

ANNUAL REPORT 2015

APRIL 13TH, 2016 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eightieth Annual Meeting
- Business Arising from the Minutes
- Report to the Members
- By-Law Amendments
- Election of Officers*
- Report on the Financial Statements

- Report of the Loans Officer
- Report of the Audit and Risk Committee (includes Auditors' Report and Appointment of Auditors)
- Report of the Good Samaritan Club
- Report of the President & Chief Executive Officer
- New Business
- Special Presentations
- Adjournment
- Draw Prizes, Buffet and Refreshments

* Note: Election of Officers, including balloting if necessary, will commence immediately following the Report to the Members and will continue in between reports.

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OUR VISION

The place to belong; the place to bank.

OUR MISSION

To provide the best care of our members' financial needs.



Executive Management Team (L to R)

Jenn Vandehaar, Douglas Mann, Margaret Bayr & Laurie Ryan-Hill

OUR VALUES

Co-operative

We believe in the promotion and realization of internationally accepted co-operative principles.

Family

We believe our credit union is a family: members, staff and volunteers.

Member for Life

We believe in lifelong relationships with our members.

Focusing on the Member

We believe that each member is a valued individual and will be treated with respect.

Inspiring Culture

We believe in an inspiring culture that values and respects our people and their contributions.

Integrity and Stewardship

We believe in long term financial stability, being accountable and acting ethically in all that we do.

Collaboration

We believe in partnering and collaborating within our member and credit union communities.

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BOARD OF DIRECTORS



James Cardwell - Chair



Michael Kay - Vice Chair



Ross Holland - Secretary



Sonia Browne - Director



Oscar Husslage - Director



Lori Muzak-McComb - Director



Vince Paglia - Director



Grant Sharp - Director



Frank Venturelli - Director

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REPORT TO THE MEMBERS OF HMECU

On behalf of the Board of Directors of Healthcare and Municipal Employees' Credit Union, I am pleased to report to our members on another successful year of operations. This evening marks our Credit Union's 81st Annual General Meeting. Your Credit Union continues to hold the proud distinction of being the oldest Credit Union still operating under its original Ontario league charter.

In the year ended December 31, 2015, assets increased by 5.1% to \$171.8M, a result of a similar increase in deposits. Loans to members grew to \$149.8M. Our off balance sheet mutual funds under administration grew to \$59.8M in a year which experienced market volatility.

Operating results for 2015 included net income of \$255,004 allowing us to move an additional \$250,000 to our reserves. The transfer to reserves allowed us to maintain a comfortable and prudent capital position of \$11.4M or 6.6% of total assets. Despite the continued downward pressures on our interest margins, due to the on-going low interest rate environment, we were able to generate net income above budget again this year. That success is the direct result of our dedicated team of management, staff and directors that we are fortunate to have working with us, as well as the business loyalty of our members.

HMECU's Accounting Analyst and the external Auditors will provide you with more details about our financial performance for the year ended 2015 in their respective reports later in the program.

In 2015, the Board of Directors completed a professional and thorough process to select a new President and CEO. HMECU is pleased to welcome Douglas Mann as our new President and CEO. Doug has over 25 years of experience in the credit union system and financial services industry. The Board of Directors is confident that Doug will guide HMECU into a successful future.

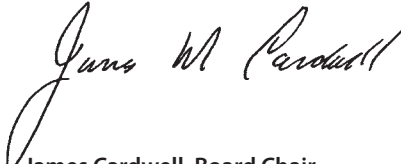
The Board's current three year strategic plan was developed in the fall of 2014. Strategic planning is critical to the long-term success of any organization. It involves reviewing where the organization is now, where it would like to be in the future, and how it intends to get there. The process of strategic planning helps to invigorate and strengthen the organization by focusing on longer term objectives and renewing the sense of purpose and commitment among directors and staff. The Board and Executive Management team will conduct a new planning session in 2016 to reset our strategic goals.

In 2015, we continued to place considerable effort into governance practices. The knowledge, experience and skill of each director, and the Board as a whole, are important elements in the success and viability of the Credit Union. Continuing education is provided to directors on an ongoing basis. Properly oriented and educated directors support the Board's objective to provide strategic value, risk management and oversight to the CEO and Executive Management team.

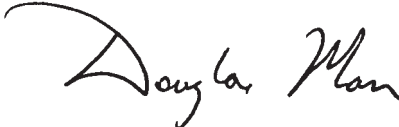
The director education programs are tailored to the specific needs, skills and competencies of individual directors and the Board as a whole. In addition, each Board member completed annual mandatory privacy and anti-money laundering training. The Board also actively participated in Credit Union system initiatives, contributing insight and feedback to changes proposed in the national and provincial Credit Union systems.

Another area that we are once again pleased to report on is HMECU's involvement in the community. Board and staff are committed to ensuring HMECU continues to be a strong community supporter. I am proud to report that through staff, member and corporate giving, the Credit Union donated \$30,000 to various causes and charities in 2015. You will find a list of the organizations we supported in your report.

On behalf of the Board, I want to thank our President and CEO, Douglas Mann, his executive and management teams and all our employees for another great year. It is through their extraordinary efforts that HMECU continues to truly make good things happen for our Credit Union and especially our members.



James Cardwell, Board Chair



Douglas Mann C.A., President and Chief Executive Officer

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REPORT OF THE LOANS OFFICER

December 31, 2015	2015	2014
Outstandings:		
Residential Mortgages	\$ 81,488,463	\$ 76,943,423
MeritLines	44,792,443	44,116,594
Personal Loans	13,875,382	13,641,402
Line of Credits	3,725,006	3,578,382
Commercial Syndication Loans	5,871,758	5,273,714
Authorized Limits Approved:		
MeritLines	\$ 14,998,389	\$ 8,459,417
Lines of Credit	1,010,491	625,591
Mortgages:		
Applications	91	59
Declined	0	0
Disbursements	\$ 12,646,809	\$ 7,129,606
Mortgages Securitized	0	0
Personal Loans:		
Applications	828	787
Declined	13	18
Disbursements	\$ 8,520,307	\$ 7,176,068
Allowance For Impaired Loans		
Mortgages/Loans/Lines of Credit in excess of 90 days	155,613	127,266

Over the past year, our Credit Union's mortgage and MeritLine portfolio grew by \$5,220,893 collectively. Personal loans and lines of credit grew by \$380,604 and our commercial syndication loans increased by \$598,044 by year end.

As of December 31, 2015, the Credit Union's allowance for doubtful loans was \$155,613. This amount represents 0.1% of our total outstanding loans and mortgages and continues to be well below industry standards.

Your Credit Union's Lending Department is committed to our members "Financial Wellness". We continue to recommend

competitively priced credit products, specifically suited to their individual needs, while always providing the best service experience possible.

Respectfully submitted,



Margaret Bayr, Vice President, Lending Services

2015 AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has received and reviewed the Audited Financial Statements for the year ending December 31, 2015 from our auditors, Millards, Rouse and Rosebrugh LLP, Chartered Professional Accountants. Once again our auditors have expressed an opinion that the financial statements present fairly the financial position and results from operations of the Credit Union and are free of material misstatement. In addition, the auditors, through their Management Letters, have indicated that their examination has not raised any significant concerns with our procedures or internal controls.

The Audit and Risk Committee is pleased to report that we have met the directives of the Credit Union Caisse Populaires Act and the Regulations. The Committee held 7 meetings during 2015 and has undertaken the following significant activities:

- Reviewed and made recommendations to the Board of Directors regarding the annual external audit engagement letter, scope and plan of the audit and the audit management letters.
- Oversaw the internal audit function by reviewing reports from the internal auditor and evaluating the effectiveness of the internal audit functions.
- Continued to ensure the implementation of the recommendations made by the CRIMS' Compliance Audit and CRIMS' review of the Credit Union's Anti-Money Laundering and Terrorist Financing policies and procedures. The Credit Union installed anti-money laundering software that was integrated with the banking system.

- Ensured the implementation of the recommendations received from DICO regarding the on site verification conducted in May 2015.
- We continued to focus and educate ourselves on Enterprise Risk Management (ERM). We reviewed and monitored the ERM Committee quarterly reports to ensure compliance with approved tolerance and risk appetite levels as well as compliance to Board policy.
- Ensured the continued testing of the Credit Union's Disaster Recovery Plan.

The Audit and Risk Committee is satisfied that the Credit Union's procedures, policies and internal controls are sufficient and continue to protect the operations of the Credit Union.

Thank you to the staff and management for their support and co-operation during this past year.

Respectfully submitted,



Vince Paglia, Chair
Sonia Browne, Vice - Chair
Ross Holland, Director
Lori Muzak-McComb, Director

FINANCIAL REPORTING RESPONSIBILITIES

The financial information contained in this report is a condensed version of the financial statements. The detailed financial statements are available to our members upon request at the AGM or at any of our branches.

Management is responsible for the preparation, presentation and consistency of the accompanying financial statements and other information contained in this Annual Report.

The financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by the firm of Millard, Rouse and Rosebrugh LLP, Chartered Accountants. These auditors, appointed by the members, audit our financial statements in accordance with Canadian generally accepted auditing standards. The auditors have free and independent access to the Audit and Risk Committee and meet with the Committee and Management to consider matters relating to financial statement presentation, internal controls and audit procedures.


Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained.

This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements. The Audit and Risk Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

The Audit and Risk Committee of the Board of Directors meets at least quarterly with management to review matters relating to the quality of financial reporting and internal accounting controls and the nature, extent and results of the audits. In addition, this Committee recommends the appointment of external auditors.

The Board of Directors oversees management's performance of its financial reporting responsibilities and meets regularly to approve the financial statements and other financial information.

The Deposit Insurance Corporation of Ontario (DICO) conducts a periodic examination and inquiry into the affairs of the Credit Union to ensure compliance with DICO and the Credit Union by-laws and the provisions of the Credit Unions and Caisses Populaires Act, 1994 under which the Credit Union is chartered and regulated.



**Douglas Mann C.A.,
President and Chief Executive Officer**



**Jenn Vandehaar,
Executive Vice President & Chief Operating Officer**

INDEPENDENT AUDITORS' REPORT

To the Members of Hamilton Municipal Employees' Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2015, the summary statement of comprehensive income, and summary statement of changes in members' equity for the year then ended, are derived from the audited financial statements of Hamilton Municipal Employees' Credit Union Limited for the year ended December 31, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated February 18, 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Hamilton Municipal Employees' Credit Union Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with its criteria to highlight the major areas of credit union activity, investments, member loans, member deposits and members' equity.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Hamilton Municipal Employees' Credit Union Limited for the year ended December 31, 2015 are a fair summary of those financial statements, in accordance with management's criteria.



Millard, Rouse & Rosebrugh LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

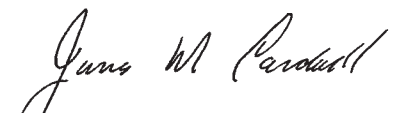
February 20, 2016

Brantford, Ontario

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SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2015	2014
ASSETS		
Current Assets	6,723,686	4,720,510
Loans to Members	149,809,164	143,630,778
Investments	12,519,398	12,301,623
Property, Plant and Equipment	2,399,242	2,539,790
Intangible Assets	372,859	316,930
	171,824,349	163,509,631
LIABILITIES		
Current Liabilities	1,344,243	1,475,262
Members' Deposits and Share Capital	159,901,951	151,778,218
Future Income Taxes	102,650	90,237
	161,348,844	153,343,717
MEMBERS' EQUITY		
Undivided Earnings	114,048	109,044
Accumulated Other Comprehensive Income	111,457	56,870
Reserves	10,250,000	10,000,000
	10,475,505	10,165,914
	171,824,349	163,509,631



 James Cardwell, Board Chair



 Ross Holland, Secretary

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SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2015	2014
Interest Revenue	6,217,351	6,284,134
Interest Expense	1,621,927	1,620,266
Interest Margin	4,595,424	4,663,868
Other Income	1,892,619	1,821,987
Income Before Operating Expenses	6,488,043	6,485,855
Operating Expenses		
Employee Salaries and Benefits	3,427,397	3,425,930
Other Operating Expenses	2,760,242	2,710,663
	6,187,639	6,136,593
Operating Income	300,404	349,262
Current and Future Income Taxes	45,400	54,039
Net Income	255,004	295,223

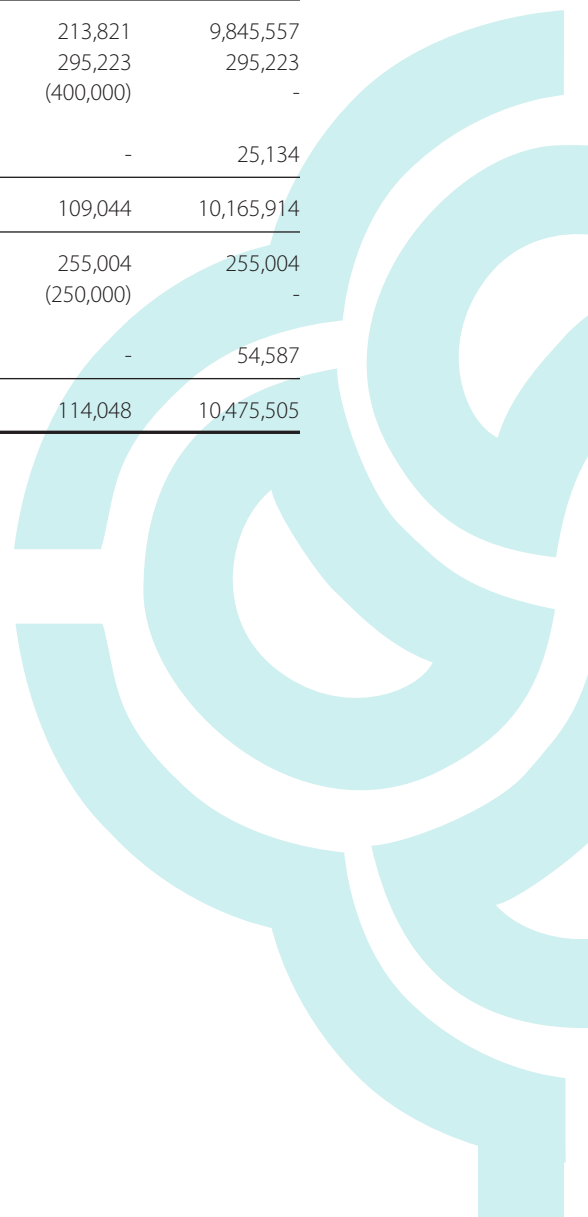
OTHER COMPREHENSIVE INCOME (LOSS)

Change in unrealized gains (loss) on derivative instruments designated as cash flow hedges	64,600	29,744
Tax effect of change in unrealized gains on cash flow hedges	(10,013)	(4,610)
Other comprehensive income (loss) for the year	54,587	25,134
Comprehensive Income for the Year	309,591	320,357

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SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Reserves	Retained Earnings	Total
Balance at January 1, 2014	31,736	9,600,000	213,821	9,845,557
Net Income	-	-	295,223	295,223
Transfer to reserves	-	400,000	(400,000)	-
Change in unrealized gains / (losses) on cash flow hedges	25,134	-	-	25,134
Balance at December 31, 2014	56,870	10,000,000	109,044	10,165,914
Net Income	-	-	255,004	255,004
Transfer to reserves	-	250,000	(250,000)	-
Change in unrealized gains / (losses) on cash flow hedges	54,587	-	-	54,587
Balance at December 31, 2015	111,457	10,250,000	114,048	10,475,505



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HMECU FIVE YEAR FINANCIAL HISTORY

	2015	2014	2013	2012	2011
Income Statement (Year ended December 31)					
Interest Revenue	\$ 6,217,351	\$ 6,284,134	\$ 6,367,861	\$ 6,437,644	\$ 6,436,991
Interest and Dividend Expense	1,621,927	1,620,266	1,668,616	1,852,416	2,084,286
Net Interest Margin	4,595,424	4,663,868	4,699,245	4,585,228	4,352,705
Other Income	1,892,619	1,821,987	1,705,089	1,577,994	1,705,031
Total Income	6,488,043	6,485,855	6,404,334	6,163,222	6,057,736
Operating Expenses	6,187,639	6,136,593	5,934,949	5,692,652	5,894,811
Income Before Taxes	300,404	349,262	469,385	470,570	162,925
Income Taxes	45,400	54,039	73,022	73,685	22,266
Net Income	\$ 255,004	\$ 295,223	\$ 396,363	\$ 396,885	\$ 140,659
Balance Sheet (at December 31)					
Personal Loans and Lines of Credit	\$ 17,444,775	\$ 17,092,518	\$ 16,875,595	\$ 15,042,902	\$ 14,522,801
Mortgages and MeritLines	126,280,906	121,060,017	119,089,432	115,416,527	109,286,123
Syndicated Loans	5,871,758	5,273,714	5,182,787	2,875,200	1,877,597
Accrued Interest Receivable	211,725	204,529	230,258	192,382	165,767
Loans and Mortgages to Members	149,809,164	143,630,778	141,378,072	133,527,011	125,852,288
Cash and Investments	18,258,187	15,730,429	18,271,515	21,830,508	24,460,588
Other Assets	3,756,998	4,148,424	4,686,241	4,041,997	4,542,971
Total Assets	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828	\$ 159,399,516	\$ 154,855,847
Members Chequing and Savings	\$ 67,786,125	\$ 63,337,277	\$ 65,478,027	\$ 62,730,213	\$ 58,820,037
Term Deposits	24,908,638	23,943,015	21,356,193	20,913,133	22,013,643
Tax Free Savings Accounts	15,608,676	11,387,420	9,639,943	7,548,366	5,611,294
Registered Deposits	49,983,715	51,456,357	54,309,476	55,065,412	54,953,058
Accrued Interest	667,963	680,042	601,166	694,362	833,152
Total Members Deposits & Shares	158,955,117	150,804,111	151,384,805	146,951,486	142,231,184
Membership Shares	946,834	974,107	1,008,225	1,045,856	1,074,046
Other Liabilities	1,446,893	1,565,499	2,097,241	1,887,693	2,262,351
Members' Equity	10,475,505	10,165,914	9,845,557	9,514,481	9,288,266
Total Liabilities and Equity	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828	\$ 159,399,516	\$ 154,855,847
Annual Balance Sheet Asset Growth	5.09%	-0.50%	3.10%	2.93%	3.24%
Other Items under Administration	\$ 59,769,246	\$ 53,574,462	\$ 46,079,812	\$ 39,450,217	\$ 37,242,711

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BOARD OF DIRECTORS

Term of Office expires at the Annual Meeting in the year indicated

Chair.....	James Cardwell	2016	Director	Lori Muzak-McComb	2016
Vice Chair.....	Michael Kay	2018	Director	Vince Paglia.....	2017
Secretary	Ross Holland	2018	Director	Grant Sharp.....	2018
Director.....	Sonia Browne	2016	Director	Frank Venturelli.....	2017
Director.....	Oscar Husslage.....	2017			

STAFF

Deanna Basso	Joanne Foster	Diana McDermid	Kelly Smith
Yolanda Battiston	Rita Fredson	Sylvia McKinnon	Nasim Somani
Margaret Bayr	Nora Gefucia	Angela McNamara	Mark Stanners
Alper Bilge	Matthew Gledhill	Maryann Miskic	Teresa Stephenson
Andrew Billone	Lena Graves	Patty Painter	Jennifer Swing
Deb Bolt	Jodi Gresko	Gisele Pinard	Tonia Tirabassi
Helen Brown	Erin Hart	Heather Pye	Jenn Vandehaar
Tracy Cain	Jodi Kielb	Janice Rempel	Natalie Welland
Haley Chamberlain	Kitti Kiss	Robert Rocklyn	Kim Williamson
Rose Mary Coccaro	Michelle Kranjc	Lara Ruplen	Annette Wilmot
Charlie Collura	Leslie Lawson	Laurie Ryan-Hill	Michael Wilson
Daniela Conz	Andrew Leal	Ruth Salmeron	Sandy Yardley
Nancy Cooper	James Lounsbury	Brett Sanders	
Brooke Ducharme	Doug Mann	Shereen Shawihat	
Joanne Engleby	Tina Manojlovic	Christina Shields	

**Thank you for celebrating
our 81st AGM with us!**

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2015 COMMUNITY SUPPORT

During 2015 HMECU was an advocate in providing sponsorships, donations and gifts of over \$29,900 to a variety of worthy causes throughout the Hamilton, Burlington and Brantford communities. We will continue to be philanthropic to our many employer groups, associations and members in the years to come. Below is a listing of some of the organizations we were proud to support.

Brant Community Healthcare System
Brant Community Healthcare System Foundation

Brantford Food Bank

Brantford Professional Firefighters Association

Camp Bunko

Canadian Critical Incident Stress Foundation

City of Hamilton - Senior of the Year Award

City of Hamilton - United Way Truck Pull

Crime Stoppers Brant-Brantford Inc.

Crime Stoppers Hamilton

Food 4 Kids

GoodLife Kids Foundation

Hamilton Brain Injury Association

Hamilton Civic Employees-Co-Ed Baseball League

Hamilton Civic Employees-Co-Ed Volleyball League

Hamilton Firefighters Assistance Fund

Hamilton Health Sciences

Hamilton Health Sciences Foundation

Hamilton Health Sciences Foundation-
McMaster Childrens' Hospital

Hamilton Police Association

Hamilton Professional Firefighters Association

Heart & Stroke Foundation of Ontario -
Hamilton Office

Juravinski Hospital & Cancer Centre

Juravinski Hospital & Cancer Centre Foundation

Melanoma Network of Canada

Hamilton Motorcycle Ride for Dad

Ontario Credit Union Charitable Foundation

St. Joseph's Healthcare

St. Joseph's Healthcare Foundation

St. Joseph's Healthcare Foundation -
Around the Bay Race

St. Peter's Healthcare Foundation

St. Peter's School Partnership Program
"Connecting Generations"

The Hamilton Dream Center

The Tema Conter Memorial Trust

YWCA Hamilton - Encore Marathon



With special thanks to the Ontario Credit Union Charitable Foundation for their continued support through many fundraising initiatives. www.ontariocucf.ca



Full Service Branches

Corporate Head Office/ Hamilton Mountain Branch

209 Limeridge Road East
Hamilton, ON L9A 2S6
905-575-8888
1-866-808-2888

Hamilton West Branch

100-1685 Main Street West
Hamilton, ON L8S 1G5
905-526-7244

Brantford Branch

1-330 West Street
Brantford, ON N3R 7V5
519-756-6942

Satellite Offices

St. Joseph's Hospital

50 Charlton Avenue East
Room G1104
Hamilton, ON L8N 4A6
905-522-1155 ext. 32910

Hamilton General Hospital

237 Barton Street East
Level 1, Market Place
Hamilton, ON L8L 2X2
905-527-4322 ext. 48245

Burlington City Hall

426 Brant Street
Burlington, ON L7R 3Z6
905-335-7650

Hamilton City Hall

71 Main Street West
Room 054 (lower level)
Hamilton, ON L8P 4Y5
905-546-2424 ext. 6422