



ANNUAL OPERATIONS REPORT FROM THE LEADERSHIP TEAM

Introduction

I am pleased to present the Operations Report for the 2017 fiscal year.

During the last several years, I have reported that we need to significantly transform our existing business model, in order to effectively position our credit union for the future. This past year, and beginning in 2018, our annual business plan has considered this transformation in a big way. We are indeed addressing the *'business realities'* that have continued to shape the financial services industry, including our credit union.

These realities, which are predominantly driven by *technology and changing consumer preferences*, will continue to necessitate a transition away from existing paradigms in how we address our service delivery channels. This will require continuous flexibility in creating new and innovative service delivery approaches, some of which we have begun. ***Our competitive differentiator will undoubtedly be in our ability to consistently deliver a service experience that is extraordinary.***

Consumers continue to require financial service delivery expediently, competitively and in the manner which they choose. We are now experiencing this new 'banking' environment, where virtually every financial transaction can be completed over the internet, resulting in less and less dependence on the traditional branch structure. Mobile and internet-based financial services, has required us to significantly change our business model. We are now seeing self-service and cashless branches, that we were only talking about a few years previously. The ability to open accounts, investments, loans and mortgages direct from your mobile or tablet devices is now available and will be as well with Community in a few months. Building a self-service platform, has been our priority and as such, we have begun the transition to a new and innovative service delivery model.

In preparation of this new service delivery model, that is technology driven and considerably more conducive to the needs and preferences of our Members, we have undertaken a number of activities in 2017, including: building a new website, that is more supportive of emerging technologies; building a new self-service platform that will soon see the ability to open accounts, apply for loans and mortgages, self-investing, self-booking of appointments, and self-financial analysis and budgeting. This self-service platform, is expected to see over fifty percent of all Member requests through this delivery channel, within the next three-year period.

In addition, last year we created a new in-branch self-service kiosk, to assist Members in using this alternative in a comfortable and secure setting. Beginning in May, 2018, we will implement a new Member First service

April 25, 2018

approach, to assist in building a more convenient and responsive service model. Our new Community Room, was also constructed in 2017, and soon will see increased activity – presentations in support of awareness of societal issues, including: anti-bullying; mental health; homelessness; poverty; seniors abuse; fraud, to name a few. Recently, we introduced our chat line service, as another service to address the need for a highly responsive approach to Member requests. And later this year, we will extend our hours of operation to add further convenience to our Members. As stated in my report last year, our 9:30-5:00 branch business hours-model is no longer effective or sustainable, requiring immediate and appropriate change. Providing a highly responsive and convenient service delivery approach, digitally and on a 24/7 basis, will soon be our new business model.

In 2017, we placed significant priority and emphasis on our Member First service level standards, to ensure our delivery consistently exceeds expectations at all levels and becomes our 'unique differentiator'. Achieving a culture that creates consistent **extraordinary service experiences**, where responsiveness and convenience at all delivery channels, is our standard of performance. To this end, in 2017, will incorporate our new Member First Value Statement:

"We provide the great banking you're seeking, but we offer something more. We offer the opportunity to be part of something bigger: The chance to be more than a customer, to help build your community, to see fairness, trust, equality, and independence brought to life in real and meaningful ways, from the way we do business to the way we treat you every day. It's banking that goes further."

Arguably, our Brand Awareness activities, has been our most active and progressive area during 2017. Launched in late 2016, our new brand awareness program, has significantly enhanced our brand awareness of '*who we are and what we do*'. With the creation of well over fifty new brand ads, we increased are now reaching in excess of 10,000 people each month, an increase from 2,000. This is phenomenal and we are hopeful of moving this number even higher. People, community, and co-operation are the building blocks of our credit union. In 2016 we reported our activity in this area and again here with this report, we will continue to focus our attention to furthering our brand within our communities. These activities are what we are most proud of and what drives us each and every day.

In 2017, we experienced a similar financial performance to that of 2016. As reported last year, we continued to move low risk, low return cash surplus to a low risk, higher return mortgage pool, which had a positive impact on our loan interest income in 2017. We have also participated in a number of small business loan syndications, which has also impacted our loan interest income positively. These were important investment transaction, particularly given our nominal lending growth and excess liquidity level year-over-year. We will to continue to manage our balance sheet differently to address these non-traditional investment opportunities.

We also experienced another solid performance in other income, a direct result of the purchase of a wealth portfolio late in 2015. This wealth portfolio has increased from \$6.5 Million in 2015, to over \$45 Million today. This is indeed a remarkable story for Community and we will continue to explore opportunities to purchase additional wealth management portfolios as we transition our income stream from traditional activities. We have continued the activities surrounding our expense management program, which has been extremely important,

April 25, 2018

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particularly in a low interest rate environment. Our credit diligence over the past several years, has been impressive with continued positive performance in our loan delinquency, loan allowances and loan write-offs, each of which has seen best in history results. We remain optimistic that continued diligence in our Member FIRST relationship and service delivery activities and expense management program, will be critical in an uncertain economy, a low interest rate environment, and the constant barrage of competitive pressures.

The numerous changes, implemented during the past several years, have provided the necessary foundation in protecting our integrity, reputation and financial position well into the future. We will continue our journey to do things that are more effective, efficient and creative, which is necessary in this consistently evolving landscape.

I would like to take this opportunity to personally and publicly express my sincere appreciation to our dedicated and talented team. They continue to demonstrate the actions that are imperative to success – I am confident that they will continue to embrace our new direction including our transformation to a new service delivery model. I am extremely proud of each member of our team and what they have accomplished individually and collectively.

I would like to thank the Board for their continued stewardship during the past year – they have demonstrated continuous strong stewardship, oversight and support throughout the many changes and challenges. My sincere appreciation to each of you.

Finally, I would like to express our appreciation to our Membership and to thank you for choosing Community. We know you always have a choice and your continued loyalty means so much to us.

Respectfully Submitted,
DJ (Darrell) Kuhn
President & Chief Executive Officer

April 25, 2018