



ANNUAL REPORT 2016

Where **YOUR** Financial Wellness Begins!



ANNUAL REPORT 2016

APRIL 12TH, 2017 - AGENDA

- Greetings/Introductions

Business Meeting Agenda

- Call to Order and Registration Report
- Adoption of the Agenda
- Minutes of the Eighty-first Annual Meeting
- Business Arising from the Minutes
- Report to the Members
- Special Resolution
- 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.*

ANNUAL REPORT INDEX

Annual General Meeting Agenda	1
Report Index.....	1
Vision, Mission, Executive Management Team, Values.....	2
Board of Directors.....	3
Report to the Members of HMECU	4
Report of the Loans Officer.....	5
2016 Audit and Risk Committee Report	6
Financial Reporting Responsibilities.....	7
Report of the Independent Auditor on the Summary Financial Statements.....	8
Summary Statement of Financial Position.....	9
Summary Statement of Comprehensive Income	10
Other Comprehensive Income (Loss).....	10
Summary Statement of Changes in Members' Equity	11
HMECU Five Year Financial History	12
Board of Directors and Staff	13
2016 Community Support.....	14

ANNUAL REPORT 2016

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

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.

ANNUAL REPORT 2016

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



Frank Venturelli - Director

ANNUAL REPORT 2016

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 82nd 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, 2016, assets increased by 8.0% to a record \$185.6M, a result of a similar increase in deposits. Loans to members grew to \$164.5M. Our off balance sheet mutual funds under administration grew to \$67.4M.

Operating results for 2016 included net income of \$282,296 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 \$11.6M or 6.2% 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 Finance Analyst and the external auditors will provide you with more details about our financial performance for the year ended 2016 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 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.

In 2016, 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.

To further illustrate the proficiency, dedication and commitment in providing you, the members, with first class service, HMECU received

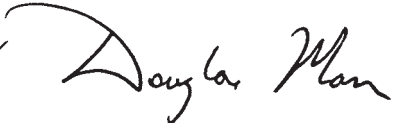
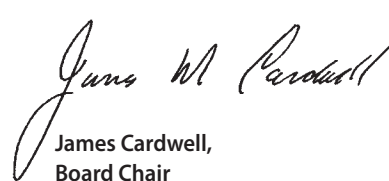
the highest score from our regulators and bonding insurance provider, DICO, which resulted in HMECU obtaining the best possible insurance rates. A very proud accomplishment for all of our HMECU staff.

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 over \$37,000 to various causes and charities in 2016. You will find a list of the organizations we supported in your report.

Before closing my report I'd 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. Hamilton Health Sciences, St. Joseph's Hospital Healthcare and the municipal governments in Hamilton, Burlington and Brantford, including Fire, Police and EMS associations are all supporters of the co-operative financial services we offer their staff and members and we are extremely grateful for that continued support.

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. Thank you.



James Cardwell,
Board Chair

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

ANNUAL REPORT 2016

REPORT OF THE LOANS OFFICER

December 31, 2016	2016	2015
Outstandings:		
Residential Mortgages	\$ 97,502,417	\$ 81,488,463
MeritLines	45,073,209	44,792,443
Personal Loans	13,226,756	13,875,382
Lines of Credit	3,662,697	3,725,006
Commercial Syndication Loans	4,531,638	5,871,758
Bridge Loans	469,125	-
Authorized Limits Approved:		
MeritLines	\$ 20,982,702	\$ 14,998,389
Lines of Credit	1,487,545	1,010,491
Mortgages:		
Applications	116	91
Declined	0	0
Disbursements	\$ 21,982,731	\$ 12,646,809
Mortgages Securitized	0	0
Personal Loans:		
Applications	770	828
Declined	10	13
Disbursements	\$ 8,431,174	\$ 8,520,307
Allowance For Impaired Loans:		
Mortgages/Loans/Lines of Credit in excess of 90 days	180,610	155,613

Over the past year, your Credit Union experienced significant growth within our mortgage and MeritLine portfolios totaling \$16,294,720. Personal loans and lines of credit decreased by \$710,935 collectively and our commercial syndication loans were paid down by \$1,340,120.

As of December 31, 2016, the Credit Union's allowance for doubtful loans was \$180,610. 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 helping members achieve "Financial Wellness". We continue to offer 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

2016 AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has received and reviewed the Audited Financial Statements for the year ending December 31, 2016 from our auditors, Millard, 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 2016 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.
- Oversaw the selection of a new internal auditor and reviewed the scope and plan of their internal audit function.
- 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 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

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



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

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

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, 2016, 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, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated February 16, 2017. 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, 2016 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 28, 2017

Brantford, Ontario

ANNUAL REPORT 2016

SUMMARY STATEMENT OF FINANCIAL POSITION

As at December 31	2016	2015
ASSETS		
Current Assets	5,415,157	6,723,686
Loans to Members	164,464,725	149,809,164
Investments	13,132,741	12,519,398
Property, Plant and Equipment	2,269,562	2,399,242
Intangible Assets	355,764	372,859
	185,637,949	171,824,349
LIABILITIES		
Current Liabilities	1,988,066	1,344,243
Term Loans	5,000,000	-
Members' Deposits and Share Capital	167,885,941	159,901,951
Future Income Taxes	83,826	102,650
	174,957,833	161,348,844
MEMBERS' EQUITY		
Undivided Earnings	146,344	114,048
Accumulated Other Comprehensive Income	33,772	111,457
Reserves	10,500,000	10,250,000
	10,680,116	10,475,505
	185,637,949	171,824,349



 James Cardwell, Board Chair



 Ross Holland, Secretary

ANNUAL REPORT 2016

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2016	2015
Interest Revenue	6,131,192	6,217,351
Interest Expense	1,569,253	1,621,927
Interest Margin	4,561,939	4,595,424
Other Income	1,867,777	1,892,619
Income Before Operating Expenses	6,429,716	6,488,043
Operating Expenses		
Employee Salaries and Benefits	3,264,794	3,427,397
Other Operating Expenses	2,838,965	2,760,242
	6,103,759	6,187,639
Operating Income	325,957	300,404
Current and Future Income Taxes	43,661	45,400
Net Income	282,296	255,004

OTHER COMPREHENSIVE INCOME (LOSS)

Change in unrealized gains (loss) on derivative instruments designated as cash flow hedges	(92,170)	64,600
Tax effect of change in unrealized gains on cash flow hedges	14,485	(10,013)
Other comprehensive income (loss) for the year	(77,685)	54,587
Comprehensive Income for the Year	204,611	309,591

ANNUAL REPORT 2016

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income Cash Flow Hedges	Reserves	Undivided Earnings	Total
Balance at January 1, 2015	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
Net Income	-	-	282,296	282,296
Transfer to reserves	-	250,000	(250,000)	-
Change in unrealized gains / (losses) on cash flow hedges	(77,685)	-	-	(77,685)
Balance at December 31, 2016	33,772	10,500,000	146,344	10,680,116

ANNUAL REPORT 2016

HMECU FIVE YEAR FINANCIAL HISTORY

	2016	2015	2014	2013	2012
Income Statement (Year ended December 31)					
Interest Revenue	\$ 6,131,192	\$ 6,217,351	\$ 6,284,134	\$ 6,367,861	\$ 6,437,644
Interest and Dividend Expense	1,569,253	1,621,927	1,620,266	1,668,616	1,852,416
Net Interest Margin	4,561,939	4,595,424	4,663,868	4,699,245	4,585,228
Other Income	1,867,777	1,892,619	1,821,987	1,705,089	1,577,994
Total Income	6,429,716	6,488,043	6,485,855	6,404,334	6,163,222
Operating Expenses	6,103,759	6,187,639	6,136,593	5,934,949	5,692,652
Income Before Taxes	325,957	300,404	349,262	469,385	470,570
Income Taxes	43,661	45,400	54,039	73,022	73,685
Net Income	\$ 282,296	\$ 255,004	\$ 295,223	\$ 396,363	\$ 396,885
Balance Sheet (at December 31)					
Personal Loans and Lines of Credit	\$ 17,177,968	\$ 17,444,775	\$ 17,092,518	\$ 16,875,595	\$ 15,042,902
Mortgages and MeritLines	142,575,626	126,280,906	121,060,017	119,089,432	115,416,527
Syndicated Loans	4,531,638	5,871,758	5,273,714	5,182,787	2,875,200
Accrued Interest Receivable	179,493	211,725	204,529	230,258	192,382
Loans and Mortgages to Members	164,464,725	149,809,164	143,630,778	141,378,072	133,527,011
Cash and Investments	17,615,052	18,258,187	15,730,429	18,271,515	21,830,508
Other Assets	3,558,172	3,756,998	4,148,424	4,686,241	4,041,997
Total Assets	\$ 185,637,949	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828	\$ 159,399,516
Members Chequing and Savings	\$ 71,399,751	\$ 67,786,125	\$ 63,337,277	\$ 65,478,027	\$ 62,730,213
Term Deposits	26,759,805	24,908,638	23,943,015	21,356,193	20,913,133
Tax Free Savings Accounts	18,985,082	15,608,676	11,387,420	9,639,943	7,548,366
Registered Deposits	49,212,296	49,983,715	51,456,357	54,309,476	55,065,412
Accrued Interest	606,148	667,963	680,042	601,166	694,362
Total Members Deposits	166,963,082	158,955,117	150,804,111	151,384,805	146,951,486
Membership Shares	922,859	946,834	974,107	1,008,225	1,045,856
Other Liabilities	7,071,892	1,446,893	1,565,499	2,097,241	1,887,693
Members' Equity	10,680,116	10,475,505	10,165,914	9,845,557	9,514,481
Total Liabilities and Equity	\$ 185,637,949	\$ 171,824,349	\$ 163,509,631	\$ 164,335,828	\$ 159,399,516
Annual Balance Sheet Asset Growth	8.04%	5.09%	-0.50%	3.10%	2.93%
Other Items under Administration	\$ 67,390,903	\$ 59,769,246	\$ 53,574,462	\$ 46,079,812	\$ 39,450,217

ANNUAL REPORT 2016

BOARD OF DIRECTORS

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

Chair.....	James Cardwell	2019	Director	Lori Muzak-McComb	2019
Vice Chair.....	Michael Kay	2018	Director	Vince Paglia.....	2017
Secretary	Ross Holland	2018	Director	Grant Sharp.....	2018
Director.....	Juanita Gledhill.....	2019	Director	Frank Venturelli.....	2017
Director.....	Oscar Husslage.....	2017			

STAFF

Yolanda Battiston	Rita Fredson	Sylvia McKinnon	Nasim Somani
Margaret Bayr	Nora Gefucia	Maryann Miskic	Mark Stanners
Deb Bolt	Lena Graves	Jennifer Nadeau	Will Stennett
Stella Braculj	Jodi Gresko	Patty Painter	Teresa Stephenson
Helen Brown	Erin Hart	Gisele Pinard	Jennifer Swing
Tracy Cain	Jodi Kielb	Heather Pye	Tonia Tirabassi
Haley Chamberlain	Kitti Kiss	Janice Rempel	Jenn Vandehaar
Sean Cianflone	Michelle Kranjc	Robert Rocklyn	Natalie Welland
Rose Mary Cocco	Adenike Lateef	Morgan Romaker	Kim Livingstone
Daniela Conz	Leslie Lawson	Laurie Ryan-Hill	Annette Wilmot
Nancy Cooper	Andrew Leal	Ruth Salmeron	Michael Wilson
Nicole Curry	James Lounsbury	Brett Sanders	Sandy Yardley
Joanne Engleby	Doug Mann	Shereen Shawihat	
Melissa Fraser	Tina Manojlovic	Christina Shields	
Joanne Foster	Diana McDermid	Kelly Smith	

**Thank you for celebrating
our 82nd AGM with us!**

ANNUAL REPORT 2016

2016 COMMUNITY SUPPORT

During 2016 HMECU was an advocate in providing sponsorships, donations and gifts of over \$37,700 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.

541 Eatery and Exchange
Brant-Brantford Crime Stoppers
Brant Community Healthcare System Foundation
Brantford Professional Firefighters Association
Burlington Fire Department
Canadian Critical Incident Stress Foundation
Children's Safety Village of Brant
City of Brantford - Canada Day Celebrations
City of Hamilton - Senior of the Year Award
Dundas Blues Jr. C. Hockey Club
Food4Kids
Hamilton Brain Injury Association
Hamilton Health Sciences Foundation
Hamilton Civic & Regional Employees Hockey League
Hamilton Co-ed Volleyball League
Hamilton Health Sciences
Hamilton Health Sciences Foundation - McMaster Children's Hospital
Hamilton Health Sciences Foundation - Tomorrow Stems From You Campaign

Hamilton Police Association
Hamilton Police Retirees Association
Hamilton Police Services
Hamilton Professional Firefighters Assistance Fund
Heart and Stroke Foundation of Ontario
Juravinski Hospital - Staff Appreciation BBQ
Law Enforcement Torch Run & Special Olympics Ontario
Mohawk College - Student Resources Guide
Motorcycle Ride for Dad
Nurses Union
Ontario Credit Union Foundation
Participation House
Red Meets Pink Foundation
St. Joseph's Healthcare Funspiel
St. Joseph's Healthcare Foundation
St. Peter's School Partnership Program "Connecting Generations"

With special thanks to the Ontario Credit Union Foundation for their continued support through many fundraising initiatives. www.ocuf.org





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
Coming Soon!**