

Board of Directors Report

(April 1ST, 2005 to March 31ST, 2006)

To the members-owners of HRCU:

The past 12 months have been challenging at HRCU and tonight, as your President, it is my duty and responsibility to report to you on all that has transpired at No.1 Hydes Lane.

Early in the first quarter of the credit union financial year we were informed by CUNA Mutual that they would begin the repatriation of monies we held for them in a savings account that was established in 1993 in which we deposited premiums and settled claims. Over the years that account had built itself up to quite a substantial sum of money, money used to help meet the ever-growing demands of our mortgage-lending program. Luckily we had not become too dependent on that source of funds so this new dilemma did not retard mortgage-lending at HRCU. However, this repatriation of just about \$2 million dollars to date, about 1/3 of the funds we hold for CUNA Mutual, together with unusual savings withdrawals, has adversely affected our asset growth rate which for the first time in recent history has fallen below double-digit amounts. Over the next 2 years, as we continue this repatriation process, we will continue to observe a slowing down of our asset growth rate. However, at HRCU we have been enrolling new members at a phenomenal rate - 2,284 during this year alone - so hopefully this will help us to meet our projected goals of double-digit growth rate in every area possible.

It is now official. The Legislation was passed by the House and Senate. On December 1ST, 2005 credit unions came under the supervision of the Central Bank of Belize having been placed under the Ministry of Finance. There have been endless discussions on this subject. A few credit union activists passionately oppose the move. At HRCU we have always been cautiously supportive from Day 1. Accountability and transparency have never been problems for HRCU and we felt that having an independent eye looking in on our affairs can only serve to help us. What we will vehemently oppose however is if we are not supervised under the guidelines of our current Credit Union Act. Also sacred to us at HRCU is that credit unions continue to maintain their tax-free status and that our Reserves can never be tampered with. These Laws will remain intact according to our Prime Minister, Rt. Hon. Said Musa. We do hope that any future Prime Ministers who may follow behind Mr. Musa will continue to honor this sacred and just commitment.

Many of you have already noticed the new report included in your AGM booklet. Yes, we have taken over Loan Protection (LP) and Life Savings (LS) coverage from CUNA Mutual effective June 1ST, 2005. These were combined with our Funeral Benefit (FB) offered through our Burial Scheme Program. Please know that there has been no break in coverage experienced as a result of this new undertaking. You will hear the details for yourself later under the Burial Scheme Program Report. What is suffice for me to say tonight is that perhaps this move should have taken place a long time ago. It is not that we have severed ties completely with CUNA Mutual. We still continue to promote CUNA's Family Indemnity Plan (FIP) and our Fidelity Bond and Group Life Insurance for Staff and Directors continue to be handled by CUNA Mutual.

As we have never failed to do over the past, we continue to offer much needed assistance to various charities, churches, schools, and organizations. Our Henry Charles "Eagles" Usher Educational Grant Program has also assisted 79 students with \$67,350. We continue to extend a helping hand to the Belize Credit Union League in their efforts to promote a national credit union convention during International Credit Union Week in October. We continue to keep contact with the regional credit union movement through the Caribbean Confederation of Credit Union's annual international convention. These events are attended by your directors to get a first hand look at what is taking place with other credit unions in the region and beyond.

Last year we reported to you that delinquency stood at 13.4%. After factoring in cash securities it was in the vicinity of 5.9%. After factoring in other collateral and mortgages held it was far less than the 5% recommended by the World Council of Credit Unions. Tonight, with much effort and serious hard work we have reduced delinquency to 12.4% even before we factor in cash securities, other collateral, and mortgages. This was no easy task and we ought to commend the efforts of the newly established Delinquency Control Department. There are some of you who can, but still refuse to pay. Rest assured that we are coming after you... much sooner than you expect! What you borrowed is the hard-earned savings of poor people. It is criminal not to pay it back.

And now for the “beef”...the real reason we are here tonight. At March 31ST, 2006, assets totaled \$241.3 million, an increase of 5.98%. Membership has now reached 38,754 a net increase of 3.3%. Investments have reached \$46.0 million with new purchases of \$6.4 million in Fixed Deposits. Savings total \$179.7 million, 74.5% of Liabilities. Outstanding Loans total \$181.9 million, 75.4% of total assets. Reserves, including our new Insurance Reserve total \$45.3 million. These Reserves remain liquid, mostly invested in commercial bank Fixed Deposits. Finally our Gross Profit has reached \$23.0 million and Expenses total \$5.3 million leaving a Net Profit of \$17.7 million. From this business conducted during the financial year, your Directors are recommending a Dividend rate of 7.5% and an Interest Rebate rate of 10% to all members with loans in good standing. Despite all the setbacks, this has been yet another successful year for HRCU.

Finally it would be amiss if I did not mention that in 2006 HRCU truly reached another milestone. I often wonder which other credit union members can boast that they have elected the same Treasurer who has served as General Manager for 50 years - since 1956. Our Miss Jane is no stranger to the wider Credit Union Family. We continue to wish her the health, strength, and courage for many more years of service to her people through this great Credit Union Movement. God's continued Blessings on you Miss Jane.

Your Board of Directors,

Karl H Menzies, CSC/JP - President
Fred Smith, JP - Vice President
Jane E.M. Usher, CBE/JP - Treasurer

Oscar Riveroll, JP - Secretary
Ernesto Vasquez - Director