

ANNUAL GENERAL MEETING  
APRIL 19, 2017

MEETING AGENDA  
MILLBROOK ROOM, RECC, TRURO, NS

- Call to Order - 7:00PM
- Welcome
- Declaration of Quorum
- Approval of Agenda
- Greetings – Mayor Bill Mills, Town of Truro
- Presentations & Announcements
- Brief Recess
- Minutes of Meeting – AGM April 20, 2016
- Governance Reports
- Operations Report
- Auditors Report
- Appointment of Auditor
- Financial Report
- Adjournment

**COMMUNITY CREDIT UNION OF CUMBERLAND COLCHESTER LIMITED**  
**MINUTES OF ANNUAL GENERAL MEETING**  
**April 20, 2016**

The Annual General Meeting of Community Credit Union of Cumberland Colchester Limited was held on Wednesday, April 20, 2016 at the Nova Scotia Community College in Amherst, Nova Scotia.

Attendees were advised that all of the reports covered during the meeting will be posted on the website this week and that members may request hard copies of reports from either branch.

Board Chair Bev Cooke explained the voting procedure and the use of the green “Yes” cards and the red “No” cards.

Chair Bev Cooke confirmed the Parliamentarian for the meeting as Brian Creighton from the law firm of Creighton Shatford.

**Determination of Quorum:** Vice-Chair David Slade confirmed there were 38 registered members in attendance. In accordance with by-law 4.13, the required number of members for determination of a quorum is 17. Vice-Chair David Slade declared that a quorum was present.

**Minute of Silence:** Chair Bev Cooke asked attendees to bow their heads for a moment of silence in memory of deceased members.

**Call to Order:** Chair Bev Cooke called the meeting to order at 7:05 p.m.

**Agenda:**

*It was moved by Larry Legere, seconded by Roger MacIsaac, that the agenda be approved as presented.*  
**Motion AGM-01-04-2016 carried.**

**Presentations:**

Community Credit Union’s Staff Social Committee presented each of the following organizations with a donation of \$1,000:

- Cumberland Early Intervention Program
- Lillian Allbon Animal Shelter
- Bridge Adult Service Center
- 

In lieu of purchasing promotional materials and merchandise for the Annual General Meeting, Community Credit donated \$1,000 to KidsHelpPhone. Community Credit Union contributes \$100,000 annually to various organizations throughout Amherst and Truro.

**Employee Service Awards:**

President & CEO Darrell Kuhn and Chair Bev Cooke presented service awards to staff as follows:

Nancy Grant – 5 years service  
Lynn Prime – 10 years service  
Pam Richard – 15 years service  
Cathy Walsh – 20 years service  
Bev King – 30 years service

Nancy Corey – 10 years service  
Bonnie Sellars – 15 years service  
Trish Wright – 20 years service  
Cheryl Gagnon – 25 years service

## **Approval of the Minutes:**

*It was moved by Darrell Jones, seconded by Cheryl Gagnon that the minutes of the April 22, 2015 Annual General Meeting be approved as presented. **Motion AGM-02-04-2016 carried.***

## **Business arising:**

No business arising from the minutes.

**David Slade assumed the Chair.**

## **Governance Report of the Board of Directors: Presented by Bev Cooke, Board Chair**

Bev Cooke outlined the purpose, objectives and responsibilities of the Board. In the past year the Board continued its diligence governing within the CUDIC Standards of Sound Business Practice, by-laws, policies and the Board's Terms of Reference. The Board engaged in continuous learning including enterprise risk and financial oversight. Bev advised that six of Community's Directors have achieved their Accredited Director designation: David Slade, Roger MacIsaac, Ralph Wark, Bev Cooke, Faith Buott and Darrell Jones. The changing financial service industry, a low interest rate environment and the potential risk of hacking threats have a significant impact on Board oversight responsibilities.

Community Credit Union, for the first time in its history, has exceeded \$100 million in assets as a result of unprecedented growth of 22% in our deposit business. Credit quality and compliance standards remain strong and well within acceptable regulatory standards. The Credit Union has continued its diligence in expense management. Community Credit Union maintains strong corporate social responsibility and in the past year and has contributed \$100,000 to community projects.

Bev expressed her confidence in the leadership of the President & CEO, Darrell Kuhn, who was named a Top 50 CEO for a second time. Bev also expressed her thanks to the Board and employees for their assistance over the past year.

*It was moved by Bev Cooke, seconded by Howard Welch to accept the Governance Report of the Board of Directors. **Motion AGM-03-04-2016 carried.***

**Bev Cooke resumed the Chair.**

**Audit & Operational Risk Committee Report:** Presented by Darrell Jones

*It was moved by Darrell Jones, seconded by Charlotte MacVicar to accept the Audit & Operational Risk Committee Report. **Motion AGM-04-04-2016 carried.***

**Credit & Market Risk Committee Report:** Presented by David Slade

David Slade outlined the purpose and objectives of the Committee which met quarterly to discuss the Credit Union's risk management activities including monitoring of existing lending practices, policy and guidelines established by the Board of Directors. The Committee reported its findings and subsequent action plans to the Board of Directors.

David outlined the 2015 results:

- Loan Portfolio – lending growth was nominal and more effort was placed on purchasing a mortgage portfolio to offset our excess liquidity position.

- Delinquency – averaged under 1.0% was well within the regulatory benchmark 3.0% and under our internal benchmark of 1.5%. Low delinquency is attributable to strong lending diligence, credit management and recovery activities.
- Impaired Loans – loan loss experience has rebounded to a more respectable level from the significant increase in 2012. While experience in this directly attributed to the current environment, our credit risk management and recovery activities continue to mitigate adverse problems.
- Credit Compliance Review – CUDIC completed a credit compliance review and overall strong oversight was noted, which is a result of our credit risk management activities implemented in 2009 which continue to evolve.
- Committee Development – the Committee participated in several governance development sessions to enhance credit oversight practices.
- Risk & Financial Dashboard – late in 2015 the Committee implemented a comprehensive quarterly Risk & Financial Dashboard Report that provides information on key risk-related leading indicators and financial related lagging indicators to enable the Committee to perform its mandate more effectively.

Overall the Committee is satisfied with the effectiveness of the Credit Union’s credit risk management activities and is comfortable that appropriate risk controls are in place.

David expressed his appreciation to the Committee for their diligence, attention and the significant work completed over the past year.

*It was moved by David Slade, seconded by Dianne Kelderman to accept the Credit & Market Risk Committee Report. **Motion AGM-05-04-2016 carried.***

**Bursary Report:** Presented by David Slade

Promoting education by providing financial assistance to qualified students is an important tool in achieving the Credit Union’s goal of being a responsible, community-owned financial institution. The President & CEO is directed to allocate funds from pre-tax annual profits for the provision of student bursaries to be granted annually to qualified students.

The Governance & Ethics Committee oversees the bursary process. Since inception, the Bursary Program has awarded \$127,000. In 2015, the Committee received a significant number of applications and awarded nine \$1,000 bursaries to:

Mikaila Borgal	Laura Brenton	Lauren Chitty
Taylor Chitty	Ashley Grant	Madison Morrissey
Corinne Trottier	Victoria Varner	Rachel Wood

David thanked the Committee and Lynn Prime for their support to this important program.

*It was moved by David Slade, seconded by Faith Buott to accept the Bursary Committee Report as presented. **Motion AGM-06-04-2016 carried.***

**Nominations & Elections Committee Report:** Presented by Darrell Jones

Darrell Jones reported that the nominations and elections process was carried out in accordance with Board approved policy, procedures and by-laws. Five nominations were received for eight vacancies which necessitates a call for nominations at this Annual General Meeting of the membership. If nine or more total nominations are received, an election will be held this evening. The eight nominees receiving the most votes will be declared elected. If there are eight or fewer nominees, all nominees will be declared elected by acclamation.

Darrell Jones called three times for nominations. No nominations were received from the floor.

Five directors were elected by acclamation effective with this Annual General Meeting for three-year terms—Charlotte MacVicar, Howard Welch, Jean Costin, Faith Buott and Roger Maclsaac.

*It was moved by Darrell Jones, seconded by Sharron Byers to accept the Nominations & Elections Committee Report as presented. **Motion AGM-07-04-2016 carried.***

**Operations Report from Management:** Presented by the President & CEO, Darrell Kuhn

Darrell Kuhn reported that the Credit Union has introduced a new business plan concept to realize the transformational change necessary to meet the realities of technological advances, global activities, changing consumer preferences and economic trends. The Credit Union is impacted by low interest rates and intensified regulatory requirements which require increased efficiency, effectiveness and adaptability and will change how we operate and deliver services to the Membership.

**Member**

Canadian consumers including our Members demand services to be delivered expediently, competitively and in the manner they choose. The Credit Union is experiencing a new transactional norm whereby virtually all transactions can be completed outside of the branch through mobile and internet-based services. The change in transaction patterns requires a greater emphasis be placed on building strong relationships with our Members. Branches with 9 to 5 business hours are no longer effective. The ability to provide digital service on a 24/7 basis will become our future business model.

**Team**

Employee engagement remains an important priority and our Personal Learning & Development program will be revamped to enable our staff to transition to our new delivery model. Our brand, *Experience the Difference* and our brand promise to provide a “service experience unlike anywhere else” will require commitment, positive engagement and a new standard of performance from our team.

**Brand Experience**

Our new brand, Experience the Difference, and our objective to provide a service experience unlike anywhere else, is foundational to the Credit Union’s new business model and was designed to place greater emphasis on what being a member means and what being part of our Credit Union stands for. People, community and co-operation are the building blocks of our Credit Union and are closely aligned to our Vision and Mission. In 2015 we focused our attention on furthering our brand within our

communities with targeted donations and sponsorships. These community partnerships are at the core of who we are and why we are different.

### **Financial Performance**

Financial results for 2015 were modest due the movement of surplus, low-return cash into a higher return mortgage pool and continued expense management. For the first time in its history, CCU exceeded \$100 million in assets due to an unprecedented 22% increase in deposits which demonstrates the continued confidence of our Members in our Credit Union. Continued diligence in our Member relationship, service delivery and expense management will be critical to meeting the challenges of an uncertain economy, a low interest rate environment and the constant barrage of competitive pressures.

### **Leadership**

The changes implemented over the past several years have provided the support required to protect our integrity, reputation and financial position well into the future. We will continue to do things that are more effective, efficient and creative. Darrell expressed his appreciation to team and expressed confidence in their ability to embrace the Credit Union’s new direction, brand proposition, mission, vision and values. Darrell also expressed his thanks to the Board of Directors for their continued stewardship, leadership, oversight and support through the many changes and challenges.

*It was moved by Phillip Rafuse, seconded by Dianne Kelderman to accept the Operations Report as presented. **Motion AGM-08-04-2016 carried.***

**Auditors’ Report:** Presented by Laura Lewis of PriceWaterhouseCoopers

Laura Lewis confirmed that the Auditors’ Report is addressed to the membership and that the Audit Committee represents the membership. The auditors met with the Audit Committee in April to review the financial statements. The auditors provided the Credit Union with a clean report. Laura Lewis commended the Audit Committee on their work. She expressed appreciation to Phemie, Edith, Wil, Darrell and all the staff for their cooperation throughout the audit.

*It was moved by Darrell Jones, seconded by Faith Buott to accept the Auditors’ Report as presented. **Motion AGM-09-04-2016 carried.***

**Reappointment of Auditors:**

*It was moved by Phillip Rafuse, seconded by Roger Maclsaac to reappoint PriceWaterhouseCoopers as the financial auditors for 2016. **Motion-AGM-10-04-2016 carried.***

**Financial Review:** Presented by Darrell Kuhn, President & CEO

<b>EQUITY</b>	<b>2015</b>		<b>2014</b>		<b>CHANGE</b>	
Total Equity	\$5,556,982	5.51%	\$5,495,362	6.66%	Increase	\$61,620
					Decrease	1.15%
Retained Earnings	\$5,523,512	5.48%	\$5,440,828	6.61%	Increase	\$82,684
					Decrease	1.13%

LENDING PORTFOLIO	2015	2014	CHANGE	
Total Loans	\$79,074,03	\$66,359,092	Increase	\$12,714,021 19.2%
Mortgages	\$50,844,161	\$37,810,513	Increase	\$13,033,648 34.5%
Commercial Loans	\$13,690,122	\$13,491,580	Increase	\$198,542 1.47%
Personal Loans	\$14,539,730	\$15,056,999	Decrease	\$517,269 3.44%

LIQUIDITY POSITION	2015	2014	CHANGE	
Liquidity - % of Assets	11.7%	11.9%	Decrease	0.02%
Liquidity \$	\$11,825,724	\$9,075,281	Increase	\$2,750,443
Lent Out - % of Deposits	83.6%	86.7%	Decrease	3.1%

CREDIT QUALITY	2015	2014	CHANGE	
Delinquency	1.01%	0.87%	Decrease	0.63%
Impaired Loan Provision	0.02%	0.09%	Decrease	0.07%
Allowance Impaired Loans	0.22	0.40%	Decrease	0.18%

FINANCIAL INCOME	2015	2014	CHANGE	
Loan Interest Income	3.07%	3.87%	Decrease	0.80%
	\$3,093,353	\$3,114,159	Increase	\$20,806
Investment Income	0.23%	0.35%	Decrease	0.12%
	\$235,165	\$266,695	Decrease	\$31,530
Interest Expense	0.63%	0.59%	Increase	0.04%
	\$638,239	\$471,666	Decrease	\$166,573
Financial Margin	3.94%	5.02%	Decrease	1.08%
	\$3,969,650	\$4,129,720	Increase	\$160,070
Other Income	1.23%	1.60%	Decrease	0.37%
	\$1,245,388	\$1,291,324	Increase	\$45,936

OPERATING EXPENSES	2015	2014	CHANGE	
Salary & Benefits	\$1,789,712	\$1,813,184	Decrease	\$23,472
General & Administrative	\$1,461,922	\$1,500,751	Decrease	\$38,829
Occupancy	\$239,438	\$225,428	Increase	\$14,010
Members Security	\$103,411	\$99,790	Increase	\$3,521
Depreciation	\$215,670	\$204,401	Increase	\$11,269
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,810,153</b>	<b>\$3,843,554</b>	<b>Decrease</b>	<b>\$33,401</b>
Operating Surplus (BIT)	\$159,497	\$286,166	Decrease \$	126,669

**New Business:** None

Member, Leo Despres attempted to raise new business. However, he was declared out-of-order by the Board Chair, Beverley Cooke.

**Adjournment:** It was moved by Darrell Jones that the meeting be adjourned at 8:45 p.m.

Respectfully submitted,

Beverley Cooke  
Chair

Lynn Prime  
Recording Secretary



## **GOVERNANCE REPORT FROM THE BOARD**

It is with pleasure that I present the Annual Report of the Board of Directors for Community Credit Union of Cumberland Colchester Limited for the 2016 fiscal year.

The Board of Directors operates within its mandate as outlined in legislation (*Credit Unions Act - Board*), and as well as within the By-Laws. The Board continued its diligence in assuring its mandate was managed in accordance with By-Laws, its governance policies and within the Regulator approved *Standards of Sound Business Practice*.

During the 2016 fiscal year, the Board and its Committees managed their mandates as reported by each of them in their respective year-end reports. The Board Terms of Reference, contained in policy, describes its purpose and objectives as follows:

### *"Purpose*

*The Board of Directors has the authority and obligation to protect and enhance the assets (tangible, intangible, human resources) of Community Credit Union in the interest of the stakeholders (members, employees, community) and is responsible for overseeing the President & CEO. Although Directors may be elected by the owners to bring special expertise or points of view, they are not chosen to represent a particular constituency. The Board and Directors are solely accountable to the Credit Union in their capacity as Directors.*

### *Objectives*

*The Board's principal duties fall into six main categories*

- 1. Adoption and monitoring of strategic and business planning processes and plans;*
- 2. Appointing, monitoring and compensating senior management;*
- 3. Effective communication with stakeholders;*
- 4. Overseeing management of enterprise risk;*
- 5. Integrity of corporate internal control and management information systems; and*
- 6. Establishing and maintaining effective governance practices."*

While the Board is faced with continuous challenges and difficult decisions every year, I am extremely pleased to confirm that again in 2016, sound governance oversight was evident.

Throughout this past year, the Board's oversight was extensive and again resulted in prudent governance and stewardship of the Credit Union.

As has been reported in previous years, the continued evolution of the financial services industry has necessitated effective risk oversight. These areas continue to place a significant impact on director oversight responsibilities. Whether it is the financial impact from a low interest rate environment or the risk impact of potential hacking threats or the service delivery impact to our members requiring innovation and virtual accessibility that move us towards extraordinary service, the foundation of the financial services industry continues to change profoundly. Strong and effective corporate governance remains the priority for Board Directors. Each Board member has taken their role very seriously and they have remained diligent towards their responsibilities. This commitment has enabled your Board to collectively meet the challenges of this complex and changing environment.

This past year was very positive and one that has seen continued improvement in a variety of areas, many of which were firsts for Community Credit Union. Last year we reported that for the first time in our history we had reached and exceeded \$100 Million in assets, which was the result of unprecedented growth in our deposit business of 22%. While 2016 saw a decline in our assets to \$95 Million, this was nevertheless much better than projected. Our overall financial performance was considerably better than the previous year with a 250% improvement. Our President & CEO will provide more details in his reports.

Our overall credit quality remains very strong, and are best in our history in terms of our delinquency, write-offs and watch list accounts. These results are also well within acceptable regulatory standards and within the average benchmark within the Provincial Credit Union system. Our internal control/compliance standards also remain strong and have continued to pass the test of regulators. We continued to manage our expenses in a prudent manner and we remained extremely competitive with our lending and deposit products. All of this, and many more activities to numerous to mention, were made possible by our Leadership group and team of dedicated employees.

During the past year, we remain committed to our communities where we work and live. As stated in our *Co-operative Values, the well-being of our communities is at the very core of who we are and what we do*. We take our corporate social responsibility extremely seriously. As you experienced this evening, we committed \$3,000 to four worthy local organizations and people, which is included our \$100,000 annual community support as noted in our ***Vision Matters*** newsletter included in your registration packages. We are extremely proud of this commitment and for making a difference in our communities, beyond that of our competitors.

As we move forward into the new fiscal year, we are optimistic of continued success despite the impact from the current economic environment and its uncertainty. We are proving that to be successful, we need to be preemptive and we need to be creative. In each of these areas, we will continue to push our boundaries in an effort to achieve

our **Brand** objective of creating “**Service Experiences Unlike Anywhere Else**” along with our new **Vision and Mission**.

We recognize that more and more of our Members prefer to do their business outside of traditional methods, specifically through mobile and Internet delivery channels. We began a transformational change in 2015, and in 2016 we introduced our new '**brand awareness**' initiative, which has proven to be highly successful. With new and innovative ads, a new approach to social media communication, both intended to significantly enhance the awareness level of '**who we are and what we do**'. This innovation and much more to happen in 2017 and beyond, will meet the continuous changes in consumer expectations and enable us to be flexible and expedient in the evolution of our new business model.

We are confident, under the leadership of our President & CEO, we will experience continued positive change that will position our credit union appropriately for future years.

I would like to take this time to formally acknowledge the Board of Directors. Governance and risk oversight in today's environment requires continuous stewardship. To this end, the Board has continued to perform admirably and have provided valuable insight and analysis throughout the past year. Their leadership has greatly assisted us in our objective to build strong governance practices and a sustainable strategic direction.

On behalf of the Board, I would like to say a very sincere thank-you to all who have assisted us throughout the past year, our Employees and our Board. You are truly remarkable.

Finally, I would like to publicly thank our President & CEO, Darrell Kuhn, for what he has done for Community Credit Union during his tenure. To say that we have gone through a positive and significant transformation since his arrival would be a gross understatement. We are extremely fortunate that we have such an experienced and visionary leader - I would like to formally acknowledge that Darrell is a recipient of the prestigious, **Atlantic Business Magazine's Top 50 CEO's in Atlantic Canada for an unprecedented third consecutive year**, and will be featured in the May edition of the Atlantic Business Magazine. And, on May 15th, he, along with the other 49 Top 50 CEO recipients throughout Atlantic Canada, will be honored at a gala in St. John's, NFLD. Congratulations Darrell, we could not be more proud of such deserving recognition.

*Respectfully submitted,*

*Howard Welch, Board Chair*

**AGM DATED APRIL 19, 2017**

**I MOVE ACCERPTANCE OF THE GOVERNANCE REPORT.**

## AUDIT AND OPERATIONAL RISK COMMITTEE

It is my pleasure to present the annual report of the Audit and Operational Risk Committee of Community Credit Union of Cumberland Colchester Limited for the 2016 fiscal year. The Committee's mandate is outlined in considerable detail in provincial legislation, (*Credit Unions Act – Audit Committee*) and is further documented in the credit union's By-Laws and Board Policy.

The Audit and Operational Risk Committee is appointed by and is responsible to the Board of Directors. The purpose and objectives of the Audit and Operational Risk Committee are outlined in Board-approved Terms of Reference and is summarized as follows:

### *“Purpose*

*The Audit and Operational Risk Committee's principal role is to ensure that due diligence is directed towards gaining assurance that an effective risk management and control framework, has been implemented by management. This framework is to provide reasonable assurance that the financial, operational and regulatory objectives of the Credit Union are achieved and that the governance and accountability responsibilities of the Board and management are met.*

*The Audit and Operational Risk Committee undertakes responsibility for the oversight of the design and implementation of internal controls to support the risk management framework, the integrity of financial reporting, and compliance with regulatory matters.*

### Objectives

*The objectives of the Audit and Operational Risk Committee are:*

- *To assist the Board to fulfill its oversight responsibilities, including accountable management of funds, efficiency and effectiveness of controls, safeguarding of assets and member deposits;*
- *To gain assurance that there is compliance with laws, regulations and policies;*
- *To gain assurance regarding the reliability of external financial reporting;*
- *To provide for independence of the internal audit function;*
- *To communicate concerns of the Board to the internal and external auditors and to have input into the overall direction of all audit efforts;*
- *To engage external auditors and provide appropriate oversight of their work; and*
- *To promote effective and timely resolution of audit issues.”*

The Committee's mandate during the year included financial and risk management oversight to the credit union. Throughout the 2016 fiscal year, the Committee met on a minimum quarterly basis, to assess the financial and risk management activities and results. The findings and subsequent action plans and activities were reported to the Board of Directors.

### 2016 Activities:

**APRIL 19, 2017**

- Loan Interest Income – We reported that late 2015, we purchased a \$12 Million mortgage pool from one of our system partners, Concentra Financial. As a direct result, we increased our net interest income performance in 2016 by approximately \$100,000. With this pool reducing on a monthly basis, we were able to purchase an additional \$4 Million mortgage pool from Concentra Financial late in 2016. With the increasing challenge in growing our lending portfolio internally, we have assessed alternate external means, which has included the purchase of low risk mortgage pools.
- Deposit Interest Expense – Throughout 2017 we experienced a net reduction in our deposit portfolio, which has brought our Assets to \$95 Million. This reduction has impacted our interest expense positively, resulting in an overall net improvement in our gross financial margin.
- Financial Margin – We are pleased with our continued Gross Margin position, which has remained strong throughout the past several years and again in 2016 at **4.45%** compared to 2015 at 3.94%. We will continue our due diligence to maintain our Gross Margin above the 4.00% level by managing our excess liquidity in a prudent manner.
- Operating Expense – Our operating expenses, at 4.08% in 2016, increased over the 2015 performance of 3.77% due primarily to a reduction in assets by 5.9% (primarily in liquidity – deposit reduction). Overall expenses remained consistent year over year with only a nominal 1.6% increase in actual dollars spent in 2016 over 2015. This is an important financial area, which will require continued oversight and effective management, particularly during a low interest rate environment. We will continue to monitor this area very closely to ensure we experience financial stability.
- Operating Surplus – Our pre-tax operating surplus increased from 0.16% in 2015 to **0.38%** in 2016, which is in excess of the minimum benchmark set by our Regulator at 0.25%. This is primarily due to the significant improvement in our investment strategy. In a low interest rate environment, achieving this level of operating surplus requires continued investment diligence, alternative income sources as well as a very diligent expense management. These three important areas will continue to be addressed in 2017 and beyond in an effort to maintain our operational surplus well above the regulatory benchmark and our strategic objective of 0.50%.

We are pleased with the satisfactory and stable financial performance during 2016 and we are confident continued improvement in our revenue opportunities and our expense management mandate will again be evident throughout the 2017 fiscal year. Our performance to date is directly attributed to the effectiveness of our ongoing financial management activities, which will continue to evolve in 2017 and beyond.

In 2016, the Committee, through the Board, was directly involved in continued ‘*governance development*’ sessions, intended to establish further oversight practices to financial and operational risk.

The Committee is comfortable that the 2016 Financial Statements present fairly, in all material respects and free from material misstatement, the financial position of Community Credit Union and the results of its operations were in accordance with International Financial Reporting Standards.

I would like to take this opportunity to express my appreciation to the committee members for their diligence and attention and the significant work completed throughout the past year. As well, on behalf of the committee, I would like to extend our sincere appreciation to our President & CEO, Darrell Kuhn, our Vice President, Corporate and Lending Services, Edith Doyle and Phemie Horvath, our Financial Services Clerk for their continued financial management activities.

*Respectfully submitted by*  
*Phil Rafuse, Committee Chair*

**I MOVE THE ACCEPTANCE OF MY REPORT.**

## CREDIT AND MARKET RISK COMMITTEE

It is my pleasure to present the annual report of the Credit and Market Risk Committee of Community Credit Union of Cumberland Colchester Limited for the 2016 fiscal year. The Committee's mandate is outlined in considerable detail in provincial legislation, (*Credit Unions Act – Credit Committee*) and is further documented in the credit union's By-Laws and Board Policy.

The terms of reference, as approved by the Board, outlines the Committee's *purpose and objectives as follows:*

### *“Purpose*

*The Credit & Market Risk Committee (CMR) role is to provide effective oversight of the Credit Union's risk management activities related to investment risk, credit risk, liquidity risk, structural risk and capital management. This includes providing for the appropriate policies to be set with respect to the risks to be taken, the level of risks, and the monitoring of compliance to those policies.*

### **Objectives**

*The objectives of the Committee are:*

- *To assist the Board to fulfill its oversight responsibilities with respect to risk management and financial soundness of the Credit Union*
- *To ensure prudent policies are set to set the tolerance for risk*
- *To ensure that management actions are within the policies and to deal with any exceptions that may occur.”*

Throughout the 2016 fiscal year, the Committee met quarterly to discuss the credit union's credit risk management activities including monitoring of existing lending practices to policy and guidelines established by the Board of Directors. The findings and subsequent action plans and activities were reported to the Board of Directors.

### 2016 ACTIVITIES

- **Loan Portfolio** – Our overall lending growth was again only nominal, therefore we concentrated on purchasing mortgage portfolios to offset our excess liquidity position. This matter was addressed in detail in the Audit & Operational Risk Committee report.
- **Delinquency** – We continue to be very pleased with our continued strong delinquency trends, which, at under a 1.00% average consistently during the past three-year period, is well within the regulatory benchmark (under 3.00%) and our internal benchmark (under 1.50%). These results are directly attributed to our strong lending diligence, credit risk

management and recovery activities and will remain a key risk oversight area in 2017 and beyond.

- Impaired Loans – our loan loss experience continues to improve from the significant increase experienced in 2012. While the experience in this area is directly attributed to the current environment, our credit risk management and recovery activities continue to mitigate adverse problems.

During the 2016 fiscal year, a follow-up credit compliance review by our Regulator (Credit Union Deposit Insurance Corporation) was completed and overall strong oversight was again noted. This strong performance is directly attributed to the effectiveness of our credit risk management activities implemented in 2009 and evolving on a yearly basis.

In late 2015, the Committee was directly involved in continued *'governance development'* sessions, intended to establish further oversight practices to credit risk oversight. These sessions, which were facilitated by an independent governance and risk expert, are intended to help move the Committee to achieving best practice.

Overall, the Committee is satisfied with the effectiveness of the Credit Union's credit risk management activities and is comfortable that appropriate risk controls are in place.

I would like to take this opportunity to express my appreciation to the committee members for their diligence and attention and the significant work completed throughout the past year. I would also like to express appreciation to Edith Doyle, Vice President of Corporate & Lending Services for her significant support to the Committee.

*Respectfully submitted,*

*Faith Buott*  
*Committee Chair*

***I MOVE MY THE ACCEPTANCE OF MY REPORT***

BURSARY REPORT

It is my pleasure to present the 2016 Bursary Report.

The Bursary Committee is reportable to the Board. With specific reference to the Bursary Program, the mandate of the Committee is to:

*“Recognize that promoting education through the provision of financial assistance to qualified students is an important tool in achieving the Credit Union’s goal of being seen as a responsible community owned financial institution. As such, the President & CEO is directed to allocate funds of Community before tax annual profits to facilitate the provision of student bursaries to be granted annually to area students who qualify”.*

The Committee provided oversight to the Bursary process including the notices for bursary applications being available in our branches and in the representative schools in accordance with the Board approved policy and procedures. During the 2016 school year, we received a significant number of applications, as has been the case each year, and awarded **twelve \$1000** bursaries to deserving students. This has brought our total bursaries, since inception of our program to **\$139,000**. In 2016, we held our second annual reception and invited the bursary recipients and their families to receive their award.

We are pleased to confirm that the following twelve students received a bursary in the amount of \$1000 each in 2016 – a sincere congratulation to each one of them and best wishes on your future endeavors.

Ashley Wry  
Blake Thompson  
Brian Beardsall  
Courtney Benjamin  
Evan Davis  
Hailey Hunt  
Madison Bennett  
Marissa Simmonds  
Mikkaela Mason  
Ocean-Lee Burgess  
Thomas Adshade  
Alyssa Millar

We are extremely proud of our bursary program and for the impact it has made to many of our young people who have embarked on their post secondary education goals. I would like to take this opportunity to publicly thank the committee members for their support and commitment to this important program. As well a big thank you to Lynn Prime for her continuous support and advice.

*Respectfully submitted,*

*Faith Buott*

**APRIL 19, 2017**

*Chair, Bursary Program*

**I MOVE ACCEPTANCE OF MY REPORT.**

**NOMINATIONS AND ELECTIONS**

It is my pleasure to present the report of the nominations and elections report for the 2016 process.

The Governance & Ethics Committee is reportable to the Board. With specific reference to the Nomination & Elections process, the mandate of the Governance & Ethics Committee is to:

*“Include facilitating the identification of qualified candidates for election to the Board of Directors and to provide for the proper conduct of the Director elections including overseeing an orderly, open, transparent and democratic Board election process. The intent of the election process is to encourage broad-based, informed, active and effective member engagement.”*

Our By-Laws, Section 5.01 states: *“The Board of Directors shall consist of no less than nine (9) and no more than twelve (12) members, who shall be elected at annual meetings or special meetings where elections are to take place”*.

The Committee provided oversight to the nomination and election process including the notices for nominations being available in our branches, on our in-branch monitors and on our website, in accordance with Board approved policy, procedures and By-Laws.

This year we received seven nominations for seven vacancies which will result in all nominees being elected by acclamation and therefore a call for nominations at this Annual General Meeting of the Membership is not required.

***I MOVE THAT the following seven nominees be declared elected by acclamation: in alphabetical order: George Baker; Faith Buott; Dianne Kelderman; Andre Myette; Donald Rogers; Jeff Yuill and Ralph Wark.***

We continue to encourage Members to submit their nominations in advance of the AGM to enable a more democratic in-branch voting process. We wish all nominees the best of luck.

*Respectfully submitted,*

*Jean Costin*

*Board Vice Chair & Chair of the Nomination & Elections Committee*

***I MOVE ACCEPTANCE OF MY REPORT***

DECEMBER 31, 2016 - FINANCIAL REVIEW

**EQUITY**

ITEM	2016	2015	CHANGE
Total Equity	\$5,768,691 6.08%	\$5,556,982 5.51%	Increase \$211,709 Increase 0.57%
Retained Earnings	\$5,735,821 6.05%	\$5,523,512 5.48%	Increase \$212,309 Decrease 0.57%

**LENDING PORTFOLIO**

LENDING PORTFOLIO	2016	2015	CHANGE
Total Loans	\$77,004,395	\$79,074,013	Decrease \$2,069,618 2.6%
Mortgages	\$48,673,924	\$50,844,161	Decrease \$2,170,237 4.3%
Commercial Loans	\$13,163,780	\$13,690,122	Decrease \$526,372 3.8%
Personal Loans	\$15,166,691	\$14,539,730	Increase \$626,961 4.3%

**LIQUIDITY**

LIQUIDITY POSITION	2016	2015	CHANGE
Liquidity - % of Assets	9.5%	14.2%	Decrease 4.7%
Liquidity \$	\$9,043,652	\$14,322,553	Decrease \$5,278,901
Lent Out - % of Deposits	87.2%	83.5%	Increase 3.7%

**CREDIT QUALITY**

CREDIT QUALITY	2016	2015	CHANGE
Delinquency	0.27%	0.45%	Decrease 0.18%
Net Impaired Loans	0.5%	1.2%	Decrease 0.70%
Allowance Impaired Loans	0.1%	0.1%	No Change

**FINANCIAL INCOME**

<b>FINANCIAL INCOME</b>	<b>2016</b>	<b>2015</b>	<b>CHANGE</b>
Loan Interest Income	3.39% \$3,212,847	3.07% \$3,093,353	Increase 0.32% Increase \$119,494
Investment Income	0.22% \$210,861	0.23% \$235,165	Decrease 0.01% Decrease \$24,404
Interest Expense	0.71% \$677,569	0.63% \$638,239	Increase 0.08% Increase \$39,330
Financial Margin	4.46% \$4,229,019	3.94% \$3,969,650	Increase 0.52% Increase \$259,369
Other Income	1.52% \$1,441,880	1.23% \$1,245,388	Increase 0.29% Increase \$196,492

**OPERATING EXPENSES & SURPLUS**

<b>OPERATING EXPENSES</b>	<b>2016</b>	<b>2015</b>	<b>CHANGE</b>
Salary & Benefits	\$1,820,983	\$1,789,712	Increase \$31,271
General & Administrative	\$1,433,748	\$1,461,922	Decrease \$28,174
Occupancy	\$242,741	\$239,438	Increase \$3,303
Members Security	\$116,531	\$103,411	Increase \$13,120
Depreciation	\$257,976	\$215,670	Increase \$42,306
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,871,979</b>	<b>\$3,810,153</b>	<b>Increase \$61,826 – 1.6%</b>
Operating Surplus (BIT)	\$357,040	\$159,497	Increase \$197,543