Dear Friends,

For 24 years, and more intensively in the decade since the financial crisis, HOPE has concentrated its resources on closing the financial service gaps that limit opportunity for people and places existing on the precarious fringe of America’s economy. Roughly one in four, or 33.5 million, of the nation’s households either have no formal relationship with a financial institution, or look outside the banking system for credit and other financial services. The vast majority of these people are low income. Half of households making less than $15,000 a year and more than a third of those making between $15,000 and $30,000 a year are either unbanked or underbanked.

Entire communities are deprived of access to quality financial services. For example, the 50 most economically mobile counties in the United States have significantly higher rates of access to bank branches, conventional mortgage lending, and small business capital. In contrast, nearly three-quarters of the nation’s 50 least economically mobile counties are also persistently poor counties that lack the financial resources needed to adequately support schools, small businesses, health care providers, and other essential contributors to economic opportunity. In each case, these conditions disproportionately harm people of color, perpetuating myriad debilitating racial disparities.

This is why in 2017 HOPE provided more than $100 million in financing to address financial services gaps in low-income, minority and rural communities across the Deep South and opened three new locations in underserved communities, including our first office in Alabama.

Our direct impact was multiplied by using data and lessons gleaned from transactions conducted by HOPE’s 44,000 member-owners to engage government, philanthropy, banks and others to forge policies and practices that help transform banking deserts into opportunity oases.

On the following pages, we share stories that demonstrate what can be achieved when these elements come together and people are given the chance – even in a region that is home to one-third of the nation’s persistently poor counties. Thank you for supporting HOPE in our quest to create opportunity where it is needed most.

Sincerely

Bill Bynum,
Chief Executive Officer
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Photography by: Ken Gordon Photography
Raul Castro and his family emigrated from Cuba to the United States when he was just 11 years old. In the mid-1980s, Castro was working as a waiter at a high-end New Orleans restaurant when he bought a lawn mower and began cutting grass on weekends to earn extra income.

“My wife thought I was crazy for spending so many hours on a lawn mower,” Castro recalls. “But within a few months, I was making more money on the mower than I was at the restaurant.”

In 1995, Castro found the solutions he needed to his thriving landscaping business, Sun Tropic Landscape & Garden Center, Inc., which employs six people.

“I needed a line of credit for working capital, but I ran into problems with the paperwork,” Castro says. “That’s one thing about small business owners—we can be very good at the work we do, but we might not be familiar with the financial work needed to run the business.”

Castro found the solutions he needed at Hope Credit Union. Castro enrolled in the Goldman Sachs 10,000 Small Businesses Initiative (10KSB), which provides businesses with access to education, capital, and support services designed to help them grow.

HOPE, the 10KSB lending partner in Mississippi and Louisiana, introduced Castro to 10KSB and provided him with the resources he needed to see what he was doing wrong and how he could improve.

“My relationship with HOPE is great,” Castro says. “A lot of the big banks don’t want to take a chance on a smaller business. I knew we could be one of those bigger businesses in the future if someone would give us a chance today. We didn’t need a handout, we just needed an opportunity. I’m thankful to HOPE for giving us the opportunity to compete.”

The 10KSB program helped us double our revenues,” Castro says. “I knew how to plant the plants, but I didn’t know much about how to manage the business. The program gave me the tools I needed to see what I was doing wrong and how I could improve.

“My relationship with HOPE is great,” Castro says. “A lot of the big banks don’t want to take a chance on a smaller business. I knew we could be one of those bigger businesses in the future if someone would give us a chance today. We didn’t need a handout, we just needed an opportunity. I’m thankful to HOPE for giving us the opportunity to compete.”

Business LOANS

<table>
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<th>Made to Minority- &amp; Women-Owned and Led Businesses.</th>
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47% 100%

10% 90%

80% 60%

50% 40%

30% 20%

10% 0%

Bet ting the Ranch on a Business Idea

Sgt. Ike Hill traveled the world during his 25 years with the U.S. Army. When Hill left the service, he returned to a piece of land in rural Mississippi where his family had lived and worked since before the Civil War. Hill had grown up raising horses and cattle, and found that ranching was still in his blood. With his wife and sons, he launched a soon-thriving horse and cattle business. When he realized there was not a local, affordable source for the feed and supplies he needed, Hill approached several financial institutions with plans to open a county co-op. But while the need was clear, the customers were there, and Hill knew ranching inside and out, the banks weren’t willing to take a chance on what they saw as a dark horse.

“It was a small amount of money, but they didn’t think I had enough business experience to make it successful.” Hill says. “I was determined to do it one way or another and by the time HOPE came out to talk to me, I had already decided that I was just going to do it on my own. But HOPE was willing to take a chance on me.”

HOPE gave Hill the commercial loan he needed to purchase a building adjacent to the land where he grew up. Within weeks, a sign on the building proudly proclaimed it the home of the Hinds County Co-op. Soon Hill was bringing in hay feed, and supplies for his own horses and cattle, as well as for the goats, chickens, fish, and other livestock his neighboring farmers and ranchers were raising.

In the short year since its doors opened, the Hinds County Co-op has not only been doing a thriving business; it’s also become a center for community outreach.

He has organized bi-monthly cooking classes at the co-op that allow elderly homemakers who “no longer felt needed” to teach the next generation how to cook from scratch. Hill contracted with a local vet to provide sessions on animal care and invests a great deal of his own time “teaching urban cowboys about horses.”

“I would be helping people and my community one way or another, but thanks to HOPE, I have a facility I can use to give them that help,” Hill says. HOPE is putting a hand out to help the community. HOPE understood what the banks didn’t—that sometimes the one you turn down is the one who could have done the most.”
From Inmate to Entrepreneur

James Knauss found his Christian faith and a new lease on life while he was still behind bars. When Knauss stepped out of the Marshall County, Mississippi, jail in 2014, he knew his days as an angry, sometimes violent man were behind him, but he was unsure what lay ahead.

"They opened the doors and said, 'You're free,'" Knauss recalls. "But I had nowhere to go."

Knauss found help at a Memphis, TN, shelter that connected him with Economic Opportunity, an organization that equips people who have been incarcerated with the skills they need to find employment. HOPE partners with Economic Opportunity to teach financial education classes and after returning citizens the opportunity to open checking or savings accounts.

"I saw that as a golden opportunity," Knauss recalls. "A classy person from a financial institution was coming to me and a room full of felons, saying we want you? People who haven’t been in prison don’t know what an important step an account is toward becoming a productive citizen."

Knauss found work through Economic Opportunity as a landscaper, and he realized he had a knack for the business. In June 2017, he opened his own landscaping company, aptly called Transformalawn. Knauss purchased the equipment needed to launch the business with a loan from HOPE.

"I will never go to any other financial institution," Knauss says. "As long as HOPE is open, I will be with them because HOPE has been there for me."

Today, Knauss is happily married, teaches Sunday School, and cuts grass for free for residents in low-income areas of Memphis. Occasionally, Knauss meets a teenager who reminds him of his younger self, a young man teetering on the edge between a life of crime and a life of promise.

Knauss admits that when he initially enrolled in the Transitional Employment Opportunity Program, he had little hope he could change — or that he really wanted to change.

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Today, Knauss is happily married, teaches Sunday School, and cuts grass for free for residents in low-income areas of Memphis. Occasionally, Knauss meets a teenager who reminds him of his younger self, a young man teetering on the edge between a life of crime and a life of promise. It’s not unusual for Knauss to buy that teenager a lawn mower, a tool he can use to earn a little money, build a work ethic, and perhaps build a more promising future.

When he hires new employees for Transformalawn, he has an unusual employment requirement.

"You have to be a felon," Knauss says. "It’s an unusual prerequisite, but my desire to grow Transformalawn comes wholeheartedly from my desire to hire other returning citizens. Is it taking a risk? Sure. But HOPE was willing to take a risk on me."

Seduced by the lure of easy money and the rush of life on the edge, Felipe Merla began selling drugs when he was just 9 years old.

After completing his fourth prison stint at the age of 56, Merla enrolled in the Transitional Employment Opportunity Program, a partnership between Goodwill Industries in Little Rock, AR, and HOPE that assists those returning to life after time in prison. The voluntary, 16-week program pays returning citizens to work at Goodwill while participating in counseling programs. Participants’ paychecks are deposited directly into accounts established at HOPE.

"HOPE is an integral part of this program," says Kim Hague of Goodwill Industries. "Those returning citizens have no money, no credit. They’ve burned every bridge. HOPE is a financial institution that’s willing to give them a second chance."

Merla admits that when he initially enrolled in the Transitional Employment Opportunity Program, he had little hope he could change — or that he really wanted to change.

"My plan was to work the program for a month, make some money, then go back to selling drugs," Merla says. "But as the weeks went by, I started to relate to the people from Goodwill and HOPE who were trying to help me. I was getting a chance to establish something new with people who really cared. I realized then that I couldn’t abandon this program. I wouldn’t be failing them. I’d be failing myself."

After completing the transitional program, Merla landed a permanent job at Goodwill Industries as a forklift driver. "I’m driving a forklift for $10 an hour and sometimes I think about how I could make $2,000 or $3,000 in a couple of hours on the street. But I want to change my life and my attitude.

"I have grandkids, and I can still do something right for them. I didn’t do it for my kids, but I can do it for my grandkids. Everything in my life is changing because of the grace of God and the people he has put around me."

67% CONSUMER LOANS Made in Economically Distressed Areas.
Eight-year-old Rickey is focused on saving for college.

Six-year-old Mia is already saving for her first car.

Eight-year-old Gracie’s goal is even more ambitious. “I’m saving for a house,” Gracie says. “So far, I have $13, plus my birthday money.”

Learning how to manage money early is key to a strong financial future. Hope Credit Union’s Take Flight child savings program teaches children like Rickey, Mia, and Gracie how to save and spend money wisely.

HOPE gives children whose parents enroll them in Take Flight their own savings accounts, complete with a $50 deposit from HOPE to get them started. The children and their families participate in a free financial literacy program that includes fun-filled educational activities for children and valuable tips for parents on improving the family’s finances.

Take Flight is held in partnership with the Mississippi Children’s Museum in Jackson and the B.B. King Museum and Delta Interpretive Center in Indianola. The program is also offered through Springboard to Opportunities, a Jackson-based nonprofit that serves families living in subsidized housing.

Children who participate in Take Flight agree to leave their money in savings until they turn 18. As they see their money grow, the children become more excited by saving than by spending, proudly bringing their piggy banks into HOPE branches to make regular deposits.

“This program teaches children that you can’t always get what you want right away,” says Elsie McCoy, whose daughter, 7-year-old Johkeria, is enrolled in Take Flight. “That’s an important lesson. I’m so thankful to HOPE for this program. HOPE is the only financial institution I’m aware of that makes an effort to reach out to kids and their parents.”

“Take Flight is teaching my children responsibility and helping them think about their future,” agrees Michelle Robins, who has two children enrolled in the program. “I wanted to take them out to lunch today, but they said, ‘No, you have to cook instead of spending money in a restaurant.’ Robins adds with a laugh, ‘I guess it’s working out for them better than it’s working out for me.’”

When Kyria Gant learned about Take Flight at the Mississippi Delta school where she works as a teacher, she didn’t hesitate to enroll her daughter, Mia.

“It’s hard to make a living in the Delta. That can automatically put you at a disadvantage when it comes to thinking about your future,” Gant says. “There are a lot of children here whose parents don’t or can’t invest in their futures because they’re barely making it for themselves. HOPE’s child savings program is the jump start those children and their parents need.”

Low-income children with college savings are 3x MORE LIKELY TO ATTEND COLLEGE & 4x MORE LIKELY TO GRADUATE.
When the Eastmoor subdivision originally opened in Sunflower County, Mississippi, in 1969, the neighborhood of 68 new, single-family homes with tidy front lawns was marketed as a step up for low-income families. Affordable housing was desperately needed in the area, and rents would be subsidized by the U.S. Department of Housing and Urban Development (HUD).

But as the property changed hands over the years, multiple private developers, investors, and landlords benefitted from hundreds of thousands of dollars in tax credits and rent subsidies while failing to maintain Eastmoor’s common areas or homes. Sewage backed up into the lawns and onto the broken sidewalks. Houses sank into the ground. Foundations shifted, opening cracks in the walls and ceilings that let the cold and rain pour in. Families stuffed rags in the cracks as a buffer against the elements, mice, and mosquitoes.

In 2001, HUD was alerted to the deteriorating condition of the property and withdrew its rent subsidies. Rather than making the repairs necessary to regain HUD eligibility, the owner began selling the houses to the tenants through a rent-to-own program. A lawsuit eventually transferred ownership of many of the homes to the residents, but the development continued to deteriorate. Some 20 homes burned or were judged not worth saving and razed.

“There were days I cried,” says resident Alma Mallette. “When I bought the house, it was something special. I was proud to be a first-time homeowner. But then it started breaking apart before my eyes.”

“My husband was gone. Eastmoor was a forgotten place,” Emma Bush says. “All I could do was pray. I asked the Lord to help this community.”

After opening a credit union office in Moorhead, HOPE was made aware of the desperate situation in Eastmoor. HOPE secured $3 million from Goldman Sachs to fund the rehabilitation of all 44 remaining homes in the development. HOPE also secured public and philanthropic funds to improve the community’s roads and sidewalks and build a playground for Eastmoor’s children.

Bellmon was one of the first residents whose home was renovated. “HOPE brought life back to this area,” she says. “Before, Eastmoor was an outcast area. Now it’s revitalized, and the whole town is excited.”

Farrah Appleberry and her children lived in three different houses in Eastmoor. The first two houses burned to the ground, likely due to faulty wiring; all of the family’s possessions were destroyed by the fires. Appleberry and her family relocated to a third home in Eastmoor; that house, too, appeared to have wiring issues. The fear of another fire was constant; most nights found Appleberry pacing the house, checking light switches and unplugging appliances.

In 2006, Jerlean spent hours digging in the yard, knee-deep in sewage, trying to unclog the system until exhaustion finally forced him to quit. A few hours later, Emma’s husband of 45 years suffered a fatal heart attack.

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Shari Morrow was just beginning to recover from the financial setbacks caused by a divorce when her house burned to the ground. In one terrible afternoon, Morrow lost everything she owned.

“Everything was gone,” Morrow says. “Just...gone.”

The weeks following the fire were a nightmare of insurance paperwork and a soul-crushing journey from financial institution to financial institution, where Morrow was repeatedly denied the help she desperately needed to try to rebuild her life.

“I was stressed out to the max, 1,000 percent. Note that I did not say 100 percent, I said 1,000 percent,” Morrow says, her eyes filling with tears at the memory. “I had always worked and been self-sufficient and never thought I’d be in this situation. I felt worthless, unloved, and hopeless. The only reason I didn’t pull my hair out of my head was because I didn’t have any money to get it redone.”

Then, Morrow drove past a sign advertising Hope Credit Union. The next day, she walked into a HOPE branch in Memphis, TN, steeling herself for yet another rejection.

“When I walked into HOPE, I heard the first kind words anyone had said to me in a long time,” Morrow says. “It still brings tears to my eyes remembering it. When I told the people working at HOPE my story, they hugged me. I will forever be grateful for that hug. Even if they had not approved me for a loan, the love HOPE showed me meant more to me than any dollar ever could.”

HOPE gave Morrow the home equity loan she needed to purchase furniture, linens, and basic supplies for a modest new home. But HOPE’s greatest gift to Morrow was a renewed sense of worth and dignity.

“When your world gets turned upside down, finding someone who wants to help you get it turned right side up means everything,” Morrow says. “The difference between HOPE and other financial institutions is that HOPE cares.

“I’m grateful for the financial help HOPE gave me, but I am more grateful for the kindness they showed me,” Morrow says. “I thank HOPE for helping me sleep again at night and for making me able to breathe again. I thank HOPE for putting hope back into my life.”

With two working parents and two children under 10, the Melendez family was constantly on the go.

Nora Melendez enjoyed preparing the family’s meals, but with limited grocery store options near their home in Pascagoula, MS, she faced challenges getting to a grocery store with affordable and healthy food options.

“During the week, I didn’t have time to make the trip, but picking something up nearby could cost twice as much,” Melendez says. “It was always a choice between cost or convenience.”

Always cost-conscious, Melendez planned her weekends around trips to faraway stores. The lower prices were worth the trip on paper, but Melendez grew tired of spending her weekends on the road instead of with her family.

Melendez was able to reclaim her weekends thanks to HOPE’s Mid South Healthy Food Initiative, a program that provides commercial loans to open grocery stores in “food deserts,” areas lacking stores that offer healthy, affordable foods. With a loan from HOPE, a new Shoppers Value grocery store opened its doors in Pascagoula on June 1, 2017.

Shoppers Value operates on a cost-plus-10 percent model that has allowed Melendez to substantially cut her grocery bills and her mileage. Melendez was also surprised to discover that Shoppers Value offered a wider selection of the Hispanic foods she and her family enjoy.

“We are from Puerto Rico and we like to prepare the traditional foods served there,” Melendez says. “Shoppers Value carries the items we like to cook at home at prices we can afford.”

“Shoppers Value really focuses on serving the community,” Melendez continues. “I’m much happier now and I’m able to spend my money and my time closer to home.”

Rising from the Ashes

Eliminated Food Deserts for 14,000 people.

HOPE MORTGAGES were to First-Time Homebuyers.

More in Store than Ever Before

HOPE Mortgages were to First-Time Homebuyers.
The 448 sixth-through ninth-grade students at Memphis Rise Academy, a charter school in Memphis, TN, don’t come from privileged backgrounds. Nearly 90 percent of students qualify for the free or reduced lunch program, and their annual family incomes rarely top $40,000.

These students see an education at Memphis Rise as the key to their future success, committing themselves to a rigorous academic program and thriving in an environment where hard work and achievement are celebrated. The results are impressive. Memphis Rise ranks among the top 5 percent of schools in Tennessee in terms of end-of-year testing.

Memphis Rise achieved that remarkable success in a hand-me-down building and a group of modular classrooms. When Memphis Rise began planning the construction of a new high school that would match the caliber of its programming, the school’s administration appealed to HOPE for help in making the facility a reality.

“We purchased the land for the building in March of 2016, with the ambitious goal of moving into the completed building in August of 2017,” says Jack Vuylsteke, Memphis Rise Academy’s founder and head of school. “We were working with a national lender, but it was a slow process.”

When the glacial pace of the paperwork threatened to delay construction, Vuylsteke called on HOPE to provide needed financing.

The new high school opened its doors just in time for the 2017 school year. “We would not have opened the building on time without HOPE,” Vuylsteke says. “We were working with a national lender, but it was a slow process.”

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Memphis Rise ninth-grader DeMarcus Brooks’ plans include becoming a zoologist, traveling the world, and helping other people realize their dreams. Brooks hopes to attend college at Duke, Notre Dame, or the University of Alabama, and he’s confident that with a Memphis Rise education, he’ll get there. Attending the opening ceremonies for the new high school only added to Brooks’ pride in his school.

“I remember thinking, ‘This is going to be my building,’” Brooks says, “I'm going to get to go from my first high school class to my last high school class in this building that has everything I need to get a good education. My classmates and I are proud that Memphis Rise is our school and that this is our building.”

Brooks pauses, then adds one more item to his bucket list. “You know, Mr. Vuylsteke and some other people worked hard together to build this great school for kids. Someday, I’d like to do that, too.”

Music and fitness classes are integral parts of the curriculum at Memphis Rise Academy.

“[This building gives Memphis Rise] a sense of permanence and viability for the long term,” Vuylsteke says. “Our students and families see the building as an investment in them. In fact, the building’s cornerstone is inscribed with a dedication to the founding families of the school. The new building has also helped define our investment in the community. We are planting a flag in this neighborhood where our families live.”

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When Hope Credit Union merges with an existing credit union, the objective is to create a whole that is greater than the sum of the parts. Through mergers, HOPE taps into a membership base with deep local roots and rich histories of neighbors helping neighbors. When combined with HOPE’s development finance capabilities, the result is a reinvigorated community-owned financial institution that is laser-focused on meeting the needs of local residents.

Three mergers in 2017 drove this point home. HOPE merged with B&W Mississippi Employees Federal Union in West Point, Mississippi; Michoud Credit Union at the NASA Michoud Assembly Facility in New Orleans; and Tri-Rivers Federal Credit Union in Montgomery, Alabama.

Together, these three institutions had a combined history of 134 years of service. The three credit unions now operate under the HOPE name, but the positive legacy of the original institutions and their commitment to their communities remain unchanged.

Karen Copeland, owner of Copeland McLean Real Estate and a 30-plus-year resident of West Point, was familiar with HOPE’s mission to improve lives in economically distressed areas and was thrilled when she saw the Hope Credit Union sign go up in her community.

“HOPE’s mission is one I’m keenly interested in, especially from a housing perspective,” Copeland says. “Homeownership is critical to people’s financial health and to the health of the community.”

“HOPE is open to helping people who want to buy a home but don’t have a lot of options,” Copeland continues. “They may have a good income, they may work two jobs, but they don’t have a lot of cash or their credit score is low. HOPE is willing to help those people become homeowners and that helps our entire community. I want West Point to grow and thrive, and I see HOPE as a partner in helping us achieve that.”

After HOPE opened at Michoud, one of the first customers was Ivan Jackson, the NASA facility’s associate director of IT Security. Tree roots had left Jackson’s home severely damaged and he needed a loan for repairs. HOPE not only approved the loan, but when Jackson discovered he needed more repairs, HOPE modified the transaction to increase the loan amount.

Miguel Melendez, Jr., a service technician for Coca-Cola in Alabama, was relieved that Tri-Rivers’ merger with HOPE didn’t affect his relationship with the credit union where he’d been a member since 2007.

Melendez was born in Chicago and grew up in Boston, but his wife, Anyelina, and their 12-year-old son, Robin Xavier, are citizens of the Dominican Republic. It has been 13 years since the Melendez family has lived under the same roof, in the same country. Melendez travels to the Dominican Republic every four months to visit his wife and son, who have never set foot on United States soil.

Two years ago, Melendez began the complicated legal process to bring his wife and son to America – a process that should have taken six months but has been complicated by changing immigration policies. When Melendez needed a loan to help with fees for the physical exams and the paperwork required, he turned to HOPE for assistance.

“Asking HOPE for a loan was easier than asking a family member,” Melendez says. “HOPE is very loyal and I know I can depend on them. HOPE has been there for me when I’ve needed them.”
Low-income children in the Deep South are among the least likely group in the U.S. to experience meaningful upward economic mobility. HOPE draws on its experience, analytic capacity and relationships to increase the flow of public, private and philanthropic resources to places in need of the investment necessary to strengthen opportunities for mobility from poverty.

For the past two years HOPE worked with the U.S. Partnership on Mobility from Poverty to answer the question: What would it take to dramatically increase mobility from poverty? As part of this effort, HOPE and the Urban Institute authored a paper, “Opening Mobility Pathways by Closing the Financial Services Gap.” The paper documents the vital role that access to financial services plays in fostering economic mobility, and recommends the following strategies to improve conditions for the nation’s most underbanked people and places:

• Triple bank lending, services, and investment in underserved markets by leveraging the Community Reinvestment Act;
• Increase public and private investment in community development financial institutions to expand the availability of quality financial services in underserved markets;
• Establish universal basic accounts for all Americans; and
• Support policies and practices that foster a fair and responsible financial marketplace for all Americans.

Small Towns Partnership

Through the Small Towns Partnership, HOPE is working with resident public officials, community organizers and other partners to undertake analysis of demographic and economic trends, coupled with intensive community engagement toward the goal of developing and implementing strategic economic and community development plans. Planning efforts are underway in the Mississippi towns of Drew, Itta Bena, Louisville, Moorhead, Shaw, Utica and Yazoo City.

Expanding Black Business

Closing the capital gap faced by black-owned businesses in the U.S. presents an important opportunity to generate economic growth and create jobs and to help combat persistent inequalities of wealth, income, and opportunity. In response, HOPE serves on the Steering Committee of the Expanding Black Business Credit Initiative (EBBC), a consortium of community development finance practitioners formed to dramatically increase access to credit for black-owned businesses.

The transformative potential of EBBC extends far beyond business development. Whereas the wealth of white households is 13 times the wealth of black households, the gap narrows to three times among white and black business owners. Consequently, narrowing the wealth gap enhances economic mobility among black children, which is vital in the Deep South where approximately 50% of black children live in poverty.

People who are more financially secure are more likely to vote. Expanding black business credit is a key element in dismantling structural inequality and fostering a more just economy and society.
IMPACT SUMMARY
Year-over-Year Growth 2016-2017

2017 marked HOPE's first $100 million lending year (Average annual U.S. credit union growth rate is 3%).

- **TOTAL LENDING**: $101,954,226, 133% increase from $43,727,020 in 2016
- **MEMBERS**: 44,049, 29% increase from 34,079 in 2016
- **Loans closed in 2017**:
  - 2,825 (43% increase from 1,972 in 2016)
  - 287 (113% increase from 135 in 2016)
  - 61 (49% increase from 41 in 2016)

**Loans by Category**:
- **CONSUMER LOANS**: 43%
- **MORTGAGE LOANS**: 20%
- **BUSINESS LOANS**: 30%
BOARDS OF DIRECTORS

HOPE ENTERPRISE CORPORATION

IVYE ALLEN  Foundation for the Mid South (Jackson, MS)
CLAIBORNE BARKSDALE  Attorney & Educator (Oxford, MS)
BILL BYNUM  HOPE (Jackson, MS)
SUSANNAH CARRIER  Silver Lake Partners (New York, NY)
HODDING CARTER, III  Retired Statesman, Educator & Journalist (Chapel Hill, NC)
RONNIE C. CRUDUP  New Horizon Church International (Jackson, MS)
MIKE ESPY  Mike Espy PLLC/AE Agritrade (Jackson, MS)
ROBERT L. GIBBS  Gibbs Travis, PLLC (Jackson, MS)
MAURICE JONES  LISC (New York, NY)
DAN LETENDRE  Bank of America (New York, NY)
BLANCHE LINCOLN  Lincoln Policy Group (Washington, D.C.)
FRED MILLER  Mayor of Rolling Fork (Rolling Fork, MS)
MARThA W. MURPHY  Murphy Family Limited Investment Partnership (San Francisco, CA)
JEFFREY NOLAN  Louie Land and Timber Company (Little Rock, AR)
WILLIAM A. PERCY  Retired Businessman (Greenville, MS)
H. ALEXANDER WISE  Retired Nonprofit Executive (Memphis, TN)

HOPE FEDERAL CREDIT UNION

IVYE ALLEN  Foundation for the Mid South (Jackson, MS)
BILL BYNUM  HOPE (Jackson, MS)
RICHARD CAMPBELL  HOPE (Jackson, MS)
ROBERT L. GIBBS  Gibbs Travis, PLLC (Jackson, MS)
CAROLYN GILL-JEFFERSON  Retired Judge (New Orleans, LA)
AIXCE GRAHAM  The Rock Bay Mission (Biloxi, MS)
DAVID JACKSON  Delta Housing Development Corporation (Indianola, MS)
GEORGE PENICK  St. Andrew’s Episcopal School (Flora, MS)
AUSTIN PORTER, JR.  Porter Law Firm (Little Rock, AR)
BRENDA RICHARD-MONTGOMERY  Secure Patient Delivery, LLC (Karrner, LA)
ANN SHACKELFORD  Teach for America Mississippi (Montrose, AR)
CAROL SPENCER  Retired Clergy (Jackson, MS)
EMILY TRENHOLM  High Ground Nova (Memphis, TN)
CARMEN WALKER  Retired Educator (Macon, MS)
NEDDIE WINTERS  Mission Mississippi (Jackson, MS)

CONSOLIDATED & COMBINED FINANCIAL HIGHLIGHTS

EARNED REVENUES & EXPENSES ($ Millions)


LOANS CLOSED ($ Millions)


TOTAL ASSETS & NET WORTH ($ Millions)


FINANCIALS

20
### COMBINED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>HEC Consolidated</th>
<th>Hope Credit Union</th>
<th>Eliminations</th>
<th>Combined 2017</th>
<th>Combined 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$10,261,114</td>
<td>$39,677,882</td>
<td>$(4,776,090)</td>
<td>$54,162,906</td>
<td>$22,826,905</td>
</tr>
<tr>
<td>Debt and other securities</td>
<td>20,340,604</td>
<td>15,928,031</td>
<td>(12,475,000)</td>
<td>23,793,635</td>
<td>28,273,007</td>
</tr>
<tr>
<td>Cash restricted for collateral and subsidiary’s note</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment in non-consolidated partnerships</td>
<td>1,036,558</td>
<td>-</td>
<td>-</td>
<td>1,036,558</td>
<td>6,757,047</td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>11,394,648</td>
<td>4,069,158</td>
<td>(1,027,247)</td>
<td>14,436,559</td>
<td>6,168,116</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>249,335</td>
<td>2,132,334</td>
<td>-</td>
<td>2,381,669</td>
<td>868,445</td>
</tr>
<tr>
<td>Other assets</td>
<td>599,952</td>
<td>2,974,990</td>
<td>-</td>
<td>3,484,942</td>
<td>2,816,492</td>
</tr>
<tr>
<td>Other assets restricted</td>
<td>-</td>
<td>857,639</td>
<td>-</td>
<td>857,639</td>
<td>604,430</td>
</tr>
<tr>
<td>Loans, net</td>
<td>78,714,053</td>
<td>202,358,577</td>
<td>(91,768)</td>
<td>280,160,862</td>
<td>200,993,656</td>
</tr>
<tr>
<td>Goodwill</td>
<td>-</td>
<td>195,578</td>
<td>-</td>
<td>195,578</td>
<td>220,025</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>2,473,583</td>
<td>9,880,235</td>
<td>-</td>
<td>12,353,818</td>
<td>10,428,031</td>
</tr>
<tr>
<td>Total assets</td>
<td>$384,597,923</td>
<td>$282,217,164</td>
<td>$(19,190,105)</td>
<td>$384,597,923</td>
<td>$282,217,164</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>HEC Consolidated</th>
<th>Hope Credit Union</th>
<th>Eliminations</th>
<th>Combined 2017</th>
<th>Combined 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$2,196,854</td>
<td>$2,940,208</td>
<td>(1,027,247)</td>
<td>$4,109,815</td>
<td>$1,304,134</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>-</td>
<td>343,761</td>
<td>-</td>
<td>343,761</td>
<td>256,682</td>
</tr>
<tr>
<td>Member deposits</td>
<td>-</td>
<td>217,923,475</td>
<td>(4,776,090)</td>
<td>213,147,385</td>
<td>146,246,867</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>21,521</td>
<td>-</td>
<td>-</td>
<td>21,521</td>
<td>951,325</td>
</tr>
<tr>
<td>Notes payable and long-term loans</td>
<td>23,474,898</td>
<td>52,460,111</td>
<td>(13,386,768)</td>
<td>62,548,241</td>
<td>48,112,417</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>25,693,273</td>
<td>273,667,555</td>
<td>(19,190,105)</td>
<td>280,170,723</td>
<td>196,871,425</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS AND EQUITY</th>
<th>HEC Consolidated</th>
<th>Hope Credit Union</th>
<th>Eliminations</th>
<th>Combined 2017</th>
<th>Combined 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uninsured capital and reserves</td>
<td>-</td>
<td>5,008,106</td>
<td>-</td>
<td>5,008,106</td>
<td>4,828,745</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>10,334,706</td>
<td>-</td>
<td>-</td>
<td>10,334,706</td>
<td>10,367,152</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>64,427,517</td>
<td>-</td>
<td>-</td>
<td>64,427,517</td>
<td>48,486,345</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>74,762,233</td>
<td>5,008,106</td>
<td>-</td>
<td>79,770,339</td>
<td>63,683,245</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>22,958,599</td>
<td>-</td>
<td>-</td>
<td>22,958,599</td>
<td>19,533,185</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,698,272</td>
<td>-</td>
<td>-</td>
<td>1,698,272</td>
<td>2,129,312</td>
</tr>
<tr>
<td>Total net assets</td>
<td>99,419,094</td>
<td>5,008,106</td>
<td>-</td>
<td>104,427,200</td>
<td>85,546,739</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$125,112,367</td>
<td>$278,675,661</td>
<td>$(19,190,105)</td>
<td>$384,597,923</td>
<td>$282,217,164</td>
</tr>
</tbody>
</table>

See accompanying notes.
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF ACTIVITY

COMBINED

REVENUES & GAINS

Grants & contributions $15,932,589 $11,633,874 $- $27,566,463 $26,620,802
Program income 10,428,713 - - 10,428,713 8,022,669
Investment income 829,130 - - 829,130 798,210

$27,190,432 $11,633,874 $- $38,824,306 $35,441,681

Grants & contributions

REVENUES & GAINS

Satisfaction of program restrictions 829,130 - - 829,130 798,210
Investment income 10,428,713 - - 10,428,713 8,022,669
Expiration of time restrictions - - - - -
Transfers from changes in program restrictions 431,040 (431,040)

$35,829,932 $3,425,414 (431,040) $38,824,306 $35,441,681

EXPENSES

Program expenses

Commercial lending & assistance 16,365,255 - - 16,365,255 8,862,471
Mortgage lending & housing 2,919,563 - - 2,919,563 2,865,097
HOPE & consumer lending 6,320,129 - - 6,320,129 4,992,333
Other programs 6,317,423 - - 6,317,423 1,738,118

$31,922,370 - - $31,922,370 18,458,019

Development & communications 1,604,256 - - 1,604,256 1,385,378
General administration 10,474,968 - - 10,474,968 9,229,146

$44,001,594 - - $44,001,594 29,772,543

EQUITY IN (LOSSES) EARNINGS OF AFFILIATED COMPANY

(5,720,489) - - (5,720,489) (2,950,000)
Change in net assets before minority interests (13,892,151) 3,425,414 (431,040) (10,897,777) 2,719,138
Change in other comprehensive gains/losses (62,582) - - (62,582) (62,582)
Minority interests in subsidiaries losses 14,100,648 - - 14,100,648 4,311,059

145,915 3,425,414 (431,040) 3,140,289 6,967,615

Net Assets & Equity at the End of Year $79,770,329 $22,958,599 $1,698,272 $104,427,200 $85,726,064

See accompanying notes.
Home Again, Inc. (Home Again) began operation in 2006 with HEC as primary sponsor. Home Again provided mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. It has continued to provide affordable housing solutions in the region covered by HEC. 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 CDFI Fund certified Community Development Entity (sub-CDE) created for funding a NMTC transaction. ECD New Markets 5, LLC was formed in late 2012 and began operations in 2013. Hope New Markets 1, LLC began operations in 2013 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 2, LLC began operations in 2013 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 3, LLC began operations in 2013 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 4, LLC began operations in 2013 is a commercial loan fund with a bank. Hope New Markets 5, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 7, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 8, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 9, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction.

During 2017, HCU acquired all the assets and liabilities of B&W Mississippi Employees Federal Credit Union, Michoud Credit Union and Tri-Rivers Federal Credit Union in NCUA-directed mergers or acquisitions. Hope New Markets 5, LLC was formed in late 2012 and began operations in 2013. ECD New Markets 3, LLC began operations in 2013 and is a sub-CDE created for funding a NMTC transaction. HEC/HCU's financial position, results of operations and financial statements, they might influence the user's conclusions about HEC/HCU's financial position, results of operations in 2017 and is a commercial loan fund with a bank. Hope New Markets 5, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 7, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 8, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. Hope New Markets 9, LLC began operations in 2017 and is a sub-CDE created for funding a NMTC transaction. 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/HCU’s management anticipates grants receivable at December 31, 2017 will be received and available for support of HEC/HCU’s programs as follows:

<table>
<thead>
<tr>
<th>Grant Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants due in less than one year</td>
<td>$13,324,927</td>
</tr>
<tr>
<td>Grants due in one to five years</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Grants due in six to eight years</td>
<td>20,000</td>
</tr>
<tr>
<td>Contracts and other receivables</td>
<td>166,105</td>
</tr>
</tbody>
</table>

Total grants and other receivables: $14,661,032

4. LOANS

The composition of the loan portfolios are as follows:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer loans outstanding</td>
<td>$26,571,254</td>
<td>$13,066,715</td>
</tr>
<tr>
<td>Commercial loans outstanding</td>
<td>169,341,304</td>
<td>123,361,769</td>
</tr>
<tr>
<td>Residential mortgage loans outstanding</td>
<td>101,145,757</td>
<td>72,669,661</td>
</tr>
</tbody>
</table>

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/HCU’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/HCU’s normal credit practices.

Commercial loan commitments are made to accommodate the financial needs of HEC/HCU’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/HCU’s normal credit practices.

Commercial loan commitments are made to accommodate the financial needs of HEC/HCU’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/HCU’s normal credit practices.

Residential mortgage loans are typically collateralized by residential real estate with a loan-to-value ratio of 97% or less.

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 portfolios, 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:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer loan losses</td>
<td>(224,473)</td>
</tr>
<tr>
<td>Net grants and other receivables</td>
<td>$14,436,559</td>
</tr>
</tbody>
</table>

6. FORECLOSED PROPERTY

Foreclosed property consists of properties repossessed 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 HCU and not yet paid by HCU. Share draft accounts are the credit union equivalent of bank checking accounts. Interest is earned on some HCU share draft accounts and 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at beginning of year</th>
<th>Provision charged to operating expenses</th>
<th>Loans and Investments charged-off and foreclosed-net</th>
<th>Balance at end of period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$56,504,489</td>
<td>10,387,431</td>
<td>(994,468)</td>
<td>$46,416,532</td>
</tr>
<tr>
<td>2016</td>
<td>$56,878,127</td>
<td>2,123,412</td>
<td>(2,497,050)</td>
<td>$51,509,029</td>
</tr>
</tbody>
</table>

8. LONG-TERM DEBT

The maturities of long-term debt at December 31, 2017 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$5,973,736</td>
</tr>
<tr>
<td>2019</td>
<td>1,079,105</td>
</tr>
<tr>
<td>2020</td>
<td>3,534,049</td>
</tr>
<tr>
<td>2021</td>
<td>2,391,384</td>
</tr>
<tr>
<td>2022</td>
<td>6,245,824</td>
</tr>
<tr>
<td>2023</td>
<td>43,000</td>
</tr>
<tr>
<td>2024</td>
<td>138,000</td>
</tr>
<tr>
<td>2025</td>
<td>166,105</td>
</tr>
<tr>
<td>2026</td>
<td>201,206</td>
</tr>
<tr>
<td>2027</td>
<td>237,306</td>
</tr>
<tr>
<td>2028</td>
<td>273,408</td>
</tr>
<tr>
<td>2029</td>
<td>309,509</td>
</tr>
<tr>
<td>2030</td>
<td>51,509</td>
</tr>
</tbody>
</table>

9. UNINSURED CAPITAL AND RESERVES

The uninsured capital and reserves include accumulated reserves, and undivided earnings of HCU.