatory capital requirements.

ASSET AFFINITY GROUPS

- Group 1-** \$50 Million and Up
- Group 2-** \$25 - 50 Million
- Group 3-** \$10 - 25 million
- Group 4-** \$5 – 10 million
- Group 5-** \$2.5 – 5 million
- Group 6-** \$1 – 2.5 million
- Group 7-** \$500,000 – 1 million
- Group 8-** \$250,000 – 500,000
- Group 9-** \$0 – 250,000

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A. ABBREVIATED FINANCIAL STATEMENTS

**Balance Sheet: (\$ millions)
As of December 31, 2008**

<u>Assets:</u>		<u>Liabilities & Equity:</u>	
Cash	\$1.509	Borrowings	\$0.000
Investments	6.131	Other Liabilities	0.115
Loans (net)	12.541	Shares & Deposits	17.679
Reposessed R/E	0.000	Reserves	0.702
Fixed Assets	0.849	Retained Earnings	2.907
Other Assets	<u>0.374</u>	Net Unrealized Gains/Loses	<u>0.000</u>
Total Assets	\$21.404	Total Liabilities & Equity	\$21.404
		Regulatory Capital	\$3.610

**Income Statement: (\$ millions)
For the Year-to-Date Ended December 31, 2008**

Income:

Income from Loans:	\$0.960
Income from Investments:	0.250
Other Income:	<u>0.440</u>
Total Income:	1.650

Expenses:

Employee Compensation & Benefits:	0.593
Office Expenses:	0.233
Loan Servicing Expense:	0.101
Provisions for Losses:	0.062
Other Expenses:	0.239
Dividends on Shares & Int. on Deposits:	<u>0.320</u>
Total Expenses:	1.548

Gains/Losses on Investments: 0.000

Net Income: **\$0.101**

Less Transfer to Reserves: 0.000

Net Income after Reserve Transfer: **\$0.101**

Number of Full Time Employees:	13
Number of Part Time Employees:	1
Number of Members:	4,238

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B. ASSET CATEGORIES

Credit Unions were chartered to provide a savings vehicle for their affinity group members and to provide those members with consumer credit. Over the years, however, the loan types and investment vehicles of credit unions have become more sophisticated. The following sections compare the asset mix of this credit union with that of other credit unions its size.

Loans:

Loan Type	Credit Union % of Total Loans	Affinity %
Unsecured Loans	9.247%	14.553%
New Auto Loans	20.343%	19.799%
Used Auto Laons	24.438%	26.093%
First Mortgage R/E Loans	28.939%	17.703%
Other Real Estate Loans	13.057%	14.339%
All Other Loans to Members	3.984%	7.502%
Other Loans	0.000%	0.011%
Total Loans	100.000%	100.000%

Home Equity Lines of Credit 4.921%
(Included as First Mortgage Real Estate or Other Real Estate Loans above)

Investments:

Investment Type % of Total Investments	Credit Union	Affinity
U.S. Government Obligations	0.000%	0.748%
Federal Agency Securities	0.000%	4.471%
Mutual Funds	0.000%	0.440%
Corporate Central Credit Unions	33.143%	16.079%
Banks & Thrifts	66.857%	68.147%
Credit Unions	0.000%	4.599%
Other Investments	0.000%	5.515%
Total Investments	100.000%	100.000%

Interest Rates:

	Yield
Net Loan Interest Income	7.620%
Interest Income from Investments	4.078%

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C. SHARES(DEPOSITS)

As credit union services expanded they began providing full deposit services to their members. Most now offer checking privileges, certificates of deposits, retirement accounts and other specialized accounts, such as Christmas Club accounts. This section compares this credit union's deposit mix with that of other credit unions of its size. The average rate paid on the accounts over the last six months and the number of accounts is also provided.

Shares:

Share Type	Credit Union % of Shares	Affinity %
Share Certificates/CDs	20.431%	25.854%
Share Drafts	15.996%	10.315%
IRA/Keogh & Retirement Accts.	13.711%	7.224%
Regular Shares	39.188%	48.310%
Money Market Shares	9.486%	6.999%
All Other Shares	1.188%	1.298%
Total Shares	100.000%	100.000%

Credit Union:

Dividend Breakdown:	Rate	# of Accounts
Share Certificates/CDs	2.800%	303
Share Drafts	0.000%	1,601
IRA/Keogh & Retirement Accts.	2.800%	232
Regular Shares	1.000%	4,488
Money Market Shares	1.750%	46

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D. RATIO ANALYSIS

The ratio analysis provided in this section encompasses various ratios used by the National Credit Union Administration (NCUA) in evaluating the financial health of its member credit unions. The NCUA is the governing body for federally insured credit unions and is responsible for administering the government insurance fund, which guarantees the deposits in insured credit unions. Its role is comparable to that of the Office of Thrift Supervision for thrifts and the Federal Deposit Insurance Corporation or Office of the Comptroller of the Currency for banks.

	Credit Union %	Affinity %
Capital Adequacy:		
Capital as a % of Assets	16.860%	14.578%
Allowance for Loan Losses as a % of Total Loans	0.460%	0.951%
Asset Quality:		
Delinquent Loans as a % of Net Worth	3.712%	6.492%
Delinquent Loans as a % of Total Gross Loans	1.064%	1.658%
Net Charged-Off Loans YTD as a % of Total Loans	0.307%	0.694%
Repossessed R/E as a % of Net Worth	0.000%	0.708%
Repossessed R/E/ as a % of Total Assets	0.000%	0.103%
Non-Earning Assets as a % of Total Assets	5.004%	3.091%
Land & Building as a % of Total Assets	3.864%	1.869%
Other Fixed Assets as a % of Total Assets	0.103%	0.397%
Total Land, Building & Fixed Assets % of Total Assets	3.967%	2.369%
Liquidity:		
Long Term Assets as a % of Total Assets	22.687%	16.062%
Total Loans as a % of Total Shares	71.265%	67.791%
Earnings (annualized):		
Net Income Before Resv. Tsf. As a % of Avg. Assets	0.487%	0.018%
Net Income After Resv. Tsf. As a % of Avg. Assets	0.487%	0.016%
Operating Expenses as a % of Average Assets	5.623%	0.184%
Loan Servicing Expense as a % of Total Loans	0.802%	0.295%
Office Occupancy & Operations Exp. % of Tot. Assets	1.089%	1.103%
Office Expense as a % of # of Employees	1.726%	2.545%
Employee Compensation & Benefits % of Tot. Assets	2.857%	2.032%
Employee Compensation & Benefits # of Employees	\$0.044	\$0.047

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