

ANNUAL REPORT OF THE 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 2017 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 2017 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 personal lending growth was again only nominal, therefore we concentrated on purchasing mortgage pools from our system partner Concentra Financial as well as participating in small business loan syndications, 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.

In late 2017, the Committee was directly involved in continued *'governance development'* sessions, specific to risk management and financial management, intended to establish further oversight to the Committee's work. 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,

Charlotte MacVicar

Committee Co-Chair

April 25, 2018