

Shell Employees' Credit Union 2016 Annual Report Table of Contents

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Top photo
Back row, from left to right:
 Rafi Mohammed, Victor Petersen, Nasim Khatibi, John Knight, Darryl Hovanak, Natalia Wooldridge, David Alexander, Japinder Sidhu, Brandy Beveridge, Bruce Wilson, Marie-Line Fleming, Cindy Reid, Mitran Mehta, Tess da Silva, Bruna Coutinho, Dennise Yambao
Front row, from left to right:
 Irma Baysic, Darcee Hurt, Badriea Taha, Elizabeth Snowball-Beggs

Middle photo
 Debbie Kwashuk, Dorothy Lowrie, Shelley Scott

Bottom photo
Back row, from left to right:
 Bruce Wilson, Trisha Herbert, Cindy Reid, Victor Petersen, Irma Baysic, Japinder Sindhu, Zerukg Hailu, Darcee Hurt, David Alexander, Michele Poirier, Marie-Line Fleming, Nasim Khatibi, Elizabeth Spence-Noble
Front row, from left to right:
 Bruna Coutinho, Tess da Silva, Badriea Taha, Darryl Hovanak

Not in photos: Ola Ghrawi

AGENDA

Shell Employees' Credit Union

Annual General Meeting

March 8, 2017

1. Roll Call
2. Declaration of Quorum
3. Introductions
 - Board Members
 - Staff
 - Special Guests
4. Greetings from Shell Canada – Jackie Benoit
5. Appointment of Scrutineers
6. Minutes of Last Meeting (p.3)
7. Report of Board of Directors (p.6)
8. Report of the Audit Finance Committee (p.11)
9. Report of the Credit Committee (p.15)
10. Report of the Nominating Committee
11. Auditor's Report & Presentation of Financial Statements (p.17)
12. Greetings from Special Guests
 - CUDGC – Wayne Fedorak
 - Alberta Central – Susan Borrows
13. Presentation of Donation to SA Foundation
14. Service Awards
 - Debbie Kwashuk – 10 years
 - Badriea Taha – 10 years
15. Adjournment

MINUTES
SHELL EMPLOYEES' CREDIT UNION LIMITED
ANNUAL GENERAL MEETING
March 9, 2016
CARRIAGE HOUSE INN

1. ROLL CALL

109 Members; 8 non-members; 6 special guests

2. DECLARATION OF QUORUM

A quorum was declared, and the meeting was called to order at 6:05 pm by the Adam Battistessa, Board President.

3. INTRODUCTIONS

Mr. Battistessa welcomed all members and guests and introduced the board of directors. Mr. Battistessa also introduced Credit Union staff and guests.

4. APPOINTMENT OF SCRUTINEERS

The following individuals volunteered to be scrutineers:

- Jim Rivers
- Maria Train

Jennie Wolters submitted a motion to accept the scrutineers, seconded by Badriea Taha. Motion carried.

5. MINUTES OF LAST MEETING

Belinda Simpson moved that the minutes of the Annual General Meeting on March 12, 2015, be accepted as presented, seconded by Darryl Hovanak. Motion carried.

6. REPORT OF THE BOARD OF DIRECTORS

Mr. Battistessa highlighted the board of director's report outlining growth and income of the Credit Union. Deb Baranec made a motion to accept the Report of the Board of Directors, seconded by Bruce Wilson. Motion carried.

7. REPORT OF THE AUDIT FINANCE COMMITTEE

Nathan Turnbull, Chair of the Audit Finance Committee, presented the highlights of the Report for the Audit Finance Committee. Huntley O'Neill moved that the Report of the Audit Finance Committee be accepted as presented, seconded by Rebecca Nadel. Motion carried.

8. REPORT OF THE CREDIT COMMITTEE

Belinda Simpson, Chair of the Credit Committee, presented the Report of the Credit Committee, highlighting the volume and dollar value of loans granted for fiscal 2015. Nasim Khatibi moved that the Report of the Credit Committee be accepted as presented, seconded by Jill Vandezande. Motion carried.

9. REPORT OF THE NOMINATING COMMITTEE

Mr. Battistessa announced that the following director terms were maturing:

- Jason Anderson – 1 term (1 year)

- Tim Bancroft – 1 term (1 year – alternate director)
- Haritha Devulapally – 1 term (2 years – director trainee)
- Andrew Harris – 1 term (3 years)
- Saeed Kangarloo – 2 terms (4 years)
- Jennie Wolter – 1 term (1 year – alternate director)

Badrieha Taha gave acknowledgment and thanks to Mr. Battistessa as outgoing President of the Board of Directors after four terms (11 years).

Mr. Battistessa announced the new board of directors elected by member vote:

- Theresa Acchione - 3-year term
- Jason Anderson – 3-year term
- Amber Haworth – 2-year term
- Ed Huestis – 2-year term
- Saeed Kangarloo – 3-year term
- Tim Rose – 3-year term

Darryl Hovanak motioned that the ballots be destroyed, seconded by Stephen DeLude. Motion carried.

10. AUDITOR’S REPORT & PRESENTATION OF FINANCIAL STATEMENTS

Leon Pfeiffer, External Auditor from Collins Barrow, presented the Auditor’s Report, Balance Sheet Income Statement and Operating Expenses for the Fiscal Year ending October 31, 2015. Lisa Budda moved that the Auditor’s Report and Financial Statements be accepted as presented, seconded by Danielle Gervais. Motion carried.

11. BYLAW AMENDMENTS

Ms. Nadel presented the bylaw amendments for approval:

- Voting by Mail (bylaws 5.40, 5.41, 5.43, 5.44, and 5.45)
 - To allow voting to include in-branch and electronic options

David Layton moved that the bylaws 5.40, 5.41, 5.43, 5.44, and 5.45 amendment be approved as presented, seconded by John Knight. Motion carried.

- Number of Board of Directors (bylaw 6.20)
 - To change from not less than 12 (twelve) persons to not less than 9 (nine) persons

Steve McAuley moved that the bylaw 6.20 amendment be approved as presented, seconded by Nasim Khatibi. Motion carried.

12. COMPENSATION DISCLOSURE RESOLUTION

Mr. Battistessa presented the Compensation Disclosure Resolution. He advised the attendees that this resolution is required to be submitted periodically to Credit Union membership by legislation; however, the Board recommends defeating this motion. Motion to approve the Compensation Disclosure Resolution submitted by Diana Wells, seconded by Danielle Gervais. Motion defeated.

13. GREETINGS FROM SPECIAL GUESTS

Mr. Battistessa introduced Wayne Fedorak, Manager of Regulation and Risk, Credit Union Deposit Guarantee Corporation. Mr. Fedorak brought forward greetings from Credit Union Deposit Guarantee Corporation.

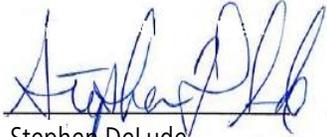
Mr. Battistessa then introduced Leslie Warner, Director of Strategy and Member Engagement, Credit Union Central of Alberta. Ms. Warner brought forward greetings from Credit Union Central of Alberta.

14. TRIBUTE TO MARGOT WILLISON

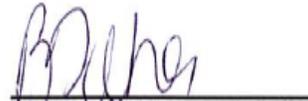
Ms. Taha presented a tribute to the late Margot Willison, former President of the SECU Board.

15. ADJOURNMENT

On a motion submitted by Thora Budda and seconded by Belinda Simpson, the meeting adjourned at 7:28 PM. Motion carried.



Stephen DeLude
SECU Board President



Badrieha Taha
Secretary

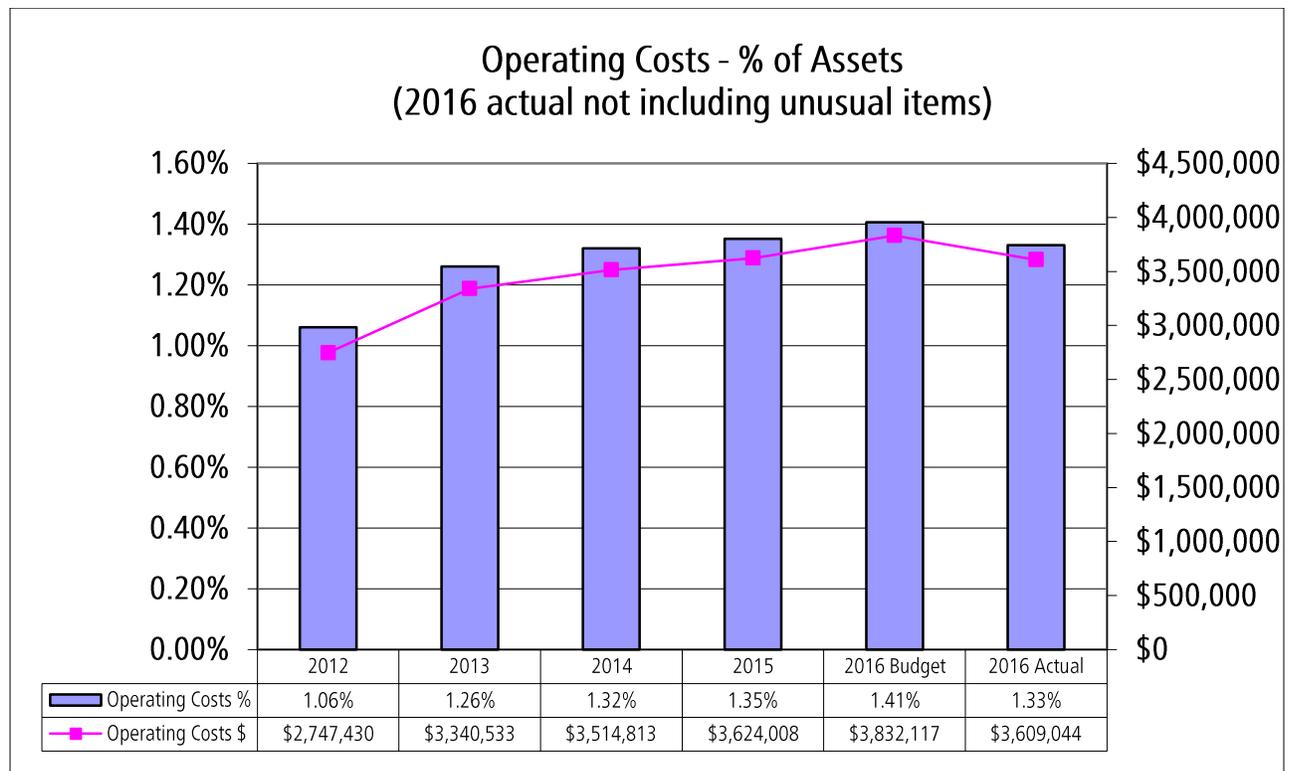
REPORT OF THE BOARD OF DIRECTORS

I am extremely proud of the way our Shell Employees' Credit Union has responded to the many challenges that faced us this past year and how we have made some tough but well-considered decisions to provide the best value proposition to our members, and to ensure our credit union is well-positioned for the future.

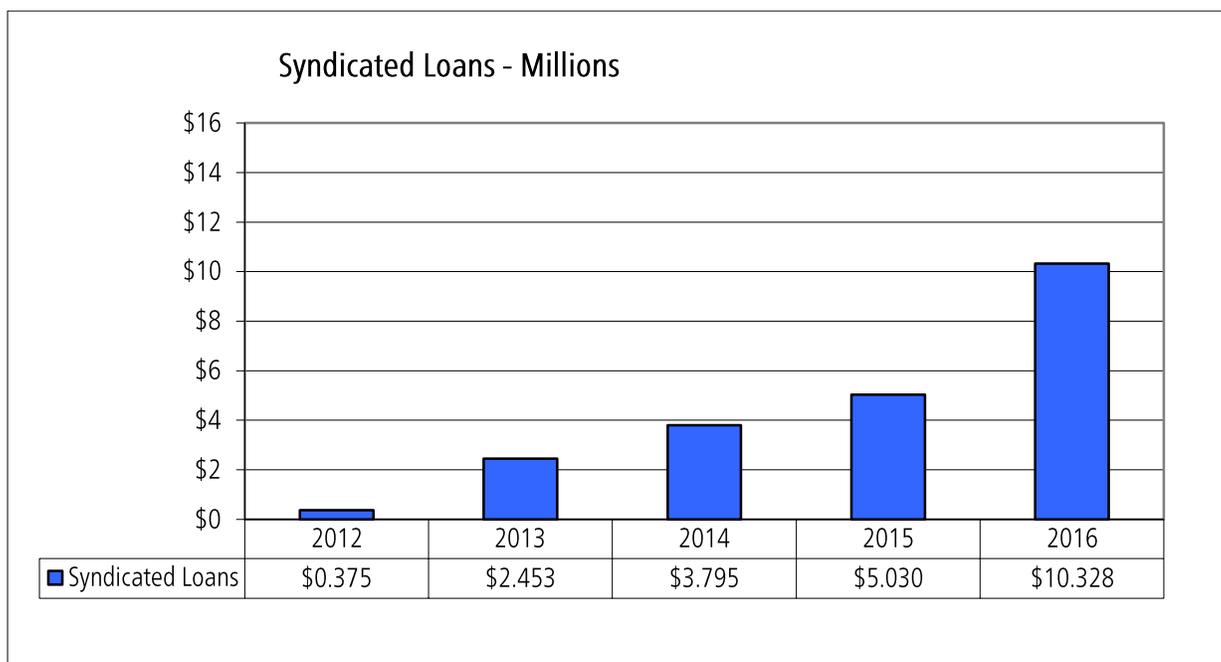
As many members are aware, the oil and gas industry and the Alberta economy, in general, has continued to be under severe pressure this past year due to low world crude oil prices. This has resulted in significant job losses and the deferral or cancellation of many medium and large scale projects. In addition, the financial sector has experienced low-interest rates and shrinking margins due to an increasingly competitive market. If that wasn't enough, Fort McMurray, the hometown of numerous members, experienced a devastating wildfire that caused the destruction of many homes and required a complete evacuation of the city.

So how did we respond to these challenging times?

- We challenged costs vs. 2016 budget – for benefits, services, and events
 - o Benefits - reviewed to optimize cost vs. value to employees
 - o Services – reduced costs for audits, banking system, CU system costs
 - o Events – reduced AGM, SECU board planning session costs



- We aggressively pursued higher-return syndication opportunities for funds available in excess of our member's borrowing needs
 - o Solution-based discussions with regulator to enable opportunities
 - o Growth of this portfolio by over 170% compared to late 2014



- We resolved the Altius lease to reduce future operating costs
 - o Concerted effort in 2016 to reduce our Altius long term lease liability
 - o Multiple options pursued to reduce costs and find a "win-win" solution
 - o SA Foundation sublease proposed, but landlord refused to approve
 - o A full review of the lease provisions and litigation efforts provided leverage to negotiate with the landlord and conclude a lease surrender agreement with over \$200k in lease cost savings to SECU.

- We supported Fort McMurray with a donation and special loan program
 - o Donation of \$1 per member (\$5,987) to Red Cross relief efforts
 - o Three-month interest-free loan program to Fort McMurray resident Shell employees and contractors resulting in 24 loans totaling \$725,000.

- We delivered focused loan and deposit incentive drives, examples include:
 - o Valentine's Day special linked to annual bonus distribution
 - o Scotford loan promotion
 - o Targeted interest rate offerings to improve portfolio balance and retain maturing term deposits

- We enhanced our proactive member engagements
 - o Took initiative to offer outreach seminars to various Shell networks
 - o Delivered extremely well-received wealth management and insurance awareness events with high attendance and high interest
 - o Call-outs to members with inactive accounts or upcoming loan renewals
 - o Involvement in United Way campaign and Chinook Club Christmas event

- We developed new mobile banking capabilities – being rolled out in 2017
 - o Providing more options and greater flexibility for members to use SECU services remotely via mobile banking application

- We participated and encouraged system collaboration initiatives
 - o Canada-wide payments corporation being developed
 - o Local cooperation explored for consolidation of common purchases

- We reorganized to enhance focus on staff development, marketing skills development, member service, and regulatory compliance
 - o New role : Manager of People Development (Darryl Hovanak)
 - o Broader responsibilities for Manager of Business Development and Human Resources (Tess da Silva) and for Manager of Compliance, Administration & Risk (Bruce Wilson)
 - o Continued involvement in and support of the Alberta Young Leaders Program as both program participants and mentors
 - o Continued investment in director and staff training, and credit union system exposure

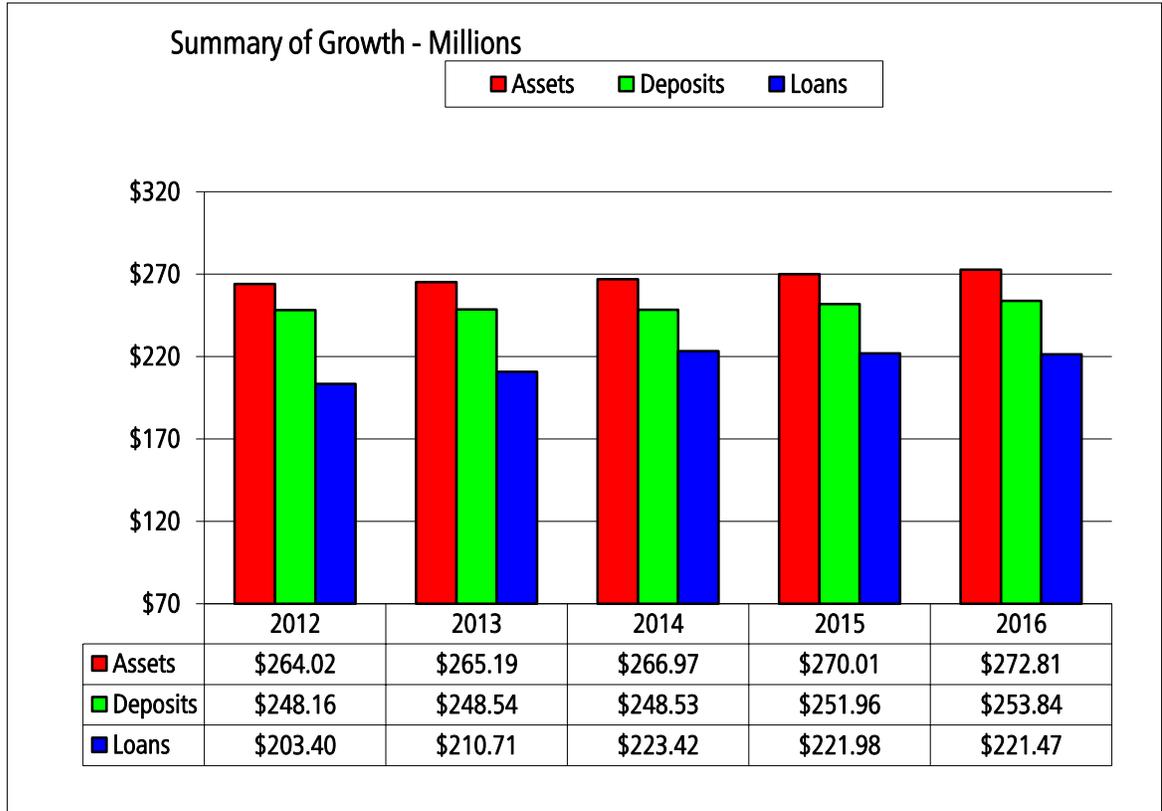
- We continued to expand our Wealth Management portfolio
 - o Another outstanding >28% growth year for David Alexander and his team despite the difficult economic environment
 - o Further expansion of wealth offerings and staff

Even with the unusual cost items we had for the Altius lease surrender and an increase in our loan loss reserves, we still achieved a net profit before taxes and dividends of \$264k in 2016 while also positioning SECU for robust operating profitability for the future.

Our Audit Finance Committee Chair, Huntley O’Neill, will provide further details of our financial performance and budget plan for 2017 in his report and our Credit Committee Chair, Jason Anderson, will provide further comments on the increased loan loss reserves in his report.

Considering our overall portfolio in 2016, we maintained our position well:

- Total Member Assets increased by 1.04% over 2015 levels to \$272.8MM
- Deposits by Members increased by 0.7% to \$253.8MM vs. \$252.0MM in 2015
- Loans decreased by 0.2% to \$221.5MM vs \$222.0MM in 2015
- Membership decreased by 0.2% to 6,031 members vs 6,041 in 2015



Our strategic planning session conducted in the summer confirmed that our preferred path is to “Capture the Heartland” and increase our efforts to engage our current members and add memberships through referrals and focused outreach to the many Shell networks. We are the largest closed-bond credit union in Alberta and one of the largest in Canada. We continue to follow a conservative business model with our operating activities, consistent with a modest margin environment.

Your board has provided overall governance, risk management, and ongoing regulatory reviews to ensure that SECU is well positioned to maintain robust, responsive, and profitable ongoing operations. Management and staff have worked diligently to deliver the best possible overall value to the members.

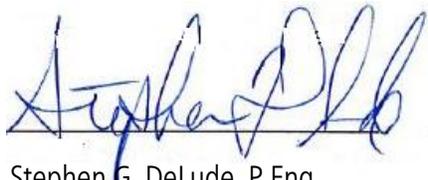
We now have 247 members that have contributed the maximum of \$5000 into their common share account. This level of support, together with a very prudent level of retained earnings has consistently improved our capital base to 5.90% on assets which exceed both regulatory minimum of 4.0% and SECU's internal core standard of 5.0%. This puts us in a strong position that has been recognized by our regulatory body.

We continue to reap the benefits of our proximity and good visibility to the Shell Centre employees. A large number of excellent applicants for the Director Trainee position and the 13 candidates that ran in this year's Directors Election is a great example of how SECU is seen as a great place for learning, development, and making a difference as a volunteer.

Please remember that you, our members, play a crucial role in sharing "word of mouth" advertising about the benefits afforded to members of SECU. We continue to look for opportunities to support our members and any family or friends that you would refer to us. We are also always open to exploring opportunities that would allow us to present financial planning sessions to our current members or potential members.

I would like to thank our members for their continued support through this past year and for choosing to use the financial services offered by SECU. Please let us know if there is anything we can do to help you reach your financial goals.

Last but, not least, I would also like to recognize all of the dedicated board members, management, and staff for their hard work this past year and for ensuring that the Shell Employees Credit Union is well-positioned for many more successful years!



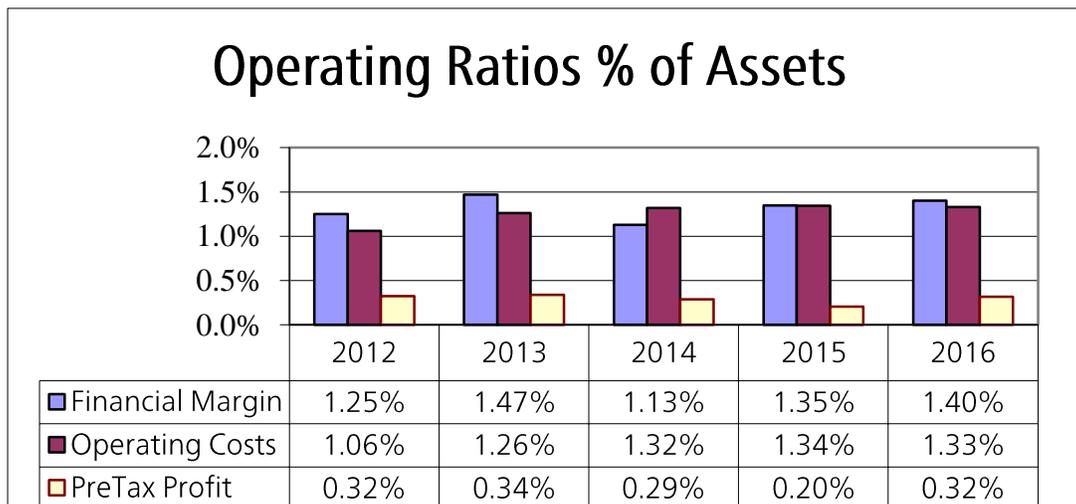
Stephen G. DeLude, P.Eng.
President
SECU Board of Directors

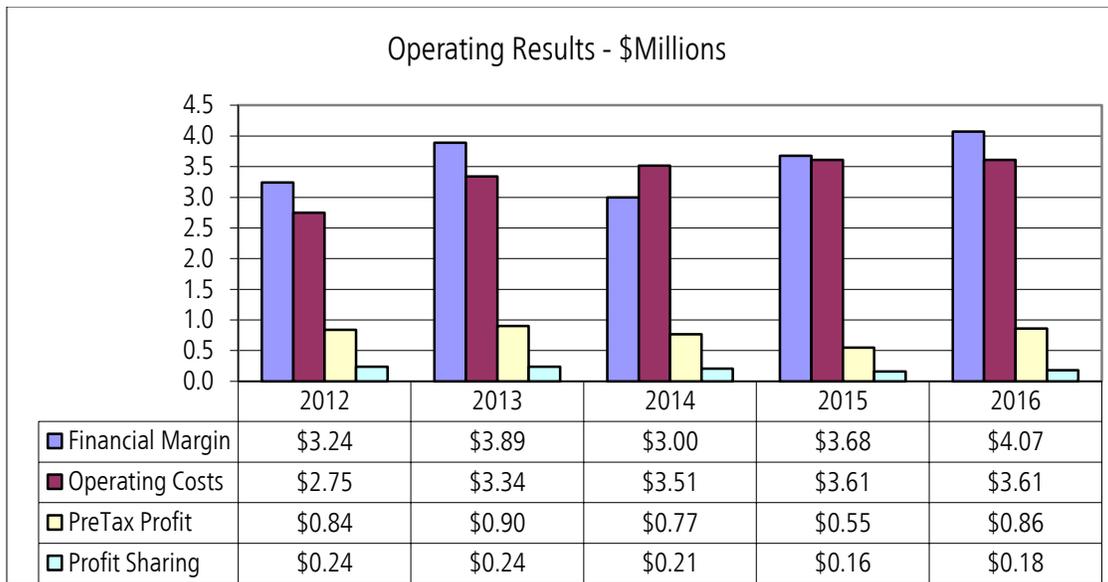
REPORT OF THE AUDIT FINANCE COMMITTEE

The purpose of the Audit Finance Committee (“the Committee”) is to provide for an independent review of the Credit Union’s operations. Specifically, the Committee provides assurance around the integrity of the financial data, adequacy of financial controls and overall adherence to sound business practices. To fulfill this mandate, the Committee meets throughout the year to evaluate the financial reporting and performance of the business, as well as to review internal and external audit results, including management’s responses to any reported deficiencies. The Committee reports its activities to the broader board as a part of every regular board meeting.

During this past year, two audits were undertaken by Alberta Central Audit Services. These audits typically concentrate on policy, money laundering, procedures, and risk. The findings by Alberta Central Audit Services included anti-money laundering regulations and recommendations for additional policies for the Credit Union. Overall, these audits confirm that the Credit Union’s general controls are strong, and the Audit Finance Committee is pleased with these outcomes.

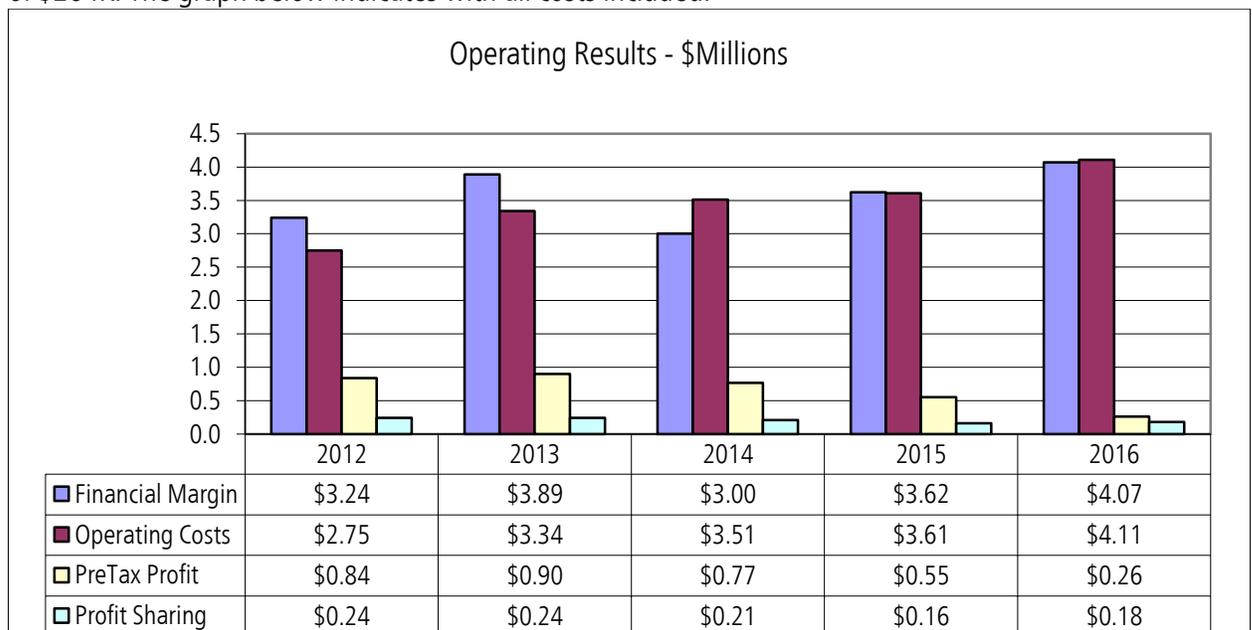
From an operating performance perspective, the Credit Union delivered another profitable year in 2016. We saw a slight increase in financial margins while keeping operating expenses flat, which resulted in an overall improvement in the Credit union’s pre-tax profit.

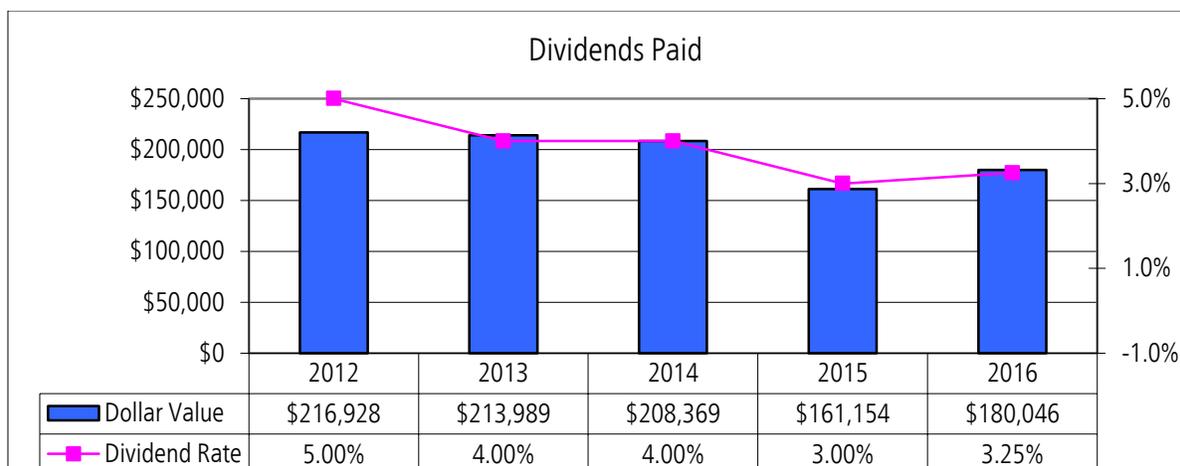




Excluding the unusual and unbudgeted significant costs for the Altius lease surrender settlement (\$499K) and the increased loan loss provision (\$100K), our operating profit for the year was \$863K before both taxes and the 3.25% dividend paid to members (\$180K). This compares quite favorably to the overall profit of \$553K before taxes and dividends achieved in 2015 as shown in the above chart.

Profits including the above-noted extra costs show the Credit Union with a pretax pre-dividend profit of \$264K. The graph below indicates with all costs included:



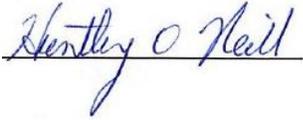


Moving forward, Shell Employees' Credit Union anticipates continued improvement in our financial margins in the expectation of a long-overdue reversal of interest rate trends. With the Credit Union's unwavering commitment to providing its members unparalleled financial services and solutions while maintaining financial prudence and regulatory compliance, we look forward to an even stronger Credit Union in 2017.

International Financial Reporting Standards 9 introduces a new impairment model based on expected credit losses which will replace the existing incurred loss model under International Accounting Standards 39. Currently, impairment losses are recognized when there is objective evidence of credit quality deterioration to the extent that the Credit Union no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. If there is no objective evidence of impairment for an individual loan, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not identified. Under International Financial Reporting Standards 9, expected credit losses will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model. These changes are effective January 1, 2018.

In closing, I would like to thank the dedicated Credit Union management and staff for another profitable year of operation, despite continued environmental challenges. It is through their efforts that our membership continues to enjoy a strong and sustainable financial co-operative able to share its success with members through robust dividends while continuing to provide competitive products, personal service, and the benefit of the 100% deposit guarantee offered through the Credit Union Deposit Guarantee Corporation.

I would also like to commend the members of the Audit Finance Committee for their active participation and oversight of the Committee, and doing their part in ensuring the continued viability of the Shell Employees' Credit Union.

A handwritten signature in blue ink that reads "Huntley O'Neill". The signature is written in a cursive style and is positioned above a horizontal line.

Huntley O'Neill
Chair
Audit Finance Committee

REPORT OF THE CREDIT COMMITTEE

A prolonged economic downturn has created a challenging environment for the financial industry, and the Shell Employees' Credit Union has continued to work closely with our members in meeting their financial needs in this environment. The effects are seen in the overall loan portfolio totaling \$221.28MM at October 31, 2016, which is down only slightly from the prior year (-0.25%).

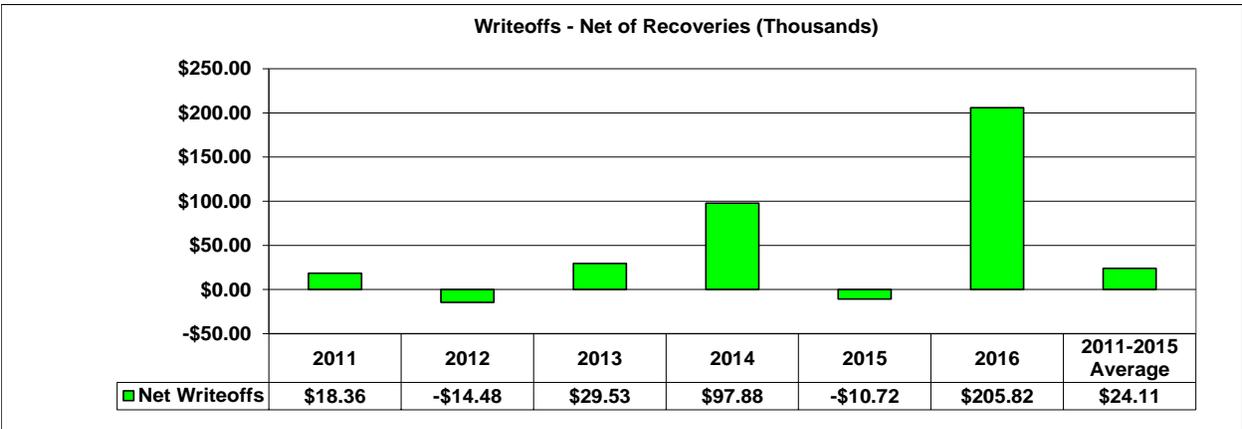
The Credit Union responded well to challenges in the loan portfolio mix by identifying opportunities in the commercial loan syndication space. Following an increase in our syndicated loan mandate, we successfully placed an additional \$5.3MM in syndicated loans during the year, a 105.3% increase from the prior year. These loans come at a higher borrowing rate than our consumer lending portfolio while posing low risk due to the strengths of security and repayment ability.

Overall, we saw the following net activity from the prior year closing balances:

- Syndication: \$5.30 million 105.30% increase
- Consumer: \$0.25 million 1.78% increase
- Mortgage: (\$4.99 million) 2.94% decrease
- Line of Credit: (\$1.11 million) 3.41% decrease

The Bank of Canada held the prime rate unchanged throughout the year at 2.70%, which followed two consecutive reductions in the prior year. This has influenced the weighted average lending rate for our loan portfolio: ending at 3.20% in 2016 compared to 3.25% in the prior year.

During 2016, we increased our loan loss reserves and wrote off several non-performing loans. Loan write-offs increased from \$0 in 2015 to \$206,000 in 2016. Despite this increase, our write-offs remain at a very low rate overall of 0.096% of total loans and our year-end delinquency rate improved significantly since mid-2016. This is a testament to our strong member base and the diligence with which our lending team works with those members facing difficulties.



I would like to close by thanking the entire lending team at the Shell Employees' Credit Union for their exemplary efforts throughout the year, as well as the strong support provided by the Credit Committee.

A handwritten signature in black ink, appearing to read "J. Anderson", written in a cursive style.

Jason Anderson
Chair
Credit Committee



Collins Barrow Edmonton LLP
2380 Commerce Place
10155 - 102 Street N.W
Edmonton, Alberta
TSJ 4G8 Canada

T. 780.428.1522
F. 780.425.8189
www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Members of Shell Employees' Credit Union Limited

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Edmonton, Alberta
January 25, 2017

Collins Barrow Edmonton LLP

Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY

To the Members of Shell Employees' Credit Union Limited

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Finance Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board of Directors fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Finance Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

Collins Barrow Edmonton LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to and meet periodically and separately with, both the Audit Finance Committee and management to discuss their audit findings.



Badrieha Taha
General Manager



Bruce Wilson
Manager of Compliance, Administration
and Risk

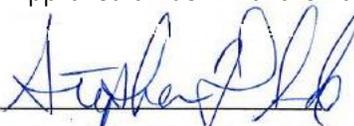
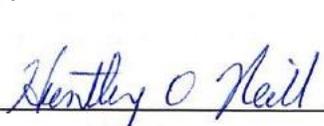
SHELL EMPLOYEES' CREDIT UNION LIMITED

Statement of Financial Position

October 31, 2016

	October 31, 2016	October 31, 2015
Assets		
Cash and cash equivalents (Note 5)	\$ 1,226,163	\$ 872,147
Investments (Note 6)	48,694,995	45,790,460
Loans to members (Note 8)	221,513,877	222,017,299
Derivative financial assets (Note 7)	151,100	98,167
Other assets (Note 9)	363,741	286,171
Income taxes receivable	---	103,585
Deferred income taxes (Note 15)	143,159	---
Property and equipment (Note 10)	549,259	666,367
Intangible assets (Note 11)	<u>169,262</u>	<u>174,181</u>
	<u>\$ 272,811,556</u>	<u>\$ 270,008,377</u>
Liabilities		
Member deposits (Note 13)	\$ 255,725,311	\$ 253,880,857
Accounts payable and accrued liabilities (Note 14)	893,011	291,575
Derivative financial liabilities (Note 7)	151,100	98,167
Income taxes payable	42,358	---
Deferred income tax liability (Note 15)	<u>---</u>	<u>19,889</u>
	<u>256,811,780</u>	<u>254,290,488</u>
Members' Equity		
Dividends distributable (Note 16)	180,046	161,154
Common shares (Note 16)	5,664,849	5,474,481
Retained earnings	<u>10,154,881</u>	<u>10,082,254</u>
	<u>15,999,776</u>	<u>15,717,889</u>
	<u>\$ 272,811,556</u>	<u>\$ 270,008,377</u>
Contingent liabilities and commitments (Note 19)		
Subsequent event (Note 23)		

Approved on behalf of the Board



 Director Director

SHELL EMPLOYEES' CREDIT UNION LIMITED
Statement of Income and Comprehensive Income
For the Year Ended October 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Income		
Interest on member loans	\$ 7,215,352	\$ 7,434,845
Investment (Note 21)	<u>878,787</u>	<u>824,447</u>
	<u>8,094,139</u>	<u>8,259,292</u>
Financial Expenses		
Interest on member deposits	4,011,827	4,547,433
Interest on borrowings	<u>17,154</u>	<u>33,522</u>
	<u>4,028,981</u>	<u>4,580,955</u>
Financial margin before provision for loan impairment	4,065,158	3,678,337
Provision for loan impairment (Note 8)	<u>261,552</u>	<u>55,881</u>
Financial margin	3,803,606	3,622,456
Other income		
Service charges and other	<u>568,407</u>	<u>544,414</u>
Net operating income	4,372,013	4,166,870
Less: Operating expenses (Schedule 1)	<u>4,107,544</u>	<u>3,613,148</u>
Income before income taxes	<u>264,469</u>	<u>553,722</u>
Income tax expense (recovery)		
Current income taxes expense	222,017	72,381
Deferred income taxes recovered	<u>(163,049)</u>	<u>(3,400)</u>
	<u>58,968</u>	<u>68,981</u>
Net income and comprehensive income	<u>\$ 205,501</u>	<u>\$ 484,741</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED
Statement of Changes in Members' Equity
For the Year Ended October 31, 2016

	Dividends Distributable	Common Shares	Retained Earnings	Total Equity
As at November 1, 2014	\$ 209,086	\$ 5,291,820	\$ 9,719,927	\$ 15,220,833
Net income for the year	---	---	484,741	484,741
Share capital issued and redeemed for cash, net	---	(26,425)	---	(26,425)
Shares issued to settle allocation distributable	(209,086)	209,086	---	---
Dividends declared, net of tax recovery of \$38,740 (Note 16)	<u>161,154</u>	<u>---</u>	<u>(122,414)</u>	<u>38,740</u>
As at October 31, 2015	<u>\$ 161,154</u>	<u>\$ 5,474,481</u>	<u>\$ 10,082,254</u>	<u>\$ 15,717,889</u>
As at November 1, 2015	\$ 161,154	\$ 5,474,481	\$ 10,082,254	\$ 15,717,889
Net income for the year	---	---	205,501	205,501
Share capital issued and redeemed for cash, net	---	29,214	---	29,214
Shares issued to settle allocation distributable	(161,154)	161,154	---	---
Dividends declared, net of tax recovery of \$47,172 (Note 16)	<u>180,046</u>	<u>---</u>	<u>(132,874)</u>	<u>47,172</u>
As at October 31, 2016	<u>\$ 180,046</u>	<u>\$ 5,664,849</u>	<u>\$ 10,154,881</u>	<u>\$ 15,999,776</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED
Statement of Cash Flows
For the Year Ended October 31, 2016

	2016	2015
Cash flows (used in) from operating activities:		
Net income	\$ 205,501	\$ 484,741
Adjustments for:		
Non-cash items:		
Net interest income	(4,065,158)	(3,678,337)
Provisions for impaired loans (Note 8)	261,552	55,881
Current income tax expense	222,017	72,381
Provisions for deferred income taxes	(163,049)	(3,400)
Depreciation of property and equipment (Note 10)	124,079	127,883
Amortization of intangible assets (Note 11)	73,830	65,011
Income taxes paid	<u>(76,074)</u>	<u>(130,315)</u>
	<u>(3,417,302)</u>	<u>(3,006,155)</u>
Changes in other assets	(77,570)	(224,163)
Changes in accounts payable and accrued liabilities	<u>601,436</u>	<u>5,764</u>
	<u>523,866</u>	<u>(218,399)</u>
Changes in member activities (net):		
Changes in member loans	299,354	1,526,047
Changes in member deposits	<u>1,882,734</u>	<u>3,426,627</u>
	<u>2,182,088</u>	<u>4,952,674</u>
Cash flows related to interest:		
Interest received	7,876,921	8,202,093
Interest paid	<u>(4,067,259)</u>	<u>(4,805,954)</u>
	<u>3,809,662</u>	<u>3,396,139</u>
	<u>3,098,314</u>	<u>5,124,259</u>
Cash flows from (used in) financing activities:		
Issuance of common shares	234,457	204,923
Redemption of common shares	(205,243)	(231,348)
Tax recovery on investment share dividends (Note 16)	<u>47,172</u>	<u>38,740</u>
	<u>76,386</u>	<u>12,315</u>
Cash flows from (used in) investing activities:		
Purchase of investments	(7,042,311)	(6,750,000)

Proceeds on sale of investments	4,200,000	2,928,756
Patronage distribution received	97,509	92,718
Additions to intangible assets	(68,911)	(53,922)
Additions to property and equipment	(6,971)	(7,325)
Proceeds on disposal of intangible assets	---	4,200
	<u>(2,820,684)</u>	<u>(3,785,573)</u>
Net increase (decrease) in cash equivalents	354,016	1,351,001
Cash and cash equivalents (bank indebtedness), beginning of year	<u>872,147</u>	<u>(478,854)</u>
Cash and cash equivalents, end of year	<u>\$ 1,226,163</u>	<u>\$ 872,147</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED

Schedule 1: Operating Expenses

For the Year Ended October 31, 2016

	2016	2015
Personnel	<u>\$ 1,785,362</u>	<u>\$ 1,806,565</u>
Security		
Bonding	21,174	23,476
Deposit guarantee	<u>411,032</u>	<u>409,142</u>
	<u>432,206</u>	<u>432,618</u>
Organizational		
Central dues	71,019	73,041
Directors' expenses	15,161	23,002
Directors' meetings and training	<u>16,581</u>	<u>18,803</u>
	<u>102,761</u>	<u>114,846</u>
Occupancy		
Depreciation (Note 10)	81,745	81,745
Lease settlement (Notes 14 and 23)	498,750	---
Rent	<u>403,036</u>	<u>408,935</u>
	<u>983,531</u>	<u>490,680</u>
General business		
Advertising	31,718	31,751
Amortization of intangible assets (Note 11)	73,830	65,011
Depreciation (Note 10)	42,334	46,138
Computer	307,847	250,244
Cash, service charges and other fees	95,167	93,784
Courier and postage	27,801	39,002
Office	86,133	89,721
Other	13,395	38,154
Memberships and subscriptions	21,708	21,036
Equipment leases, repairs and maintenance	26,906	24,812
Insurance	15,709	8,894
Staff travel	6,958	24,540
Professional fees	<u>54,178</u>	<u>35,352</u>
	<u>803,684</u>	<u>768,439</u>
	<u>\$ 4,107,544</u>	<u>\$ 3,613,148</u>