



ANNUAL REPORT 2017

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APRIL 11TH, 2018 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eighty-Second Annual Meeting
- Business Arising from the Minutes
- Report to the Members
- 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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EXECUTIVE MANAGEMENT TEAM



Douglas Mann CPA, CA
President & Chief Executive Officer



Jenn Vandehaar
Executive Vice President &
Chief Operating Officer



Brian Martin CPA, CMA
Chief Financial Officer



Margaret Bayr
Vice President, Lending Services



Rob Taylor
Manager, Member Investment Services



Amanda Vali
Director, Human Resources

OUR VISION

The place to belong; the place to bank.

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.

OUR MISSION

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

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



Juanita Gledhill - Director



Oscar Husslage - Director



Lori Muzak-McComb - Director



Vince Paglia - Director



Grant Sharp - 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 the past year of operations. This evening marks our credit union's 83rd 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, 2017 your credit union realized asset growth of 9.2% with total assets in excess of \$202 Million. Loans to members increased by 9.0% and member deposits increased by 8.6% for the year. Mutual funds under administration, not included in assets on the balance sheet, grew to in excess of \$74 Million.

Operating results for the calendar year 2017 were not favourable. Your credit union recorded an operating loss of \$288,870 for the year. This loss has occurred after many consecutive years of realizing operating profit. The credit union's undivided earnings representing many years of cumulative income was \$10,357,474 at December 31, 2017. The disappointing 2017 operating results were primarily from low growth in interest margin and expenses exceeding plan. The Board and management confirm their commitment to ensuring profitable operating results in future years.

HMECU's President and CEO, our Chief Financial Officer and the external auditors will provide you with more details about our financial performance for the year ended 2017 in their respective reports later in the program.

The Board's current three year strategic plan was developed in the spring of 2016. Strategic planning is critical to the long-term success of any organization. It is an exercise to identify and clarify what HMECU is attempting to achieve and how our management team proposes to achieve it. The strategic planning process 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.

Plans are presently underway for our next strategic planning session that will be conducted in the next several weeks. Among many of the issues to be discussed and implemented, will be to develop policy, procedures, tactics and strategies to ensure the future success of the credit union.

In 2017, 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 on-going basis. Properly informed and educated Directors support the Board's objective to provide strategic value, risk management and oversight to the CEO and Executive Management team. In order to assist in this training an Ad Hoc Educational Committee was established to assist Directors in keeping up, and where possible, ahead of the ever changing regulatory environment, training programs and industry trends.

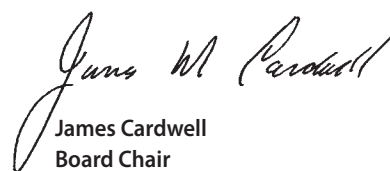
Another area that we are once again pleased to report on is HMECU's involvement in the community. Board and staff are committed to ensuring HMECU continues to be a strong community supporter. You will find a list of the organizations we supported in your report.

Before closing my report, I would like to acknowledge our employer groups. Most of our members, as you know either work in or are retired from the healthcare and municipal government sectors. Our credit union exists today because of the strong support we receive from the leadership of these organizations. They are supporters of the co-operative financial services we offer their staff and members and we are grateful for their continued support.

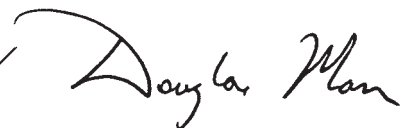
We are very proud of our past accomplishments and successes and are committed to providing the highest standard of service and products to our members. We believe your credit union has a bright future providing services to our member groups.

On behalf of the Board, I want to thank our President and CEO, his executive management team and all our employees for their dedication and hard work. It is through their extraordinary efforts the HMECU continues to truly make good things happen for our credit union and especially our members.

Thank You.



James Cardwell
Board Chair



Douglas Mann CPA, CA
President and Chief
Executive Officer

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REPORT OF THE LOANS OFFICER

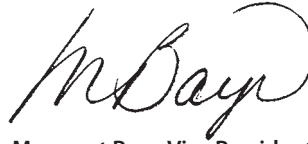
December 31, 2017	2017	2016
Outstandings:		
Residential Mortgages	\$ 114,915,510	\$ 97,502,417
MeritLines	46,440,369	45,073,209
Personal Loans	12,283,002	13,226,756
Lines of Credit	3,216,609	3,662,697
Commercial Syndication Loans	2,420,556	4,531,638
Authorized Limits Approved:		
MeritLines	\$ 50,114,100	\$ 20,982,702
Lines of Credit	693,240	1,487,545
Mortgages:		
Applications	56	116
Declined	0	0
Disbursements	\$ 10,755,727	\$ 21,982,731
Personal Loans:		
Applications	663	770
Declined	3	10
Disbursements	\$ 7,900,810	\$ 8,431,174
Allowance For Impaired Loans:		
Mortgages/Loans/Lines of Credit in excess of 90 days	\$ 201,176	\$ 180,610

Over the past year, your Credit Union experienced significant growth within our mortgage and MeritLine portfolios totaling \$18,780,253. Personal loans and lines of credit decreased by \$1,389,842 collectively and our commercial syndication loans were paid down by \$2,111,082.

As of December 31, 2017, the Credit Union's allowance for doubtful loans was \$201,176. This amount represents 0.1% of our total outstanding loans and mortgages and continues to be well below industry standards.

Your Credit Department is committed to offering a full range of lending solutions specifically tailored to meet individual needs while always striving to provide the best service experience possible.

Respectfully submitted,



Margaret Bayr, Vice President, Lending Services

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REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has received and reviewed the Audited Financial Statements for the year ending December 31, 2017 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 Unions and Caisses Populaires Act and the Regulations. The committee held 8 meetings during 2017 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 external auditors and FINTRAC of the Credit Union's Anti Money Laundering and Terrorist Financing policies and procedures.
- 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.

- Reviewed the Disaster Recovery and Business Continuity Plan.
- Ensured the continued testing of the Credit Union's Disaster Recovery and Business Continuity Plan.
- Monitored the adherence of Directors, Officers and Employees with the Credit Union's policies and code of conduct.

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.

Respectively submitted,



Vince Paglia, Chair
Ross Holland, Vice - Chair
Lori Muzak-McComb, Director
Oscar Husslage, Director
Grant Sharp, 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 Professional 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 CPA, CA
President and Chief Executive Officer



Brian Martin CPA, CMA
Chief Financial Officer

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Healthcare and Municipal Employees' Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2017, 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 Healthcare & Municipal Employees' Credit Union for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated February 22, 2018. 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 Healthcare & Municipal Employees' Credit Union.

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 Healthcare & Municipal Employees' Credit Union for the year ended December 31, 2017 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 23, 2018

Brantford, Ontario

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SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2017	2016
ASSETS		
Current Assets	7,267,684	5,415,157
Loans to Members	179,247,102	164,464,725
Investments	13,716,962	13,132,741
Property, Plant and Equipment	2,157,770	2,269,562
Intangible Assets	249,461	355,764
	202,638,979	185,637,949
LIABILITIES		
Current Liabilities	2,044,471	1,988,066
Term Loans	8,000,000	5,000,000
Members' Deposits and Share Capital	182,228,307	167,885,941
Future Income Taxes	8,727	83,826
	192,281,505	174,957,833
MEMBERS' EQUITY		
Undivided Earnings	10,357,474	10,646,344
Accumulated Other Comprehensive Income	-	33,772
	10,357,474	10,680,116
	202,638,979	185,637,949



 James Cardwell, Board Chair



 Ross Holland, Secretary

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SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2017	2016
Interest Revenue	6,180,333	6,131,192
Interest Expense	1,598,379	1,569,253
Interest Margin	4,581,954	4,561,939
Other Income	1,880,574	1,867,777
Income Before Operating Expenses	6,462,528	6,429,716
Operating Expenses		
Employee Salaries and Benefits	3,707,918	3,264,794
Other Operating Expenses	3,093,939	2,838,965
	6,801,857	6,103,759
Operating Income	(339,329)	325,957
Current and Future Income Taxes	(50,459)	43,661
Net Income	(288,870)	282,296

OTHER COMPREHENSIVE INCOME (LOSS)

Change in unrealized gains (loss) on derivative instruments designated as cash flow hedges	(39,732)	(92,170)
Tax effect of change in unrealized gains on cash flow hedges	5,960	14,485
Other comprehensive income (loss) for the year	(33,772)	(77,685)
Comprehensive Income for the Year	(322,642)	204,611

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SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Retained Earnings	Total
Balance at January 1, 2016	111,457	10,364,048	10,475,505
Net Income	-	282,296	282,296
Transfer to reserves	-	-	-
Change in unrealized gains / (losses) on cash flow hedges	(77,685)	-	(77,685)
Balance at December 31, 2016	33,772	10,646,344	10,680,116
Net Income	-	(288,870)	(288,870)
Transfer to reserves	-	-	-
Change in unrealized gains / (losses) on cash flow hedges	(33,772)	-	(33,772)
Balance at December 31, 2017	-	10,357,474	10,357,474

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HMECU FIVE YEAR FINANCIAL HISTORY

	2017	2016	2015	2014	2013
Income Statement (Year ended December 31)					
Interest Revenue	\$ 6,180,333	\$ 6,131,192	\$ 6,217,351	\$ 6,284,134	\$ 6,367,861
Interest and Dividend Expense	1,598,379	1,569,253	1,621,927	1,620,266	1,668,616
Net Interest Margin	4,581,954	4,561,939	4,595,424	4,663,868	4,699,245
Other Income	1,880,574	1,867,777	1,892,619	1,821,987	1,705,089
Total Income	6,462,528	6,429,716	6,488,043	6,485,855	6,404,334
Operating Expenses	6,801,857	6,103,759	6,187,639	6,136,593	5,934,949
Income Before Taxes	(339,329)	325,957	300,404	349,262	469,385
Income Taxes	(50,459)	43,661	45,400	54,039	73,022
Net Income (Loss)	\$ (288,870)	\$ 282,296	\$ 255,004	\$ 295,223	\$ 396,363
Balance Sheet (at December 31)					
Personal Loans and Lines of Credit	\$ 15,298,435	\$ 17,177,968	\$ 17,444,775	\$ 17,092,518	\$ 16,875,595
Mortgages and MeritLines	161,355,879	142,575,626	126,280,906	121,060,017	119,089,432
Syndicated Loans	2,420,556	4,531,638	5,871,758	5,273,714	5,182,787
Accrued Interest Receivable	172,232	179,493	211,725	204,529	230,258
Loans and Mortgages to Members	179,247,102	164,464,725	149,809,164	143,630,778	141,378,072
Cash and Investments	20,302,104	17,615,052	18,258,187	15,730,429	18,271,515
Other Assets	3,089,773	3,558,173	3,756,998	4,148,424	4,686,241
Total Assets	\$ 202,638,979	\$ 185,637,950	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828
Members Chequing and Savings	\$ 73,070,064	\$ 71,399,751	\$ 67,786,125	\$ 63,337,277	\$ 65,478,027
Term Deposits	37,326,152	26,759,805	24,908,638	23,943,015	21,356,193
Tax Free Savings Accounts	22,420,955	18,985,082	15,608,676	11,387,420	9,639,943
Registered Deposits	47,838,560	49,212,296	49,983,715	51,456,357	54,309,476
Accrued Interest	674,471	606,148	667,963	680,042	601,166
Total Members Deposits	181,330,202	166,963,082	158,955,117	150,804,111	151,384,805
Membership Shares	898,105	922,859	946,834	974,107	1,008,225
Other Liabilities	10,053,198	7,071,892	1,446,893	1,565,499	2,097,241
Members' Equity	10,357,474	10,680,116	10,475,505	10,165,914	9,845,557
Total Liabilities and Equity	\$ 202,638,979	\$ 185,637,949	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828
Annual Balance Sheet Asset Growth	9.16%	8.04%	5.09%	-0.50%	3.10%
Other Items under Administration	\$ 74,522,624	\$ 67,390,903	\$ 59,769,246	\$ 53,574,462	\$ 46,079,812

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BOARD OF DIRECTORS

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

Chair..... James Cardwell	2019	Director	Oscar Huslage.....	2020	
Vice Chair..... Michael Kay	2018	Director	Lori Muzak-McComb	2019	
Secretary	Ross Holland	2018	Director	Vince Paglia.....	2020
Director	Juanita Gledhill.....	2019	Director	Grant Sharp.....	2018

STAFF

Christian Baranowski	Rita Fredson	Tina Manojlovic	Brett Sanders
Yolanda Battiston	Nora Gefucia	Crystal Marion	Shereen Shawihat
Margaret Bayr	Daniella Giannini	Brian Martin	Christina Shields
Debbie Bolt	Lena Graves	Diana McDermid	Kelly Smith
Stella Braculj	Jodi Gresko	Sylvia McKinnon	Will Stennett
Helen Brown	Erin Hart	Maryann Miskic	Jennifer Swing
Tracy Cain	Jodi Kielb	Jennifer Nadeau	Rob Taylor
Sean Cianflone	Kitti Kiss	Patty Painter	Brenda Theriault
Rose Mary Coccaro	Michelle Kranjc	Gisele Pinard	Tonia Tirabassi
Daniela Conz	Adenike Lateef	Heather Pye	Amanda Vali
Nancy Cooper	Leslie Lawson	Janice Rempel	Jenn Vandehaar
Nicole Curry	Andrew Leal	Diane Ribeiro	Annette Wilmot
Gale DeWitt	Cassandra Lefterys	Robert Rocklyn	Michael Wilson
Joanne Engleby	Jacob Lethbridge	Heather Ross	Kimberly Windle
Joanne Foster	Kim Livingstone	Laurie Ryan-Hill	Sandy Yardley
Melissa Fraser	Doug Mann	Ruth Salmeron	

**Thank you for celebrating
our 83rd AGM with us!**

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2017 COMMUNITY SUPPORT

During 2017 HMECU was an advocate in providing sponsorships, donations and gifts of over \$37,800 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 Foundation

Brantford Professional Firefighters Association

Canadian Critical Incident Stress Foundation

Canadian Mental Health Association

Cancer Assistance Program

City of Brantford

City of Hamilton - Senior of the Year Award

City of Hamilton - United Way

Community Living Hamilton Drum Corps

Crimestoppers of Hamilton

Cystic Fibrosis Canada

Food4Kids

Habitat for Humanity

Hamilton Firefighters Football

Hamilton Health Sciences

Hamilton Health Sciences Foundation

Hamilton Minor Hockey Council-low Income

Hamilton Out of the Cold

Hamilton Police Association

Hamilton Police Retirees Association

Hamilton Professional Firefighters Assistance Fund

Motorcycle Ride for Dad

Neighbour 2 Neighbour

Rotary Club of Hamilton Mountain

Special Olympics Ontario

St. Joseph's Healthcare Foundation

St. Joseph's Hospital

St. Joseph's Lifecare Social Club

Victim Services of Brant

YMCA Encore

YMCA Youth Exchange Program





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

Juravinski Hospital
711 Concession Street
Level 1, Section E, Room 23
Hamilton, ON L8V 1C3
905-521-2100 ext. 42028