

ANNUAL REPORT 2016 – COMPENSATION EMPLOYEES CREDIT UNION

BOARD OF DIRECTORS REPORT

The CECU staff and Board of Directors welcome you to the 63rd Annual General Meeting of Compensation Employees Credit Union.

We are very pleased to report yet another successful year of operations.

We continue to be guided by the BC Ministry of Finance through its Financial Institutions Commission (FICOM) in ensuring that our policies and strategies comply with their guidelines. With an eye to reduce risk, ensure continued profitability and strength for the Credit Union, and being guided by our vision and mission, the credit union can confidently deliver services that members want and need.

We are also delighted to announce dividends of 5% on Equity Shares and 1.6% on Savings Shares.

We are proud of our new website offering more accessibility and online services including interact e-transfers, along with the many other services offered to our members including mortgages, loans, registered plans and great rates on deposits.

In May of 2016, the credit union welcomed assistant GM, Julian Beckett to our management team. He is member focused and brings with him many years of credit union and lending expertise.

It's important that we continue to stay connected and remind you to add your email address to our database by emailing info@cecu.ca with 'add' in the subject line. This could allow for the possibility of e-statements in the future.

The Board of Directors would like to express their gratitude to WorkSafeBC for the continuing support of the Credit Union; we also would like to thank the General Manager, Carol de Haas, and the rest of the staff, Julian Beckett, Shelagh Hardern, Janice Fox, Jannine McDonald & Viviana Vidal, for their excellent service and efforts throughout the year.

A final thanks you to you, our members. Your continued business and support is what makes us profitable, and keeps us relevant.

We look forward to another successful year in 2017.

Respectfully Submitted,

Board of Directors,
Compensation Employees Credit Union

GENERAL MANAGER'S REPORT

The year ending December 31, 2016 was another financially successful year for Compensation Employee's Credit Union. It was a year of growth and profitability, again resulting in a healthy return for members.

In 2016, the Credit Union experienced a 1.72% (533K) growth in Assets. Total Loans grew by 10% (2.6M), mostly due to large mortgage demand. Total Deposits stayed relatively the same. Investments in Central 1 declined by (2M), which funded the mortgage growth. This change in the asset mix supported the Credit Union earning a healthy profit for members with an interest margin of 1.84% and net earnings at over \$69K.

The Board of Directors declared dividends of 5% on Equity Shares and 1.6% on Savings Shares. This resulted in a payment of over \$335K to members. The Credit Union is committed to building a strong capital base, to ensure future profitability for members and also protect against the risks involved with interest rate changes.

Management and Directors have been busy strategically planning for the future of the Credit Union. In 2016, the Credit Union went through the process of recruiting and hiring an Assistant GM. In May, we welcomed Julian Becket to the management team.

It is important to ensure that dealing with the Credit Union continues to be convenient for all members. We continue to work on better access to funds and information for all members across BC. And, as a BC Credit Union member, deposits carry unlimited deposit insurance protection.

The Compensation Employees Credit Union is very grateful to WorksafeBC for the many services provided.

I would like to thank the Credit Union Board of Directors for their commitment and support. As a team, they develop policies and strategic objectives to ensure the profitability and strength of the Credit Union. The Directors are very responsive to member's needs and concerns, and encourage your input.

A final THANKS to the members. As members, you are owners, and it's your business and support that makes the credit union prosper. We look forward to another profitable and successful year in 2017.

Respectfully Submitted,
Carol de Haas
General Manager

Report of the Independent Auditor on the Summarized Financial Statements

To the Members of Compensation Employees Credit Union:

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2016 and the summarized statements of comprehensive income and changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements, prepared in accordance with the International Financial Reporting Standards, of Compensation Employees Credit Union for the year ended December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated February 28, 2017.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of Compensation Employees Credit Union. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Compensation Employees Credit Union.

Managers' Responsibility for the Summarized Financial Statements

Management is responsible for the fair summarization of the complete audited financial statements of Compensation Employees Credit Union.

Auditors' Responsibility for the Summarized Financial Statements

Our responsibility is to express an opinion on the summarized 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 summarized financial statements derived from the audited financial statements of Compensation Employees Credit Union for the year ended December 31, 2016 are a fair summary of those financial statements.

Abbotsford, BC
February 28, 2017

MNP LLP

Chartered Professional Accountants

Compensation Employees Credit Union Summarized Statement of Financial Position December 31, 2016

| | 2016 | 2015 |
|--|-------------------|------------|
| Assets | | |
| Cash and equivalents | 211,957 | 2,326,618 |
| Investments | 2,537,046 | 2,530,409 |
| Member loans receivable | 28,750,549 | 26,095,025 |
| Income taxes receivable | 1,090 | 5,514 |
| Equipment | 14,234 | 25,346 |
| Deferred tax asset | 9,000 | 8,000 |
| | 31,523,876 | 30,990,912 |
| Liabilities | | |
| Member deposits | 28,656,540 | 28,706,702 |
| Borrowings | 500,000 | - |
| Accounts payable and accrued liabilities | 40,803 | 34,902 |
| | 29,197,343 | 28,741,604 |
| Members' equity | | |
| Equity shares | 650,389 | 642,870 |
| Retained earnings | 1,676,144 | 1,606,438 |
| | 2,326,533 | 2,249,308 |
| | 31,523,876 | 30,990,912 |

Compensation Employees Credit Union
Summarized Statements of Comprehensive Income and Changes in Members' Equity
December 31, 2016

| | 2016 | 2015 |
|--|------------------|-----------|
| Interest income | 1,025,168 | 1,027,687 |
| Interest expense | 443,953 | 461,353 |
| Financial margin | 581,215 | 566,334 |
| Other income | 45,104 | 41,416 |
| Operating margin | 626,319 | 607,750 |
| Operating expenses | 514,599 | 502,494 |
| Income before provision for impaired loans and income taxes | 111,720 | 105,256 |
| Provision for impaired loans | - | 13,136 |
| Income before income taxes | 111,720 | 92,120 |
| Income taxes | 10,103 | 8,732 |
| Comprehensive Income | 101,617 | 83,388 |
| Members' equity, beginning of year | 2,249,308 | 2,171,794 |
| Equity share dividends | (31,911) | (31,354) |
| Net issuance of equity shares | 7,519 | 25,480 |
| Members' equity, end of year | 2,326,533 | 2,249,308 |

Compensation Employees Credit Union
Summarized Statement of Cash Flows
December 31, 2016

| | 2016 | 2015 |
|---|--------------------|------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | 80,752 | 125,283 |
| Financing activities | 459,589 | 627,962 |
| Investing activities | (2,655,002) | (667,689) |
| Increase (decrease) in cash and cash equivalents | (2,114,661) | 85,556 |
| Cash and cash equivalents, beginning of year | 2,326,618 | 2,241,062 |
| Cash and cash equivalents, end of year | 211,957 | 2,326,618 |

Note: Readers are cautioned that these summarized financial statements do not include all the disclosures required for complete and fair presentation.

Approved on behalf of the Board of Directors

"Andrew Yiu" _____

"Andrew Wong" _____

MNP
LLP

Compensation Employees Credit Union

2016 Disclosure KMP

Directors Remuneration, Expenses & GM Compensation

Director Remuneration (there are 7 Directors):

- Each Board member receives \$100 per regular board meeting attended (max 10/year).
- In addition to the above, once per year the Board Chair receives \$600; Vice Chair receives \$300; Secretary receives \$200.
- Chairs of Statutory Committees receive \$100 once per year.
- The Statutory Committee members also receive \$50 per meeting (to a max of 1 to 4 meetings per year depending on the committee).

General Manager Compensation:

- Base pay \$85,000 with up to 10% variable pay.

In 2016 the total of the above paid to the Directors & General Manager was \$101,058.

Other Board Expenses:

Board meeting and training expenses: \$609.