



2012 Impact Report

Strengthening
Communities.

Building
Assets.

Improving
Lives.

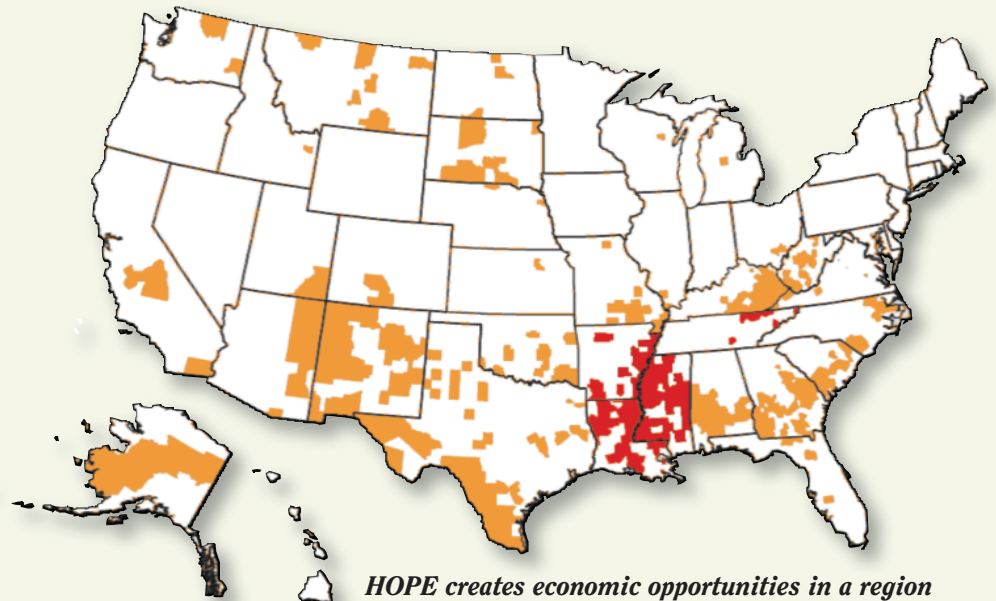


Arkansas • Louisiana • Mississippi • Tennessee

FOCUS



***U.S. Counties With Poverty Rates
Greater Than 20% In 1990, 2000 And 2010***



***HOPE creates economic opportunities in a region
that is home to 25.3% of the most persistently
impoverished counties in the U.S.***

Source: HAC Tabulations of U.S. Census Bureau Decennial and Small Area Income and Poverty Estimates, 1990, 2000 and 2010

On Strengthening Communities, Building Assets, And Improving Lives Across The Mid South

Dear Friends:

The disproportionate absence of financial services in low-income Mid South communities inspired the establishment of HOPE in 1994. In recent years, the importance of the work we embarked upon 19 years ago has grown significantly as a result of several major crises – both natural and manmade. Whether the precipitating factor was a hurricane, tornado, oil spill or recession, more than anywhere else in the nation, low-income Mid South residents find themselves on the outside looking in when it comes to accessing affordable financial services. This exclusion from the financial mainstream has devastating consequences for individuals, families and communities.

More than a quarter of the counties in the United States where the poverty level has exceeded 20 percent in each of the past three decades are located within our region. The stresses caused by the housing crisis, recession and other events have exacerbated this situation, as access to credit remains tight, and bank branches close at alarming levels. Bloomberg reports that since 2008, more than 1,800 bank branches have closed, with 93 percent of those shuttered located in lower-income areas.

For businesses in rural, minority and other frequently marginalized communities, this often means an inability to secure the capital needed to start, stabilize and grow. The result is higher unemployment and reduced access to basic necessities, such as health care and healthy foods. Similarly, for a growing number of individuals and families, it is increasingly difficult to find welcoming or affordable options in the financial system. In the absence of traditional banks, payday lending and subprime mortgages have spread across the Mid South at an epidemic pace, exacting predatory rates and fees from those who can least afford them.

In response, we have sharpened our focus on ensuring that those most at risk from these emerging bank deserts – rural and low-income residents, minorities, the elderly, youth, etc. – have the tools they need to secure the economic futures of their families and communities. In 2012, we made a commitment to double the number of people and places that have access to HOPE's development financial services.

Over the coming years, we will make innovative use of technology, partnerships and all other means at our disposal to accomplish this goal.

Whether the objective is to become a homeowner, start a business, save for a child's education, or simply take care of basic needs, everyone needs and deserves access to responsibly priced and structured financial products. The stories and images in this report provide a few examples of the difference having these resources can make in the lives of people and their communities.

Thank you for your support, and for being a friend of HOPE. In return, we pledge to maintain a clear and steady focus on strengthening communities, building assets and improving lives across the Mid South.

Sincerely,



William A. Percy
Chairman
Hope Enterprise Corporation



Robert L. Gibbs
Chairman
Hope Credit Union



William J. Bynum
Chief Executive Officer
Hope Enterprise Corporation
Hope Credit Union

Memphis, TN



	Memphis	U.S.
2010 Population	646,889	
Percent Change from 2000 to 2010	-0.5%	9.7%
Percent of Population, African American	63.3%	12.6%
Percent Below Poverty Level	25.4%	15.3%
Percent Un/Underbanked, 2009	44.8%	25.6%
Percent with a Bachelor's Degree	22.5%	28.2%


Memphis Residents Lag The Nation In Access To Banking Services

MEMPHIS
44.8%



U.S.
25.6%



 Unbanked or Underbanked



Hope For Rebuilding Lives

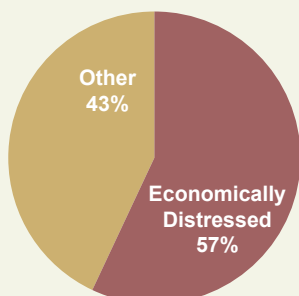
In 2011, Urelene Vaught was homeless but working diligently to get her life back on track after being incarcerated. She found the help she needed through HOPE and a program called Lifeline to Success.

Lifeline is a nonprofit re-entry program that provides ex-offenders with a variety of services, including counseling and life skills training. Lifeline also rehabilitates blighted properties throughout Memphis, giving its clients an opportunity to work while making a very real difference in the community.

As the financial partner for Lifeline, HOPE provides financial counseling, and also helps participants establish checking and savings accounts to pay bills, manage their resources, and build a financial foundation for the future.

Today, Urelene has her own apartment and works as Lifeline's first female supervisor. In addition to cleaning up distressed areas across Memphis, Urelene also works with underprivileged children, sharing her testimony to help others overcome the kinds of challenges she has faced.

2012 Consumer Loans By Economic Distress



Nurturing Children For Working Families

Dessie X founded the House of Knowledge Day Care in 1996 to provide parents in her community with the kind of day care that was available to higher-income families – an environment that emphasized learning, not just babysitting.

With a reputation for excellence and a strong financial position, Dessie was poised for growth and wanted to work with a lender that shared her commitment to supporting low-income families.

In 2012, HOPE financed the purchase of property that will enable the center to expand from 120 to 300 children.

“HOPE was there for us when we needed them,” Dessie explained. “They truly are making a difference here in the community.”



A Better Life Through Better Housing

James and Mamie Bowen had been renting a home for ten years. Even though roof leaks, holes in the floor and other problems made the 100-year-old house uninhabitable, the landlord refused to make the necessary repairs. When the plumbing failed, the Bowens were forced to use bottled water for everything from cooking to washing dishes to bathing.

Finally, the Bowens decided to pursue their dream of owning their own home, and chose to purchase a home in McKinley Park, a subdivision that is part of a comprehensive effort to revitalize a former public housing project.

After being rejected by another lender, they turned to HOPE, who approved the loan and helped them qualify for down payment assistance through the City of Memphis.

Today, the Bowens live in a comfortable, four-bedroom home in a quiet, peaceful neighborhood. “We were almost ready to give up when we came to HOPE,” James said. “We love the neighborhood and our new home.”

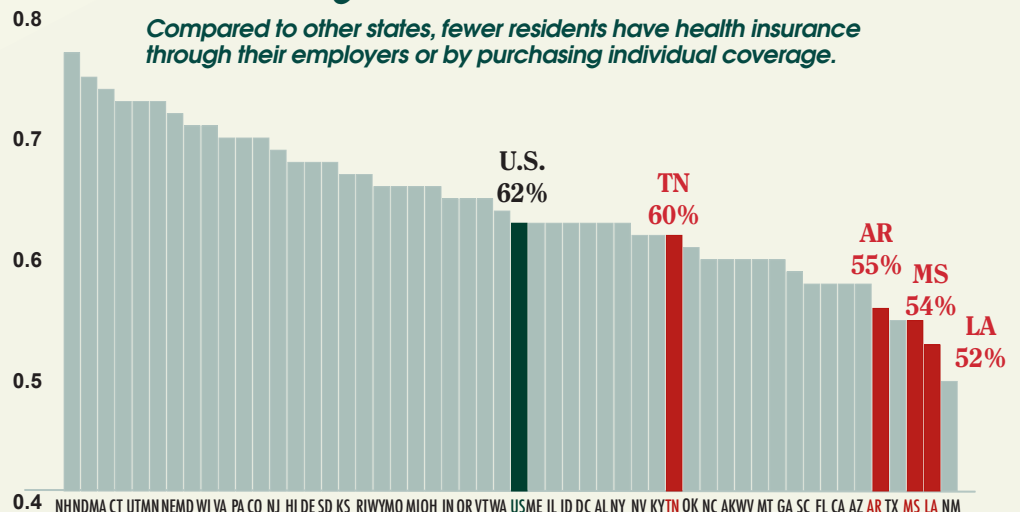
Louisville, MS



	Louisville	U.S.
2010 Population	6,631	
Percent Change from 2000 to 2010	-5.4%	9.7%
Percent of Population, African American	61.6%	12.6%
Percent Below Poverty Level	28.8%	15.3%
Percent Un/Underbanked, 2009	44.3%	25.6%
Percent with a Bachelor's Degree	20.0%	28.2%

Mid South Lags The Nation In Access To Health Care

Compared to other states, fewer residents have health insurance through their employers or by purchasing individual coverage.



Source: Kaiser Family Foundation State Health Facts.
<http://kff.org/other/state-indicator/nonelderly-0-64/#>



Investing In A Community's Health

Serving residents of Lauderdale County and surrounding areas, Greater Meridian Health Center provides care to low-income Mississippians who cannot afford to pay for health care. GMHC is a Federally Qualified Health Center offering complete family medical and dental care, Medicaid screenings, social services, patient education and WIC services.

In 2012, facing serious financial challenges, GMHC approached HOPE for refinancing. HOPE partnered with USDA to restructure existing debt at a lower rate, improve the clinic's cash flow, and put GMHC back on solid financial ground. Most importantly, the loan ensured that the clinic is able to continue providing vital jobs and quality care to hundreds of families.

Patient Visits At HOPE-Financed Health Care Facilities In 2012:

274,000



Solutions In A Member's Time Of Need

Public school teacher Barbara Smith joined East Central Federal Credit Union when she started working more than 20 years ago. Her membership continued after HOPE and the Louisville-based institution merged in 2010.

When Barbara needed a loan to cover medical expenses and to help her son who lost his job, she was concerned that credit problems caused by payday loans might keep her from getting the help she needed. However, HOPE saw an active, long-standing member who had a good payment history with the credit union, not just someone who had gotten overextended trying to help family members.

"I was greatly relieved when they called and said they could give me the loan," Barbara said. "I had promised my son that I would make some payments for him while he was out of work. HOPE helped me help him. They are truly concerned about their members."



A Family's Dream Comes True

Every day, Theresa Smith passed by a certain brick house that sat on a nice, one-acre lot. Theresa and her two sons, ages 9 and 11, lived just down the road in an apartment complex. One day, Theresa noticed that the house was listed for sale. Theresa says, "My sons told me not to spend a lot on Christmas. They just wanted me to get that house."

Theresa applied for a mortgage. The original lender denied her request, but referred her to HOPE, who provided credit counseling to help her qualify for a mortgage. "HOPE had faith in me," Theresa explained.

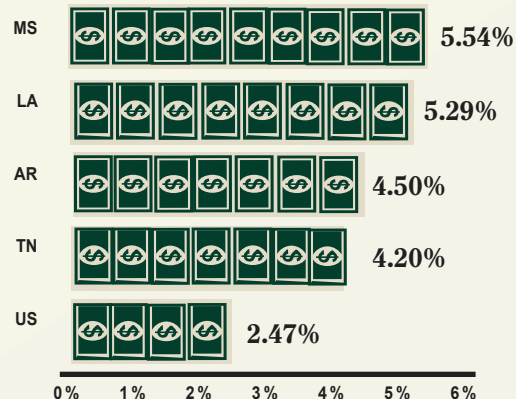
Theresa and her two sons now live in their three-bedroom home, where she takes great joy in watching her children play on their very own acre of land.

College Station, AR



	College Station	U.S.
2010 Population	2,671	
Percent Change from 2000 to 2010	-2.2%	9.7%
Percent of Population, African American	74.7%	12.6%
Percent Below Poverty Level	25.5%	15.3%
Percent Un/Underbanked, 2009	60.6%	25.6%
Percent with a Bachelor's Degree	11.3%	28.2%

Mid South States Have The Highest Concentration Of High-Cost Loans In The Country



Source: CFED Analysis of Home Mortgage Disclosure Act. Washington, DC: Federal Financial Institutions Examination Council, 2010.
Data accessed through PolicyMap.



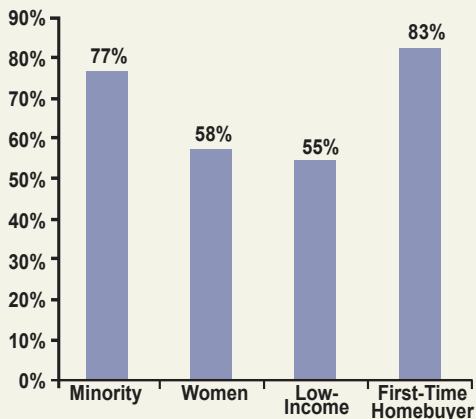
Persistence Pays Off For A New Homeowner

Jaclyn McCardell had been living as a renter in a home she loved, and she wanted to make it her own. She came to HOPE for a mortgage and found a partner who stuck with her to make her dream of homeownership become a reality.

In the process of applying for a home loan, Jaclyn discovered that her debt-to-income ratio was too high. HOPE's retail staff worked to refinance her vehicle, reducing her monthly payment and saving her enough money to allow her to qualify for the mortgage.

As HOPE continued to work on the mortgage, it was discovered that Jaclyn could file certain paperwork with the county, allowing her to secure financing as a refinance rather than a purchase. This meant she could include closing costs in the loan instead of becoming overextended while trying to cover that extra expense.

2012 HOPE Mortgage Borrower Demographics



A Patriarch Of The Community Turns To HOPE

Jesse Doyne, active in several civic organizations and an usher in his church for more than 60 years, is a pillar of the College Station community. He was the second African-American postmaster in Arkansas – a job he was named to on the day Dr. Martin Luther King, Jr., was assassinated.

In 2012, Jesse needed money immediately to help his daughter with college expenses. While reviewing his financial records, HOPE's branch manager noticed that Jesse had a CD that could be used as collateral. His loan was approved and processed in less than an hour. Jesse was so impressed by the service that he came back the next day to move all his business to HOPE.

Unlike some seniors, Jesse was very interested in electronic banking. So HOPE helped him set up and understand the features of direct deposit, online banking, online bill payment and e-statements.

"I thank the Lord and HOPE," Jesse said. "I've never had a financial institution make me feel more welcome." He added, "I'm proud that HOPE is a part of this community. I've sent several people to HOPE. I know they'll help them just like they helped me."



Strengthening Communities Through Commercial Lending

One of the oldest mobile home parks in America, Rolling Hills provides 90 affordable units. Most residents are near or below the poverty line, including many who are minorities and/or elderly.

The owners, a family of first-generation Korean immigrants, refinanced the property with HOPE, generating savings to make improvements, including roads and upgraded utilities.

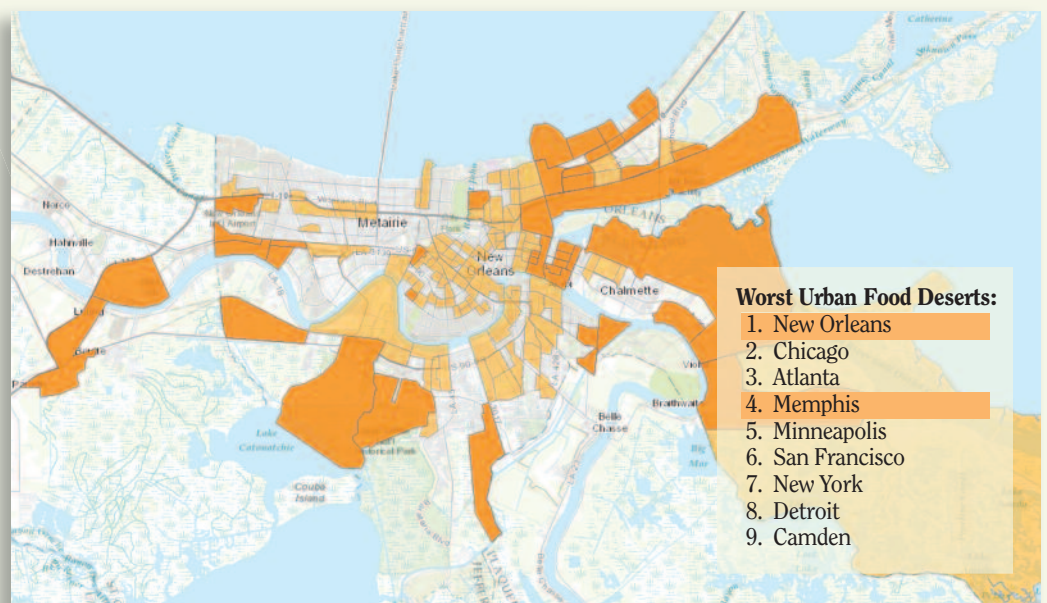
"HOPE cares about people and that's why we chose them," said Rolling Hills co-owner Steve Kim.

New Orleans, LA



	New Orleans	U.S.
2010 Population	343,829	
Percent Change from 2000 to 2010	-29.1%	9.7%
Percent of Population, African American	60.2%	12.6%
Percent Below Poverty Level	24.4%	15.3%
Percent Un/Underbanked, 2009	38%	25.6%
Percent with a Bachelor's Degree	33.1%	28.2%

Many New Orleans Residents Lack Access To Healthy Foods



Fresh Food Access:



Greater Than .5 Mile



Greater Than 1.0 Mile



A Fresh Start For A New Orleans Icon

Incorporated in 1938, Circle Foods was New Orleans' first black-owned and -operated grocery, founded at a time when African Americans were not allowed to shop in other parts of the city. The community gathering place housed a pharmacy, a doctor's office and a dentist, and even sold school uniforms.

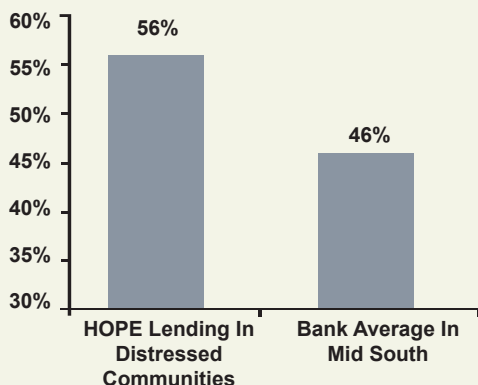
But above all, Circle Foods was known for fresh, locally grown produce. In 2005, catastrophic damage caused by Hurricane Katrina brought this to an abrupt halt, leaving the once proud store shuttered, and residents without a nearby source for fresh groceries.

Owner Dwayne Boudreaux vowed to reopen, but for years he was unable to secure adequate funding. This problem was resolved in 2012, when Circle Foods was one of the first projects funded through Fresh Food Retailer Initiative, a HOPE-managed partnership with the City of New Orleans and the Food Trust that strives to ensure access to healthy food in low-income areas.

At the groundbreaking ceremony, longtime residents fondly recalled spending time with their parents and neighbors at this local icon. "HOPE gave us the traction we needed," Dwayne explained. "They knew how important Circle Foods is to this community."

Scheduled to reopen in late 2013, Circle Foods will soon resume its special role of nourishing lives and the economy in the Tremé neighborhood.

2012 Commercial Lending In Economically Distressed Communities



A Homeowner And A Role Model

A lifelong resident of New Orleans, Kiokai Coates lived in Central City public housing projects for more than two decades.

When Kiokai noticed the construction of six new single-family homes in her neighborhood, she was determined to purchase a home and improve life for her family in the community she loved.

Soon Kiokai became the first person to purchase one of the homes in Radiant Blossoms, a development built by HOPE under the Neighborhood Stabilization Program, an initiative to revitalize communities suffering from high rates of foreclosure and abandonment.

Today, Kiokai is not only a homeowner but also a role model – a shining example of what can be achieved through hard work and determination. Her new three-bedroom, two-bath home is just a few blocks from the public housing project where she previously lived.

"I'm very happy with my home, and with the way HOPE worked with me," Kiokai stated. "Radiant Blossoms has really turned this neighborhood around."



Helping A Mom Help Her Kids

When Briana Edwards came to HOPE in early 2012 for a mortgage loan, she was primarily attracted by the low interest rates. The positive experience she had brought her back when she needed a personal loan to help her son and daughter-in-law furnish their home. According to Briana, "I was very happy with the way HOPE worked with me on my mortgage; they were my first choice when I needed a personal loan."

When it was determined that the amount she initially requested was more than her income could support, rather than turn her away, HOPE helped Briana understand her financial situation, and ultimately structured a loan with repayment terms she could manage.

"The people at HOPE are great," Briana stated. "They really want to help you. If there's something on your credit that needs correcting, they work with you and tell you what you need to do to fix it. They'll take you through everything step-by-step, whatever it takes."

HOPE Governance

Hope Enterprise Corporation Board Of Directors

Claiborne Barksdale
Barksdale Reading Institute

Bill Bynum
HOPE

Hodding Carter, III
University of North Carolina

Ronnie Crudup
New Horizon Church International

Mike Espy
Mike Espy, PLLC

Robert Gibbs
GibbsWhitwell, PLLC

Kim Lee
Business Consultant

Jack Litzenberg
C.S. Mott Foundation, Retired

Ed Lupberger
Nesher Investments

Ivory Lyles
Lyles Consulting, Inc.

Lisa Mensah
Aspen Institute

Fred Miller
Bank of Anguilla

Martha Murphy
Murphy Family Partnership

Jeffrey Nolan
Loutre Land & Timber

Billy Percy
Greenville Compress

William Winter (Director Emeritus)
Jones Walker

Hope Credit Union Board Of Directors

Ivy Allen
Foundation for the Mid South

James Brooks
Retired Educator

Carol Burnett
Mississippi Low-Income Childcare
Initiative

Bill Bynum
HOPE

Richard Campbell
HOPE

Robert Gibbs
GibbsWhitwell, PLLC

Brenda Richard-Montgomery
Secure Patient Delivery, LLC

George Penick
St. Andrew's Episcopal School

Maura Phillips
Mortgage Guaranty Insurance
Corporation

Austin Porter, Jr.
Porter Law Firm

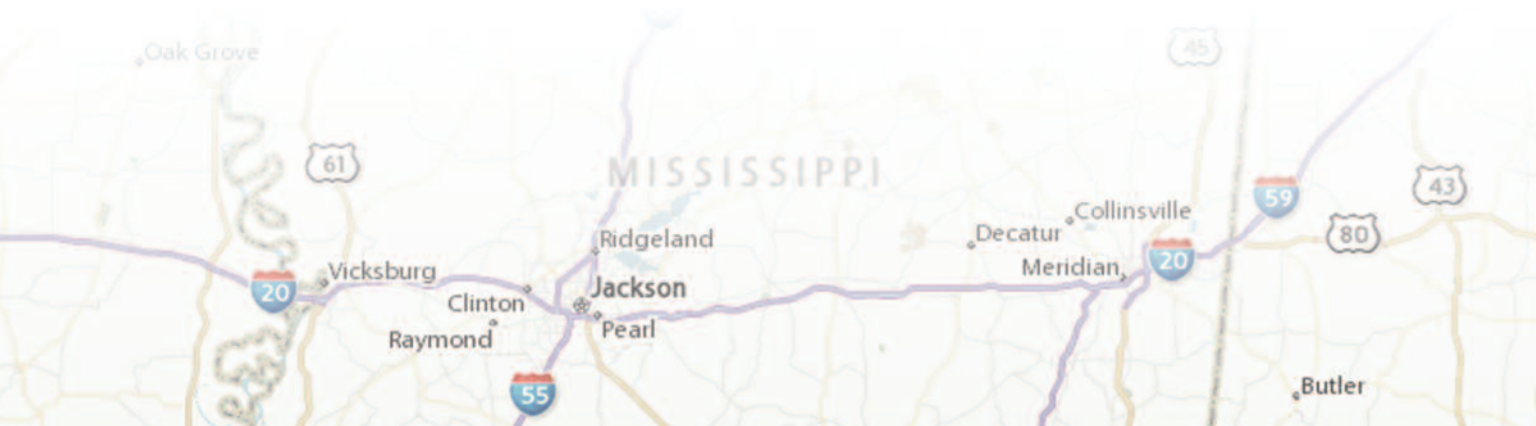
Carol Spencer
Episcopal Diocese of Mississippi

Herman Taylor
University of Mississippi Medical Center

Emily Trenholm
Community Development Council of
Greater Memphis

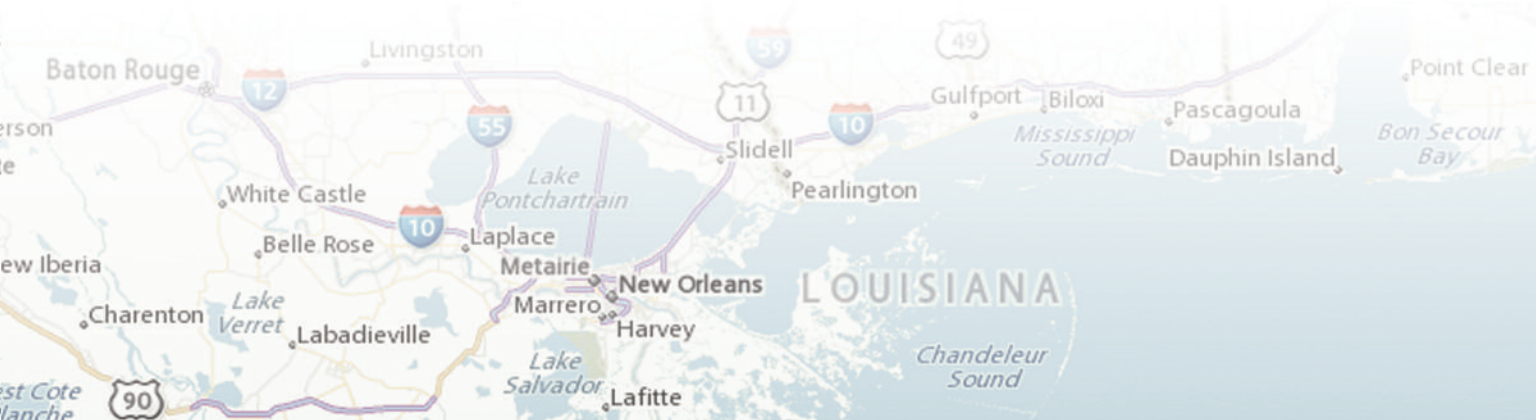
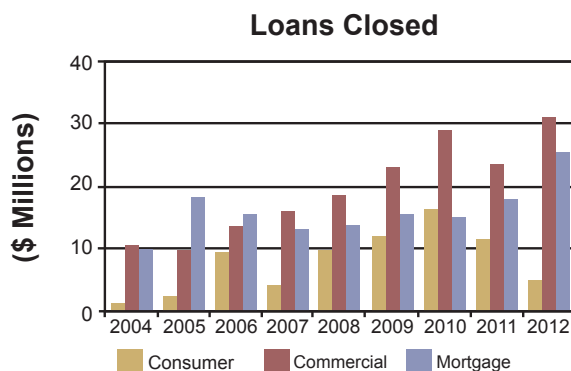
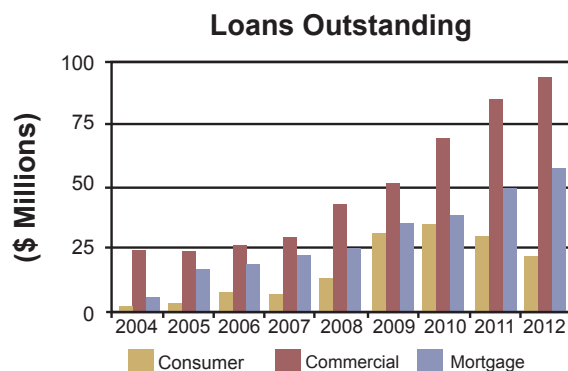
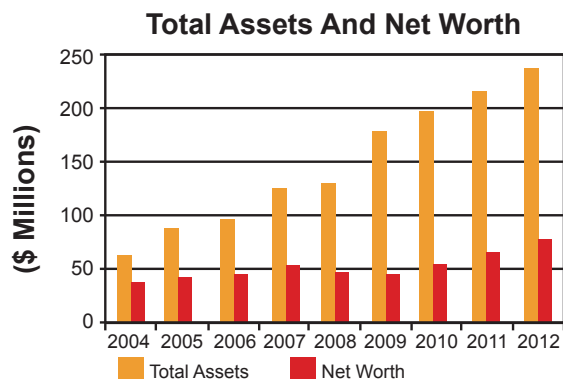
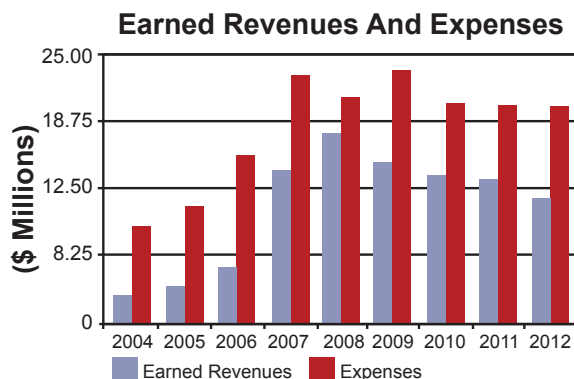
Carmen Walker
Retired Educator

Neddie Winters
Mission Mississippi



HOPE Consolidated and Combined Financial Highlights

	Years Ended December 31	
	2012	2011
Results of Operations		
Earned Revenues	\$ 11,635,771	\$ 13,458,189
Operating Expenses	19,112,859	20,265,984
Loan Loss Reserve Expense	962,959	843,607
Change in Net Assets (Net Income/(Loss))	(5,567,454)	786,332
Financial Position		
Total Assets	\$ 241,669,461	\$ 218,195,361
Total Net Assets (Net Worth)	69,828,754	66,342,365
Loans	174,676,694	165,496,586
Total Debt	60,192,215	39,661,558
Total Deposits	111,648,492	112,191,437
Results of Activities		
Total Loans Closed	\$ 53,487,998	\$ 52,537,293



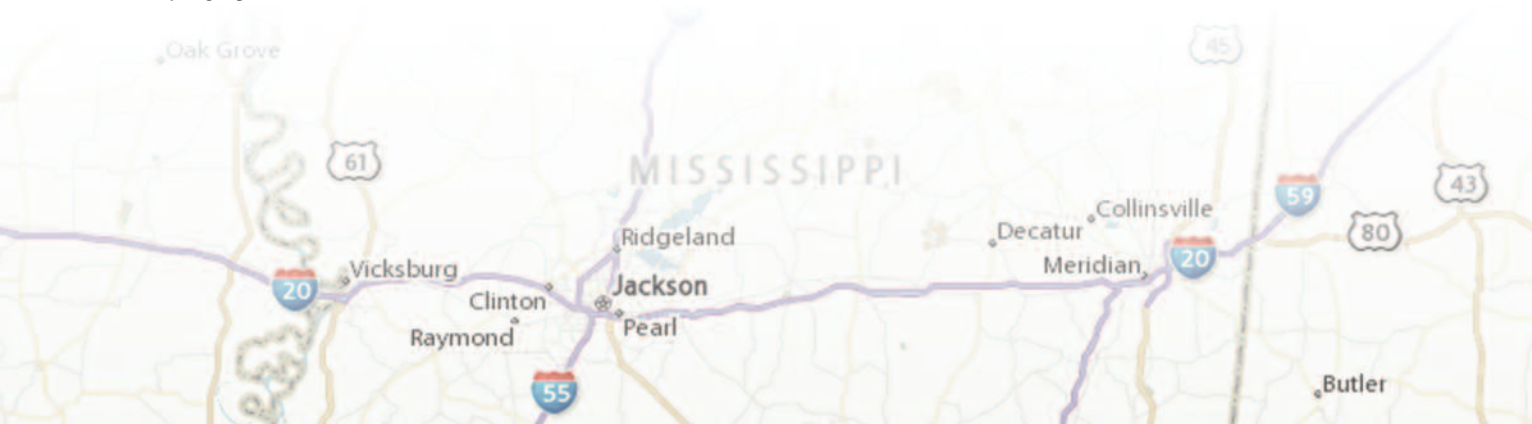
Hope Enterprise Corporation/Hope Federal Credit Union

Combining Statement Of Financial Position

As of December 31, 2012 and 2011

	HEC Consolidated	HOPE	Eliminations	Combined 2012	Combined 2011
Assets					
Cash and cash equivalents	\$ 12,788,105	\$ 19,961,572	\$ (5,241,860)	\$ 27,507,817	\$ 22,104,720
Debt and other securities	17,085,964	14,353,117	(16,311,549)	15,127,532	15,243,789
Cash restricted for collateral on subsidiary's note	2,743,380			2,743,380	2,742,291
Investment in non-consolidated partnership	10,650,000			10,650,000	
Grants and other receivables	998,492	2,486,239	(2,388,871)	1,095,860	1,532,532
Prepaid expenses	136,359	713,239		849,598	963,658
Other assets	1,225,263	1,960,837		3,186,100	4,041,580
Interest receivable		562,287		562,287	517,493
Consumer loans		21,535,712		21,535,712	29,988,551
Commercial loans	54,934,369	40,177,956	(1,338,065)	93,774,260	85,209,508
Residential mortgage loans	3,986,808	53,358,374		57,345,182	49,104,980
Allowance for loan losses	(1,705,668)	(1,626,099)		(3,331,767)	(3,258,619)
Loans, net	57,215,509	113,445,943	(1,338,065)	169,323,387	161,044,420
Foreclosed property	631,936	1,389,604		2,021,540	1,193,547
Goodwill		244,472		244,472	244,472
Property and equipment, net	2,022,093	6,335,395		8,357,488	8,566,858
Total Assets	\$105,497,101	\$161,452,705	\$(25,280,345)	\$241,669,461	\$218,195,361
Liabilities					
Accounts payable	\$ 2,940,672	\$ 121,578	\$ (2,388,871)	\$ 673,379	\$ 1,084,394
Dividends payable		203,622		203,622	232,675
Member deposits		116,890,352	(5,241,860)	111,648,492	112,191,437
Other liabilities	3,187,790	575,569		3,763,359	3,566,898
Long term loans	32,219,902	40,981,567	(17,649,614)	55,551,855	34,777,592
Total Liabilities	38,348,364	158,772,688	(25,280,345)	171,840,707	151,852,996
Net Assets and Equity					
Uninsured capital and reserves		2,680,017		2,680,017	2,454,082
Unrestricted net assets	10,500,808			10,500,808	13,883,066
Non-controlling interests	51,686,172			51,686,172	42,603,368
Total unrestricted	62,186,980	2,680,017		64,866,997	58,940,516
Temporarily restricted	3,619,245			3,619,245	6,259,337
Permanently restricted	1,342,512			1,342,512	1,142,512
Total Net Assets	67,148,737	2,680,017		69,828,754	66,342,365
Total Liabilities and Net Assets	\$105,497,101	\$161,452,705	\$(25,280,345)	\$241,669,461	\$218,195,361

See accompanying notes.



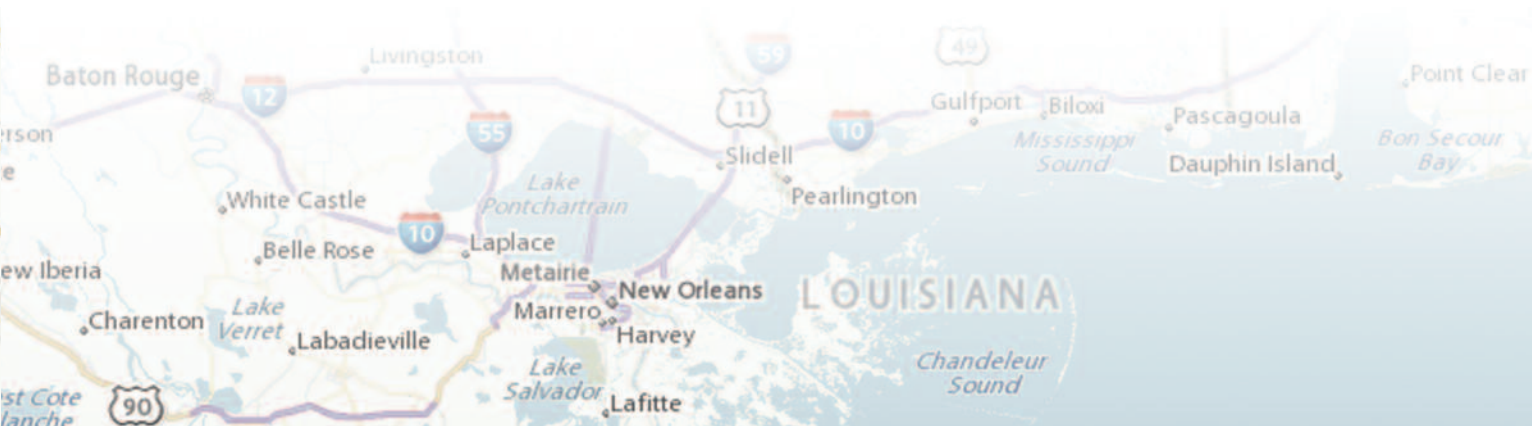
Hope Enterprise Corporation/Hope Federal Credit Union

Combined Statement Of Activity

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Revenues and Gains:					
Grants and contributions	\$ 1,136,766	\$1,535,824	\$ 200,000	\$ 2,872,590	\$ 8,457,734
Program income	9,197,260			9,197,260	11,020,449
Investment income	2,438,511		-	2,438,511	2,417,740
	12,772,537	1,535,824	200,000	14,508,361	21,895,923
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	4,175,916	(4,175,916)	-	-	-
Expiration of time restrictions	-			-	-
Total Revenues and Gains	16,948,453	(2,640,092)	200,000	14,508,361	21,895,923
Expenses:					
Program expenses:					
Commercial lending and assistance	3,676,105			3,676,105	3,951,988
Mortgage lending and housing	1,299,470			1,299,470	1,143,318
HOPE and consumer lending	7,627,093			7,627,093	7,355,992
Other programs	1,869,547			1,869,547	3,475,271
	14,472,215	-	-	14,472,215	15,926,569
Development and communications	262,353			262,353	179,357
General administration	5,341,247			5,341,247	5,003,665
Total Expenses	20,075,815	-	-	20,075,815	21,109,591
Change in net assets before minority interests	(3,127,362)	(2,640,092)	200,000	(5,567,454)	786,332
Change in other comprehensive gains/losses	(14,351)			(14,351)	217,161
Minority interests in subsidiaries' losses	(805,168)			(805,168)	(122,100)
Change in Net Assets Attributable to Controlling Interest	(3,946,881)	(2,640,092)	200,000	(6,386,973)	881,393
Acquisition of Non-Controlling Interest	790,558			790,558	
Net Assets Attributable to Controlling Interest:					
At beginning of year	16,337,148	6,259,337	1,142,512	23,738,997	22,857,604
At end of year	13,180,825	3,619,245	1,342,512	18,142,582	23,738,997
Net Assets of Minority Interests	51,686,172			51,686,172	42,603,368
Net Assets and Equity at the End of Year	\$64,866,997	\$3,619,245	\$1,342,512	\$69,828,754	\$66,342,365

See accompanying notes.



Hope Enterprise Corporation/Hope Federal Credit Union

Notes To Combined And Consolidated Financial Statements

(Unaudited)

For the Years Ending December 31, 2012 and 2011

1. Basis of Presentation

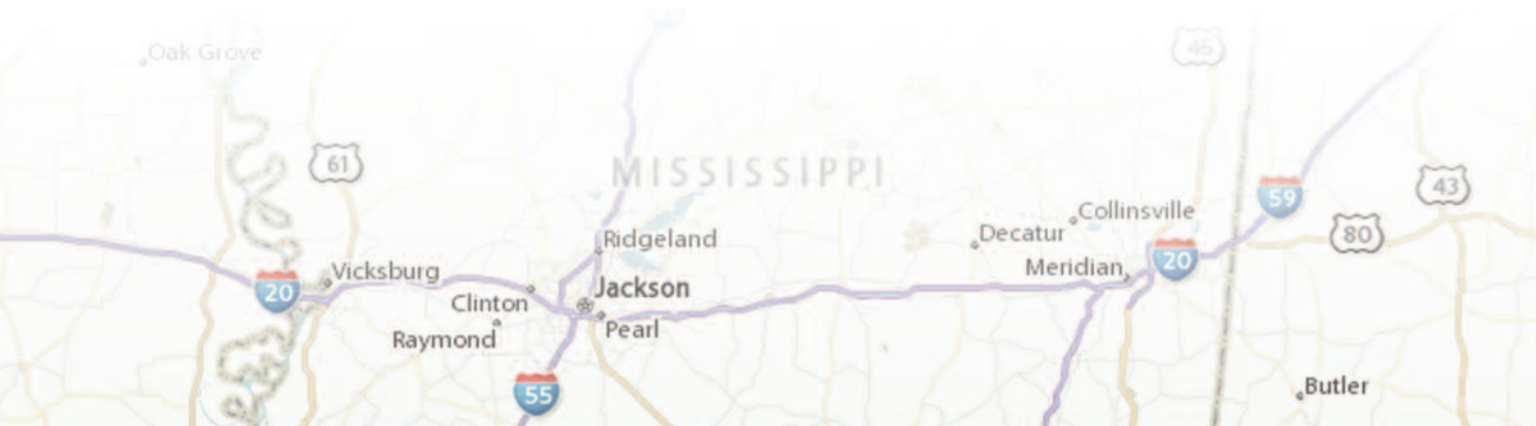
The accompanying combined and consolidated financial statements include the consolidated financial statements of the Hope Enterprise Corporation (HEC) (formerly Enterprise Corporation of the Delta (ECD)) and the financial statements of Hope Federal Credit Union (HOPE) (formerly Hope Community Credit Union). HEC has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2). HOPE is a chartered cooperative association located in Jackson, Mississippi. During 2011, HOPE converted from a state charter to a federal charter organization under the provisions of the Federal Credit Union Act and is organized for the purpose of promoting thrift among and creating a source of credit for its members as defined in its charter and bylaws. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report HEC and HOPE as operating together to fulfill their mission. HEC is the primary sponsor of HOPE and encompasses the field of membership of HOPE. HEC and HOPE share staff and resources in operating terms. Separate audited financial statements of HEC and HOPE are available at www.hope-ec.org and www.hopecu.org.

Subsidiaries of HEC include ECD Investments, LLC (ECDI); ECD Investments BIDCO Corporation (BIDCO); ECD Associates, LLC (ECDA); ECD New Markets, LLC (ECDNM); Home Again, Inc. (Home Again); Mid-Delta Community and Individual Investment Corporation (MDCIIC); ECD First Commercial, LLC (ECD

First); ECD Plus, LLC (ECD Plus); ECD Central City, LLC; ECD New Markets 3, LLC; ECD New Markets 4, LLC; and ECD New Markets 5, LLC. ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of HEC. HEC holds the controlling interest in ECDI through its ownership of all of ECDI's outstanding Class B units. Class A and C units of ECDI were sold for investment to qualified institutional and individual investors. Investments made by qualified institutional and individual investors less accumulated losses are shown as minority interest in subsidiary. BIDCO is a wholly-owned subsidiary of ECDI. ECDI and BIDCO were created to extend HEC's commercial lending activities. ECDA, a Mississippi Limited Liability Company, was formed in 2004 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003. HEC is the managing member of ECDA and ECDNM. Units of ECDA were sold for investment to qualified institutional and individual investors. Capital invested by ECDA in ECDNM was used to invest in HOPE. In return, ECDA received New Markets Tax Credits and cash over the investment periods which are distributed to investors in ECDA. Home Again began operation in 2006 with HEC as primary sponsor. Home Again provides mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. MDCIIC was acquired by HEC in 2007 and is a Mississippi corporation that provides loans and technical assistance to small businesses in a 12-county service area in the Delta region of Mississippi. ECD First and ECD Plus began operations in 2007 and are commercial loan funds in partnership with local banks. ECD

Central City began operations in 2009 and is a commercial loan fund in partnership with a local bank. ECD New Markets 3, LLC, began operations in 2010 and is a commercial loan fund in partnership with a local bank. ECD New Markets 4, LLC, began operations in 2011 and is a commercial loan fund in partnership with a local bank. ECD New Markets 5, LLC, was formed in late 2012 and began operations in 2013. On January 1, 2009, HOPE acquired all the assets and liabilities of American Savings Credit Union in a NCUA-directed merger accounted for as a purchase. This merger resulted in an excess of fair value of liabilities assumed over fair value of assets acquired of approximately \$244,000. In July 2010, HOPE converted to a federal charter and changed its name to Hope Federal Credit Union. On October 1, 2010, HOPE acquired all the assets and liabilities of East Central Federal Credit Union in a NCUA-directed merger accounted for as a purchase. This merger resulted in a net gain on acquisition of approximately \$531,000.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about HEC/HOPE's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters. Certain reclassifications have been made to the 2011 combined financial statements to conform to the presentation in 2012.



2. Cash and Marketable Securities

Cash and marketable securities are comprised of cash and cash equivalents and other securities held by HEC/HOPE in the ordinary course of business:

	2012	2011
Cash and cash equivalents	\$ 27,507,817	\$ 2,104,720
Debt and other securities	15,127,532	15,243,789
	<u>\$ 42,635,349</u>	<u>\$ 37,348,510</u>

3. Grants and Other Receivables

Unconditional grants are recognized as revenue in the period the commitment is received. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received. HEC/HOPE's management anticipates grants receivable at December 31, 2012 will be received and available for support of HEC/HOPE's programs as follows:

Grants due in less than one year	\$ 525,000
Grants due in one to five years	300,000
Contracts and other receivables	290,493
Total grants and other receivables	1,115,493
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 1.2% discount rate	(19,633)
Net grants and other receivables	<u>\$ 1,095,860</u>

4. Loans

	2012	2011
Consumer loans outstanding	\$ 21,535,712	\$ 29,988,551
Commercial loans outstanding	93,774,260	85,209,508
Residential mortgage loans outstanding	57,345,182	49,104,980
	<u>\$172,655,154</u>	<u>\$164,303,039</u>

The composition of the loan portfolios are as follows:

Consumer loans are either uncollateralized or secured by vehicles or deposits.

Commercial loans are typically collateralized by property, equipment, inventories and/or receivables with loan-to-value ratios from 50% to 100%. Commercial loans are typically guaranteed by the principals of the borrower.

Commercial loan commitments are made to accommodate the financial needs of HEC/HOPE's customers/members. These arrangements have a credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to HEC/HOPE's normal credit practices.

HEC/HOPE also originates residential mortgage loans. These loans are typically collateralized by residential real estate with a loan-to-value ratio of 97% or less. The majority of these loans are available for sale.

5. Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable loan losses related to specifically identified loans and for losses inherent in the loan portfolio that has been estimated as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, growth and composition of the loan portfolios, economic conditions and other relevant factors. The allowance is increased by provisions for loan losses charged to expense.

Transactions in the allowance for loan losses are summarized as follows:

	2012	2011
Balance at beginning of year	\$3,258,619	\$ 3,904,654
Provision charged to operating expenses	962,959	843,607
Loans and investments charged off and foreclosed-net	(889,811)	(1,489,642)
Balance at end of period	<u>\$3,331,767</u>	<u>\$ 3,258,619</u>

6. Foreclosed Property

Foreclosed property consists of properties repossessed by HEC on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Declines in value resulting from disposition of such property are expensed as impairment loss on foreclosed property or loss on disposition of foreclosed property, as applicable.

7. Dividends Payable and Shares and Share Certificates

Dividends payable are dividends earned on share draft accounts, share accounts and share certificates by members of HOPE and not yet paid by HOPE. Share draft accounts are the credit union equivalent of bank checking accounts. Interest is earned on HOPE money market share draft accounts. Share accounts are the credit union equivalent of bank savings accounts, and share certificates are the credit union equivalent of bank certificates of deposit. All share draft accounts, share accounts and share certificates are insured by the National Credit Union Administration up to \$250,000 per member.

8. Long-Term Debt

The maturities of long-term debt at December 31, 2012 are as follows:

2013	\$ 4,388,615
2014	5,678,565
2015	9,749,938
2016	5,293,812
2017	6,764,688
Thereafter	23,676,237
	<u>\$ 55,551,855</u>

9. Uninsured Capital and Reserves

The uninsured capital and reserves include accumulated reserves and undivided earnings of HOPE.



Hope Enterprise Corporation/Hope Federal Credit Union 2012 Highlights

HOPE CEO Named Vice Chair Of Financial Protection Advisory Board

The Consumer Financial Protection Bureau (CFPB) named HOPE CEO Bill Bynum as vice chairman of the federal agency's inaugural Consumer Advisory Board. Bynum brings nearly three decades of experience in community development finance to the task of advising the agency in its efforts to help consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

"I am deeply honored to be part of this important work to stabilize the nation's financial system, and ensure that people are not subjected to irresponsible and abusive financial practices," said Bynum. "I look forward to sharing the experience HOPE has gained as a regulated financial institution that has assisted thousands of families who had been victimized by deceptive terms and conditions."

HOPE Participates In White House Briefing On Cooperatives

HOPE joined 150 leaders of cooperatives from all sectors of the economy at a White House Community Leaders Briefing on how cooperatives can help spur economic recovery through job creation and continued investment in their communities. The gathering, organized in conjunction with the National Cooperative Business Association, highlighted the important role cooperatives like HOPE fill as people continue to struggle with a difficult economic environment.

HOPE representatives highlighted how a financial institution that puts members first benefits families and communities looking for access to affordable, responsible accounts and loans. As HOPE continues to grow and combat the spread of bank deserts, it demonstrates the power of cooperatives and celebrates the tradition of people pooling resources to support their neighbors and their communities.

HOPE Brings Experience, Vision To Economic Policy Forums

In 2012, HOPE shared its experience at a series of national and local events to shape policies and practices that promote financial inclusion. During a single week in July, HOPE participated in three significant events that address the needs of underserved populations and communities.

Financial Security in America Summit – Aspen, CO – The Aspen Institute tapped HOPE to join a gathering of top business leaders, experts, advocates and media to consider the contours of a new financial security vision that may actually be within political reach.

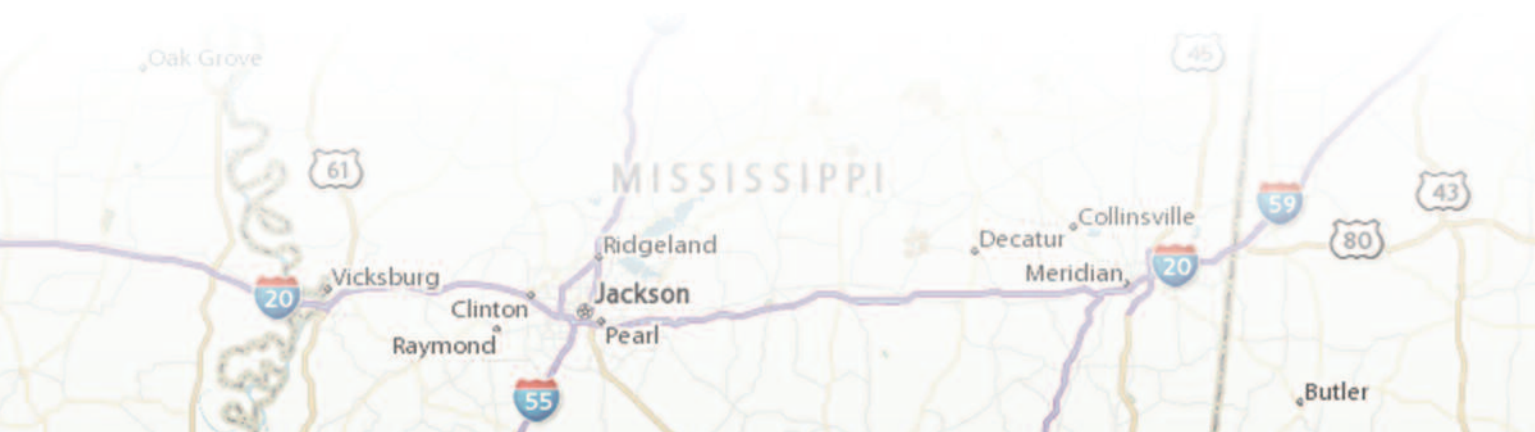
White House Rural Economic Forum – Oxford, MS – This event brought together people who understand the importance of business and entrepreneurship in our rural areas.

Mississippi Business Leaders Luncheon – Jackson, MS – HOPE joined Federal Reserve Bank of Atlanta President and CEO Dennis Lockhart to highlight how critical Community Development Financial Institutions and Community Development Credit Unions are to addressing the financing needs of small and medium-sized businesses that have the capacity to create jobs in economically distressed and underserved areas.

Hallelujah Housing Creates, Sustains Mississippi Coast Homeowners

HOPE has made mortgage loans totaling nearly \$14 million to more than 230 Gulf Coast residents who now have a place to call home thanks to the Hallelujah Housing initiative. Many borrowers were able to make the homes even more affordable by leveraging support from long-term workforce housing down payment assistance programs on the coast.

The Mississippi Episcopal Diocese provided a \$100,000 grant for down payment assistance and \$1 million loan loss reserve deposit to help low- and moderate-income families become homeowners. Only \$25,000 of the loan loss reserve has been used, and that was to keep a family in their house after the death of the main income earner; the reserve paid the loan down to a level that the remaining family members could service.



HOPE Briefs Senate Lawmakers On The African-American Entrepreneurial Ecosystem

HOPE joined leaders and experts from across the nation to examine strategies for bolstering small business ownership and success among African Americans. Senator Mary L. Landrieu (D-LA), chair of the U.S. Senate Committee on Small Business and Entrepreneurship, hosted the event to find solutions to issues that hinder the African-American entrepreneurial ecosystem.

HOPE shared insights from 18 years of work in a region that boasts the highest concentration of African Americans in the nation. HOPE highlighted strategies to build on this asset and work to close the capital and opportunity gaps that confront many existing and prospective African-American entrepreneurs.

HOPE Opens Permanent Utica Branch Facility

HOPE opened a new branch in a retail center located in downtown Utica, Mississippi, to serve long-term needs of local residents. The new facility, which had been abandoned when the town's only bank closed its doors, is larger than HOPE's temporary branch was, and supports access to a broader range of HOPE's financial products and services.

Members can now meet with small business lenders and mortgage originators, and the building houses a night deposit drop and an ATM – the first for a local financial institution.

Foundation Investments In Hope Credit Union Spur Job Creation, And Millions In Economic Activity

According to a first-of-its-kind, independent analysis released by The Philanthropic Collaborative, foundation investments in innovative efforts like Hope Credit Union have a deeper and farther-reaching economic impact in the region than previously understood. The report examined the outcomes created by a 2009 Kresge Foundation grant of \$250,000 to support the credit union's operations.

Factoring in the short-term and long-term social and economic benefits and the multiplier effects from the Kresge grant, the report revealed the creation of nearly 30 jobs, more than \$1.6 million in wages and benefits, \$4 million in goods and services transactions, more than \$2.3 million in additional GDP, and nearly \$115,000 in tax revenue. The report also notes that the initiative's \$20 million operating budget in 2011 generated hundreds of millions of dollars for the region.

Mississippi Children Save For College With Pilot Program

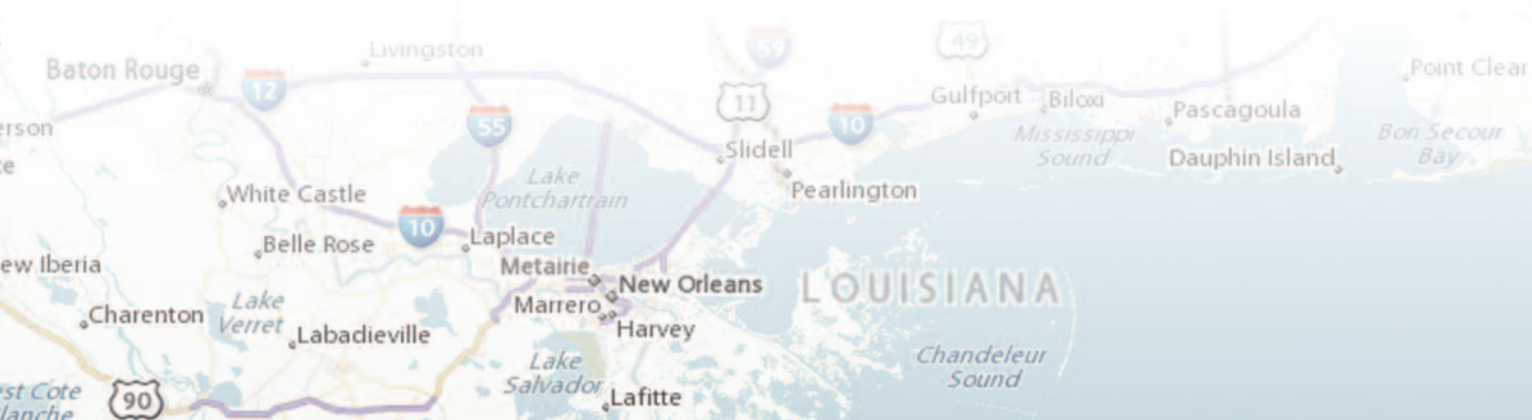
More than 150 Mississippi children have taken a big step on the path toward college with a HOPE account as part of the Mississippi College Savings Account (MS CSA) Program. The two-year pilot project will help more than 500 families across the state develop savings habits that will fund college tuition costs. HOPE serves as one of the key depository agents for the program.

The program seeks to address the gap in educational attainment affecting low-income and minority students in Mississippi, where less than 15 percent of ninth graders end up transitioning to and completing college. The program will help children develop good saving habits, create a financial nest egg, provide financial education, and pave the way for college.

The MS CSA makes a seed deposit of \$50 when the account is initially opened. Accounts will be built with deposits from the child, family members, friends and community organizations, as well as interest earnings generated over time.

Proceeds from the savings accounts can only be accessed upon the child's admission to a postsecondary education program at a university, college, community college, trade school, vocational training program or another accredited institution. Funds may be used to pay for educational expenses such as tuition, room and board, or other fees required by the institution.

Financial education for participants is another important program component. Children and their families will receive ongoing financial education that teaches core money management, saving and investing strategies. Children will receive at least five hours of classroom financial education, and parents will be offered training through the Neighbor-Works America Financial Literacy Program and the FDIC Money Smart Curriculum.





Hope Enterprise Corporation
www.hope-ec.org

Hope Credit Union
www.hopescu.org



Main Office
P.O. Box 22886
Jackson, MS 39225
1-866-843-3358

Locations

Arkansas: College Station, Little Rock, West Memphis
Louisiana: New Orleans
Mississippi: Biloxi, Camden, Greenville, Itta Bena, Jackson,
Louisville, Macon, Robinsonville, Utica
Tennessee: Jackson, Memphis

