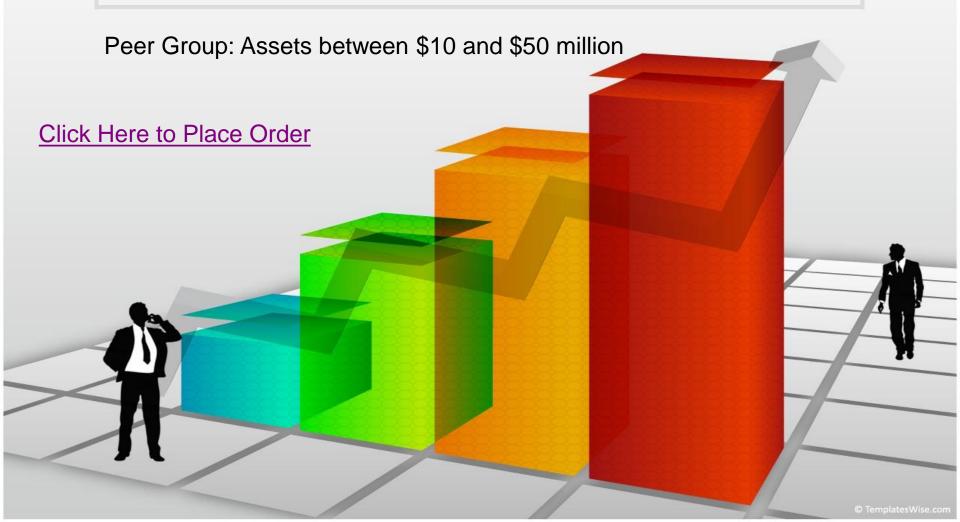
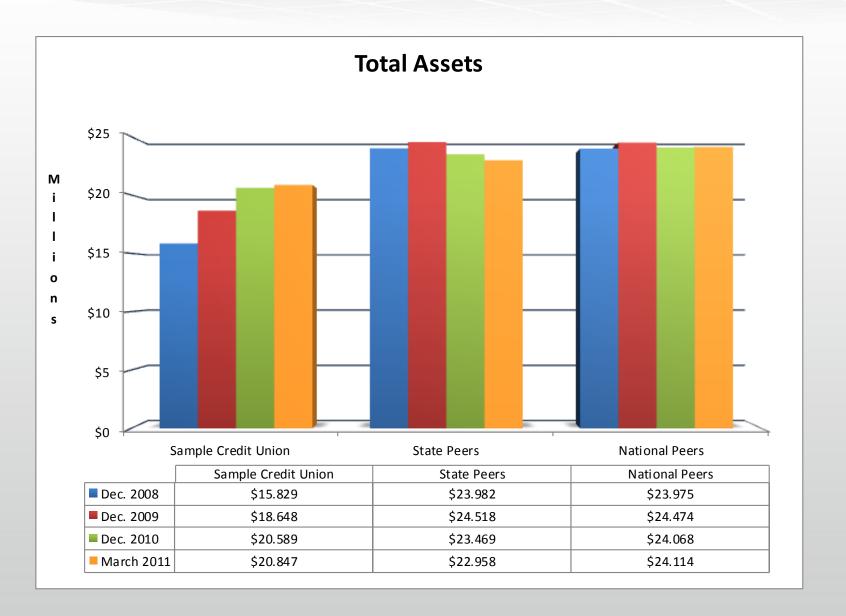
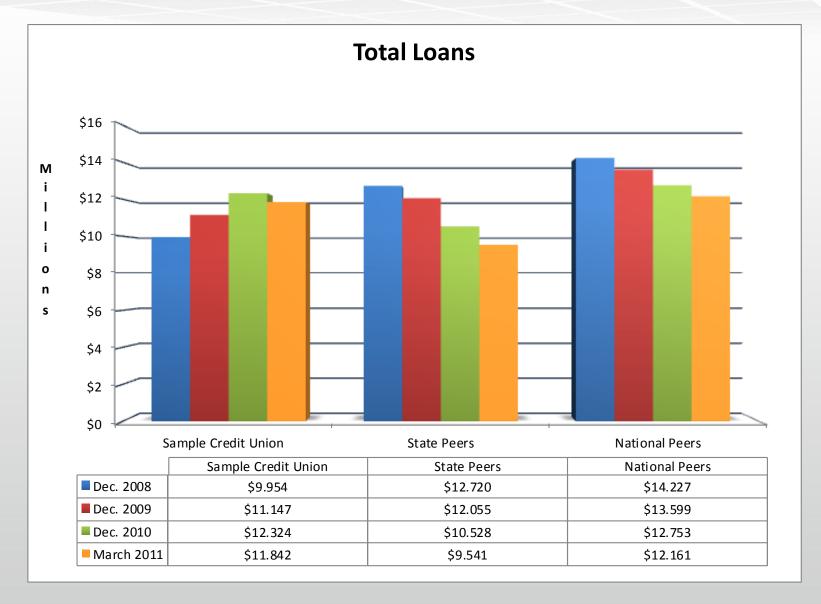
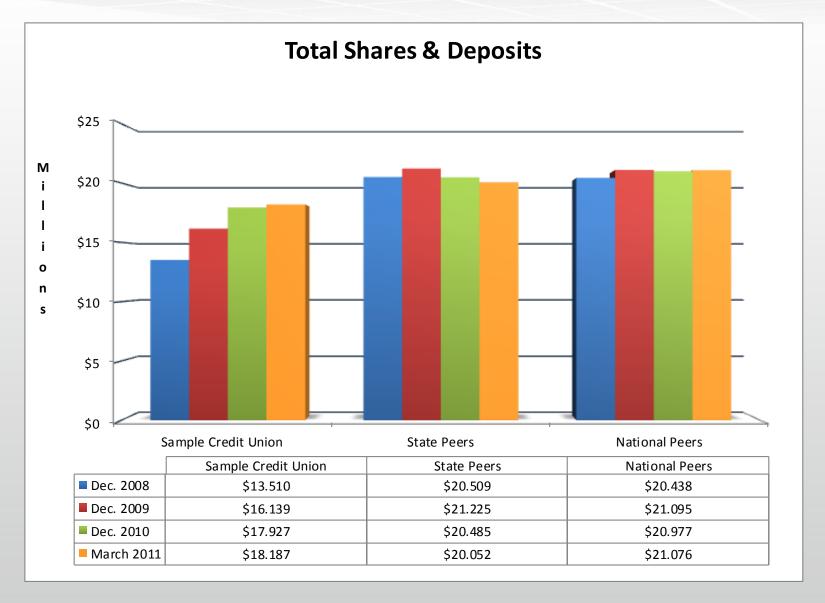
Director's Report

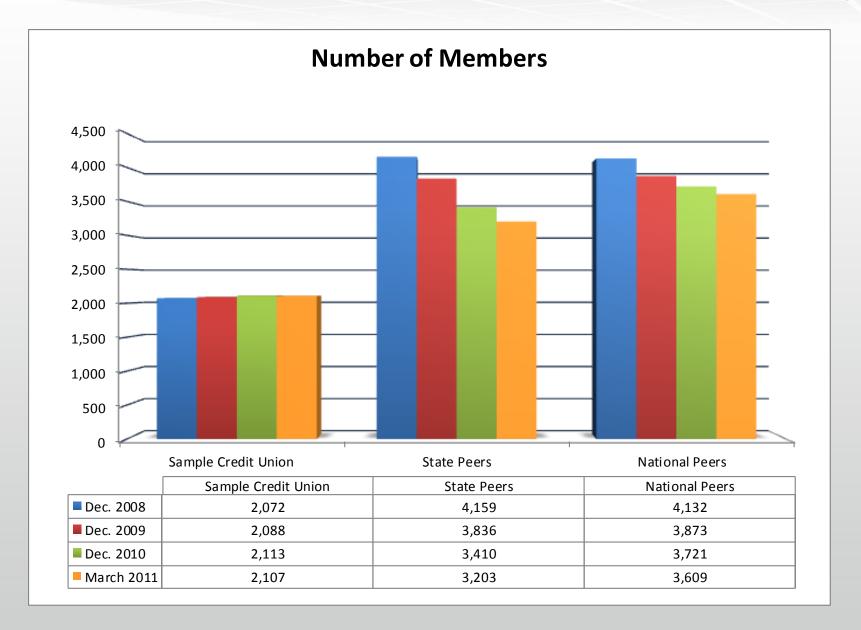
Sample Credit Union

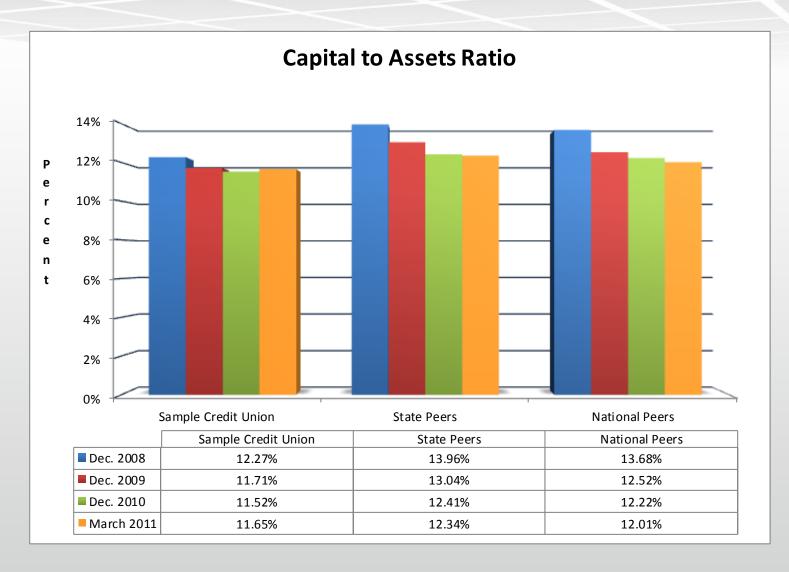




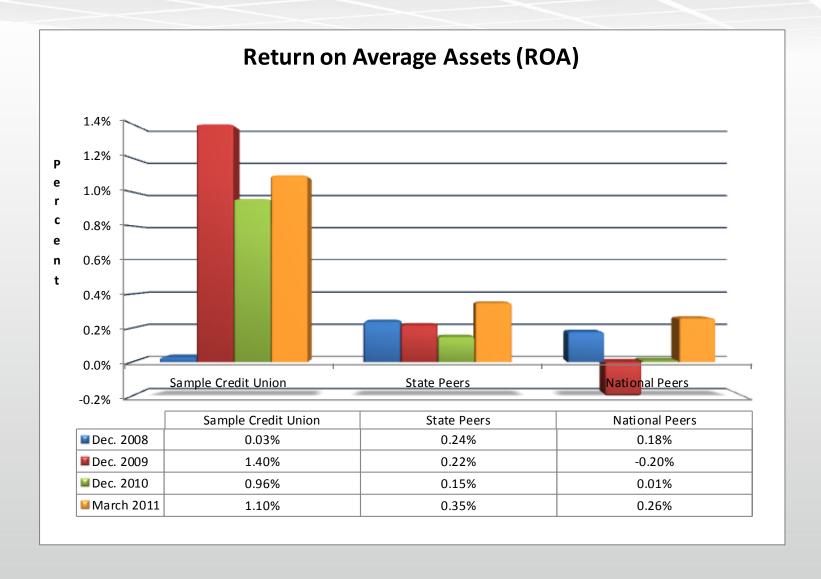




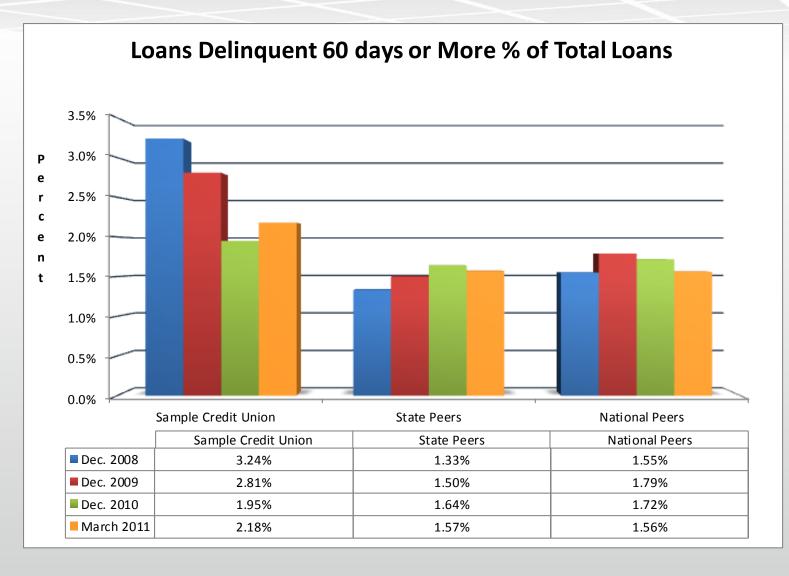




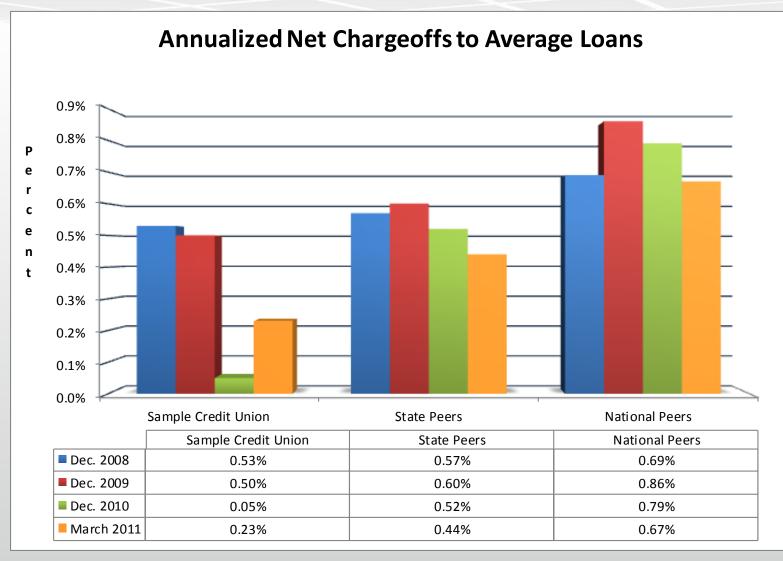
This Capital Adequacy ratio measures net worth in relation to total assets. Net worth cushions fluctuations in earnings, supports growth, and provides protection against insolvency. This ratio is also known as the solvency ratio as it reflects the solvency of the institution.



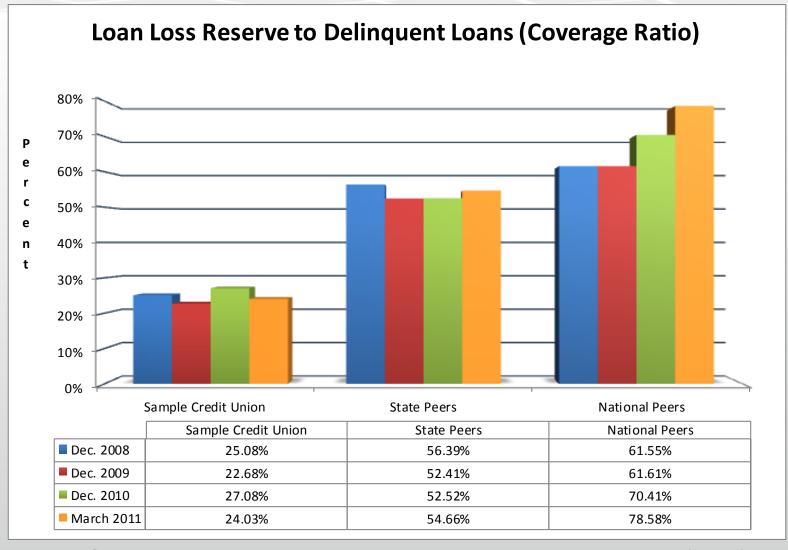
This earnings ratio measures net income in relation to average assets and represents the bottom line. A positive ratio value shows that earnings covered the credit union's operating expenses and costs of funds. This ratio reflects efficiency and earnings power.



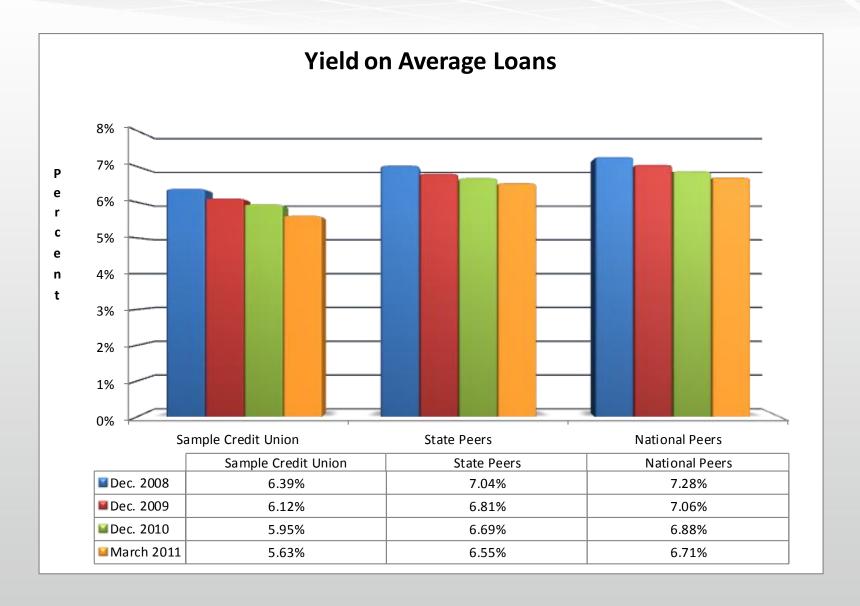
This Asset Quality ratio measures delinquent loans in relation to total loans. This ratio is an indicator of the effectiveness of delinquency control and quality of loans held in portfolio. A high ratio in relation to the peer ratio indicates the credit union may have higher loan and lease loss requirements relative to other credit unions in the peer group.

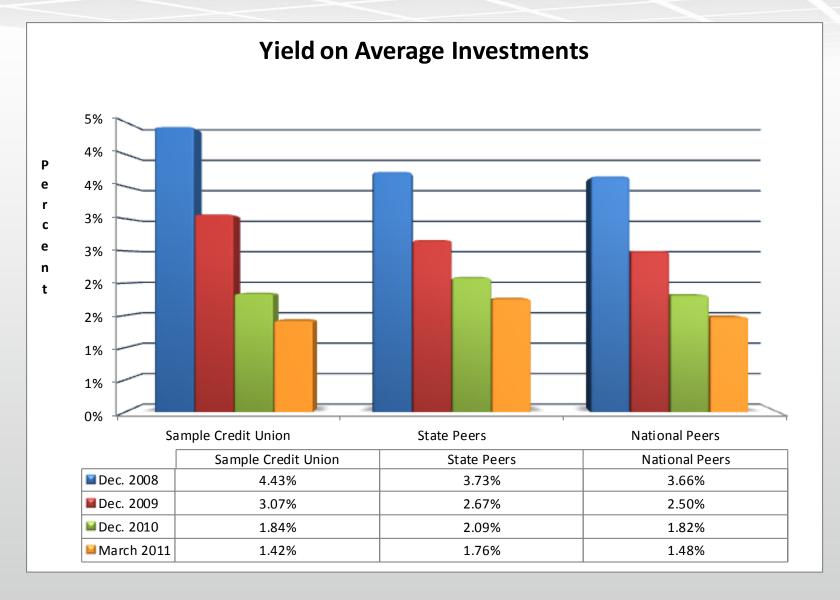


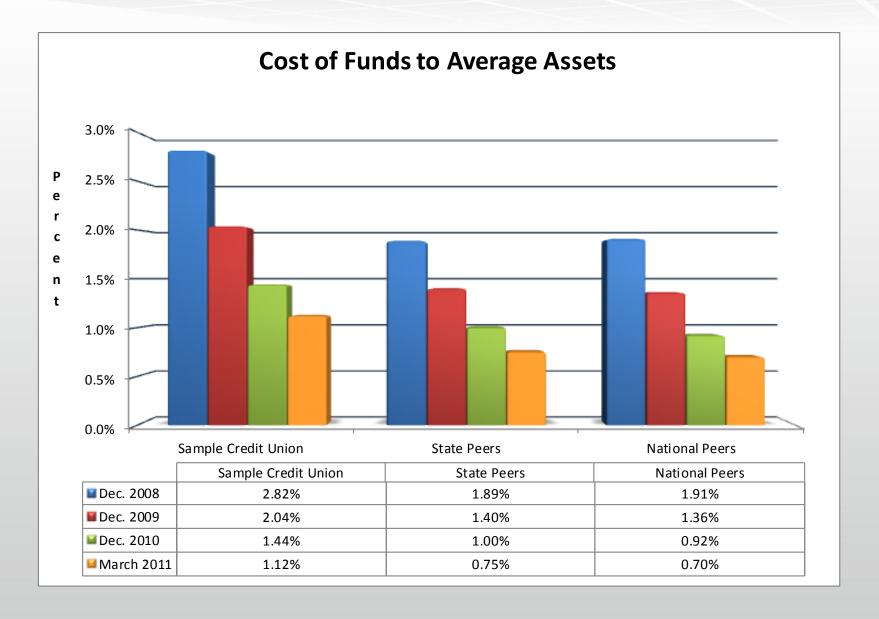
This Asset Quality ratio measures net charge-offs in relation to average loans. Net charge-offs are an important indicator of the effectiveness of lending and collection practices. A high ratio in relation to the peer ratio may indicate a higher level of uncollectible loans relative to other credit unions in the peer group.

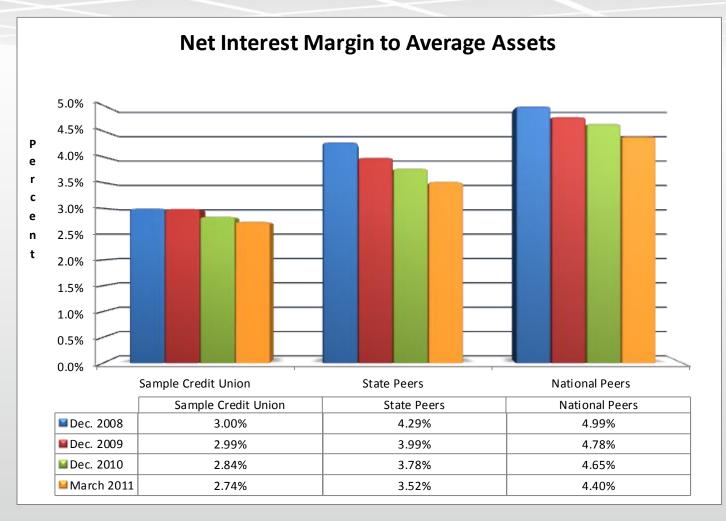


This Asset Quality ratio measures the allowance for loan and lease losses (ALLL) in relation to delinquent loans. The ALLL provides an estimate of probable but unconfirmed losses in the entire loan portfolio. A low ratio in relationship to the peer ratio may indicate a smaller cushion for expected losses in relationship to peers.

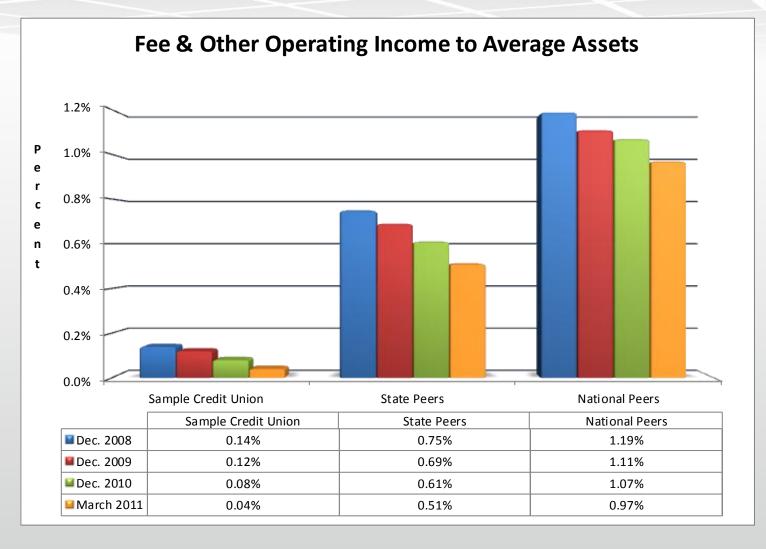




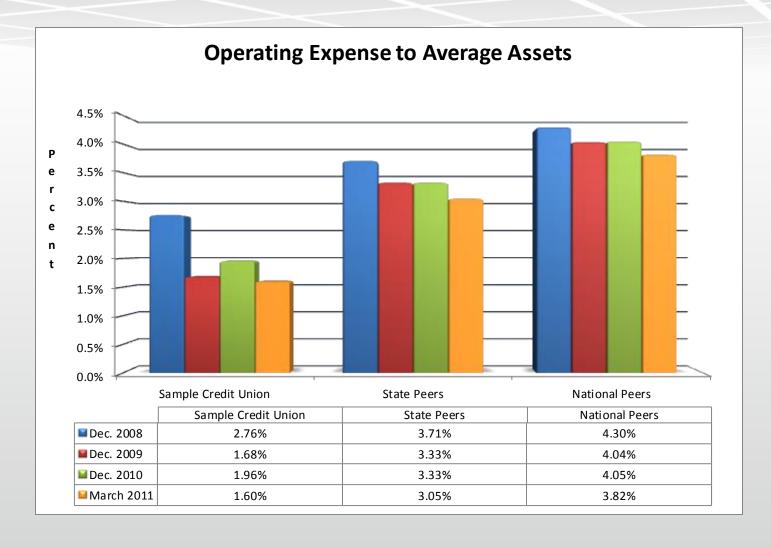




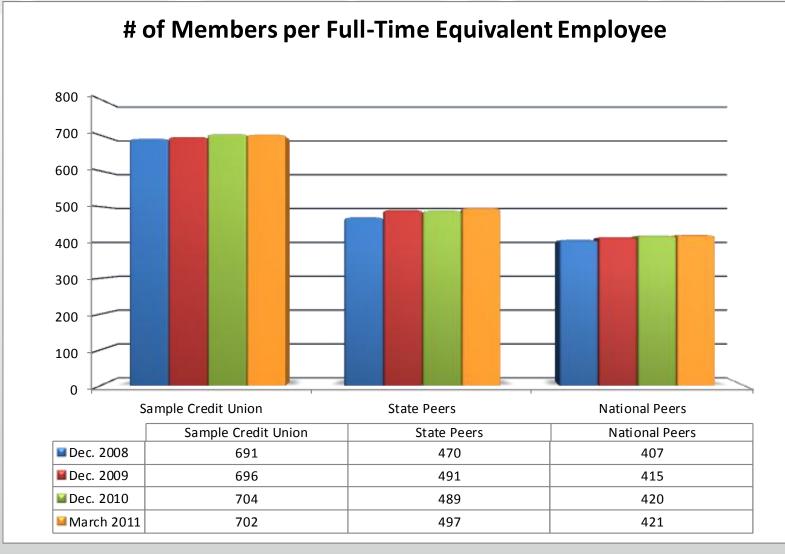
This Earnings ratio measures whether income from loans and investments sufficiently covers the cost of funds. In general terms, if a credit union properly matches assets and liabilities, this ratio should remain constant in varying interest rate cycles. A fluctuating ratio could indicate a change in loan rates charged, a change in investment practices, or slow adjustment of dividend rates paid.



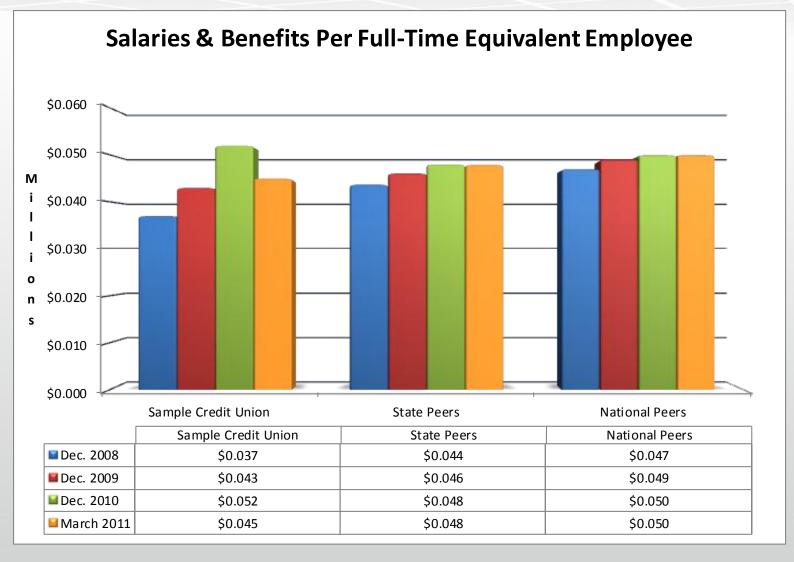
Fee and Other Operating Income consists of fees for services (i.e. overdraft fees, ATM fees, credit card fees, etc.) plus all other operating income such as dividends from the NCUSIF, income (or loss) from selling R/E loans in the secondary market, credit card interchange income, etc). A lower ratio in relation to peers could indicate a greater reliance on net interest income for earnings.



Operating Expenses (or non-interest expense) include salaries and benefits, occupancy expense, office operations expense, professional services, NCUA member insurance expense, etc. This Earnings ratio measures the resources used in the day-to-day operations of the credit union. A higher ratio in relation to peers could indicate higher expenses and thus result in lower net income for the credit union.



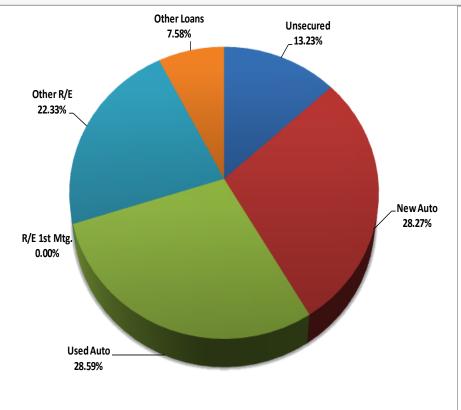
This Productivity ratio measures how many members, on average, are served by each credit union employee. Full time equivalent is simply the number of full time employees plus one-half the number of part-time employees. A lower ratio than peers could be indicative of areas of inefficiency.



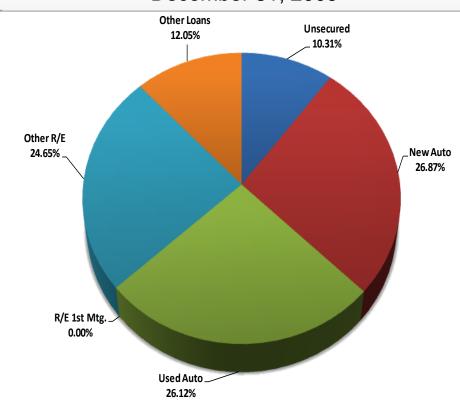
This Productivity ratio depicts the average annual cost of salaries and benefits per employee. A higher ratio compared to peers could indicate higher base salaries and/or higher benefit levels.

Loan Breakdown





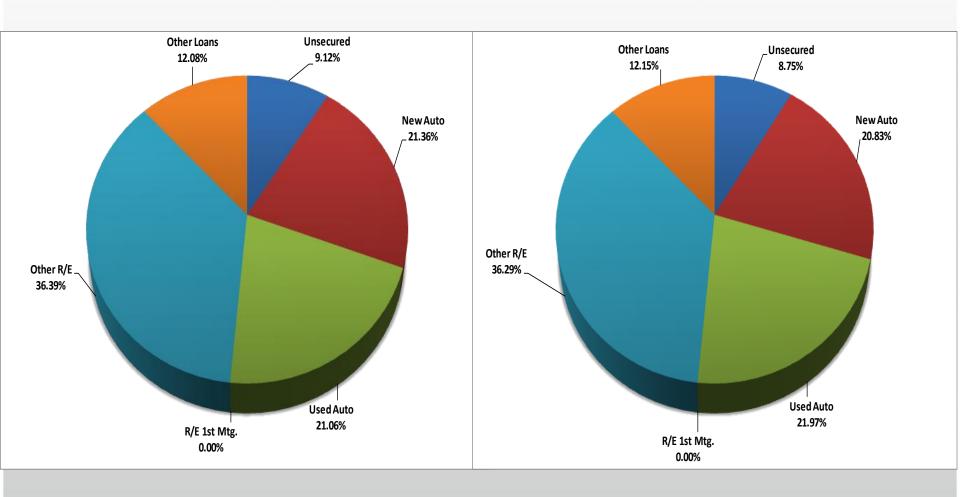
December 31, 2009



Loan Breakdown

December 31, 2010

March 31, 2011



	Sample Credit	Union	State Peer	National Peer
	\$ Millions	% of Assets	% of Assets	% of Assets
Balance Sheet				
Cash & Due From Banks	\$1.908	9.2%	13.9%	13.9%
Investments	\$6.876	33.0%	42.2%	32.4%
Loans	\$11.842	56.8%	41.6%	50.4%
less Allowance for Loan Losses	<u>\$0.062</u>	0.3%	0.4%	0.6%
Net loans	\$11.780	56.5%	41.2%	49.8%
Loans held for sale	\$0.000	0.0%	0.0%	0.0%
Foreclosed and Repossessed Assets	\$0.000	0.0%	0.0%	0.1%
Premises and Fixed Assets	\$0.047	0.2%	1.3%	2.1%
Other Assets	<u>\$0.235</u>	<u>1.1%</u>	<u>1.4%</u>	<u>1.7%</u>
Total Assets	\$20.847	100.0%	100.0%	100.0%
Shares & Deposits	\$18.187	87.2%	87.3%	87.4%
Borrowing Repurchases	\$0.000	0.0%	0.0%	0.0%
Subordinated Debt	\$0.000	0.0%	0.0%	0.0%
Other Borrowed Money	\$0.000	0.0%	0.0%	0.1%
Other Liabilities	<u>\$0.229</u>	<u>1.1%</u>	0.4%	0.6%
Total Liabilities	\$18.416	88.3%	87.7%	88.1%
Retained Earnings	\$2.178	10.4%	10.1%	8.7%
Reserves	\$0.253	1.2%	2.2%	3.2%
Other Equity	<u>\$0.000</u>	0.0%	0.0%	0.0%
Total Equity	<u>\$2.431</u>	<u>11.7%</u>	<u>12.2%</u>	11.9%
Total Liabilities & Equity	\$20.847	100.0%	100.0%	100.0%

	Sample Credit	Union	State Peer	National Peer
	\$ Millions	% of Assets	% of Assets	% of Assets
Income Statement Calendar Year-to-Da	te			
Income from Loans	\$0.170	0.8%	0.7%	0.9%
Income from Investments	<u>\$0.030</u>	0.1%	0.2%	<u>0.2%</u>
Total Interest Income	\$0.200	1.0%	0.9%	1.0%
Interest Expense	<u>\$0.058</u>	0.3%	0.2%	<u>0.2%</u>
Net interest income	\$0.142	0.7%	0.7%	0.8%
provision for loan losses	<u>\$0.004</u>	0.0%	0.0%	<u>0.1%</u>
net interest income after provision	\$0.138	0.7%	0.7%	0.8%
Fee Income	\$0.001	0.0%	0.1%	0.2%
Other Noninterest Income	\$0.001	0.0%	0.0%	0.1%
Employee Compensation Expense	\$0.034	0.2%	0.3%	0.4%
Office Occupancy & Operations Expens	\$0.083	0.4%	0.7%	0.9%
Member Insurance Expense	\$0.000	0.0%	0.1%	0.0%
Other noninterest expenses	<u>\$0.019</u>	0.1%	0.2%	0.2%
Net income	\$0.057	0.3%	0.1%	0.1%

Thank you for choosing BAUERFINANCIAL, INC.

BauerFinancial, Inc.

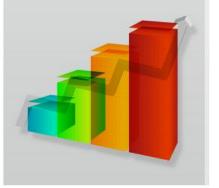
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(Selected text in this report comes from the NCUA'S FPR User's Guide.)