

We Our Members



2010 Annual Report - February 8, 2011

CHAIRMAN'S REPORT



JOHNNY LEWALLEN

Good evening, I am Johnny Lewallen, and I am honored to serve as Chairman of Gulf Credit Union, and want to welcome everyone to our annual meeting!

I am looking forward to the promise and hope that 2011 will bring. Your board of directors is comprised of volunteers who want you and our local community to prosper. We understand that you are more than members, but our owners.

I also speak on behalf of our board and employees in thanking you for your continued loyalty to Gulf Credit Union. Although deposit rates have been low in this economy, you, as our member, have been very loyal in maintaining your investment with us. Thank you for your trust in Gulf Credit Union.

I am pleased to report that in 2010, GCU was successful in:

- A tested disaster recovery plan;
- A continued increase of our presence in shared branching;

- An increase in deposit growth of 10%;
- A continued active financial literacy training for members and students;
- A renewed focus on training of our staff so that our service to you is better.

Your board of directors has worked tirelessly over the past year, because we understand the importance of our commitment to you and your families, and we will continue to represent you with honor and integrity.

I would like to recognize the staff, management, and our CEO, and thank each one for dedication in delivering quality service to our members.

Finally, the board of directors and staff will continue to work diligently to be the best, and to earn your business so that Gulf Credit Union will become your only financial service provider.

Respectfully Submitted,
– Johnny Lewallen, *Chairman of the Board*

NOMINATING COMMITTEE REPORT



ROBERT ADAMS

The nominating committee announces there are three positions open for election. Those seeking re-election to the Board of Directors are: Libby Arnold, Carl Duplantis and Barry Gorman. Also seeking election are Sidney Badon, Karen Brown and Tom Jordan. A total of six applications

have been received as of January 31, 2011.

Respectfully Submitted,
– Robert Adams, *Chairman of the Nominating Committee*

We
Our
Members

FINANCIAL INFORMATION

Statement of Financial Condition

ASSETS

Cash and Cash Equivalents	\$13,175,040
Investments	\$74,368,013
Loans to Members – Net	\$124,802,330
Property and Equipment – Net	\$6,619,796
Reserve Deposits	\$1,955,532
Interest Receivable and Other Assets	\$5,271,173
Total Assets	\$226,191,884

LIABILITIES

Members' Deposits	\$211,366,302
Accounts Payable and Other Accrued Liabilities	\$1,748,531

MEMBERS' EQUITY

Total Liabilities

and Members' Equity

Statement of Income

Interest Income on Loans and Investments	\$9,547,587
Fee and Other Income	\$4,736,894
Total Operating Income	\$14,284,481

Provision for Loan Loss	\$1,349,331
Total Operating Income after Provision for Loan Loss	\$12,935,150

Other Operating Loss

Operating Expense

NET INCOME BEFORE DIVIDENDS

DIVIDENDS TO MEMBERS

DECREASE IN EQUITY

STATISTICAL INFORMATION FOR YEAR 2010

NUMBER	DELINQUENT LOANS	AMOUNT
38	2 to 6 months	\$539,794
2	6 to 12 months	\$537,863
0	12 months and over	\$0
40	SUBTOTAL	\$1,077,657
11,899	Less than 2 months	\$125,074,004
11,939	TOTAL LOANS	\$126,151,661

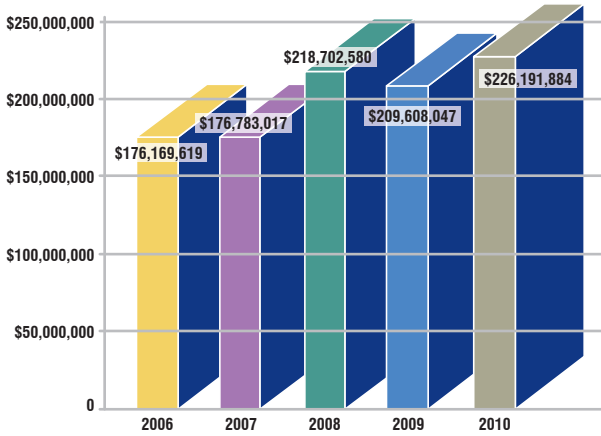
30,485 Members at End of Period
3,979 Loans and Leases Year-to-Date
(Amount – \$38,134,968)

190,262 Loans and Leases Since Organization
(Amount – \$1,075,221,279)

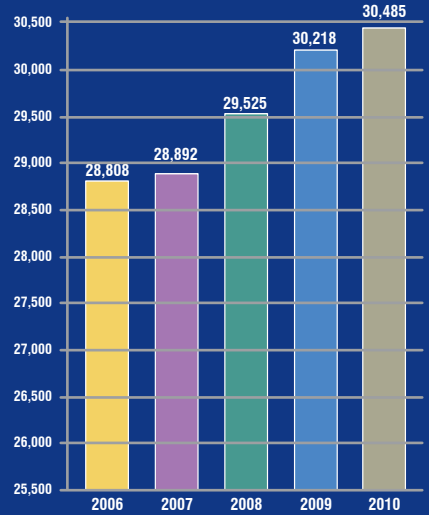
Loans Charged Off Since Organization	\$12,039,664
Recoveries on Loans Charged Off	\$1,713,181
Delinquency Percentage	0.85%
Estimated Solvency Ratio	106

FINANCIAL CHARTS & GRAPHS

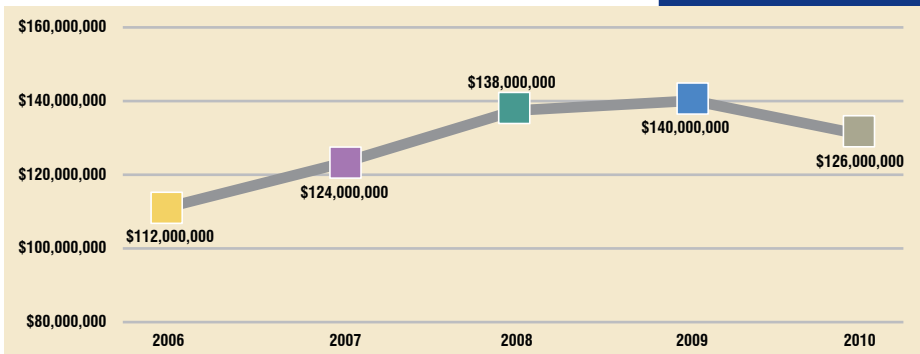
Assets



Membership Analysis



Loan Analysis



Legend

- 2006
- 2007
- 2008
- 2009
- 2010

PRESIDENT'S REPORT



RON BURKHALTER

I am proud to join Johnny Lewallen, our Chairman of the Board, in welcoming you to our annual meeting. We welcome your participation, and desire to exercise your rights as an owner of Gulf Credit Union.

The key to success in your personal or professional life is having a clear vision and focused direction – to know where you are going. I can assure you, Gulf Credit Union knows where it is going.

Without question, 2010 presented some unique challenges. An unstable economy put fiscal stress on government and industry. Fortunately, the credit union movement was not impacted as negatively as some. However, consumers' low level of confidence translates to added demands on the credit union movement.

Some of the challenges we face in 2011 focus on continued regulation reform from Congress. Specifically, changes in our interchange rates could ultimately affect consumers in higher fees for our plastic cards. Also, legislative changes have restricted our overdraft protection product will also be a challenge.

Over the last two years, there have been many bank failures, and some financial institutions "pulling back" from making loans. At GCU, we are in the loan business, but more importantly, we are in the people business. If you have a need for a loan, or know of someone that has a need for a loan, please think of GCU.

We also had some sad events in 2010. Our credit union family lost two family members. In July, we lost long-time board member Allen Dauphine. Allen loved GCU, our employees and members. Also in October, Teresa Sutton lost her battle with cancer. Teresa worked at our Beaumont location. These individuals will be missed and remembered by all of us at GCU.

In 2010, credit unions saw a record savings growth of over eight percent. GCU's savings growth for 2010 was 10 percent. That shows us how much trust you put in Gulf Credit Union.

I, as well as our devoted staff and board of directors, take seriously the trust you have put in us to

lead this institution, and I assure you that we are guiding Gulf Credit Union with integrity and a heartfelt commitment to you – the member/owner.

Although 2010 was a very difficult year for GCU, we have accomplished much, and have planned some exciting things for 2011. They include:

- In 2010, our membership increased to 30,485 members. Our assets are now at \$226 million dollars with loans of \$126 million;
- We successfully tested our disaster and evacuation procedures to ensure that we are up to date;
- We began the process of re-organizing our staff to better serve you, our members;
- In 2011, we are launching our Direct Dealer Network initiative. Our vision is to match your needs to the right product, and we are committed to being your partner in the auto buying process. The Direct Dealer Network will help accomplish this;
- In 2011, we will establish a new and improved home banking site. Look for these great changes to come;
- Our shared branching has been a great service to our members living in other areas. You can conduct business on your GCU account at shared branching locations throughout the southwest. Available locations are listed on our website;
- We will offer better payment protection products to compliment products like credit life and credit disability. For example, unemployment payment protection. Look for this in the second quarter.

When you walk through the doors at GCU, you are not just a member, you are an owner. And as we embark on a new year, you can have faith that your credit union is committed to serving your financial needs. Your future well-being is a priority for us.

Thank you so much for your time this evening. We greatly appreciate your interest in the future of your credit union. And we look forward to serving you and your family for many years to come.

Respectfully Submitted,

– Ron Burkhalter, *President/CEO*

AUDITOR'S REPORT

The Certified Public Accounting Firm of Wathen, Deshong & Junker, L.L.P., was retained by the credit union's Board of Directors to perform a comprehensive audit of the institution's financial statements. The firm issued an opinion of the financial condition of Gulf Credit Union as of June 30, 2010, and the related statements of income, members' equity and cash flows for the twelve month periods then ended in conformity with accounting principles generally accepted in the

United States of America. As a state-chartered financial institution, the credit union's financial condition, asset quality, accounting practice and compliance with applicable laws and regulations are examined yearly by the State of Texas Credit Union Department. The credit union received a positive report.



BOARD OF DIRECTORS

	TERM ENDS
Johnny Lewallen, <i>Chairman</i> ...	2013
Jim Thomas, <i>Vice Chairman</i> ..	2012
Sue Guilbeau, <i>Secretary</i>	2013
Carl Duplantis, <i>Treasurer</i>	2011

	TERM ENDS
Harold Guilbeau	2012
Robert Adams	2013
Libby Arnold	2011
Barry Gorman	2011
Camille Jones	2013

	TERM ENDS
ADVISORY BOARD MEMBER	
Larry Webb	February 2012

EXECUTIVE STAFF

Ron Burkhalter, *President/CEO*
Shawn Nelson, *Sr. VP Lending*

Cindy Winfrey, *VP Operations*
Cheryl Sandoval, *VP Human Resources*

Linda Kiker, *AVP Finance*
Sue Lane, *Marketing Director*

LOCATIONS

GROVES (Main Office)
5140 West Parkway
Post Office Box 848
Groves, TX 77619
409.963.1191 • 800.448.5328

BEAUMONT
2360 Dowlen Road
Beaumont, TX 77706
409.860.3600

BRIDGE CITY
4721 Hwy 87 South
Orange, TX 77630
409.735.5156

MID COUNTY
2779 Aero Drive
Port Arthur, TX 77640
409.729.8280

VISION STATEMENT

Gulf Credit Union's desire is to "create a relationship" with members. Gulf Credit Union will obtain this vision by matching the member with the right product. By creating a relationship with a member, GCU will earn the member's household loyalty. This household loyalty will ensure that Gulf Credit Union will be viable for the next generation of members.

MISSION STATEMENT

Gulf Credit Union is nonprofit and member-owned. We are committed to creating a relationship with a member by providing a positive experience with our delivery of service. All of our services will adhere to the economic and social changes of our expanding membership. We believe in safety and soundness while never losing our focus of "People Helping People."

