



ANNUAL REPORT 2016

CREDIT UNION SYSTEM
NEWFOUNDLAND AND LABRADOR

TABLE OF CONTENTS

Chief Executive Officer’s Message.....	2
Financial Performance	3 - 4
Credit Union System Audited Information.....	5 - 11
Credit Union Branches.....	12

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 2016 with combined and individual audited financial information for the year ended December 31, 2016.

2016 was another good year for the Newfoundland and Labrador Credit Union System. Asset growth was 1.9%, audited net income exceeded \$2.3 million after dividends and rebates in excess of \$500,000, liquidity remained strong and net delinquency remains low at 0.71%. System capital at 5.75% 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

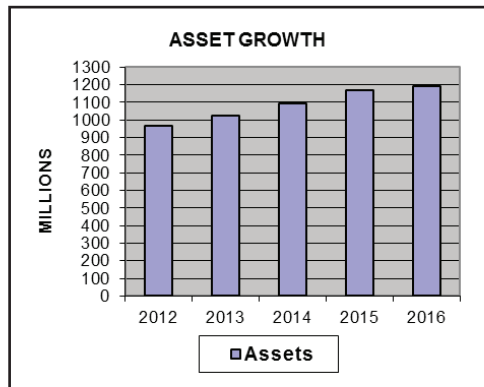
FINANCIAL PERFORMANCE

Credit Union & Branches

As at December 31, 2016 there were 9 credit unions with 36 service locations.

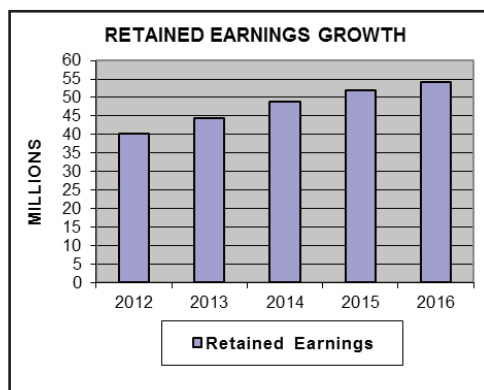
Assets

The Credit Union System continued to experience asset growth in 2016. Assets were \$1.191 billion at the end of 2016 compared to \$1.169 billion in 2015, a growth rate of 1.9% in 2016 as compared to 7.0% in 2015.



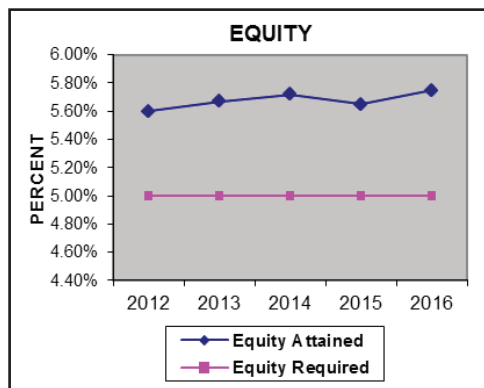
Earnings

System earnings at the end of 2016, net of dividends and rebates, were \$2,377,590 (20bp) as compared to \$2,989,653 (26bp) in 2015. Total system retained earnings at December 31, 2016 was \$54.2 million compared to \$51.9 million in 2015.



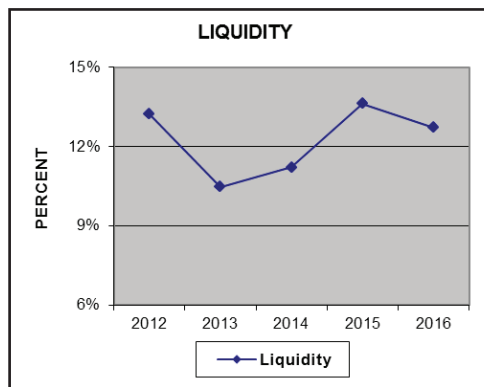
Equity

Total system equity comprising shares and retained earnings at the end of 2016 was \$68.5 million or 5.75% of assets compared to \$66.1 million or 5.65% at the end of 2015.



Liquidity

System liquidity was at 12.72% compared to 13.62% in 2015. The system's utilization of lines of credit is well managed. All credit unions were compliant with statutory liquidity as at December 31, 2016.



FINANCIAL PERFORMANCE

Delinquency

Credit union delinquency continued to be well managed in 2016. Total delinquency represented by loans overdue 31 days or more was \$11.1 million or 1.15% of total loans as compared to \$9.9 million or 1.05% of total loans in 2015.

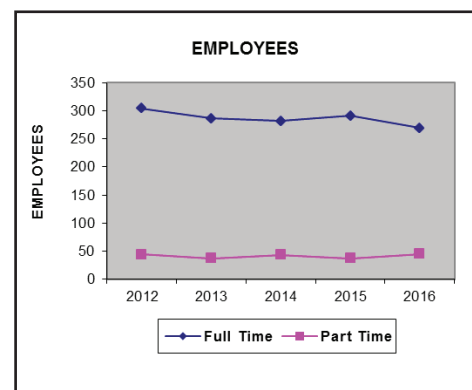
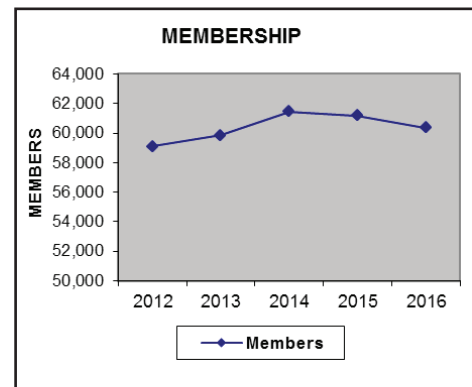
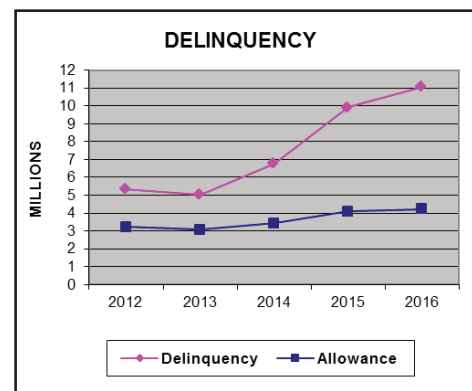
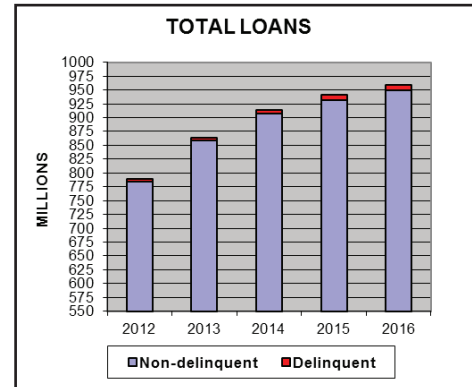
The net delinquency represented by deducting specific and non-specific loan loss provisions from total delinquency was at 0.71% in 2016 compared to 0.62% in 2015.

Membership

Membership dropped by 833 or 1.4% in 2016. Presently there are 60,361 members obtaining services from credit unions in the province. This represents approximately 11% of the population of Newfoundland and Labrador.

Employees

The Credit Union System experienced a net decrease of 14 employees in 2016, a decrease of 22 full time jobs and increase of 8 part time jobs. At the end of 2016 there were a total of 314 credit union employees with 196 employed in credit union locations outside of St. John's and surrounding area. The salaries and benefits paid in 2016 totaled \$20,693,220 as compared to \$20,402,186 in 2015, an increase of \$291,034 or 1.43%. Approximately \$9.7 million was paid to employees living and working outside St. John's and surrounding area.



Audited Information

CREDIT UNION SYSTEM

Year Ended December 31, 2016

COMBINED BALANCE SHEET

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2016
 (based on audited financial statements)

	2016	2015
Assets		
Cash	\$31,954,154	\$37,268,717
Investments	160,955,603	152,897,053
Loans (Net of Allowance)		
2016-(\$4,233,915)	955,485,349	936,661,397
2015-(\$4,094,903)		
Other Assets	7,340,466	5,729,254
Fixed Assets	<u>35,562,440</u>	<u>36,821,237</u>
Total Assets	<u><u>\$1,191,298,012</u></u>	<u><u>\$1,169,377,658</u></u>
Liabilities		
Borrowings	0	0
Payables	9,276,648	8,698,624
Members Deposits	<u>1,113,501,839</u>	<u>1,094,587,122</u>
Total	<u>1,122,778,487</u>	<u>1,103,285,746</u>
Member Surplus		
Shares	14,307,649	14,230,014
Retained Earnings (Deficit)	<u>54,211,876</u>	<u>51,861,898</u>
Total	<u>68,519,525</u>	<u>66,091,912</u>
Total Liabilities and Member Surplus	<u><u>\$1,191,298,012</u></u>	<u><u>\$1,169,377,658</u></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, 2016
(based on audited financial statements)

	2016	2015
Total Financial Revenue	\$46,396,169	\$47,558,680
Total Financial Expense	<u>12,736,103</u>	<u>13,413,925</u>
Financial Margin	33,660,066	34,144,755
Other Income	<u>13,149,727</u>	<u>12,695,211</u>
Gross Margin	46,809,793	46,839,966
Total Operating Expenses	43,363,791	42,256,554
Income Before Dividends & Taxes	3,446,002	4,583,412
Dividends	566,549	814,271
Taxes	<u>501,863</u>	<u>779,488</u>
Net Income	\$2,377,590	\$2,989,653
Retained Earnings (Deficit) & Other Reserves		
Beginning of Year	51,861,898	48,872,745
Prior period Adjustment	(27,612)	(500)
Retained Earnings (Deficit) & Other Reserves		
End of Year	<u>\$54,211,876</u>	<u>\$51,861,898</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, 2016

(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	973,448	13,498,215	54,639,893	580,682	54,059,211	76,599	925,290	69,532,763
Eagle River	12,338,709	32,059,247	97,380,030	305,924	97,074,106	1,467,112	3,216,384	146,155,558
EasternEdge	543,841	8,238,652	61,412,687	875,080	60,537,607	148,986	2,527,570	71,996,656
Hamilton Sound	774,631	6,049,539	39,162,160	396,518	38,765,642	94,287	1,345,126	47,029,225
Leading Edge	3,431,845	15,212,631	93,248,385	326,042	92,922,343	152,838	1,421,185	113,140,842
Nfld. & Labrador	8,307,954	65,866,033	474,724,356	867,907	473,856,449	4,957,135	18,587,524	571,575,095
Public Service	2,246,399	4,008,062	48,283,787	364,263	47,919,524	89,576	1,385,949	55,649,510
Reddy Kilowatt	1,635,018	5,243,635	58,845,225	108,543	58,736,682	128,768	5,359,360	71,103,463
Venture	1,702,309	10,779,589	32,022,741	408,956	31,613,785	225,165	794,052	45,114,900
TOTAL SYSTEM	31,954,154	160,955,603	959,719,264	4,233,915	955,485,349	7,340,466	35,562,440	1,191,298,012

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, 2016
 (based on audited financial statements)

Borrowings	Payables	Member Deposits	Total Liabilities	Share Capital	Retained Earnings (Deficit) & Other Res.	Member Surplus (Deficiency)	Total
\$	\$	\$	\$	\$	\$	\$	\$
0	405,528	62,579,056	62,984,584	437,752	6,110,427	6,548,179	69,532,763
0	1,584,538	135,692,180	137,276,718	1,912,962	6,965,878	8,878,840	146,155,558
0	322,611	67,831,355	68,153,966	1,324,735	2,517,955	3,842,690	71,996,656
0	81,237	44,240,642	44,321,879	583,145	2,124,201	2,707,346	47,029,225
0	428,927	105,854,310	106,283,237	1,343,569	5,514,036	6,857,605	113,140,842
0	5,326,941	537,955,074	543,282,015	6,438,872	21,854,208	28,293,080	571,575,095
0	683,564	48,931,866	49,615,430	462,904	5,571,176	6,034,080	55,649,510
0	276,783	66,571,882	66,848,665	1,411,910	2,842,888	4,254,798	71,103,463
0	166,519	43,845,474	44,011,993	391,800	711,107	1,102,907	45,114,900
0	9,276,648	1,113,501,839	1,122,778,487	14,307,649	54,211,876	68,519,525	1,191,298,012

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STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2016
 (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	3,010,481	614,082	2,396,399	692,012	3,088,411	112,743	956,482	974,378	216,355
Eagle River	5,727,031	820,615	4,906,416	2,698,752	7,605,168	479,698	3,149,580	2,838,071	323,824
EasternEdge	2,772,631	1,092,917	1,679,714	608,225	2,287,939	147,692	834,231	911,697	90,456
Hamilton Sound	2,913,017	767,977	2,145,040	772,650	2,917,690	113,638	1,022,491	1,232,609	210,821
Leading Edge	4,697,682	1,267,356	3,430,326	1,489,122	4,919,448	188,481	1,529,751	2,265,743	335,611
Nfld. & Labrador	19,755,028	5,971,163	13,783,865	4,439,053	18,222,918	1,088,039	4,861,030	9,556,166	1,558,638
Public Service	2,351,597	403,823	1,947,774	619,039	2,566,813	98,451	766,710	1,093,548	69,070
Reddy Kilowatt	3,056,251	1,481,680	1,574,571	923,885	2,498,456	219,306	732,305	853,974	262,862
Venture	2,112,451	316,490	1,795,961	906,989	2,702,950	119,941	873,332	967,034	192,677
TOTAL SYSTEM	46,396,169	12,736,103	33,660,066	13,149,727	46,809,793	2,567,989	14,725,912	20,693,220	3,260,314

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, 2016
 (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
\$	\$	\$	\$	\$	\$	\$	\$
240,000	2,499,958	588,453	120,000	62,747	405,706	5,704,721	6,110,427
438,659	7,229,832	375,336	171,370	23,953	180,013	6,785,865	6,965,878
242,449	2,226,525	61,414	0	8,453	52,961	2,464,994	2,517,955
292,936	2,872,495	45,195	0	5,304	39,891	2,084,310	2,124,201
139,600	4,459,186	460,262	23,179	57,727	379,356	5,134,680	5,514,036
254,210	17,318,083	904,835	127,000	228,812	549,023	21,305,185	21,854,208
194,356	2,222,135	344,678	0	55,992	288,686	5,282,490	5,571,176
175,515	2,243,962	254,494	125,000	2,580	126,914	2,715,974	2,842,888
138,631	2,291,615	411,335	0	56,295	355,040	356,067	711,107
<u>2,116,356</u>	<u>43,363,791</u>	<u>3,446,002</u>	<u>566,549</u>	<u>501,863</u>	<u>2,377,590</u>	<u>51,834,286</u>	<u>54,211,876</u>

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

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

