

Annual Report



2016



Eagle River Credit Union, having financial stability will promote social and economic development by providing quality financial service in a democratic and cooperative environment.

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Rules of Order

1. The Meeting shall be called to order at 19:15.
2. Members wishing to speak, shall, after recognition by the Chair, state their names.
 - to postpone a certain time (debatable)
 - to refer (debatable)
3. If a member, while speaking, be called to order, he shall, at the request of the Chair, take his seat until the question of order has been decided.
 - to postpone indefinitely (debatable)
 - to amend (debatable)
4. Should two or more members rise to speak at the same time, the Chair shall decide who is entitled to the floor.
 - to adjourn (not debatable)
 - to table (not debatable)
5. No member shall interrupt another, except on a point of privilege.
 - to put the previous question (2/3 not debatable)

which motion shall have precedence in the order listed.
6. A member shall not speak more than once upon a question until all who wish to speak have an opportunity to do so.
7. Any member, who upon request from the Chair, refuses to take his seat, shall be subject to suspension for the remainder of the meeting.
8. Any motion presented becomes the property of the Credit Union and may be withdrawn only with the consent of the assembled members.
9. Speeches shall be limited to three minutes, excluding a motion.
10. Questions have to be decided upon by a show of hands, except where the Chair is in doubt; a roll call shall be ordered, and voting by ballot.
11. A motion to reconsider shall not be entertained unless made by a delegate who voted in the majority and the motion received a majority vote.
12. When a motion is pending, no motion shall be in order except:
 13. A roll call shall require a demand for same by at least (20) members.
 14. When a roll call has been ordered, no adjournment shall take place until the results have been announced.
 15. The Chair shall be entitled to debate on the subject after calling a Vice Chair to the Chair.
 16. On items where the count is required, (i.e. By-law Issues), the count will be recorded so that the Minutes will show the number of votes cast for and against.
 17. When provision is not made in the RULES OF ORDER, and it is not in conflict with the By-laws, Robert's Rules of Order shall apply.

Annual General Meeting & Banquet

April 11, 2017

6:00 – 6:30 p.m.

Registration

6:30 p.m.

Welcoming & Introductions

Banquet

7:15 p.m.

Annual General Meeting

Entertainment

9:30 p.m.

Agenda

Annual General Meeting

- Call to Order
- Greetings from the Chair
- One Minute of Silence for the Deceased
- Proof of Proper Call
- Rules of Order and Voting
- Welcome – Special Guests
- Approval of Agenda
- ERCU AGM Minutes, April 5, 2016
- Business Arising from the Minutes

Presentation of Reports

- Report of the Board of Directors
- Report of the Chief Executive Officer
- Tabling of Auditor's Report
 - Review of Financial Statements for 2016
- Report of the Audit, Risk and Conduct Review Committee
- Report of the CSR Committee

New Business

- Approval of Dividend and Patronage Rebates for 2016
- Appointment of External Auditor for 2017
- Election of Directors
- Other New Business

Messages from Guests

- Guest Speaker – Michael Leonard

Adjournment

Door Prizes
Entertainment

EAGLE RIVER CREDIT UNION, LIMITED
Minutes - 32nd Annual General Meeting
April 5, 2016

ESTABLISHMENT OF QUORUM

Pursuant to section 11.05 of Eagle River Credit Union By-laws, a quorum will deemed to have been met when a minimum of 20 members are present and entitled to vote provided that employees and directors are not included in the minimum requirement. The Chair advised that the registration desk had confirmed as of 7:30 p.m. there were 66 voting members, 19 non-voting members and 3 guests in attendance; and therefore declared the meeting properly called.

RECOGNITION OF DECEASED MEMBERS

The Chair called for a minute of silence to honor the memory of former directors and members of the credit union.

CALL TO ORDER

The Thirty-Second Annual General Meeting of Eagle River Credit Union was called to order by the Chair, Bert Belben at 7:35 p.m.

GREETINGS FROM THE CHAIR

Mr. Bert Belben, Chair, on behalf of the Board of Directors, welcomed members and guests to the thirty-second Annual General Meeting of Eagle River Credit Union.

RULES OF ORDER AND VOTING

The Chair advised those in attendance that the Rules of Order contained in the AGM booklet shall apply to the meeting. When provision is not made in the Rules of Order, and it is not in conflict with the By-laws, Roberts' Rules of Order shall apply. The method of voting will be by displaying voting cards. For regular motions, votes will be registered "for" or "against" by raising the blue colored voting card issued to each voting member upon registration.

The Chief Scrutineer will ensure that the vote is conducted in an orderly fashion and confirm the count of any votes required by the Chair.

APPROVAL OF THE AGENDA

The chair wished to be granted the discretion to change the order of the Agenda if necessary.

MOTION -2016 AGM - 01 that the Agenda be approved as presented and the Chair have the discretion to change the order of the agenda if necessary.

MOVED BY Terry Casey, SECONDED BY Eben Humber

MOTION CARRIED

The Chair asked if there were any corrections to the Minutes of the Annual General Meeting held April 14, 2015. None were noted so the Chair declared the Minutes approved as presented and printed in the meeting booklet.

BUSINESS ARISING FROM THE MINUTES:

None were noted.

REPORTS

A. REPORT OF THE BOARD OF DIRECTORS

Chair, Bert Belben, called upon Vice-Chair, Bradley Hancock, to assume the meeting Chair's position while the reports of the Board of Directors and the Chief Executive Officer are presented.

Chair Belben presented the report on behalf of the Board. During 2015, the Credit Union continued to experience significant growth and success. As well, the Board of Directors continued to be extremely busy in keeping current within a very stringent regulatory environment, the continuing need for training and the ever constant "change" within the financial services industry.

The evolving change in the regional and national credit union system has also impacted Eagle River Credit Union. We continue to be proactive to ensure that our members have access to the latest in products and services and the utilization of technology in the delivery of those products and service.

B. REPORT OF THE CHIEF EXECUTIVE OFFICER

Alvina O'Brien, Chief Executive Officer reported on overall financial position, keeping current with technology to support consumer behavior, and recruitment challenges.

Financial results achieved in 2015 were significantly lower than previous years. We did have balance sheet growth with Assets growing by just under \$8.3 million and ending the year at \$140.3 million. Income before taxes and dividends did decrease in 2015, resulting from a reduction in commissions and rebates from system partners, an increase in Bad Debt Expense (a 375% increase over the previous year) and increased service charge and data processing expenses.

Changes in consumer behavior, shrinking financial margins and fierce competition require us to continue to create and implement strategies so that we remain relevant to our communities and our membership.

Vice-Chair, Bradley Hancock, returned the Meeting Chair's position back to Mr. Belben.

Question from the floor:

It was requested for clarification, the remuneration paid to the Board of Directors. As approved by the membership at a previous Annual General Meeting, the annual remuneration is:

| | |
|--------------|----------|
| Chairperson | \$7, 000 |
| Vice-chair | \$6, 000 |
| Board member | \$5, 000 |

C. REPORT OF THE AUDIT, RISK AND CONDUCT COMMITTEE

The Chair of the Audit, Risk and Conduct Committee, Amanda Barney reported on the key activities of the Committee during the past year.

D. REPORT OF THE AUDITOR & REVIEW OF THE FINANCIAL STATEMENT FOR 2015

Mr. Brian Scammell, CA CBV, reviewed the Auditor's Opinion on the 2015 Financial Statement as contained in the Financial Statements booklet, a copy of which forms part of these Minutes. Mr. Scammell also provided an overview of the Financial Statement for 2015.

APPROVAL OF DIVIDEND AND PATRONAGE REBATES FOR 2015.

MOTION – 2016 AGM -02 to ratify the payment of 1% dividend on Non-Equity Shares, 20% dividend on Equity Shares, 3% Patronage Refund on loan interest and a 3% bonus on deposit interest for a total of \$356 572.

MOVED BY Terry Casey, SECONDED BY Hedley Ryland

MOTION CARRIED

APPOINTMENT OF EXTERNAL AUDITOR FOR 2016

Amanda Barney, Chair of the Audit, Risk and Conduct Committee recommended that Brian T. Scammell CA CBV be the external auditor for Eagle River Credit Union for the fiscal year 2016 at a remuneration to be determined by the Board.

MOTION — 2016 AGM — 03 to approve the recommendation and re-appoint Brian T. Scammell CA CBV the External Auditor for the fiscal year 2016.

MOVED BY Ronald O'Brien, SECONDED BY Randell Flynn

MOTION CARRIED.

ELECTION

There are three vacant positions available, each for a three-year term.

The process for an electronic vote was put in place, with a call for nominations from December 8, 2015 to January 15, 2016. There were only three nominations; therefore, no need to conduct an election. The three nominees were elected by acclamation.

Elected for a 3-year term:

Bert Belben, Bradley Sheppard and Robin Spence.

NEW BUSINESS

- In response to clarification on the location of the "head office" and staffing, the Chair responded that the Registered Address for the Corporate Office of Eagle River Credit Union is 8 Branch Road, L'Anse au Loup, NL. With respect to staffing, employees are no longer required to be located at any one area or region and we currently have corporate office employees working from all of our branch locations, as well as, home offices.

- An observation/question was raised related to the “turn-over” of staff at the L’Anse au Loup location. The Chair responded that this question was of an operational nature and therefore referred to the CEO to provide a response. The CEO noted that we have had turnover at all our locations and similar experience is happening at regional, national and international levels; however, employees leave for many different reasons. She urged members to remain focused on member service levels, products and services, etc. As CEO, her responsibility is to ensure that we are meeting member financial needs and providing the appropriate level of service to meet those needs. In order for Eagle River Credit Union to continue to be successful, there needs to be strong support of the ownership and by the local people. She reiterated that it will be this support that will ensure the future success of the branch in question.
- A member raised a question on the protection of funds on deposit at the Credit Union. Credit unions are provincially regulated and deposit protection for funds on deposit are one of the highest rates both provincially and federally.

The Credit Union Deposit Guarantee Corporation insures deposits of Members and Associate Members of credit unions in Newfoundland and Labrador up to \$250,000 per type of deposit. The types of deposits insured include Basic Deposits (Non-equity shares, chequing and savings accounts, term deposits, guaranteed investment certificates, etc.), Joint Deposits, Registered Savings Plans (RRSP’S, RRIF’S, and TFSA’S), and Trust Accounts.

- Two former directors were presented with service awards: – Terry Casey - 8 years serving on the Board of Directors and Lisa Davis-Ryland – 11 years serving on the Board of Directors.

MESSAGES FROM GUESTS

Clayton Handrigan (on behalf of CUDGC) and Tracey Vallis – Financial Advisor – Credential Asset Management; with messages read from Lisa Dempster, MHA - Cartwright-L’Anse au Clair and Yvonne Jones, MP – Labrador.

ADJOURNMENT

MOTION – 2016 – 04 to adjourn the meeting at 9:15pm.
MOVED BY Eben Humber.

CHAIR

CORPORATE SECRETARY

Report of the Board of Directors

This past year marked the 33rd anniversary of our credit union working cooperatively with you to provide financial services to the communities in which we live and work. This past year, we have once again experienced significant growth and success and we are quite pleased to provide you with the results for 2016.

Collaboration for Success/ System Transformational Change

Eagle River Credit Union continues to be represented at the regional level as we continuously focus on providing you with exceptional member experiences.

Credit unions across the country are collaborating to create efficiencies and create value for credit union members. Likewise, here at home, we continue to seek new opportunities and have been working closely with credit unions locally and in the Atlantic Region to seek new ways of collaboration to cut costs; while at the same time, increase our value proposition to our members. Your Board strongly supports various initiatives undertaken and have committed financial and human resources as our investment in moving the system forward. Adaptability will play a huge role if we are to remain relevant and sustainable in the future.

A recent report by Accenture (a global management consulting, technology services and outsourcing company), which surveyed over 4,000 consumers in Canada and the US, suggests that customer expectations are shaping the future of banking in North America like never before. Today's customers expect personalized solutions for how, when, and where they want to bank. It is further suggested that to stay relevant we must anticipate customer needs in new ways in a new environment. This requires a relentless focus on creating an exceptional member experience enabled by analytics-driven customer insight. Four key findings from the study suggests how financial institutions can evolve customer relationships – from staying close and becoming more proactive to using their competitive advantage managing customers data and keeping pace with a new generation of banking customers: reinventing the branch experience; going beyond financial transactions; making the most of customer trust; and winning millennial customers. These findings support

the direction that we have been taking over the past several years on your behalf and we must remain focused if we wish to be sustainable and thrive in the future.

Member/Community Outreach

Member Satisfaction Survey

This past year, we outsourced a member satisfaction survey, the first in quite a number of years. The survey was completed by 923 members (11.10% of total membership). Respondents' age ranged from 16 – 75 with the largest proportion being 46 – 55 (30.2%), followed by 36 – 45 (24.7%) and 26 – 35 (16.1%). 82.6% of those who responded use ERCU as their primary financial institution. We were extremely pleased to receive an overall satisfaction rating of 86.78%. 90.25% of respondents indicated they would refer ERCU to friends or family.

Member Information Sessions

Two years ago, we decided to revisit how your Board was communicating with members. As a result, we have set a goal of holding Branch Member Information Sessions in at least two branch locations annually. In 2016, those meetings were held in St. Anthony and L'Anse au Loup. These opportunities allow us to share information about respective branches in terms of financial position and community involvement, etc. and provides us with a great forum for open dialogue. Feedback from members and participation has been very positive to date and it is anticipated that going forward we will continue to engage members through this process.

Future AGMs

As a result of expanding on our focus of member engagement and holding more frequent information sessions, it is further anticipated that the structure of our annual general meetings will need to be examined to determine how we can be more inclusive with respect to membership attendance. For example, a sit-down dinner and entertainment may not be a part of AGMs of the future as this format only allows us to communicate with a small number of members – the turnout in recent years has been decreasing annually. Our goal will be to engage members from all branches and may include live streaming, podcasts, etc. if/when technology supports this type of meeting.

Board of Directors

Electronic Voting

This year we implemented electronic voting for board elections resulting from a By-law change that was approved in 2013. The process had not been exercised prior to this year as a result of the low number of nominees for the Board, resulting in elections by acclamation. We were extremely pleased with the amount of interest expressed this year with six nominees for three vacant positions – the results of which will be shared with you later by the Nomination Committee.

Board Training

In today's environment, continuous learning and upskilling is a requirement for your Board. New directors participate in an orientation program followed by structured learning to prepare them for their role as a director. On an ongoing basis, it is imperative that directors continue to participate in regulatory and governance training to allow them to be effective and to insure that we provide the level of direction and support required. During the past year, the Board participated in learning opportunities including attending a regional Director Forum, self-directed training and webinars.

Regulatory Environment

The regulatory environment in which we operate continues to add additional accountability and responsibility on the Board. As a result, we are tasked with keeping abreast of changes to regulations that impact our fiduciary duties and credit union operations. We are governed by Federal and Provincial Legislation and by Provincial Credit Union Regulators.

Your Board of Directors is responsible under law for oversight of the management of ERCU business. The Board has the statutory authority and obligation to protect the assets of the organization in the interest of all stakeholders. Credit Union policies are approved by the Board and the CEO is held accountable for the implementation. We sometimes hear from members that our requirements for loan requests, for example, may be too stringent; however, our policies and procedures are in compliance with the Act and Regulations under which we operate. Our regulators perform monthly desk audits and biennial

examinations to ensure we are in compliance.

Additionally, we have internal audits and an external audit completed annually to test our internal controls and financial reporting.

Financial Results

While this past year was not without its challenges, from a financial perspective, the Board was pleased with the results achieved. As indicated throughout my report, the financial needs of members are constantly changing and in reviewing our business model, we believe that there is much opportunity for increasing our market share in the communities that we serve; however, the service delivery channels and the way in which we do business today will require continued focus and change in order for us to remain relevant and sustainable in the future.

The CEO and our External Auditor will provide you with more details of the financial results in their respective reports. However, we are quite pleased to once again be in a position to share our success with employees and members. We approved an allocation of just under \$90,000 our variable pay program for employees, and we will be recommending approval of dividends and patronage rebates at this meeting.

In closing, I extend sincere thanks to my colleagues for their efforts and dedication over the past year. There is no doubt that the amount of time and level of commitment required to carry out your fiduciary duties is constantly growing. On behalf of the Board I would also like to thank the CEO, Executive Management, and the management team, along with the entire staff for the work that they do to ensure the success of the credit union. Working together we will continue to provide great benefits to our members and the communities we serve.

On behalf of the Board,



Bert Belben, President

Report of the CEO

This past year has been an extremely busy, yet rewarding one. By many standards, we have achieved remarkable results, especially considering the current economic environment under which we operate.

The geographical area served by ERCU covers a vast area that often presents us with unique challenges. However, with the support of the Board, management and staff we have continued to face obstacles encountered and have been successful from many different aspects. Sometimes, solutions are not always obvious; therefore, we have to respond with an open mind and forward thinking approach.

During the past number of years at our Strategic Planning Sessions, your Board provided management with direction to use “outside the box” thinking to address recruitment challenges, service delivery options for members, and to improve on operational efficiencies. Across the entire country, credit unions are seeking new and better ways to collaborate to achieve efficiencies and add value to the member experience. I have represented ERCU on a number of committees in the Atlantic region, as has other members of the management team, and together we have invested a significant amount of time and effort to address the needs of our credit unions.

A three-year business plan developed just over a year ago and approved by the Board, uses a balanced scorecard approach to measure success for ERCU.

What have we accomplished?

Member Value

This past year, we have seen an increase of 31% in primary membership; increase of 9% in total new loans dispersed; and an increase of 4.4% in total deposits. Additionally, 330 new members joined the credit union during 2016.

We have been working closely with our employees to implement a portfolio approach to relationship management which focuses on needs assessments for members and provides opportunities to advise them on products and services best suited to achieve their financial goals. We have made further investments in technology including the installation of new updated ATMs, Interac Flash and Interac Online.

We received an overall satisfaction rate of 86.78% on our member satisfaction survey completed during 2016.

Operational Efficiency

Policies and procedures were implemented or enhanced for employees to ensure that we operate under Sound Business Practices and meet regulatory requirements. We are tasked with managing various types of enterprise risk and we take this seriously as this is meant to protect the assets of the members we serve. Internal and external audits produced favorable results, which indicates that we are operating in accordance with our internal controls and compliant with various legislation.

We also assessed our hours of business to determine if they reflect the needs of members, and as a result we have made changes so that we can accommodate members outside of regular business hours. This has been well-received by members who utilized this service.

Employee Engagement

All of our employees were asked to participate in a cultural assessment during 2016, the results of which have been used to assist us in enhancing our employee experience and to better support/prepare them to deliver on our promise of providing members with an exceptional experience and wise financial advice. This, of course, is a work in progress; however, feedback to date has been very positive at all levels. We received an overall satisfaction rating of 88% as it related to satisfaction and engagement.

As a result of focused training for member-facing employees this past year, we now have 28 employees who can assess your borrowing requests verses 7 previously.

Further details of successes and results will be provided in a separate report.

Social/Community Impact

The Co-operative Social Responsibility Committee (CSR), along with senior management spent a great deal of time reviewing our community outreach efforts and developed a formal strategic CSR plan.

As a result, you would have noticed changes in how we celebrated International Credit Union Day, volunteered our time to local organizations and individuals, participated in charity events, etc. Furthermore, we have begun to implement financial literacy sessions and have approved a "We Care" program to be introduced in 2017 to help members build/rebuild their credit, and ultimately their credit scores.

Financial

We continued to focus on creating efficiencies and cutting costs wherever possible. Additionally, we have examined every aspect of our business to determine where we may be able to create efficiencies, including installation of digital thermostats and led lighting, review of service contracts and outsourcing arrangements, travel costs, courier costs, etc. We have been working closely with other credit unions in the Atlantic Region, Atlantic Central and League Data (our technology service provider) to consider further opportunities for collaboration.

This year, the Board will be recommending ratification of payment of dividend and patronage rebates that is significantly less than the previous year. However, you will note that this is also proportionate to the profitability position of the credit union as well. It is also worth noting the your credit union is creating and providing you value and giving back all year long; therefore, it is anticipated that there may be a continuation of decreased rebates going forward. Specific impacts on the rebates are: the low interest rate environment, and decrease in member term loans, has impacted the financial revenue; our business members enjoy significantly lower service fees compared to the 5 large banks; and, our Choice Rewards loyalty program tied to the Global Payment Card is funded by ERCU and the cost has been increasing significantly year over year. Furthermore, in order to meet members' needs and finance costs associated with required technology, it will require further investments. System partners have also had to revisit their rebate programs as a result of the cost associated with these types of investments.

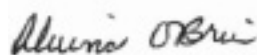
Looking forward to 2017 and beyond, we are excited at the opportunities that await us. You can expect to continue to see positive change and enhancements in the delivery and implementation of products

and services through advancements in technology, relationship management strategies and collaboration opportunities. On your behalf, we will continue to seek new and better ways to create further efficiencies and add value to your experience as a member of your Credit Union. At the end of the day, everything we do is designed with you in mind.

I would like to take this opportunity to thank the Board of Directors for their dedication, direction and support over the past year, and our employees for their dedication, focus and commitment to create an excellent member experience. Their passion for serving our members is truly amazing.

To our members, we trust that you are as pleased with this past year's results as we are, and we look forward to your continued support in 2017 and beyond as we work together to improve the lives of members and the communities in which we live and work.

Respectfully submitted,



Alvina O'Brien, Chief Executive Officer

Eagle River Credit Union Limited

Financial Statements

Year End December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Eagle River Credit Union Limited

I have audited the accompanying financial statements of Eagle River Credit Union Limited, which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive income, retained earnings and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Eagle River Credit Union Limited as at December 31, 2016 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

St. John's, NL
March 22, 2017


Brian T. Scammell Professional Corporation

EAGLE RIVER CREDIT UNION LIMITED

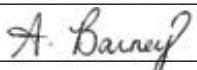
Statement of Financial Position

December 31, 2016

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents <i>(Note 4)</i> | \$ 12,338,709 | \$ 13,457,454 |
| Investments <i>(Note 5)</i> | 32,059,247 | 25,406,569 |
| Loans and mortgages receivable <i>(Notes 6, 7)</i> | 97,074,106 | 97,493,459 |
| Income taxes recoverable | 34,285 | 95,992 |
| Property, plant and equipment <i>(Note 8)</i> | 3,216,384 | 3,308,863 |
| Other assets | 1,432,827 | 575,781 |
| | \$ 146,155,558 | \$ 140,338,118 |
| LIABILITIES AND MEMBERS' EQUITY | | |
| Accounts payable and accrued liabilities | \$ 1,408,881 | \$ 1,396,165 |
| Dividends and patronage refunds payable <i>(Note 10)</i> | 175,657 | 355,110 |
| Members' deposits <i>(Note 10)</i> | 137,605,142 | 131,773,384 |
| | 139,189,680 | 133,524,659 |
| MEMBERS' EQUITY | | |
| Corporate social responsibility reserve <i>(Note 11)</i> | 64,894 | 77,757 |
| Retained earnings | 6,900,984 | 6,735,702 |
| | 6,965,878 | 6,813,459 |
| | \$ 146,155,558 | \$ 140,338,118 |

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

EAGLE RIVER CREDIT UNION LIMITED**Statement of Comprehensive Income****Year Ended December 31, 2016**

| | 2016 | 2015 |
|---|-------------------|-------------------|
| FINANCIAL REVENUE | | |
| Members' loans and mortgage <i>(Note 13)</i> | \$ 5,251,088 | \$ 5,747,439 |
| Investment | 475,943 | 304,091 |
| | 5,727,031 | 6,051,530 |
| COST OF FUNDS | | |
| Interest on members' deposits <i>(Note 14)</i> | 820,615 | 991,522 |
| NET FINANCIAL MARGIN <i>(86%; 2015 - 84%)</i> | 4,906,416 | 5,060,008 |
| FEES | | |
| Service charges | 1,329,884 | 1,228,866 |
| Other | 525,216 | 431,789 |
| Card services | 471,219 | 438,349 |
| Commissions | 243,041 | 268,213 |
| Rebates | 129,392 | 126,988 |
| | 2,698,752 | 2,494,205 |
| EXPENSES | | |
| Salaries and benefits | 2,838,071 | 2,729,445 |
| Electronic processing | 708,650 | 660,302 |
| Commissions and service charges | 624,716 | 604,588 |
| Choice rewards | 614,931 | 559,123 |
| Bad debts | 438,659 | 335,038 |
| Credit Union Deposit Guarantee Corporation assessment | 375,960 | 355,527 |
| Miscellaneous | 370,249 | 322,892 |
| Occupancy | 215,762 | 233,251 |
| Amortization | 190,016 | 184,298 |
| Professional fees | 135,726 | 195,287 |
| Business tax | 133,833 | 100,409 |
| Office and stationary | 96,862 | 92,165 |
| Board governance | 93,318 | 120,274 |
| Telephone | 78,380 | 72,502 |
| Insurance | 75,623 | 78,747 |
| Travel | 68,744 | 69,249 |
| Advertising and promotion | 56,841 | 82,100 |
| Loss on disposal of property, plant and equipment | 42,923 | - |
| Meetings | 38,686 | 17,489 |
| Computer hardware maintenance | 31,882 | 34,901 |
| | 7,229,832 | 6,847,587 |
| INCOME BEFORE INCOME TAXES | 375,336 | 706,626 |
| INCOME TAXES | | |
| Current <i>(Note 15)</i> | 16,817 | 47,591 |
| Deferred | 7,136 | 49,230 |
| | 23,953 | 96,821 |
| NET INCOME | \$ 351,383 | \$ 609,805 |

See notes to financial statements

EAGLE RIVER CREDIT UNION LIMITED

Statement of Retained Earnings

Year Ended December 31, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| RETAINED EARNINGS - BEGINNING OF YEAR | \$ 6,735,702 | \$ 6,511,461 |
| NET INCOME FOR THE YEAR | 351,383 | 609,805 |
| | 7,087,085 | 7,121,266 |
| DIVIDENDS DECLARED <i>(Note 10)</i> | (171,370) | (356,572) |
| TRANSFER TO CORPORATE SOCIAL RESPONSIBILITY RESERVE <i>(Note 11)</i> | (14,731) | (28,992) |
| RETAINED EARNINGS - END OF YEAR | \$ 6,900,984 | \$ 6,735,702 |

Statement of Cash Flow

Year Ended December 31, 2016

| | 2016 | 2015 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 351,383 | \$ 609,805 |
| Items not affecting cash: | | |
| Amortization of property, plant and equipment | 190,016 | 184,298 |
| Loss on disposal of property, plant and equipment | 42,923 | - |
| Deferred income taxes | 7,136 | 49,230 |
| Interest revenue | (5,727,031) | (6,051,530) |
| Interest expense | 820,599 | 991,522 |
| Current income taxes | 16,817 | 45,401 |
| Provision for impaired loans and mortgages | 438,659 | 335,038 |
| | (3,859,498) | (3,836,236) |
| Changes in non-cash working capital: | | |
| Accounts payable and accrued liabilities | 12,715 | 402,968 |
| Income taxes received (paid) | 44,890 | (295,472) |
| Change in loans and mortgages payable | (75,291) | 2,269,551 |
| Change in members' deposits | 5,905,830 | 7,962,225 |
| Other operating assets | (864,182) | 7,008 |
| Interest received | 5,733,205 | 5,973,073 |
| Interest paid | (894,671) | (1,020,602) |
| | 9,862,496 | 15,298,751 |
| Cash flow from operating activities | 6,002,998 | 11,462,515 |
| INVESTING ACTIVITIES | | |
| Proceeds on disposal of property, plant and equipment | 104,317 | - |
| Purchase of property, plant and equipment | (244,777) | (103,553) |
| Increase in investments | (6,602,866) | (3,834,593) |
| Payments from corporate social responsibility reserve | (27,594) | - |
| Cash flow used by investing activities | (6,770,920) | (3,938,146) |
| FINANCING ACTIVITY | | |
| Dividends paid | (350,823) | (497,201) |
| INCREASE (DECREASE) IN CASH FLOW | (1,118,745) | 7,027,168 |
| Cash - beginning of year | 13,457,454 | 6,430,286 |
| CASH - END OF YEAR | \$ 12,338,709 | \$ 13,457,454 |

See notes to financial statements

Report of the Audit, Risk, & Conduct Review Committee

The Audit Committee is a very integral component of internal control procedures, and is a key liaison with auditors. The committee has the overall responsibility to review the financial position of the credit union, as well as to review any recommendations made by internal auditors, external auditors, and other audit or examination reports received by the credit union.

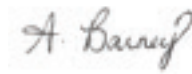
The Audit, Risk, and Conduct Review Committee have separate mandates. The Audit component of the committee is responsible to ensure the integrity of the Credit Union's financial statements, including monitoring the system of internal controls. The primary function of the Risk Committee is to oversee risk management on an enterprise wide basis. The Conduct Review Committee is primarily responsible to ensure management has developed procedures to review the organization's related party transactions and other conflict of interest situations.

To fulfill its mandate, the following were the key activities of the Audit Committee during the past year:

- Reviewed interim and audited financial statements;
 - Ensured the independence of the external auditor from the Board, Management, and Staff;
 - Monitored compliance with respect to legal and regulatory requirements as prescribed in the Credit Union Regulations under the Credit Union Act;
 - Monitored the Enterprise Risk Management Framework including procedures for identifying risks, measuring those risks, and developing appropriate risk management policies.
 - Reviewed various management reports including the Asset / Liability Management Report, Delinquency Reports, and reports on source deduction remittances to Canada Revenue Agency;
- Reviewed the results of the internal audit reports completed by Brian Scammell CA;
 - Met with the external auditor, Brian Scammell CA, to review the 2017 Audit Plan and discuss the results of the 2016 Audit.

During the past year, the Audit, Risk and Conduct Review Committee met as required under legislation, and requested information necessary to fulfill its mandate. We are satisfied that Eagle River Credit Union operated in accordance with the Credit Union Act and Regulations and its internal policies.

On Behalf of the Committee,



Amanda Barney, Chair

Report of the Co-operative & Social Responsibility Committee (CSR)

We believe in putting our members and communities first. As a result, we have a strong commitment to the communities we serve that extends beyond the financial and economic role we play in the province.

Co-operative and Social Responsibility at Eagle River Credit Union is guided by six pillars:

1. Community Leadership
2. Health Care
3. Education
4. Environmental Sustainability
5. Philanthropy/Corporate Contributions
6. Financial & Social Well-Being

The six pillars, and all their related activities, reflect our co-operative principles and our corporate values.

Our Vision for Co-operative Social Responsibility
Through our commitment to co-operative social responsibility, we will act with integrity to improve the quality of life of our employees, our members, and the communities we serve. In 2016 some outstanding examples of CSR included:



4,850
Meals served by our employees to community groups.



\$65,000
Invested In Employee Training & Development

865
Employee Volunteer Hours



88%
Employee Satisfaction Rating

75%
of employees promoted.



\$42,000
Corporate Donations

Our employees embrace what it means to be part of a co-operative and we are very proud of the contributions we continue to make in our communities.

Board, Management and Staff

Board of Directors

Bert Belben, President
Bradley Hancock, Vice President
Amanda Barney
Ginger Ryland
Terri Gilbert
Dawn Pilgrim
Bradley Sheppard
Robin Spence
David Evans, Corporate Secretary
Alvina O'Brien, Treasurer

Corporate Office

Alvina O'Brien, Chief Executive Officer
Shanti Samaroo, Director, Finance & Credit Union Operations
Lynn Hunter-Murphy, Director, Organizational Performance
Jay Vattathoor, Senior Accounting Officer
Brenda McCarthy, Manager, Operations
Sandra Pye, Retail Credit & Collections Manager
Luke Simms, Information Technology Specialist
Laquita Normore, Commercial Member Solutions Associate
Haseeb Ahmad, Corporate Management Trainee
Evelyn Russell, Human Resources Coordinator
Bernadette Normore, Administrator, Accounting
Tracey O'Brien, Member Care Coordinator
Muhammad Umair, Accounting Specialist
Mandy Russell, Administrator, Clearing & Credit Union Operations
Cindy Perry, Collections Officer
Chantel Ferronato, Executive Assistant (On Leave)
Samantha Chippett, Credit Administrator
Gus Rumbolt, Facilities Maintenance Technician

L'Anse au Loup Branch

Janice Butt, Branch Manager
Calla Rose, FSR II
Stefanie Kao, FSR I
Brittany Farrell, FSR I (Casual)

Mary's Harbour Branch

Rumbolt, Branch Manager
Deanne Rumbolt, FSR II
Nicole Rumbolt, FSR I

White Hills Branch

Beverly Patey, Branch Manager
Cheryl Patey, FSR II
Rick Reid, FSR I

Tri-Town Branch

Carolyn Spence, Branch Manager
Stacy Patey, FSR II
Sonya Ryan, FSR I
Candace Rose, FSR I

Labrador Savings Branch

Mary Jane Hudson-Cabot, Branch Manager
Lana Duggan, FSR II
Awais Akhtar, FSR I
Umer Farooq, FSR I
Ghani Khan, FSR I
Abdul Ahad, FSR I

Humber Valley Branch

Amanda Ball, Branch Manager
Crystal Feltham, Loans Administrator
Tara Bennett, FSR II
Andrew Crocker, FSR I
Bridgette Lavers, FSR I

*FSR (I & II) – Financial Services Representative

Organization – Board and Committees

Corporate Governance

Our Board of Directors is responsible for overseeing the management of the business and affairs of the Credit Union and for providing effective leadership and direction with the objective of enhancing customer-owner value. The directors are responsible for maintaining a high standard of governance and ensuring the ongoing review and assessment of our governance system.

The Board meets monthly and at other times when matters requiring its approval are raised which cannot wait for the next regular meeting. The Board of Directors met fourteen times in 2016.

Committees of the Board

The Board has established four standing committees: Executive-Human Resource; Audit, Risk, and Conduct Review; Co-operative Social Responsibility (CSR); Governance.

Executive Committee –Human Resource

The Executive Committee consists of three members including the Board Chair, Vice-Chair and Corporate Secretary. This committee is responsible for addressing matters between scheduled Board meetings that require immediate attention, along with other responsibilities authorized by the Board. This committee also reviews and recommends to the Board, changes on policy, plans and compensation.

Committee Members: Bert Belben (Chair), Bradley Hancock (Vice-Chair) and David Evans (Corporate Secretary). The CEO participates as an ex-officio.

Audit, Risk and Conduct Review Committee

The Audit, Risk and Conduct Review Committee is comprised of three members appointed by the Board of Directors of the credit union. It is composed of not less than three members of the credit union, none of whom can be employees of the credit union, officers of the credit union, or members of the Management Committee, and the chairperson of the committee shall be a director.

The Audit, Risk and Conduct Review Committee is responsible to ensure that management has designed and implemented an effective system of financial management and related internal controls. It reviews and reports on the audited financial statements and ensures compliance with certain regulatory and statutory requirements; oversees risk management on an enterprise-wide basis; and ensures management has developed procedures to review the credit union's related party transactions and other conflict of interest situations. It is also responsible to meet periodically with internal and external auditors.

Committee Members: Amanda Barney (Chair), Bradley Sheppard, Robin Spence

Co-operative Social Responsibility Committee

The Co-operative Social Responsibility Committee is composed of three directors and three management/staff appointed by the Board of Directors and is responsible to develop and support clear and precise policy statements for consideration by the Board that help define our belief in social well-being and sustainability; and recommend priorities for philanthropic and corporate contributions to the Board.

Committee Members: David Evans (Chair), Dawn Pilgrim, Terri Gilbert, Alvina O'Brien, Lynn Hunter-Murphy and Haseeb Ahmad

Governance Committee

The Governance Committee is composed of three directors appointed by the Board of Directors and the CEO is an ex-officio member of the Committee. The responsibility of the Governance Committee is to provide support, advice and recommendations to the Board on issues related to Eagle River Credit Union policies and assist the Board in fulfilling its obligations relating to quality and integrity.

Committee Members: David Evans (Chair), Bert Belben, Amanda Barney, Ginger Ryland

Organization – Board and Committees (con't)

Mandate of the Board of Directors

While the Board's fundamental responsibility is to supervise the management of the business and affairs of Eagle River Credit Union, any responsibility that is not specifically delegated to the CEO remains with the Board. In particular, the Board oversees the Credit Union's strategic direction to ensure it serves the organization, its members, and employees. The Board assumes overall stewardship with respect to Eagle River Credit Union's mission and values, its long term objectives and the approval of corporate strategies. Specifically, the Board is responsible to:

- Establish the corporate mission, objectives and policies for the direction of the credit union
- Review mission, objectives and policies on a regular basis
- Establish and maintain the organization of the Board, including clearly described responsibilities, authorities, and relationships
- Select the CEO; establish job description, approve work plan, appraise performance, decide compensation and approve development plans for the CEO
- Establish the organizational structure to operate the credit union; approve and monitor personnel policies, salary structure and personnel programs
- Approve and monitor the financial structure, policies and budgets
- Establish comprehensive plans for services and facilities
- Identify key performance areas for the credit union in the components of people, money and development
- Analyze and evaluate progress toward achieving the credit union's objectives and goals
- Maintain effect relations with other co-operatives and credit unions, with the community and with governments

Steering Committee & Past Board Members

Steering Committee

Emile Cabot, 1984
 Reg Hancock, 1984
 Mary Smith, 1984
 Reg O'Brien Jr., 1984

Lori O'Brien, 1998 – 2004
 Dean Flynn, 1998 – 1999
 Caroline Davis, 1999
 Jamie Snook, 1999 – 2000
 Cleon Moores, 2000 – 2001
 Pius Walsh, 2002 – 2005 & 2013
 Jamie Pye, 2003 – 2005
 Lisa Davis-Ryland, 2004 – 2016
 Heather Normore, 2005 – 2009
 Shawn Warren, 2005 – 2012
 Darcy Hancock, 2006 – 2011
 Darren Butt, 2006 – 2009
 Terry Casey, 2006 – 2014
 Agnes Cabot, 2012
 Chad Letto, 2013 – 2014

Past Board Members – Years of Service

Claude Rumbolt, 1984 – 1985
 Gilbert Linstead, 1984 – 1987
 Mary Smith, 1984 – 1994 & 1996 – 1999
 Reg Hancock, 1984 – 1989
 Reg O'Brien Jr., 1984 – 1993
 President, 1987 – 1989
 Ruby O'Brien, 1984 – 1989
 Stan Pike Sr., 1984 – 1995
 Steve Letto, 1984 – 1987
 Wilfred Letto, 1984 – 1987
 President, 1984 – 1987
 Ronald O'Brien, 1986 – 2005
 Frank Flynn, 1987 – 1991
 Tim Jordan, 1987 – 1997
 President, 1989 – 1995
 John Dumaresque, 1988 – 1990 & 1995 – 1998
 Milton Hancock, 1988 – 2012
 Woodrow Lethbridge, 1989 – 1992
 Dennis Normore, 1990 – 2012
 President 1995 – 2003
 Randy Cahill, 1993 – 1994
 Dorothy Earle, 1994
 Joe Fowler Jr., 1995 – 1996
 Lester Letto, 1995 – 1998

In Memoriam

William Normore, 1986 – 1989
 Randy Earle, 1997 – 2004
 William Horwood, 1991 – 2003
 Paul Pye, 1992 – 1994
 Kirk Dumaresque, 2000 – 2005

Working at Eagle River Credit Union/ Training, Education and Benefits

Joining our team, is more than just a pay cheque. At Eagle River Credit Union we offer the opportunity to “learn while you earn”. Ongoing training is an important part of working here, and it starts as soon as you join the team. Training starts on the first day and is supported by Management and peers who will work with you to show you the ropes, and training continues as you advance through your initial onboarding and beyond. We work hard to promote a positive coaching environment to help you develop to your full potential.

In addition to gaining skills and knowledge in business and retail banking, your job at Eagle River Credit Union will help you learn risk and compliance, member relationship building, teamwork, leadership, communication, problem solving, and time management.

Empowering You

We believe in giving our employees the tools they need to succeed, whether it's moving into a specialized role or a management position, we support you in becoming the best you can be. Last year alone, we had 35% of our employees promoted into management or specialized positions, or take on special assignments - highlighting the point that we provide opportunities for increased responsibility and career advancement. It is anticipated that employees take personal ownership of their jobs and strive for personal excellence – it's what our business requires and what member's expect.

Training & Education

The Credit Union System is fortunate enough to have a training partner organization in CUSource® a professional development organization. In addition, we provide opportunities for employees to develop through:

- Supervisor and peer coaching
- Cross-training
- Rotating work assignments
- Committee and task force assignments
- Secondments
- Community outreach programs such as: Kids Eat Smart and Each One-Teach One
- Professional associations
- Skill assessments
- University degree and Extension programs

Benefits and Rewards

We offer a comprehensive benefits package that includes – health and dental, short and long term disability, a registered pension plan, and EAP services. We support the need for employees to balance work and life with very generous leave allotments that include: three-week vacation, paid personal days, medical travel days, and volunteer days, as well as your Birthday Off!

Recognition

Weekly we host two all staff meetings during which time we highlight the previous weeks' business results as well as team/branch and individual successes. We are quick to recognize results that underpin and support our commitment to member excellence.

Why work at Eagle River Credit Union? It is simply - we don't just offer competitive salaries and benefits, we also provide opportunities to fulfill a desire to make a real difference in people's lives, both at work, while they are serving members' needs, and through participation in community events.



The Credit Union Difference

You are equal with all other members

No matter how much or little you have in deposits at your credit union, you’re entitled to the best rates, perks and offers available. Every credit union member has an equal share, an equal vote, and an equal voice.

We support the communities where you live, work and play

Credit unions’ purpose is to provide service to members and to contribute to your economic, social, and environmental well-being.

You’re an owner, not just a customer

Credit unions are owned by their members – the people who bank with them. All members have an equal say in how their credit union operates. Members can voice their concerns and vote on the issues that matter to them.

We put you before profits

Credit unions’ profits have a higher purpose – to benefit the people they were built to serve. They take the time to understand their members’ needs and work hard to tailor their products and services to meet them. Money left over at the end of the year is returned to members in the form of dividends, and donated to communities in the form of donations, scholarships and other initiatives.

We’re independent, but connected

Unlike banks, each credit union is an independent, locally controlled financial institution. Yet we are connected by a set of common international co-operative principles. Together we have a strong voice that advocates for a better, fairer way to bank for all Canadians.

It is a great time to be part of the credit union system!



Co-operative Principles

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

- ***Voluntary and Open Membership***

Co-operatives are voluntary organization, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

- ***Democratic Member Control***

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

- ***Member Economic Participation***

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate

surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

- ***Autonomy and Independence***

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

- ***Education, Training and Information***

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

- ***Co-operation among Co-operatives***

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

- ***Concern for Community***

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Corporate Office
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Fax: 1-709-927-5018

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104 RR 430, Port Saunders

Labrador Savings
328 Hamilton River Rd, Happy Valley-Goose Bay

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1 Church St, Deer Lake

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