



Community Savings
the unions' credit union



Annual Report 2016



Our Vision

To be the credit union of choice within the working community.

Our Mission

To provide the working community a fair opportunity at a better life, by empowering them with banking products and investments that are always in their best interest.

Core Values

We treat people the way we would want to be treated.

We only develop products and services that are in our members' best interest.

We are on side with union beliefs of fair wage and treatment of workers.

We support community initiatives that help empower the individual.



The Road Ahead

The formative years of this organization were marked by war, turbulence and uncertainty as Canadian troops landed on the beaches of Normandy. What a giant leap of faith for our founders to establish a closed-bond credit union to serve the wood workers of America! Truly they epitomized the old adage that "the road ahead is not always easy but only the brave take those first few steps". Indeed the road has included many twists and turns as Community Savings morphed to an open common bond/new name and merged with numerous other credit unions. After seven plus decades of service it has emerged as a successful, well branded credit union with over half a billion dollars in assets and serves as a shining example of what can be achieved when working people join together to improve the lives of members, employees and the vitality of our communities.

We know that a bend in the road is not the end of the road unless we fail to make the turn. Community Savings is committed to following the main road, even as others have detoured onto Bay Street and Wall Street and succumbed to life in the fast lane. This annual report is dedicated to all those people, past and present, who have brought us to this point in time. An ancient Chinese proverb reminds us that "to know the road ahead, ask those coming back" and we continue to draw on the wisdom and experience of our pioneers who "have been-there/done-that". It is also wonderfully exciting to realize that some of the best days haven't happened yet and to recognize the incredible opportunities that await Community Savings on the road ahead.



The Road Travelled - The Bill Harris Story

July 1, 2017 marks the 150th Anniversary of Canada's birth. The creation of the Dominion of Canada was a remarkable and seemingly impossible undertaking. Confederation owed its success to the tireless efforts of our first Prime Minister, John A Macdonald. He was, "the man who made us" – Canada's Founder.

Since that beginning, vast arrays of citizens have contributed to the social fabric that is Canada today. Many of those were Founders too. In ways large and small they joined with community members to form progressive institutions and organizations that endowed us all.

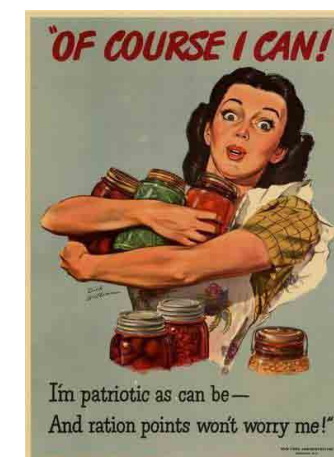
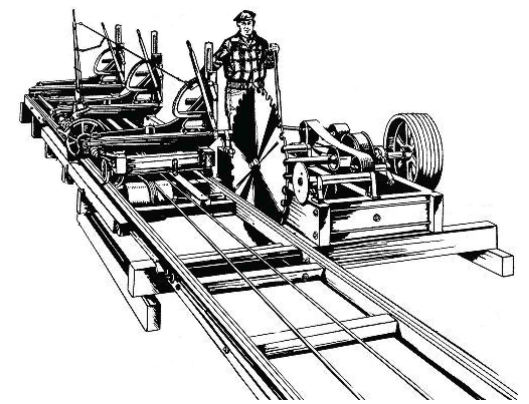
In recognition of Canada's 150th Birthday and our own Co-operative Heritage we offer the following biography of one Community Savings Founder, Brother W.W. "Bill" Harris.

Mighty Oaks from Little Acorns Grow

W.W. "Bill" Harris was a good guy. He was born in England and immigrated to Canada when he was 20, but the opportunity he sought was slow in coming. Two years after Bill arrived, the Great Depression hit and times were tough. Nevertheless, he was young, strong and determined; there was no "quit" in him.

The "dirty thirties" inspired dramatic changes in the thinking of Canada's working people. Unions were organized and co-operative movements formed and gained momentum. The excesses of unbridled capitalism had created widespread suffering and many enlightened workers sought to balance the scales. A proud member of the IWA, Bill Harris was among them.

By the time Bill was 35 he was well married to Olga and working in BC's forest industry. They had established their family home in the 300 block of 8th Street in New Westminster. Bill worked for New Westminster based Pacific Pine and then BC Mfg; both organized by IWA Local 135-7. In April of 1944 Bill Harris was "carriage dogging" in the mill, for 75 cents an hour, 6 days a week.



Canada had been at war for 5 years. The country had been transformed. Hundreds of thousands were in uniform taking the fight to the enemy, and millions more worked on the "Home Front"; labouring in the industrial giant that we had become. Ten hour work days and six day work weeks were the norm. Virtually every activity was governed by the necessity to conserve and produce for the war effort.

While Bill and his fellow millworkers were spending long hours on the job, the lives of their wives had dramatically changed too. Many were working outside the home in shipyards and manufacturing plants, and all were engaged in the extra labour and inventiveness that widespread rationing demanded.

One is left to wonder where anyone would find the time for union meetings and extracurricular effort, but Bill Harris did. In April of 1944 he attended the regular monthly meeting of his IWA Local. That night they heard from a guest speaker, Gordon Holtby, the enthusiastic Treasurer of the Common Good Credit Union; BC's first! Mr. Holtby encouraged the IWA membership to organize a credit union and he must have been convincing, because the meeting passed the following resolution:

"That we (IWA Local 135-7) endorse credit unions and that a special meeting be called for all those interested"

The following month, the promised meeting was held. With assistance from Holtby and T.A. Witzer of the office of the Inspector of Credit Unions, the founding members signed an application for incorporation and put up their money. (\$1.00 each; 50 cents for membership fee and 50 cents for share capital) The IWA (New Westminster) Credit Union was born! On May 18, 1944 they received the Charter; No. 117.



Common Good parade. Circa 1930s. BCICS Collections.

The 10 Founders of what is now Community Savings Credit Union were:

G.W. Langstaff, Alfred Ringstad, David Anderson, W.W. "Bill" Harris, Nick Kwasnycia, Elie Melnychuk, Rae Eddie, Otto Ekman, Tom Kipp and John Lindsay.

As Bill himself later recalled, "Then came the hard part. We had to go to the mills where we worked and try and get the guys to join. It was hard to get 50 cents out of them in those days." But they did it.

In June the Local Union members voted to provide the credit union with an office at the union hall and they were in business. Tom Kipp became the first President, David Anderson was the first Treasurer, Rae Eddie was the Chairman of the Supervisory Committee and Bill Harris was the Chairman of the Credit Committee.

By December 1, 1944 the original \$5 in Shares had grown to \$2,579.49 and they wasted no time in getting the money out on loan – at year end the loans outstanding totaled \$2,438.66. Other assets included \$103.03 cash on hand, \$10 in investments, \$75.52 in office equipment and \$2.99 in prepaid expenses, for a total of \$2,630.20. A 4 percent dividend was paid on 1944 operations and the membership totaled 116.

Harris served on the Credit Committee for many years. Looking back at the credit union beginnings he recalled, "Most of the loans were very small – to tide people over from one payday to the next. A big loan was \$100."

By the end of 1945 membership had climbed to 214 and assets were \$11,841.18. At the 1945 AGM the members elected their first woman officer, Ellen Mitchell, who served on the Supervisory Committee. The credit union was well on its way.

Bill Harris worked in the mill for 30 years before he retired. In 1988, at the age of 81, he spoke briefly about his life. He said, "When I left work after 30 years I got \$100 severance pay and no pension. The union pension plan started in June of 1972 and I left in May, a month too early. It was 65 and out in those days and I was 65. I was born in England in 1907 and came to Canada in 1927. I don't get to the credit union much these days, but I still have my membership and I like to see how they're doing."

With \$524,847,622 in assets and 12,492 members, It's hard to imagine Bill's reaction if he saw his little credit union's financial statement now. However, we're sure he would be happy to know, his grandchild is still a Community Savings Member to this day!

Marie Decaire
Union Liaison Officer
UFCW 1518

**Portions of W.W. Harris copy were sourced from "Pioneer Portraits" by Clarence Morin - The Enterprise April/May 1988*



CSCU's new Port Coquitlam branch opened June 25, 2016.

Message from the President & CEO



Community Savings Credit Union has had a strong year of growth and positive results over the past year. We are proud of our accomplishments and results for 2016 and are grateful to our union partners and members of the credit union who make us strong by doing business with us.

The well-publicized increases in the local real estate market has contributed substantially to the growth for our credit union as we were able to fully deploy our excess funds in both commercial and residential mortgages. This growth is evident in our financial results as we had our most successful year in dollar terms of profitability in the history of our credit union. Although profit is not our objective as a financial cooperative, a measure of profit is necessary to be sustainable and to continue to support our members in their financial needs as we move forward. Increases in our member's equity allow us to do more for a greater number of workers and their families throughout British Columbia.

As unionized workers reside in all communities of our province, a key strategy for us is to build products and services that allow members to access the credit union from any location. This includes new products that we have launched this past year – Deposit Anywhere® and Open Anywhere® - which allow members to open memberships with Community Savings and to deposit cheques remotely via their mobile app. More products and services are being planned that also fulfill this objective which we are excited about. This will allow us to promote values-based financial services to members who are widely distributed and yet have a desire to deal with a financial institution that supports their values.

Our clear advantage over other financial services providers is our commitment and advocacy for organized labour, unionized workers and their families throughout the province. It is important for us to build on the vision and dreams of our founding members of the International Woodworkers' of America Local 135-7. We are always looking for opportunities to build stronger relationships with our union organizations and Members.

We are very proud to be the primary sponsor of the BC Labour History Book Project which is being created by the Labour Heritage Society. Compiling decades of photos and records, the researchers and authors are writing a history of the labour movement in British Columbia. The materials created by this project will be used in educating our youth on labour history and what organized workers have overcome and fought for in improving the working conditions of all workers – both organized and non-union.

We are constantly receiving positive feedback about the exceptional member service and the work of our employees of which we are so proud. I am so grateful to all of our staff who work so hard and have contributed so much to the success of our credit union. Thank you to each of our dedicated staff members.

The future ahead is promising for Community Savings Credit Union. The credit union is pursuing ever-increasing technology for the delivery of credit union services. Further growth of the credit union will allow us to broaden our support of organized labour and members who share the values of our founding members.

I would also like to thank our Board of Directors for their work and support for our credit union. Our Board Members have worked hard to improve their governance and guidance for the benefit of everyone. And most of all, an important thank you to our Community Savings members. It is with your continuing support and business that allows your credit union to continue to grow and strengthen.

Thank you.

Respectfully,

Doug Eveneshen
President and Chief Executive Office

Message from Chair of the Board



As the Annual Report confirms, 2016 was a significant year for our credit union. Working closely with management, the Board of Directors has worked to strengthen our commitment to the community and the services we provide to our members. Those efforts have relied heavily on the talent, skill and dedication of all our staff without whom Community Savings would not enjoy the success we have achieved.

Our history as a credit union is closely linked to BC's labour movement. From our early days, we prided ourselves on being the union's credit union. That connection continues to grow and through our support for initiatives like the BC Labour Heritage Centre we are ensuring that the values we maintain as a credit union align with the values of unions throughout our province.

As a Board, we are proud of the work that Community Savings has done, through various community outreach projects, to show how our values can make a difference in the community. Whether it is our commitment to the Living Wage campaign, an initiative in which Community Savings became the first financial institution in BC to become a "Living Wage Employer", or our on-going sponsorship of the BC Labour Heritage Book project, Community Savings is putting our values to work in positive ways throughout our region.

The Board is also proud of the many financial successes that Community Savings was able to achieve over the last year. From deposits and loan growth to net earnings, the hard work of everyone at our credit union has translated into strong financial results, an outcome that confirms that our values as a credit union make sense for the community, our members, our staff and our bottom line.

While much has been accomplished in 2016, there are still many challenges facing not only Community Savings, but all credit unions. As a Board, we are confident that the skills and talent of our staff along with our strong connections in the community will help us address the challenges we face and ensure that Community Savings continues to thrive.

On behalf of the Board of Directors, I would like to thank our staff for their hard work throughout the year. The successes that have been recorded in 2016 would not have been possible without their effort and support.

And finally, thank you to our members, both new and longer-term, who share our values and whose loyalty to Community Savings has been critical to our continued success. Our partners in the labour movement have been a critical part of that success and their loyalty and commitment to making Community Savings the union's credit union can never be overstated. Together, we look forward to building on the successes achieved in 2016 in the years ahead.

Respectfully,

Phillip Legg

Chair, Board of Directors





Year In Review

2016 Management Discussion And Analysis

Cautionary Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements about our operations, goals, and expected financial performance. These statements are subject to risks and uncertainties which may affect results, including legislative or regulatory changes, interest rates, and general economic conditions in British Columbia and Canada (among others). These issues should be given careful consideration and readers should not place undue reliance on our forward-looking statements.

Community Savings Credit Union achieved record levels of net income during our fiscal year ending September 30, 2016. This achievement was accomplished through significant growth in both residential and commercial loan portfolios over the past year. In addition, careful attention to expense control allowed us to exceed our objectives in 2016.

Net income before "Other Comprehensive Income" (OCI) and after taxes for the year ending September 30, 2016 was \$1,865,102 versus \$897,358 for the same period of 2015. This more than doubling of net income was the result of various initiatives to reduce costs while simultaneously growing our commercial and residential loan portfolios by 17.8% and 21.0% respectively during the year. For the first time in the credit union's history our total assets exceed \$500 million.

The Greater Vancouver Regional District (GVRD) real estate market has seen unprecedented increases in values during 2015 and the first half of 2016. These active market conditions contributed to the growth of both of the commercial and residential mortgage portfolios over the past year. As a result of various factors, including government intervention from all levels during the mid and latter parts of 2016, the real estate market now represents more normalized market conditions. However, it is expected that the full-year effects of the loan growth in 2016 will be reflected in 2017 profitability.

Early in the new 2017 fiscal year the credit union redeemed \$23 million of 5-year term deposits with Central 1 Credit Union which has resulted in a net gain of \$625,000 before taxes. This gain, while providing a significant lift in earnings for 2017, will mean lower interest income in 2018 as the residual benefit of that interest income was foregone for the gain in 2017. If the term deposits were held to maturity the monthly interest income would have benefited the credit union in both 2017 and 2018. Redeeming the term deposits early means that the gain is recognized in this year and not in 2018

Loans

Member loans, net of allowances, increased from \$377,552,590 as at September 30, 2015 to \$451,688,070 as at September 30, 2016, representing an increase of \$74,135,480 (growth of 19.6%). Despite the significant growth in loans in 2016 this growth is not anticipated to be replicated in 2017 due to limitations of liquidity and capital limitations. In addition, the real estate market in the Greater Vancouver Regional District (GVRD) has stabilized due to various factors, including new government regulations implemented by all levels of government. As a result, loan volumes are expected to remain at consistent levels in 2017 as more conservative lending practices are employed and any reduction in loan volumes are replaced with more selective lending.

Deposits

Member deposits grew from \$458,229,173 as at September 30, 2015 to \$474,277,235 as at September 30, 2016, representing an increase of \$16,048,062 (growth of 3.5%). Similar to the growth in lending, growth in deposits is expected to moderate in 2017 as large depositors continue to seek alternative investment vehicles to achieve greater yield on deposits. The credit union has total liquidity of 14.13% as at September 30, 2016; sufficient to accommodate expected funding requirements for the foreseeable future.

Year In Review

Borrowings

Member deposits are used to fund Member loans. Credit facilities are available through Central 1 Credit Union to assist with funding of short-term liquidity needs of the credit union if Member deposits are insufficient to meet funding requirements. During the fiscal year ending September 30, 2016 the credit union utilized the borrowing lines from Central 1 Credit Union. As at September 30, 2016 Community Savings Credit Union was borrowing \$21.5 million through the established demand loan facility with Central 1 Credit Union. With the redemption of the term deposits with Central 1 Credit Union mentioned earlier, the borrowing facility was fully repaid in October, 2016 and the credit line reduced to reflect a lower funding requirement.

Members' Equity And Capital

Members' equity increased from \$22,904,006 as at September 30, 2015 to \$24,650,303, representing an increase of \$1,746,297 (growth of 7.6%). Growth in members' equity will be used to support the continued growth of your credit union in future years.

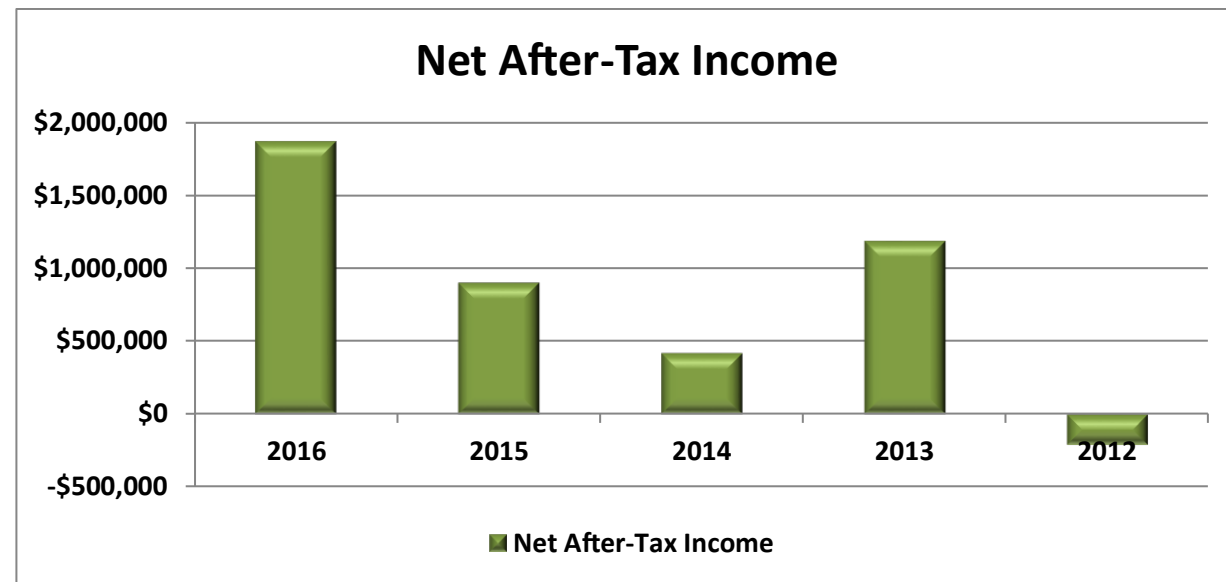


Figure 1: Net After-Tax Income in Dollar Terms for the years ending September 30th of Each Year.

Financial Margin

Financial margin is the difference between interest earned on loans and investments and interest paid on deposits and other liabilities. Our financial margin increased from \$9,541,514 in 2015 to \$10,817,008 in 2016. Despite the low interest rate environment the credit union experienced growth of 21.5% in our commercial mortgage portfolio which contributed to a higher financial margin. The increase in the residential mortgage portfolio mentioned above has also contributed to the improvement in overall margin. Interest expense was lower by \$673,563 as lower deposit rates inherent in the market are reflected in the reduced expense.

Non-interest Income

Non-interest income includes commissions, service fees, mutual fund fee income and fees from loans and lines of credit. Non-interest income increased marginally from \$1,449,839 to \$1,494,725 (+3.1%) primarily due to a non-recurring increase in mortgage penalty income during the year as a greater volume of mortgages were refinanced; reflective of the active real estate conditions.

Non-interest Expenses

Non-interest expenses (operating expenses) continue to be well controlled and managed. Non-interest expenses have increased only marginally from \$9,925,059 in 2015 to \$9,983,291 in 2016. However, the credit union continues to seek opportunities to reduce costs and improve operating efficiencies where possible. Some one-time costs were incurred in 2016 due to the relocation of our Port Coquitlam branch as we have moved to a more visible location within the community. Although these branch relocation costs are not recurring, increased costs are anticipated in 2017 as the credit union adopts wealth management services as a new business line. As a result, expenses are not projected to change significantly year-over-year.

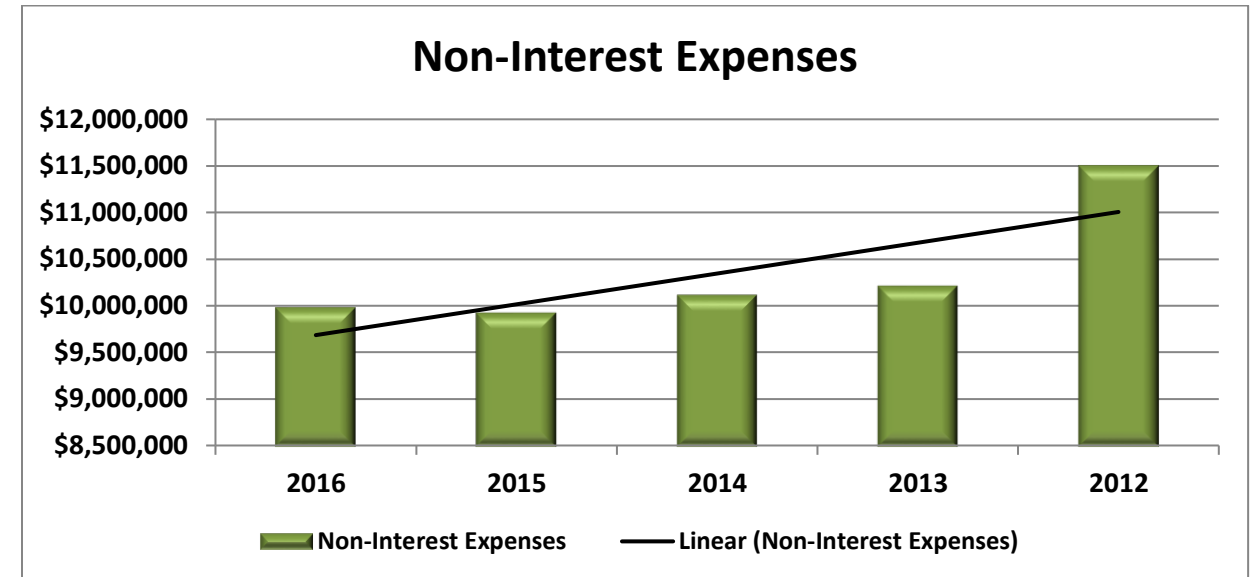


Figure 1: Non-Interest Expenses in Canadian Dollar Terms

Real Estate Market Conditions

The active real estate market in the GVRD and surrounding areas over the past two years has been well-publicized. However real estate market activity has slowed considerably during the latter half of 2016, which represents a more normal market environment. A number of factors have contributed to the moderating of the market conditions in the markets served by the credit union. Even before the provincial government surprised the market by implementing a 15% tax on foreign buyers and changes in regulation implemented by the federal government, real estate activity was showing signs of slowing just prior to the government intervention announced. The changes implemented by all levels of government, including the municipal governments, have accelerated the cooling of the real estate activity in the GVRD.

The more normalized real estate market has an impact on construction financing of single-family housing as the ability to sell the completed product is extended to a much longer sales cycle. At the peak of the real estate market the average time that a detached home was on the market was approximately 5 days, and in many cases sold within a single day. Sales cycles of these homes are now extended to several months and prices have begun to subside by as much as 15% in some areas. Having said that, real estate sales continue; albeit at a much more normal pace.

The impact to the credit union real estate lending portfolio is expected to be moderate as builder/developers continue to pursue opportunities, but at a more subdued pace. As mentioned earlier, the loan portfolios of the credit union are expected to be consistent throughout the year ahead as loan paydowns are replaced with conservative loans in the current environment.



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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Community Savings Credit Union

The accompanying summarized financial statements of Community Savings Credit Union, which comprise the summarized statement of financial position as at September 30, 2016, and the summarized statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Community Savings Credit Union as at and for the year ended September 30, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated December 13, 2016.

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

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of the summarized financial statements in accordance with the basis described in note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of Community Savings Credit Union as at and for the year ended September 30, 2016 are a fair summary of those financial statements, in accordance with the basis described in note 1.

Chartered Professional Accountants

December 13, 2016
 Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Community Savings Credit Union

Summarized Statement of Financial Position

September 30, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 8,616,997	\$ 25,855,122
Investments	60,394,843	78,597,413
Loans	451,688,070	377,552,590
Derivatives	407,503	601,008
Premises and equipment	1,665,046	1,175,736
Intangible assets	62,810	151,540
Deferred income tax assets	520,440	461,278
Other assets	1,491,913	1,096,202
	<u>\$ 524,847,622</u>	<u>\$ 485,490,889</u>
Liabilities and Members' Equity		
Deposits	\$ 474,277,235	\$ 458,229,173
Borrowings	21,504,954	-
Members' shares	1,307,363	1,360,696
Income taxes payable	184,822	80,028
Other liabilities	2,922,945	2,916,986
	<u>500,197,319</u>	<u>462,586,883</u>
Members' equity:		
Contributed surplus	2,851,000	2,851,000
Retained earnings	21,548,026	19,682,924
Accumulated other comprehensive income	251,277	370,082
	<u>24,650,303</u>	<u>22,904,006</u>
	<u>\$ 524,847,622</u>	<u>\$ 485,490,889</u>

See accompanying note to the summarized financial statements.

Approved on behalf of the Board:

Director

Director

Community Savings Credit Union

Summarized Statement of Comprehensive Income

Year ended September 30, 2016, with comparative information for 2015

	2016	2015
Interest income:		
Loans	\$ 13,638,221	\$ 12,590,781
Cash and cash equivalents and investments	1,423,449	1,868,958
	15,061,670	14,459,739
Interest expense:		
Deposits	4,170,216	4,918,225
Borrowings	74,446	-
	4,244,662	4,918,225
Net interest income	10,817,008	9,541,514
Provision for credit losses	103,040	60,812
Non-interest income	1,494,725	1,449,839
Total operating income	12,208,693	10,930,541
Non-interest expense:		
Salaries and benefits	5,876,040	6,045,813
Administrative	3,698,901	3,496,388
Depreciation	408,350	382,858
	9,983,291	9,925,059
Income from operations	2,225,402	1,005,482
Distribution to members	6,193	10,418
Income before provision for income taxes	2,219,209	995,064
Provision for (recovery of) income taxes:		
Current	413,269	151,608
Deferred	(59,162)	(53,902)
	354,107	97,706
Net income	1,865,102	897,358
Other comprehensive income, net of income taxes:		
Item that will be reclassified to net income:		
Net unrealized gain (loss) on cash flow hedges, net of income taxes of (\$25,674) (2015 - \$40,320)	(118,805)	216,493
Total other comprehensive income, net of income taxes	(118,805)	216,493
Comprehensive income	\$ 1,746,297	\$ 1,113,851

See accompanying note to the summarized financial statements.

Community Savings Credit Union

Summarized Statement of Changes in Members' Equity

Year ended September 30, 2016, with comparative information for 2015

	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total members' equity
Balance on September 30, 2014	\$ 2,851,000	\$ 18,785,566	\$ 153,589	\$ 21,790,155
Net income	-	897,358	-	897,358
Other comprehensive income:				
Hedging reserve - cash flow hedges:				
Net unrealized gains	-	-	216,493	216,493
Balance on September 30, 2015	2,851,000	19,682,924	370,082	22,904,006
Net income	-	1,865,102	-	1,865,102
Other comprehensive income:				
Hedging reserve - cash flow hedges:				
Net unrealized losses	-	-	(118,805)	(118,805)
Balance on September 30, 2016	\$ 2,851,000	\$ 21,548,026	\$ 251,277	\$ 24,650,303

See accompanying note to the summarized financial statements.



Community Savings Credit Union

Summarized Statement of Cash Flows

Year ended September 30, 2016, with comparative information for 2015

	2016	2015
Cash resources provided by (used in):		
Operating activities	\$ 1,894,131	\$ 335,929
Investing activities	(56,845,942)	(29,014,297)
Financing activities	37,713,686	20,810,139
Decrease in cash and cash equivalents	(17,238,125)	(7,868,229)
Cash and cash equivalents, beginning of year	25,855,122	33,723,351
Cash and cash equivalents, end of year	\$ 8,616,997	\$ 25,855,122

See accompanying note to the summarized financial statements.

Note to the Summarized Financial Statements

Year ended September 30, 2016

1. Basis of presentation:

These summarized financial statements have been prepared in accordance with Section 128(4) of the Financial Institutions Act and are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended September 30, 2016. Those audited financial statements were approved by the Credit Union's Board of Directors on December 13, 2016 and can be obtained at any of our branches.



Governance Report

Community Savings Credit Union (CSCU) is governed by a board of directors elected by the credit union's members. The board of directors is responsible under law for the management of the credit union's business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the credit union in the interests of all members. The duties and responsibilities of the Board are set out in the mandate for the Board and include providing the mission and goal for the credit union, developing a governance system and an overall risk appetite to manage and monitor applicable risks.

Board Committees - Directors are required to serve on committees of the board and are accountable for carrying out legislated and delegated responsibilities as described in each committee's Terms of Reference. These committees include:

Audit Committee - The purpose of the Audit Committee is to review and report on annual financial statements and returns, to review reports of the Auditor, and review prescribed reports, transactions or matters and liaise between the Auditor and Board of Directors.

Community Involvement Committee - The purpose of the Community Involvement Committee is to develop policy regarding the philanthropic initiatives of the Credit Union. The committee works with management in selecting potential organizations or projects that match the Credit Union's corporate philosophy in its corporate giving.

Conduct Review Committee - The Conduct Review Committee ensures procedures are designed to prevent conflicts of interest, resolve them if they occur and to restrict the flow of confidential information. They are responsible to disclose who provides a service or product under transactions arranged by the credit union and to disclose such other matters as may be required by the Financial Institutions Act.

Corporate Governance Committee - The Corporate Governance Committee is charged with creating and promoting corporate governance policies to build practices consistent with the credit union's core values and rules, to promote an environment where good governance is part of the culture of the Credit Union and to ensure compliance.

Enterprise Committee - The role of the Enterprise Committee is to manage risk, not eliminate it. The objective of the Enterprise Committee is to enhance value and to preserve the long-term sound business and financial operations of the credit union.

Investment and Lending Committee - The purpose of the Investment and Lending Committee is to ensure that the Credit Union has written Investment and Lending Policies which reflect prudent standards and ensure procedures are followed and reviewed regularly.

Nominations Committee - The purpose of the Nominations Committee is to ensure that there is the appropriate number of nominees for the election of the Board of Directors and to oversee and administer the election of the Directors to the Board on behalf of and reporting to the credit union membership. The Nominations Committee recruits and recommends candidates to ensure the Board has a strategic and diverse mix of relevant skills, attributes, and business knowledge to meet the needs of the credit union's leadership and strategic talent.

Personnel Committee - The Personnel Committee is responsible to ensure there is a compensation philosophy including guidelines on compensation and overseeing succession planning for the senior executive team. They are also responsible to ensure sound human resources policies, including policies relating to health and safety are in place and implemented.

Ad Hoc Committees - Ad Hoc committees fulfill the duties and responsibilities as assigned by the Board of Directors and report back in a timely manner.

Corporate Governance Disclosure

Director backgrounds are as follows.

For the fiscal year 2016, CSCU Directors are:

Phillip Legg – Chair of the Board

Director since: 1992

Committees: Board Executive Committee (Chair); Personnel Committee (Chair); Audit Committee; Investment and Lending Committee; Enterprise Risk Management Committee; Community Involvement Committee.

Mr. Legg has served as the Director of Research and legislation for the BC Federation of Labour. Currently, he is the Worker Representative on the Board of Directors for WorkSafe BC.

Colleen Jordan – Vice Chair

Director since: 1998

Committees: Board Executive Committee; Personnel Committee; Investment and Lending Committee; Corporate Governance Committee (Chair); Community Involvement Committee; Audit Committee.

Ms. Jordan has spent 15 years as Secretary – Treasurer of CUPE BC division and is currently in her fourth term on Burnaby City Council.

Gary Kroeker – Secretary Treasurer

Director since: 1975

Committees: Board Executive Committee; Personnel Committee; Enterprise Risk Management Committee (Chair); Nominations Committee (Chair) (Sub-Committee of the Corporate Governance Committee); Conduct Review Committee; Audit Committee.

Mr. Kroeker has held positions with the IUOE at both the local and international levels including General Vice President. He was also on the Executive Board for the BC Federation of Labour.

Ken Isomura – Director

Director since: 1996

Committees: Community Involvement Committee; Enterprise Risk Management Committee.

Mr. Isomura has held many union roles including Labour Staff Representative for the United Way, and member of the Executive Committee for the IWA during his 35 year career in the forestry industry.

Brian Cochrane – Director

Director since: 2009

Committees: Community Involvement Committee (Chair); Corporate Governance Committee; Investment and Lending Committee.

Mr. Cochrane is currently the Business Manager, Chair of Pensions and Benefits, and Training Association Trustee for the IUOE, Local 115. Brian is also a Director for the Transportation Career Development Association.

Ken Bauder – Director

Director since: 2005

Committees: Enterprise Risk Management Committee; Conduct Review Committee; Audit Committee.

Mr. Bauder was the Secretary Treasurer of the ILWU Canada and also worked for the Provincial Government in the Ministry of Labour.

Mary LaPlante Derksen – Director

Director since: 2006

Committees: Investment and Lending Committee (Chair); Nominations Committee (Sub-committee of the Corporate Governance Committee); Community Involvement Committee; Audit Committee.

Ms. LaPlante Derksen was the Financial Secretary for the Hospital Employees Union for 22 years prior to joining the Community Savings Boards of Directors.

Dave Wilson - Director

Director since: 1997

Committees: Corporate Governance Committee; Investment and Lending Committee; Community Involvement Committee.

Mr. Wilson's experience ranges from the International Brotherhood of Electrical Workers, to the Telecommunications Workers Union, to his current role as President of the union Label Trades Council.

Dennis Van den Hooff – Director

Director since: 2014

Committees: Audit Committee (Chair); Investment and Lending Committee; Corporate Governance Committee.

Mr. Van den Hooff has been involved in senior accounting and IT for 24 years and is a controller for the IUOE Local 115. He has been treasurer for several of the IUOE's pension plan's real estate corporations.

Rick Sieb – Director

Director since: 2015

Committees: Conduct Review Committee (Chair); Enterprise Risk Management Committee; Corporate Governance Committee; Nominations Committee (Sub-committee of Corporate Governance Committee).

Mr. Sieb has been an accredited real estate appraiser since 1989 and a close partner with Community Savings Credit Union. He is also a qualified arbitrator through the ADR Institute of Canada and a member of the Institute of Corporate Directors.

Leslie Roosa – Director

Director since: 2016

Committees: Audit Committee; Corporate Governance Committee; Nominations Committee (Sub-committee of Corporate Governance Committee).

Ms. Roosa is currently employed with the Vancouver School Board, is very active with the BC Teachers Federation and is on the BCTF Pension Committee.

Director Compensation Disclosure

CSCU Directors are expected to devote considerable time to fulfill their obligation to oversee the Credit Union and attend monthly board meetings, annual planning sessions, committee meetings etc. In order to attract and retain qualified Directors, to reward them for their professional expertise, and level of contribution expected of them, compensation is set at a rate comparable to other credit unions and financial institutions.

For fiscal year 2016, the compensation received for each Director is outlined in the table below, along with their meeting attendance.

Director Name	Roles	Directors fees	Board Meetings Attended	Committee meetings attended	Other expenses	Total
Phillip Legg	Chair	\$6,700.00	7 of 8	28 of 30	-	\$6,700.00
Colleen Jordan	Vice Chair	\$7,150.00	6 of 8	23 of 30	-	\$7,150.00
Gary Kroeker	Secretary / Treasurer	\$5,800.00	8 of 8	22 of 25	-	\$5,800.00
Ken Isomura	Director	\$2,500.00	1 of 8	0 of 8	-	\$2,500.00
Brian Cochrane	Director	\$4,150.00	5 of 8	12 of 18	-	\$4,150.00
Ken Bauder	Director	\$3,900.00	8 of 8	10 of 11	\$396.00	\$4,296.00
Mary La Plante Derksen	Director	\$5,700.00	7 of 8	16 of 17	\$89.00	\$5,789.00
Dave Wilson	Director	\$4,600.00	8 of 8	18 of 18	-	\$4,600.00
Dennis Van den Hooff	Director	\$3,850.00	6 of 8	12 of 17	-	\$3,850.00
Rick Sieb	Director	\$4,000.00	7 of 8	9 of 13	\$626.00	\$4,626.00
Leslie Roosa	Director	\$1,900.00	7 of 8	11 of 12	\$2,130.00	\$4,030.00
Total		\$50,250.00			\$3,241.00	\$53,491.00

CSCU Compensation Philosophy

Community Savings compensation philosophy applies equally to all employees as compensation is fundamental to our ability to attract, retain, reward and motivate the talented individuals needed for our long-term success. As a financial institution we depend upon highly-skilled individuals who specialize in a broad range of disciplines and as a result, our compensation program allows for attractive salary levels within relevant markets which are consistent with job content, responsibilities and requirements. In addition, we are proud to be a Living Wage Employer.

Executive Compensation

Program Philosophy & Objectives

One of our key objectives is to provide a reasonable and competitive total compensation opportunity consistent with market based compensation practices for our executive level positions. CSCU must attract individuals with the necessary skills and experience for each executive level role in order to achieve the strategies developed by the Board of Directors in support of our members.

The executive compensation program is designed to:

- Encourage, attract and retain high caliber executives
- Provide a competitive total compensation package
- Support a “pay for performance” culture through incentives
- Be flexible to reward individual accomplishments as well as organizational success

Market Position

While our primary comparative markets are other financial institutions, we also understand that the market for executive talent is broader than this group alone. CSCU may rely on other salary survey data outside of this group, when appropriate, for specific functional competencies. In general, CSCU positions total compensation including benefits, at the 75th percentile of market data.

Governance

The executive compensation program is administered by the Personnel Committee of the Board. The Committee meets to review the program and recommend changes on an as needed basis.

CEO's Office

The CEO's total compensation is based on the guiding philosophy and principles that apply to all employees.

Base salary

Base salary is determined by the Personnel Committee of the Board of Director's and reviewed annually and compared with a variety of measures and market information. CEO compensation is based on our comparative asset groups across Canada as determined by an annual Central 1 Credit Union Survey of credit union compensation, in which Community Savings participates.

Benefits and Perquisites

The CEO participates in the same comprehensive benefits plan as all other employees which provides for medical, dental, disability and insurance coverage. Additional perquisites provided to all employees and the CEO includes staff accounts and staff rates on loans and mortgages. The CEO also receives a car allowance for a total of \$9,000 per annum.

Retirement Income Program

The CEO participates in Community Savings' RRSP plan whereby employees are paid a percentage of their base salary into an RRSP. The annual CEO contribution to the RRSP is included in the pension, benefits, perquisites amount shown below.

Short Term Incentive Program

The CEO's short term incentive is based on the achievement of both organizational and individual objectives.

CEO Compensation

For the fiscal year ending September 30, 2016, the CEO received the following compensation:

Base Salary:	\$202,924.95
Pension, benefits, perquisites:	\$50,341.77
Variable-based Pay (Bonus):	20,000.00
Total Compensation Paid:	\$273,266.72

Annual Donations

Giving back to our communities has been a way of life at Community Savings Credit Union for over seven decades. We believe in fostering a spirit of generosity among our people, whether it involves helping a neighbour build a picket fence or helping an employee broaden their education. CSCU employees have volunteered in many activities this past year, and we are more than happy to support them with time off. Community Savings Credit Union believes in the essential goodness of people and we wish to help supply a financial bridge that connects them to a better quality of life. Listed below are some of the community endeavours we supported last fiscal year.

- 100 Year Journey
- BC Building Trades
- BC Federation of Labour - Labour Day Picnic
- BC Professional Firefighters Burn Fund
- BC NDP
- Burnaby Citizens Association
- Burnaby Firefighters Charitable Society
- Burnaby Heights Merchants Association
- Burnaby North Community Association
- Camosun College Foundation
- Canadian Centre for Policy Alternatives
- Canadian Labour Congress Pacific Region Scholarships
- Child Find BC
- COPE 378 / MoveUP
- Fraser Valley Labour Council - Labour Day Picnic
- Goldstone Park Elementary School
- Greater Victoria Acting Together
- Hjorth Road Elementary School
- IBEW Local 258
- Kwantlen Polytechnic University

- Labour Heritage Centre
- Leukemia & Lymphoma - Light the Night
- Light Up the Heights
- New Westminster Rent Bank
- Pacific Reload Tragedy Fund
- Pathfinder Youth Centre Society
- Protein for People
- Port Coquitlam Business Improvement Association
- Port Coquitlam Community Foundation
- Quadra Village Days
- Rotary Pot of Gold Tournament
- Royal City Rotary
- Royal Columbian Hospital Foundation
- Simon Fraser University
- Sons of Norway
- South Asian Business Association of BC
- St. Mary's Parish
- Surrey Crime Prevention Society
- Surrey Fest
- Surrey Firefighters Local 1271 Charitable Society
- The Columbia Institute
- Together Against Poverty Society
- UFCW Local 247
- Unifor Local 333 BC
- United Way Labour Appreciation Dinner
- United Way of the Lower Mainland
- USW National Policy Conference
- Vancouver & District Labour Council
- Victoria Cool Aid Society
- Victoria Labour Council - Labour Day Picnic





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Burnaby
4590 Hastings Street
Burnaby, BC V5C 2K4
Branch Manager: Carla Gilliland



New Westminister
1188 8th Avenue
New Westminister, BC V3M 2R6
Branch Manager: Tracey Weir



Port Coquitlam
111 - 2020 Oxford Connector
Port Coquitlam, BC V3C 0A4
Branch Manager: Carla Gilliland



Surrey
900 - 7380 King George Boulevard
Surrey, BC V3W 5A5
Branch Manager: Ranjana Prasad



Vancouver
5108 Joyce Street
Vancouver, BC V5R 4H1
Branch Manager: Lynn Staschuk



Victoria
103 - 2750 Quadra Street
Victoria, BC V8T 4E8
Branch Manager: Kiyoko Shimizu-Forbes
Tel 250.385.8431

Board of Directors



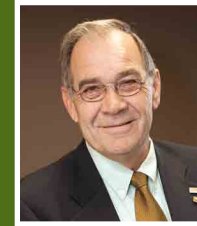
**Phillip Legg
(Chair)**

Served as Director of Research and Legislation for the BC Federation of Labour. Currently, he's the Worker Representative on the Board of Directors for WorkSafe BC.



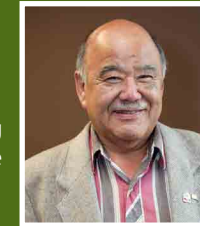
**Colleen Jordan
(Vice-Chair)**

Has spent 15 years as Secretary-Treasurer of CUPE BC Division and is currently in her fifth term on Burnaby City Council.



**Gary Kroeker
(Secretary Treasurer)**

Has held positions with the IUOE at both the local and international levels including General Vice-President. He was also on the Executive Board for the BC Federation of Labour.



Ken Isomura

Has held many union positions including Labour Staff Representative for the United Way, and member of the Executive Committee for the IWA during his 35-year career in the forestry industry.



Ken Bauder

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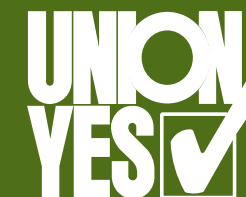
Dave Wilson

Experience ranges from the International Brotherhood of Electrical Workers, to the Telecommunications Worker's Union, to his current role as President of the Union Label Trades Council.



Leslie Roosa

Is currently employed with the Vancouver School Board, is very active with the BC Teachers Federation and is on the BCTF Pension Committee.



The majority of the Community Savings' Board of Directors are known leaders within the labour movement. Each board member is an advocate for hard-working people who strive to create a secure life for their families. The board works together with a common vision for the future of the credit union and the working community.





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