

**HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2016**

# **HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED**

**For the year ended December 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

### To the Members of Hamilton Municipal Employees' Credit Union Limited

We have audited the accompanying financial statements of Hamilton Municipal Employees' Credit Union Limited, which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

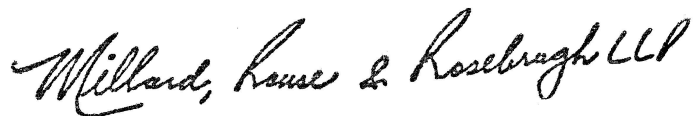
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Municipal Employees' Credit Union Limited as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



February 16, 2017  
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## STATEMENT OF FINANCIAL POSITION

As at December 31	2016	2015
<b>ASSETS</b>		
Cash and bank	5,037,882	6,177,042
Investments (Note 4)	12,577,170	12,081,145
Derivatives (Note 5)	555,571	438,253
Loans to members (Note 6)	164,464,725	149,809,164
Accounts receivable	35,768	197,635
Prepaid expenses	341,507	349,009
Property, plant and equipment (Note 8)	2,269,562	2,399,242
Intangible assets (Note 8)	355,764	372,859
	185,637,949	171,824,349
<b>LIABILITIES</b>		
Term loans (Note 9)	5,000,000	-
Members' deposits (Note 10)	166,963,082	158,955,117
Accounts payable and accrued liabilities	1,496,836	1,050,581
Derivatives (Note 5)	473,146	269,664
Income taxes payable	18,084	23,998
Deferred income tax liability (Note 16)	83,826	102,650
Members' share capital (Note 11)	922,859	946,834
	174,957,833	161,348,844
<b>MEMBERS' EQUITY</b>		
Undivided Earnings	146,344	114,048
Accumulated Other Comprehensive Income	33,772	111,457
Reserves (Note 12)	10,500,000	10,250,000
	10,680,116	10,475,505
	185,637,949	171,824,349

See accompanying notes

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2016	2015
<b>Interest Revenue</b> (Note 14)	6,131,192	6,217,351
<b>Interest Expense</b> (Note 15)	1,569,253	1,621,927
<b>Interest Margin</b>	4,561,939	4,595,424
Other income	1,867,777	1,892,619
<b>Income Before Operating Expenses</b>	6,429,716	6,488,043
<b>Operating Expenses</b>		
Employee salaries and benefits	3,264,794	3,427,397
Occupancy	490,750	489,001
Administration	734,471	756,721
Data processing	818,898	744,529
Lending	218,217	191,538
Loan protection and life savings insurance	30,436	30,755
Member deposit insurance	138,755	131,762
Board and committee expenses	61,654	52,908
Depreciation	345,784	363,028
	6,103,759	6,187,639
<b>Income Before Income Taxes</b>	325,957	300,404
Income taxes - current (Note 16)	48,000	43,000
- deferred (Note 16)	(4,339)	2,400
<b>Net Income</b>	282,296	255,004
<b>Other Comprehensive Income (Loss)</b>		
Change in unrealized gains / (losses) 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)
<b>Other Comprehensive Income for the Year</b>	(77,685)	54,587
<b>Comprehensive Income for the Year</b>	204,611	309,591

See accompanying notes

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<b>Accumulated Other Comprehensive Income Cash Flow Hedges</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance at January 1, 2015</b>	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
<b>Balance at December 31, 2015</b>	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)
<b>Balance at December 31, 2016</b>	33,772	10,500,000	146,344	10,680,116

*See accompanying notes*

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## STATEMENT OF CASH FLOWS

For the year ended December 31	2016	2015
<b>Cash Flows From Operating Activities</b>		
Net Income	282,296	255,004
Adjustments for:		
Interest revenue	(6,131,192)	(6,217,351)
Interest expense	1,569,253	1,621,927
Interest received on member loans	5,953,394	5,909,020
Interest received on investments	204,112	328,943
Interest paid on member deposits	(1,631,068)	(1,634,006)
Depreciation	345,784	363,028
Deferred income taxes	(4,339)	2,400
Income taxes (paid) recovered	(48,000)	(23,506)
Net change in non-cash working capital balances related to operations	651,703	263,894
	1,191,943	869,353
<b>Cash Flows From Financing Activities</b>		
Term loans	5,000,000	-
Member deposits and share capital	8,045,805	8,135,812
	13,045,805	8,135,812
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment and intangible assets	(199,009)	(278,409)
Loans and mortgages to members	(14,687,792)	(6,171,190)
Investments	(490,107)	(451,292)
	(15,376,908)	(6,900,891)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,139,160)	2,104,274
<b>Opening Cash and Cash Equivalents</b>	6,177,042	4,072,768
<b>Closing Cash and Cash Equivalents</b>	5,037,882	6,177,042

See accompanying notes

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 1. NATURE OF OPERATIONS

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#### **Reporting Entity**

Hamilton Municipal Employees' Credit Union Limited (the credit union) is a company incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario. The credit union offers retail banking services to its members. The head office is located at 209 Limeridge Road East, Hamilton, Ontario.

These financial statements have been authorized for issue by the Board of Directors on February 16, 2017.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

These financial statements were prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative financial instruments measured at fair value.

The credit union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the credit union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### **Cash and Bank**

Cash and bank includes cash on hand and deposits with banks. Cash and bank accounts are classified as available-for-sale and measured at fair value.

#### **Central 1 Deposits**

Deposits with Central 1 are classified as loans and receivables and are initially measured at fair value plus transaction costs. Subsequently these deposits are measured at amortized cost which approximates fair value.

#### **Other Debt and Equity Instruments**

Other debt and equity instruments which can be traded are classified as available-for-sale and initially measured at fair value. Subsequently they are carried at fair value unless they are not quoted in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

#### **CUCO Co-op Investments**

The investment in CUCO Cooperative shares is designated as fair value through profit or loss and recorded at fair value. Changes in market value are recorded as investment income and included in net income.



# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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#### Hedges

The credit union periodically enters into derivative contracts to manage financial risks associated with movements in interest rates. The credit union does not enter into derivative financial instruments for trading or speculative purposes.

When derivatives are used to manage exposures, the credit union determines, for each derivative, whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a cash flow hedge of a specifically identified group of assets or liabilities. The credit union formally assesses and documents whether these derivatives are effective in offsetting changes in cash flows of hedged assets or liabilities.

These derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Gains and losses resulting from changes in fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income. The ineffective portion is recognized immediately in income as other income.

#### Market Based Deposits

The credit union has various deposits from members whereby interest will be paid based on certain market indicators. To offset exposure to fluctuations in these indicators, the credit union has entered into derivative contracts with Central 1 whereby Central 1 will pay the interest on these deposits. In return, the credit union will pay a fixed rate of interest to Central 1 on these deposits. These derivative contracts are designated as fair value through profit or loss and are measured at fair value both initially and subsequently.

#### Loans to Members

All loans to members are financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables. Member loans are initially measured at fair value, net of loan origination fees. Loans are subsequently measured at amortized cost using the effective interest rate method, less any impairment. An allowance for doubtful loans is deducted from the total of the loans on the statement of financial position.

This allowance is calculated at the greater of the amount determined by specific account or the minimum allowance prescribed by By-Law #6 of the Deposit Insurance Corporation of Ontario.

#### Property, Plant and Equipment and Amortization

Property, plant and equipment assets are stated at cost. Depreciation is provided for in the accounts as follows:

Building	40 years straight line
Leasehold improvements	Remaining term of the lease
Furniture and fixtures	5 to 10 years straight line
Computer equipment	3 to 5 years straight line

#### Intangible Assets

Intangible assets consist of computer software, rights for the use of software, and costs incurred to acquire those rights. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment (losses). Depreciation is provided using the straight-line basis over 25 years.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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#### **Accounts Payable**

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently are carried at amortized cost using the effective interest rate method.

#### **Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable income will be available to allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

#### **Member Deposits**

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

#### **Members' Shares**

Members' shares issued by the credit union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

#### **Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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#### **Revenue Recognition**

Interest on loans and investments is recognized as earned at the end of each month and when ultimate collection is reasonably assured. Other income consists of commission income, service charges, and rent. Other income is recognized when the transaction generating the commission or service charge occurs. Rental income is earned at the end of each month of the rental contract.

#### **Foreign Currency Translation**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of available for sale financial assets are treated as a separate component of the change in fair value and recognized in net income.

#### **Standards, Amendments and Interpretations Not Yet Effective**

Certain new standards, amendments and interpretations have been published that are mandatory for the credit union's accounting periods beginning on or after January 1, 2016 or later periods that the credit union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the credit union are:

- (i) IFRS 9 Financial Instruments (2014) was released on July 24, 2014 as the final project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a new "expected loss" impairment model which replaces the "incurred loss" model in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The credit union is in the process of evaluating the impact of the new standard and will continue to monitor developments that may impact its financial reporting.

None of the other new standards, interpretations or amendments, which are effective for the credit union's accounting periods beginning after January 1, 2017 and which have not been adopted early, are expected to impact on the credit union's future financial statements.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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The credit union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Fair Value of Financial Instruments**

The credit union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

#### **Loan Loss Provision**

In determining whether an impairment loss should be recorded in the statement of comprehensive income the credit union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the credit union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

4. INVESTMENTS	2016	2015
<b>Debt Instruments</b>		
Central 1 Liquidity reserve deposit	10,802,027	10,315,974
Accrued interest	29,238	23,320
Total Central 1 Deposits	10,831,265	10,339,294
<b>Equity Instruments</b>		
Central 1 Credit Union - Class A	675,470	622,966
Central 1 Credit Union - Class E	692,400	692,400
CUCO Cooperative Association	376,550	425,000
Other investments	1,485	1,485
Total Equity Instruments	1,745,905	1,741,851
	12,577,170	12,081,145

As a condition of membership in Central 1, the credit union is required to maintain an interest bearing "liquidity reserve deposit" equal to 6% of its total assets at the end of each calendar quarter. Except for possible refunds occasioned by future reductions in total assets, this deposit is refundable to the credit union only in the event of the credit union's dissolution or withdrawal from membership in Central 1.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Central 1 Class A shares are subject to an annual rebalancing mechanism and are redeemable at the option of Central 1. There is no separately quoted market value for these shares, however fair value is determined to be equivalent to the par value.

Central 1 Class E shares are redeemable at \$100 per share. There is no separately quoted market value for these shares. The fair value is determined to equal the redemption value.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 4. INVESTMENTS (Cont'd)

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#### **CUCO Cooperative Association**

In 2008, as a condition of the formation of Central 1 Credit Union, the credit union was required to invest \$967,409 in ABCP 2008 Limited Partnership units. On August 17, 2011, Credit Union Central of Ontario became CUCO Cooperative Association ("CUCO Co-op"). On August 31, 2011, CUCO Co-op purchased all of the assets of ABCP 2008 Limited Partnership in exchange for shares of CUCO Co-op. On September 2, 2011, ABCP 2008 Limited Partnership distributed to each credit union such credit union's proportionate share of CUCO Co-op Class B Investment Shares. The value previously held in the form of the credit union's LP units was effectively transferred to its new CUCO Co-op Class B Investment Shares and the LP units have no value. As of September 2, 2011, the credit union received 252,660,328 Class B Investment Shares, which is 0.7243% of the total Class B Investment Shares outstanding. The credit union has designated this investment as fair value through profit and loss and adjustments to fair value are included in investment income. The fair value of the investment is determined by an independent valuation of the underlying investments of the CUCO Co-op using valuation techniques based on discounted expected future cash flows.

### 5. DERIVATIVES

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The credit union has outstanding \$3,863,925 (2015 - \$4,358,570) in index linked term deposits to its members. The index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. The embedded derivatives associated with these deposits are presented in liabilities and have a fair value of \$473,146 (2015 - \$269,664).

The credit union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the credit union pays a fixed rate of interest for the term of each index linked term deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at December 31, 2016, the credit union had entered into such contracts on index linked term deposits for a total of \$3,727,341. The agreements are secured by a general security agreement covering all assets of the credit union.

From time to time, in the ordinary course of business, the credit union enters into interest rate swaps in order to hedge against exposure to interest rate fluctuations. At December 31, 2016, the credit union was party to seven such agreements with Central 1 Credit Union. The agreements, in aggregate, represent a notional principal amount of \$8,000,000 (\$14,000,000 in 2015), maturing between January 2017 and June 2018.

Under the terms of these agreements, the credit union has contracted with the counter party to pay interest at a variable rate equivalent to the one month CDOR rate, to be repriced monthly, while receiving interest at a fixed rate on the notional principal amount. The credit union is currently receiving fixed rates on these swaps ranging from 1.56% to 2.01% and is paying variable rates as at December 31, 2016 ranging from 0.90% to 0.929%.

In the normal course of operations, the credit union enters into foreign exchange forward contracts to buy or sell foreign currencies at a set exchange rate. One contract is in effect at year end whereby the credit union is obligated to buy \$1 million US in exchange for \$1,320,400 Canadian on January 17, 2017.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 5. DERIVATIVES (Cont'd)

	2016	2015
<b>Derivative assets</b>		
Index linked hedge receivable from Central 1	473,146	269,664
Interest rate swaps	60,125	168,589
Foreign exchange forward contract	22,300	-
	555,571	438,253
<b>Derivative liabilities</b>		
Index linked derivatives payable on member deposits	473,146	269,664

These derivatives have a fair value that varies based on the particular contract and changes in interest rates. The purpose of these derivatives is to provide a hedge against interest rate fluctuations by improving the credit union's matching of its asset and liability positions.

### 6. LOANS TO MEMBERS

	2016	2015
Personal loans	16,889,453	17,600,388
Residential mortgages	142,575,626	126,280,906
Bridge loans	469,125	-
Syndicated loans	4,531,638	5,871,758
Accrued interest	179,493	211,725
	164,645,335	149,964,777
Less: allowance for impaired loans (Note 7)	180,610	155,613
Total Loans Receivable	164,464,725	149,809,164

Personal loans consist of term loans and lines of credit that are not real estate secured and, as such, have various repayment terms. Some personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignment only. Personal loans have fixed or variable interest rates and a maximum term of 5 years with an average rate of 6.19% at December 31, 2016 (6.46% in 2015).

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with blended payments of principal and interest. Residential mortgages have fixed or variable interest rates with an average rate of 3.36% at December 31, 2016 (3.65% in 2015).

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 6. LOANS TO MEMBERS (Cont'd)

Syndicated loans consist of commercial loans and mortgages to individuals, partnerships and corporations and have various repayment terms. They are secured by various types of collateral including mortgages on real property, general security agreements, and personal guarantees. These loans have fixed or variable interest rates with an average rate of 4.87% at December 31, 2016 (4.84% in 2015).

#### Credit Quality of Loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2016	2015
Unsecured loans	5,251,206	5,883,274
Loans secured by cash or property	12,107,372	11,717,114
Residential mortgages	124,944,893	108,976,791
Insured residential mortgages	17,630,733	17,304,115
Loans secured by commercial property	4,531,638	5,871,758
	164,465,842	149,753,052

#### Concentration of Risk

The credit union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

At December 31, 2016 there is one loan (2015 - 2 loans) that exceeds 10% of member equity. The total of this loan is as follows:

	2016	2015
Syndicated loans	1,500,000	2,826,473

All member loans are with members located in Southwestern Ontario.



# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 7. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision comprises:

	2016	2015
Collective provision	87,264	88,250
Individual specific provision	93,346	67,363
<b>Total provision</b>	<b>180,610</b>	<b>155,613</b>

The allowance for impaired loans is broken down as follows:

	Allowance for Impaired Loans		Aggregate Impaired Loans	
	2016	2015	2016	2015
Personal loans	67,770	60,917	114,650	60,917
Lines of credit	25,576	6,446	26,122	6,446
Non-specified loans	87,264	88,250	-	-
Residential mortgages	-	-	544,588	-
	180,610	155,613	685,360	67,363

Movement in individual specific provision and collective provision for impairment:

2016	Specific Provision	Collective Provision	Total
Balance at January 1, 2016	67,363	88,250	155,613
Recoveries of loans previously written off	18,928	-	18,928
Provision charged to net income	96,195	(986)	95,209
	182,486	87,264	269,750
Loans written off	(89,140)	-	(89,140)
<b>Balance at December 31, 2016</b>	<b>93,346</b>	<b>87,264</b>	<b>180,610</b>

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 7. ALLOWANCE FOR IMPAIRED LOANS (Cont'd)

2015	Specific Provision	Collective Provision	Total
Balance at January 1, 2015	40,646	86,620	127,266
Recoveries of loans previously written off	18,490	-	18,490
Provision charged to net income	88,117	1,630	89,747
	147,253	88,250	235,503
Loans written off	(79,890)	-	(79,890)
Balance at December 31, 2015	67,363	88,250	155,613

#### Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

The credit union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the credit union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the credit union to reduce any differences between loss estimates and actual loss experience.

For purposes of the collective provision, loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 8. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Leasehold Improvements	Furniture & Fixtures	Computer Equipment	Total	Intangibles
<b>Cost</b>							
Balance at January 1, 2015	437,779	1,997,474	988,229	694,602	1,435,147	5,553,231	369,085
Additions	-	1,271	-	40,885	130,781	172,937	105,472
Balance at December 31, 2015	437,779	1,998,745	988,229	735,487	1,565,928	5,726,168	474,557
Additions	-	77,316	30,000	42,820	2,995	153,131	45,878
Disposals	-	-	(18,809)	-	-	(18,809)	-
Balance at December 31, 2016	437,779	2,076,061	999,420	778,307	1,568,923	5,860,490	520,435
<b>Accumulated Depreciation</b>							
Balance at January 1, 2015	-	966,745	408,785	559,164	1,075,082	3,009,776	55,820
Depreciation expense	-	53,125	68,009	37,019	158,997	317,150	45,878
Balance at December 31, 2015	-	1,019,870	476,794	596,183	1,234,079	3,326,926	101,698
Depreciation expense	-	49,619	65,501	37,783	129,908	282,811	62,973
Disposals	-	-	(18,809)	-	-	(18,809)	-
Balance at December 31, 2016	-	1,069,489	523,486	633,966	1,363,987	3,590,928	164,671
<b>Net book value</b>							
January 1, 2016	437,779	978,875	511,435	139,304	331,849	2,399,242	372,859
December 31, 2016	437,779	1,006,572	475,934	144,341	204,936	2,269,562	355,764

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

9.	TERM LOAN	2016	2015
	1.42% term loan with Central 1 Credit Union, maturing January 23, 2017	5,000,000	-
10.	MEMBERS' DEPOSITS	2016	2015
	Chequing accounts	16,780,854	15,803,463
	Savings accounts	54,618,897	51,982,662
	Term deposits	26,759,805	24,908,638
	Tax free savings accounts	18,985,082	15,608,676
	Registered retirement savings plans	32,675,247	34,644,540
	Registered retirement income funds	16,537,049	15,339,175
	Accrued interest	606,148	667,963
		166,963,082	158,955,117

Chequing and savings accounts are due on demand.

Term deposits have fixed rates of interest for terms up to five years, or pay a return based on market indexes. Interest can be paid monthly, annually, or upon maturity. At December 31, 2016, the average interest rate on term deposits was 1.64% (1.76% in 2015).

Registered retirement savings plan accounts can be fixed or variable rate, or pay a return based on market indexes. Fixed rate deposits have similar terms and rates as the term deposits described above.

Registered retirement income fund accounts can be fixed or variable rate with terms similar to those of registered retirement savings plan accounts described above. Members may make withdrawals from RRIFs on a monthly or annual basis according to individual needs and statutory requirements.

Tax free savings accounts can be fixed or variable rate with terms and conditions similar to those of the registered retirement savings plan accounts described above.

### Concentration of Risk

The credit union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

No individuals or related groups of members' deposits exceed 1% of members' deposits.

All members' deposits are primarily with members located in Southwestern Ontario.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 11. MEMBERS' SHARE CAPITAL

As a condition of membership, each member is required to hold a minimum of \$25 in membership shares. This capital is of a permanent nature which cannot be withdrawn except upon the death or withdrawal from membership of the member. Any special dividends added to a member's permanent share capital account cannot be withdrawn except on the above conditions. As at December 31, 2016, the credit union had 12,167 members.

### 12. RESERVES

This amount is set aside in order to meet regulatory capital requirements (see Note 13) and to provide adequate operating capital.

On January 19, 2017, the Board of Directors approved a transfer of \$250,000 to this reserve from undivided earnings, effective December 31, 2016.

### 13. CAPITAL MANAGEMENT

The credit union maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover the risks inherent in the business. The credit union considers its capital to comprise cash resources, membership shares, undivided earnings, reserves, and the general allowance against doubtful loans.

The credit unions and Caisses Populaires Act, 1994 requires that the credit union maintain regulatory capital of 4% of total assets and 8% of a risk weighted equivalent value. The risk weighted equivalent value is calculated by applying risk weight percentages as prescribed by the Act to various assets, operational and interest rate risk criteria.

<b>Regulatory capital</b>	<b>2016</b>	<b>2015</b>
<b>Tier 1 Capital</b>		
Membership shares	922,859	946,834
Undivided earnings	146,344	114,048
Reserves	10,500,000	10,250,000
<b>Tier 2 Capital</b>		
Collective provision for impaired loans	87,264	88,250
	11,656,467	11,399,132
Percentage of total assets	6.2%	6.6%
Risk weighted equivalent value	79,211,327	74,803,743
Percentage of risk weighted assets	14.7%	15.2%

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 13. CAPITAL MANAGEMENT (Cont'd)

The Act also requires that the credit union maintain prudent levels of liquidity sufficient to meet its cash flow needs. Assets held for liquidity purposes include:

	2016	2015
Cash	5,037,882	6,177,042
Payroll deposits receivable	5,535	170,283
Liquidity deposits with Central 1 Credit Union	10,802,027	10,315,974
	15,845,444	16,663,299
% of member deposits and borrowings	9.25 %	10.53 %

### 14. INTEREST REVENUE

	2016	2015
Personal loans	1,087,139	1,138,718
Mortgages	4,834,023	4,777,498
Investments	210,030	301,135
	6,131,192	6,217,351

### 15. INTEREST EXPENSE

	2016	2015
Demand savings accounts	206,753	211,638
Term deposits	461,858	480,273
Tax free savings accounts	195,396	159,352
Registered retirement savings plans	455,960	504,631
Registered retirement income funds	249,286	266,033
	1,569,253	1,621,927

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 16. INCOME TAX

The current income tax provision was calculated as follows:

	2016	2015
Income per statement before income taxes	325,957	300,404
Capital cost allowance in excess of amortization	17,517	5,722
Adjust allowance for impaired loans to allowance for tax purposes	2,500	2,834
Unrealized investment income	(8,770)	(25,522)
Other adjustments	-	1,495
<b>Taxable income</b>	<b>337,204</b>	<b>284,933</b>
Tax at prescribed rate of 26.50% (2015 - 26.50%)	89,359	75,507
Small business deduction	(41,359)	(32,507)
	48,000	43,000
<b>Deferred Tax Expense</b>	<b>2016</b>	<b>2015</b>
Origination and reversal of temporary differences	(1,744)	2,400
Reduction in tax rate	(2,595)	-
	(4,339)	2,400

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 16. INCOME TAX (Cont'd)

The movement in deferred tax liabilities and assets are:

<b>2016</b>	<b>Opening Balance</b>	<b>Recognized in Net Income</b>	<b>Recognized in OCI</b>	<b>Closing Balance</b>
Property, plant and equipment	33,434	(3,706)	-	29,728
Investments	51,184	(336)	-	50,848
Allowance for impaired loans	(2,412)	(297)	-	(2,709)
Cash flow hedges	20,444	-	(14,485)	5,959
	<b>102,650</b>	<b>(4,339)</b>	<b>(14,485)</b>	<b>83,826</b>

<b>2015</b>	<b>Opening Balance</b>	<b>Recognized in Net Income</b>	<b>Recognized in OCI</b>	<b>Closing Balance</b>
Property, plant and equipment	34,551	(1,117)	-	33,434
Investments	47,228	3,956	-	51,184
Allowance for impaired loans	(1,973)	(439)	-	(2,412)
Cash flow hedges	10,431	-	10,013	20,444
	<b>90,237</b>	<b>2,400</b>	<b>10,013</b>	<b>102,650</b>

Expected settlement of deferred tax liabilities and assets are:

	<b>2016</b>	<b>2015</b>
Settled within 12 months	8,352	9,154
Settled after more than 12 months	75,474	93,496
	<b>83,826</b>	<b>102,650</b>



# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 17. RELATED PARTY TRANSACTIONS

The credit union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, including directors and management.

<b>Compensation</b>	<b>2016</b>	<b>2015</b>
Salaries and other short-term employee benefits	475,712	561,777
Total pension and other post-employment benefits	77,141	100,286
	552,853	662,063

<b>Loans to Key Management Personnel and Directors</b>	<b>2016</b>	<b>2015</b>
Aggregate value of loans advanced	996,866	554,657
Interest received on loans advanced	31,820	18,080
Total value of lines of credit advanced	1,059,387	976,464
Interest received on lines of credit advanced	33,391	36,734
Unused value of lines of credit	330,602	279,351

The credit union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit.

<b>Deposits from Key Management Personnel and Directors</b>	<b>2016</b>	<b>2015</b>
Aggregate value of term and savings deposits	872,666	1,032,318
Total interest paid on term and savings deposits	11,774	12,023

The credit union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

Included in board and committee expenses are honoraria totaling \$42,484 (2015 - \$41,630).

The Act requires the disclosure of remuneration paid to the five highest paid officers and/or employees whose total remuneration for the year exceeds \$150,000.

	<b>Salary</b>	<b>Value of Benefits</b>
Douglas Mann, CEO	165,125	26,000

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 18. FINANCIAL INSTRUMENTS

The following table represents the carrying amount by classification.

	2016	2015
<b>Available-for-Sale:</b>		
Cash	5,037,882	6,177,042
Investments	1,369,355	1,316,851
	<u>6,407,237</u>	<u>7,493,893</u>
<b>Loans and Receivables:</b>		
Investments	10,831,265	10,339,294
Loans	164,464,725	149,809,164
Accounts receivable (other)	35,768	197,635
	<u>175,331,758</u>	<u>160,346,093</u>
<b>Fair Value Through Profit and Loss:</b>		
Investments	376,550	425,000
Derivative assets	495,446	269,664
Derivative liabilities	(473,146)	(269,664)
	<u>398,850</u>	<u>425,000</u>
<b>Cash Flow Hedge:</b>		
Derivative assets	60,125	168,589
<b>Other Liabilities:</b>		
Member deposits	166,963,082	158,955,117
Member shares	922,859	946,834
Accounts payable	1,496,836	1,050,581
	<u>169,382,777</u>	<u>160,952,532</u>

The amounts set out below represent the fair values of the credit union's financial instruments where fair value differs from carrying cost. Assets that are not considered financial instruments, such as property, plant and equipment, prepaid expenses and income taxes recoverable, are excluded.

Fair value of variable rate loans and member deposits are assumed to equal the book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

Fair value of fixed rate investments, fixed rate loans, and fixed rate member deposits is determined by discounting the expected future cash flows of these investments, loans, and deposits at current market rates for products with similar terms and credit risks. Contractual cash flows are assumed to represent expected cash flows.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 18. FINANCIAL INSTRUMENTS (Cont'd)

2016	Fair value	Book value	Fair value over (under) book value
<b>Assets</b>			
Investments	10,832,900	10,831,265	1,635
Loans and mortgages	164,879,579	164,464,725	414,854
<b>Liabilities</b>			
Member deposits	166,733,689	166,963,082	(229,393)
<hr/>			
2015	Fair value	Book value	Fair value over (under) book value
<b>Assets</b>			
Investments	10,345,482	10,339,294	6,188
Loans and mortgages	150,208,824	149,809,164	399,660
<b>Liabilities</b>			
Member deposits	159,472,339	158,955,117	517,222

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

#### Level 1

Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

#### Level 2

Fair value fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

#### Level 3

Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 18. FINANCIAL INSTRUMENTS (Cont'd)

#### December 31, 2016

#### Financial Instruments

Measured at Fair Value	Level 1	Level 2	Level 3	Total
Cash and bank	5,037,882	-	-	5,037,882
Central 1 Credit Union - Class A	-	675,470	-	675,470
Central 1 Credit Union - Class E	-	692,400	-	692,400
Derivative assets	-	-	555,571	555,571
CUCO Cooperative Association	-	-	376,550	376,550
Derivative liabilities	-	-	473,146	473,146
<b>Total fair value investments</b>	<b>5,037,882</b>	<b>1,367,870</b>	<b>458,975</b>	<b>6,864,727</b>

#### December 31, 2015

#### Financial Instruments

Measured at Fair Value	Level 1	Level 2	Level 3	Total
Cash and bank	6,177,042	-	-	6,177,042
Other debt instruments	-	-	-	-
Central 1 Credit Union - Class A	-	622,966	-	622,966
Central 1 Credit Union - Class E	-	692,400	-	692,400
Other investments	-	-	-	-
Derivative assets	-	-	438,253	438,253
CUCO Cooperative Association	-	-	425,000	425,000
Derivative liabilities	-	-	269,664	269,664
<b>Total fair value investments</b>	<b>6,177,042</b>	<b>1,315,366</b>	<b>593,589</b>	<b>8,085,997</b>

#### Reconciliation of Level 3 financial instruments

	2016	2015
Balance beginning of year	593,589	477,529
Gains (losses) included in the statement of income as investment income	(5,564)	51,460
Gains (losses) included in other comprehensive income	(71,830)	64,600
Distributions received	(57,220)	-
<b>Balance, end of year</b>	<b>458,975</b>	<b>593,589</b>

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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### 19. RISK MANAGEMENT

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The Board of Directors has overall responsibility for the determination of the credit union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the credit union's finance function. The Board of Directors receives monthly reports from the credit union's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

#### **Credit Risk**

The credit union is exposed to the risk of loss related to loans and mortgages receivable. The credit union invests in loans as its primary source of revenue. Credit is granted through consideration of the member's character, credit history, capacity for debt, and value of collateral available to secure the loan. The risk of credit loss is mitigated by requiring collateral security on loans in excess of \$30,000. Mortgages are secured by real property. Term loans and lines of credit are secured by other assets equivalent to the approved balance on the loan.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans monthly.

A sizeable portfolio of the loan book is secured by residential property in Hamilton, Ontario. Therefore, the credit union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### **Liquidity Risk**

Liquidity risk consists of the risk that the credit union is unable to generate sufficient cash to meet commitments as they come due. The credit union maintains a liquidity reserve with Central 1 Credit Union as described in Note 4. The credit union is also required by statute to maintain a prescribed amount of liquid assets to mitigate liquidity risk. Liquidity requirements based on expected maturity of member deposits, and the corresponding maturity of investments in loans, is described in the chart under interest rate risk below. The credit union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### **Currency Risk**

Currency risk relates to the credit union operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The credit union's foreign exchange risk is related to deposits and investments denominated in United States dollars. The credit union limits its holdings in foreign currency investments to 25% of the total investment portfolio in accordance with its investment policy. Total unhedged foreign currency must be less than 2% of total assets. Foreign currency changes are continually monitored for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 19. RISK MANAGEMENT (Cont'd)

#### Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The credit union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The credit union is required to establish policies and procedures to limit its exposure to interest rate risk. These policies must ensure that the credit union's net earnings before income taxes are not impacted by an amount greater than 0.15% of the credit union's total assets based on interest rate fluctuations that may reasonably be expected to occur. Measurement and management of exposure of interest rate sensitivity is done through a combination of income simulation and maturity gap analysis. The credit union's interest rate risk results from the fact that the maturity or repricing dates for interest rate sensitive assets differs from that for the interest rate sensitive liabilities.

The credit union is exposed to interest rate price risk as a result of fixed rate financial instruments. The credit union is exposed to interest rate cash flow risk as a result of its variable rate financial instruments.

Fixed rate financial instruments maturity dates substantially coincide with interest adjustment dates.

The tables below identifies the maturity dates of interest rate sensitive financial instruments.

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union's analysis of risk due to changes in interest rates determined that an increase in interest rates of 0.50% could result in an increase to net income of \$37,440 while a decrease in interest rates of 0.50% could result in an increase to net income of \$57,690.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

2016	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	Total
<b>Assets</b>						
Cash and bank	2,485,816	-	-	-	2,552,066	5,037,882
effective rate %	0.90	-	-	-	-	
Loans	66,182,272	5,573,745	6,998,609	85,530,606	-	164,285,232
effective rate %	4.54	3.23	3.28	2.96	-	
Investments	-	4,320,749	3,712,827	2,768,451	1,745,905	12,547,932
effective rate %	-	0.72	0.71	0.81	-	
<b>Liabilities</b>						
Member deposits	71,915,810	14,530,538	32,472,052	27,906,286	19,532,248	166,356,934
effective rate %	0.33	1.65	1.49	1.57	-	

# HAMILTON MUNICIPAL EMPLOYEES' CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

### 19. RISK MANAGEMENT (Cont'd)

2015	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	Total
<b>Assets</b>						
Cash and bank	3,411,284	-	-	-	2,765,758	6,177,042
effective rate %	0.90	-	-	-	-	-
Loans	69,882,180	6,476,124	3,985,520	69,253,615	-	149,597,439
effective rate %	4.51	3.54	3.63	3.29	-	-
Investments	-	3,446,725	3,387,734	3,481,515	1,741,851	12,057,825
effective rate %	-	0.65	0.60	0.76	-	-
<b>Liabilities</b>						
Member deposits	67,571,812	10,269,207	27,440,540	34,414,875	18,590,720	158,287,154
effective rate %	0.33	1.66	1.73	1.66	-	-

### 20. COMMITMENTS

The credit union has an authorized line of credit with Central 1 Credit Union totaling \$3,150,000. Security given is a general security agreement covering all assets of the credit union.

#### Mortgages

Outstanding commitments for future advances on mortgages are \$1,877,019 (2015 - \$1,468,890).

#### Syndication Loans

Outstanding commitments for future advances on syndicated loans are \$1,471,516 (2015 - \$Nil).

#### Credit Lines

Unused lines of credit available to members are \$35,566,988 (2015 - \$32,562,619).

#### Contract Commitments

The credit union's obligations under operating leases for its premises, banking system maintenance and other contracts over the next five years are as follows:

2017 - \$278,343    2018 - \$182,383    2019 - \$9,928

The credit union has committed to opening a satellite branch in the Juravinski hospital, and has agreed to fund \$140,000 for renovations to the branch office.