



ANNUAL REPORT 2017

CREDIT UNION SYSTEM
NEWFOUNDLAND AND LABRADOR

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CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Stakeholder

Please find enclosed an overview of the financial performance of the Newfoundland and Labrador Credit Union System for 2017 with combined and individual audited financial information for the year ended December 31, 2017.

2017 results for the Newfoundland and Labrador Credit Union System were on par with 2016. Asset growth was 2.3%, audited net income exceeded \$2.1 million after dividends and rebates in excess of \$500,000 and liquidity remained strong. System capital at 5.80% exceeded the minimum regulatory capital requirement of 5%. Credit unions are encouraged to continue to grow their capital positions greater than the minimum required by regulation.

Bill Langthorne
Chief Executive Officer
CUDGC

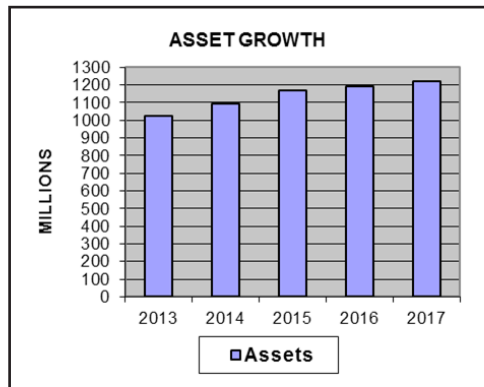
FINANCIAL PERFORMANCE

Credit Union & Branches

As at December 31, 2017 there were 9 credit unions with 36 service locations.

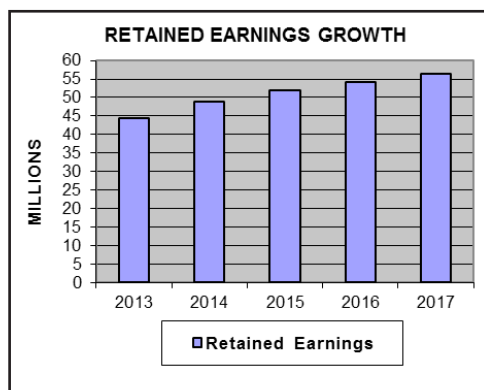
Assets

The Credit Union System continued to experience asset growth in 2017. Assets were \$1.219 billion at the end of 2017 compared to \$1.191 billion in 2016, a growth rate of 2.3% in 2017 as compared to 1.9% in 2016.



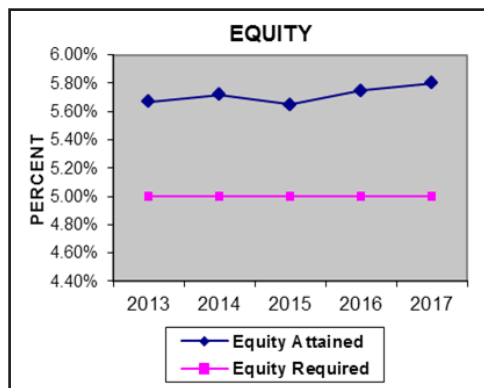
Earnings

System earnings at the end of 2017, net of dividends and rebates, were \$2,146,457 (18bp) as compared to \$2,377,590 (20bp) in 2016. Total system retained earnings at December 31, 2017 was \$56.3 million compared to \$54.2 million in 2016.



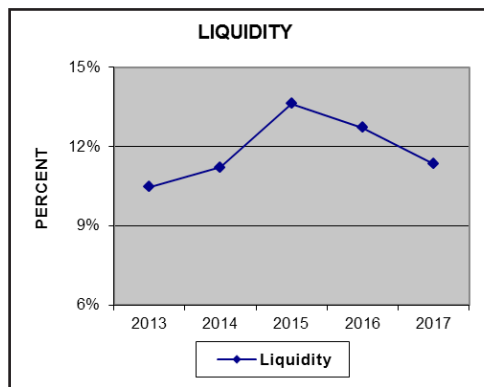
Equity

Total system equity comprising shares and retained earnings at the end of 2017 was \$70.7 million or 5.80% of assets compared to \$68.5 million or 5.75% at the end of 2016.



Liquidity

System liquidity was at 11.34% compared to 12.72% in 2016. The system's utilization of lines of credit is well managed. All credit unions were compliant with statutory liquidity as at December 31, 2017.



FINANCIAL PERFORMANCE

Delinquency

Credit union delinquency was higher than 2016 primarily due to two larger commercial loans representing 1.3% of total loans. These two loans pose minimum risk as they are well secured. Total delinquency represented by loans overdue 31 days or more was \$26.7 million or 2.69% of total loans as compared to \$11.1 million or 1.15% of total loans in 2016.

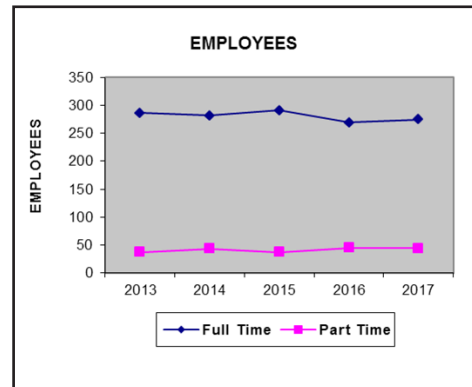
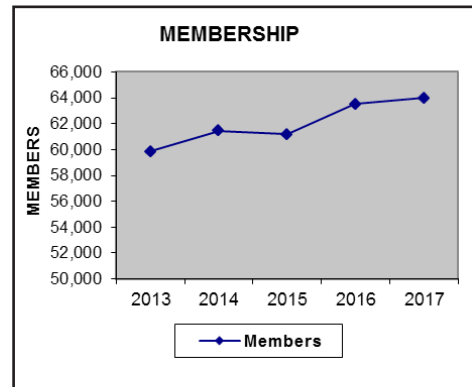
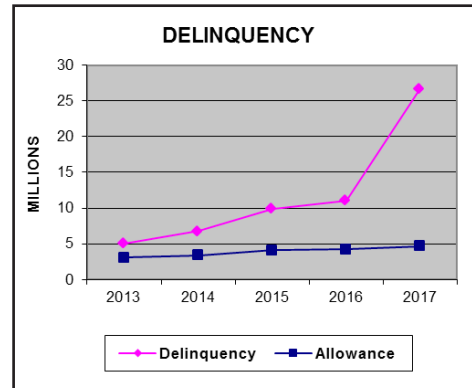
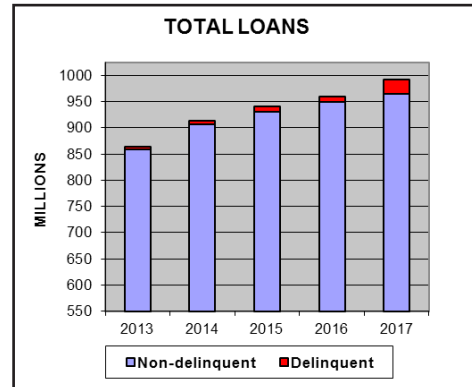
The net delinquency represented by deducting specific and non-specific loan loss provisions from total delinquency was at 2.22% in 2017 compared to 0.71% in 2016.

Membership

Membership increased by 469 or 0.8% in 2017. Presently there are 63,972 members obtaining services from credit unions in the province. This represents approximately 12% of the population of Newfoundland and Labrador.

Employees

The Credit Union System experienced a net increase of 5 employees in 2017, an increase of 6 full time jobs and decrease of 1 part time job. At the end of 2017 there were a total of 319 credit union employees with 197 employed in credit union locations outside of St. John's and surrounding area. The salaries and benefits paid in 2017 totaled \$20,620,529 as compared to \$20,693,220 in 2016, a decrease of \$72,691 or 0.35%. Approximately \$9.3 million was paid to employees living and working outside St. John's and surrounding area.



Audited Information

CREDIT UNION SYSTEM

Year Ended December 31, 2017

COMBINED BALANCE SHEET

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2017
 (based on audited financial statements)

	2017	2016
Assets		
Cash	\$33,629,891	\$31,954,154
Investments	157,089,209	160,955,603
Loans (Net of Allowance)		
2017-(\$4,647,048)	987,279,990	955,485,349
2016-(\$4,233,915)		
Other Assets	6,678,959	7,340,466
Fixed Assets	<u>34,385,738</u>	<u>35,562,440</u>
Total Assets	<u>\$1,219,063,787</u>	<u>\$1,191,298,012</u>
Liabilities		
Borrowings	0	0
Payables	9,218,584	9,276,648
Members Deposits	<u>1,139,171,379</u>	<u>1,113,501,839</u>
Total	<u>1,148,389,963</u>	<u>1,122,778,487</u>
Member Surplus		
Shares	14,339,423	14,307,649
Retained Earnings (Deficit)	<u>56,334,401</u>	<u>54,211,876</u>
Total	<u>70,673,824</u>	<u>68,519,525</u>
Total Liabilities and Member Surplus	<u>\$1,219,063,787</u>	<u>\$1,191,298,012</u>

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

COMBINED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
Year Ended December 31, 2017
(based on audited financial statements)

	2017	2016
Total Financial Revenue	\$45,533,067	\$46,396,169
Total Financial Expense	<u>12,121,499</u>	<u>12,736,103</u>
Financial Margin	33,411,568	33,660,066
Other Income	<u>12,857,451</u>	<u>13,149,727</u>
Gross Margin	46,269,019	46,809,793
Total Operating Expenses	43,183,762	43,363,791
Income Before Dividends & Taxes	3,085,257	3,446,002
Dividends	548,266	566,549
Taxes	<u>390,534</u>	<u>501,863</u>
Net Income	\$2,146,457	\$2,377,590
Retained Earnings (Deficit) & Other Reserves		
Beginning of Year	54,211,876	51,861,898
Prior period Adjustment	(23,932)	(27,612)
Retained Earnings (Deficit) & Other Reserves		
End of Year	<u>\$56,334,401</u>	<u>\$54,211,876</u>

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

BALANCE SHEET BY CREDIT UNION

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2017
 (based on audited financial statements)

Credit Union	Cash and Cash Equivalents \$	Investments \$	Loans \$	Allowance For Doubtful Loans \$	Net Loans \$	Other Assets \$	Fixed Assets \$	Total Assets \$
Community	711,236	11,198,971	56,596,459	733,146	55,863,313	46,509	872,287	68,692,316
Eagle River	11,549,985	40,117,901	100,386,988	420,621	99,966,367	1,219,896	3,038,500	155,892,649
EasternEdge	1,475,915	9,079,740	60,589,670	493,359	60,096,311	293,250	2,439,323	73,384,539
Hamilton Sound	737,620	7,816,906	37,955,467	382,290	37,573,177	96,143	1,361,264	47,585,110
Leading Edge	2,286,694	16,307,904	99,710,031	421,999	99,288,032	148,409	1,330,102	119,361,141
Nfld. & Labrador	9,378,134	52,553,612	490,603,695	1,044,559	489,559,136	4,497,107	18,043,198	574,031,187
Public Service	4,531,678	4,097,109	49,024,952	347,488	48,677,464	91,736	1,339,777	58,737,764
Reddy Kilowatt	1,554,084	5,496,872	63,107,644	337,973	62,769,671	178,758	5,220,829	75,220,214
Venture	1,404,545	10,420,194	33,952,132	465,613	33,486,519	107,151	740,458	46,158,867
TOTAL SYSTEM	33,629,891	157,089,209	991,927,038	4,647,048	987,279,990	6,678,959	34,385,738	1,219,063,787

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BALANCE SHEET BY CREDIT UNION

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2017
 (based on audited financial statements)

Borrowings	Payables	Member Deposits	Total Liabilities	Share Capital	Retained Earnings (Deficit) & Other Res.	Member Surplus (Deficiency)	Total
\$	\$	\$	\$	\$	\$	\$	\$
0	447,424	61,348,969	61,796,393	445,432	6,450,491	6,895,923	68,692,316
0	1,573,121	145,105,275	146,678,396	1,919,534	7,294,719	9,214,253	155,892,649
0	250,002	69,299,937	69,549,939	1,395,464	2,439,136	3,834,600	73,384,539
0	109,385	44,750,303	44,859,688	605,659	2,119,763	2,725,422	47,585,110
0	514,417	111,617,826	112,132,243	1,299,205	5,929,693	7,228,898	119,361,141
0	5,336,936	540,077,363	545,414,299	6,306,790	22,310,098	28,616,888	574,031,187
0	659,110	51,807,109	52,466,219	472,800	5,798,745	6,271,545	58,737,764
0	194,259	70,634,892	70,829,151	1,499,934	2,891,129	4,391,063	75,220,214
0	133,930	44,529,705	44,663,635	394,605	1,100,627	1,495,232	46,158,867
0	9,218,584	1,139,171,379	1,148,389,963	14,339,423	56,334,401	70,673,824	1,219,063,787

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2017
 (based on audited financial statements)

Credit Union	Total Financial Revenue \$	Total Financial Expense \$	Financial Margin \$	Other Income \$	Gross Margin \$	Member Security \$	General \$	Personnel \$	Occupancy \$
Community	2,925,268	592,155	2,333,113	649,192	2,982,305	118,608	890,298	970,778	214,799
Eagle River	5,436,766	775,845	4,660,921	2,818,871	7,479,792	424,879	2,976,742	2,774,480	485,981
EasternEdge	2,584,198	968,988	1,615,210	540,073	2,155,283	144,044	775,685	863,937	98,592
Hamilton Sound	2,719,602	598,801	2,120,801	653,187	2,773,988	112,641	935,916	1,215,293	203,080
Leading Edge	4,878,983	1,298,941	3,580,042	1,456,513	5,036,555	201,903	1,486,538	2,217,717	349,052
Nfld. & Labrador	19,246,220	5,668,949	13,577,271	4,445,930	18,023,201	1,172,020	4,637,060	9,629,025	1,525,341
Public Service	2,347,664	378,885	1,968,779	541,087	2,509,866	100,340	792,048	1,144,388	69,944
Reddy Kilowatt	3,334,242	1,554,064	1,780,178	889,681	2,669,859	220,084	748,685	889,176	258,195
Venture	2,060,124	284,871	1,775,253	862,917	2,638,170	117,395	843,566	915,735	121,103
TOTAL SYSTEM	45,533,067	12,121,499	33,411,568	12,857,451	46,269,019	2,611,914	14,086,538	20,620,529	3,326,087

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2017
 (based on audited financial statements)

Provision For Loan Loss (Recovery)	Total Operating Expenses	Income Before Dividends And Taxes	Dividends	Taxes	Net Income	Ret. Earnings (Deficit) & Other Res. Beginning of Year	Ret. Earnings (Deficit) & Other Res. End of year
\$	\$	\$	\$	\$	\$	\$	\$
269,684	2,464,167	518,138	125,000	53,074	340,064	6,110,427	6,450,491
253,644	6,915,726	564,066	153,530	57,764	352,772	6,941,947	7,294,719
367,391	2,249,649	(94,366)	0	(15,547)	(78,819)	2,517,955	2,439,136
312,701	2,779,631	(5,643)	0	(1,205)	(4,438)	2,124,201	2,119,763
212,208	4,467,418	569,137	87,736	65,744	415,657	5,514,036	5,929,693
338,051	17,301,497	721,704	132,000	133,813	455,891	21,854,207	22,310,098
139,875	2,246,595	263,271	0	35,702	227,569	5,571,176	5,798,745
455,144	2,571,284	98,575	50,000	334	48,241	2,842,888	2,891,129
189,996	2,187,795	450,375	0	60,855	389,520	711,107	1,100,627
2,538,694	43,183,762	3,085,257	548,266	390,534	2,146,457	54,187,944	56,334,401

Certain comparative figures have been reclassified

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CREDIT UNION BRANCHES

Credit Union	Branches
Community Credit Union Ltd.	Marystown Witless Bay Hermitage
Eagle River Credit Union Ltd.	L'Anse au Loup Mary's Harbour St. Anthony Port Au Choix Happy Valley - Goose Bay Deer Lake
EasternEdge Credit Union Ltd.	Mount Pearl
Hamilton Sound Credit Union Ltd.	Carmanville Triton Gander
Leading Edge Credit Union Ltd.	Corner Brook Doyles Jeffrey's St. Georges Port Aux Basques
Newfoundland & Labrador Credit Union Ltd.	Freshwater Road, St. John's Water Street, St. John's Torbay Road, St. John's Mount Pearl Conception Bay South Carbonear Clarenville Gander Grand Falls Corner Brook Stephenville Labrador City
Public Service Credit Union Ltd.	St. John's
Reddy Kilowatt Credit Union Ltd.	St. John's
Venture Credit Union Ltd.	Gambo Glovertown Catalina Twillingate

