

PRESIDENT'S REPORT

7th ANNUAL REPORT

As of December 31, 2005, the Strathcona Credit Union has completed its 5th full year of operation. In those 5 years we have seen our assets grow from \$26,671,000 to \$37,489,303 (as of December 31, 2005).

Looking at the financials, the Strathcona Credit Union saw assets remain essentially unchanged at \$37,446,195 this past year – a decrease of 0.1%. Surplus earnings after taxes were \$224,700 and undistributed surplus earnings of \$88,424 will be allocated to the general reserve, bringing the total reserves to \$2,407,624. Once again, it is a pleasure to announce that, later this evening, the Board of Directors will be recommending to this AGM that it vote to rebate \$209,227 back to our members for the fiscal year 2005 – an increase of 127% over last year's patronage allocation.

Assuming that the above recommendation to rebate is carried later this afternoon, let's take a closer look at what this would mean to someone who had their mortgage with us last year. Last year the Strathcona Credit Union earned \$678,156 in interest from those who had mortgages with us. As a result of the rebate, 18% of this interest paid by our members on their mortgages will be rebated back to them. Thus the real cost of a mortgage offered at 5.5% will really be about 4.51%. Putting that into approximate dollar terms, a member who has just taken out a \$200,000 mortgage at 5.5% can expect a rebate of about \$1,980 for the year.

Now consider that members have already benefited from some of the lowest mortgage rates available on the open market (even before the rebate). In addition, starting this January those members opening a five year closed mortgage with us benefit immediately from a cash-back incentive program that amounts to 2% of the total interest they will pay over the first five years of the mortgage. For a 25 year, \$200,000 closed mortgage at 5.5%, that amounts to \$1,032. It should, therefore, come as no surprise that our mortgage portfolio has grown rapidly (\$2 million over the past year alone). CMHC mortgages, that are available with as little as 5% down payment, have made getting a mortgage even easier for our members and pose no risk to Strathcona Credit Union, since payment is guaranteed by CMHC.

The rebate will also benefit members having loans, lines of credit, checking and savings accounts, although the percentage of rebate in the different categories will be different. All members either borrowing money from us (loans, lines of credit and mortgages) or lending money to us (chequing and savings accounts) will also benefit from a rebate ranging from 15% to 18%!

As I have previously reported at past AGMs, there has been increasing pressure by Desjardins to increase our service charges to the Desjardins "norm". The norm would be across-the-board service charges, similar to the big banks, although perhaps a little less costly in some categories.

Over the years, the Board of Directors has remained steadfast in maintaining its present policy of minimal service charges. Recent changes in the formulae used by Desjardins to calculate various financial ratios have presented some obstacles to our continuing ability to offer rebates. The Board has worked very hard on determining strategies that would continue to allow us to offer significant rebates while at the same time keeping all service charges at a minimum. The fact that we have maintained our minimal service charge policy and have also been able to rebate much more than last year, attests to the success of their efforts on your behalf. Creating a very attractive mortgage policy has been an important element of that strategy. Developing a large mortgage portfolio will go a long way in allowing us to keep service charges at a minimum, in maintaining high yearly rebates and, of course, in remaining financially viable.

Over the course of the last year the Board has established a marketing committee whose mandate was to examine ways in which SCU could increase market penetration in those institutions in our charter where we have few, if any, active members. Our charter not only allows us to solicit new members in English primary and high schools throughout the province but also all the English teaching hospitals around the Montreal area, the English universities, CEGEP's, daycare centers, private schools and even the YMCA. Traditionally we have attracted new members by word of mouth and then mainly amongst teachers in the primary and high schools in and around Montreal, but "times they are a changing" as a large number of older teachers and school employees are retiring and a large number of new employees are entering the system. These new teachers and employees are encountering a far different educational environment than the one faced decades earlier and are also coming in with a very different banking needs, attitudes and background. We will have to actively reach out to these new teachers if we hope that they will become new members. We must do the same for hospital employees, especially nurses, if we want to reach as many new potential members as we can.

As a result of recommendations made to and accepted by the Board, seven retired school personnel have been engaged to visit 21 schools on a weekly basis for the next eight to ten weeks to try and inform teachers and staff of what we have to offer and to make contact on a one to one basis. One of their key motivations will be to try to get both new and old members interested in getting their mortgages through us. If this marketing effort proves advantageous, we will use this experience to refine our approach and extend it to other institutions in subsequent years. At the moment it is a learning experience for all concerned. It is always important to keep in mind that an increasing active membership benefits all members and not a few shareholders as is the case with the banks.

I would like to conclude, as always, by thanking all members of the Board of Directors, the Board of Audit and Ethics (now called Board of Oversight), the office staff and especially the Manager for all their hard work. The members of the Strathcona Credit Union are indeed well served by this dedicated group of people.

I would like to take this opportunity to thank Cathy Morabito for her 14 years of conscientious service and to wish her well in the future. Cathy was a part of the staff of the FESCT and for the last 6 years has been working with us at the SCU. Good luck in your future endeavours.