

## MINUTES

### OF THE 79<sup>th</sup> ANNUAL MEETING OF CARPATHIA CREDIT UNION LIMITED HELD ON SUNDAY, JANUARY 21, 2018 AT THE CANAD INNS, 2100 MCPHILLIPS STREET, WINNIPEG, MANITOBA.

#### 1. Call to Order

Mr. Roman Zubach, President of the Board of Directors, welcomed the members to the 79<sup>th</sup> Annual General Meeting and called the meeting to order at 2:06pm.

A moment of silence was observed in memory of those members who passed away this past year.

#### 2. Opening Prayer

- a) Mr. Roman Zubach introduced the special guests in attendance: Mr. Doug Einarson, Partner from BDO Canada LLP; Ms. Marilyn Brennan, Senior Vice-President, Governance & Strategy from Credit Union Central of Manitoba; and Mr. Doug Shumilak, Manager, Monitoring, Deposit Guarantee Corporation of Manitoba.
- b) Rt. Rev. Msgr. Mitrat Michael Buyachok of Sts. Vladimir and Olga Cathedral, offered the opening prayer.
- c) Mr. Roman Zubach introduced Mr. Ivan Baniias, Director, to assume the chairmanship of the meeting. The Chair welcomed all those in attendance to the 79<sup>th</sup> Annual General Meeting of Carpathia Credit Union.
- d) The Chair announced the appointments of Ms. Iryna Gumenyuk (Ukrainian) and Ms. Elizabeth Erickson (English) as Recording Secretaries of the meeting.

If voting is required, the ballots will be counted in the presence of the representative from BDO Canada, LLP. The following Individuals have been appointed as scrutineers: Ms. Janet Hnytka, Ms. Lyndie Bourcier, Mr. Brian Petrynko, Ms. Lesia Gojan Klein, Ms. Ashley Elkiw, Ms. Julia Demko, and Mr. Vitaliy Lebezun.

- e) The Chair asked Mr. Brian Petrynko to announce the total number of members in attendance. According to the By-Laws, 50 members are required to be present to constitute a quorum, and upon ascertaining that there were 141 members present, the Chair declared the meeting duly constituted.

The Chair reminded Members that registration will close at 2:30pm.

- f) Before proceeding with the meeting, the Chair reminded the Membership that the Rules and Regulations governing the Annual General Meeting are included in their package and extra copies are available at the registration tables.
- g) The Chair introduced the current members of the Board: Mr. Roman Zubach, President; Ms. Donna Korban, Vice President; Mr. Peter Washchyshyn, Secretary; Dr. Taras Babick; Mr. Don Cilinsky; Mr. Demyan Hyworon; M. Noella Pylypowich; and Ms. Susan Zuk.

**3. Approval of the Agenda**

The Chair indicated that an agenda was distributed to all those who registered and requested approval of the agenda.

**MOTION** by Mr. Kevin Malenki **SECONDED** by Mr. Gerald Machnee that the agenda be accepted as circulated.

**CARRIED**

**4. Approval of Minutes of the Last Annual General Meeting**

- a) The Chair requested a motion that the minutes of the January 22, 2017 Annual General Meeting be accepted as circulated.

**MOTION** by Mr. Terrance Machalek **SECONDED** by Mr. Stephen Kolody that the minutes of the Annual General Meeting held on January 22, 2017 be accepted as circulated.

**CARRIED**

The full minutes of the last Annual General Meeting are available at Carpathia Credit Union's Corporate Office upon request or may be reviewed on line at Carpathia Credit Union's web site.

- b) Business Arising from the 2017 Annual General Meeting Minutes

There was no business arising from the 2017 Annual General Meeting.

**5. Request for New Business Items**

The Chair asked members three times if there were any items to add to new business. This item will be discussed during Item #11. No new items were added to the agenda.

No new items to be accepted later.

A member inquired where and when a discussion could occur regarding the rules and regulations regarding new loans with members. The Chair responded that this was a matter of operations and should be a conversation with senior management outside of the Annual General Meeting.

## **6. Reports**

### **6.1 Board of Directors – Roman Zubach, President**

Although our Credit Union's assets have exceeded \$500 million, the financial services industry continues to be more challenging each year. To meet these challenges we are very fortunate to have working for us a dedicated and knowledgeable group of people in our branches and corporate office that are dedicated to meeting the financial needs of our members and associates.

As many people are now aware, in 2017 the Credit Union incurred changes in our senior management staff. Walter Dlugosh, our CEO since 2005, retired at the end of December. The Board is grateful for the legacy that Walter leaves. We wish Walter, Marijka and their family all the best in the years ahead. Also at this time we welcome two very qualified and respected individuals to our team. Nicholas Rawluk, our new Chief Executive Officer, and Janet Hnytka, our new Chief Financial and Risk Officer.

We have completed our 79<sup>th</sup> year of providing the financial means to our members and associates. In turn, Carpathia's growth and success are directly attributable to the loyalty of our members and associates. For that, we are very much grateful.

I am completing my second year as President of the Board and it has been my honour to serve. However, the members of the Board have made tremendous contributions in time, advice, and commitment to ensure the success and viability of Carpathia Credit Union. It is a pleasure to be associated with such a talented group of women and men.

Finally, I would like to thank all of our members and associates for their business and support that has contributed to the success and growth of Carpathia Credit Union.

### **6.2 Chief Executive Officer – Nicholas Rawluk**

I am truly honoured to be here and with a such a great team.

The Credit Union's assets have increased by 5.77%. Our peers within the Manitoba system have increased by 5.28%. Our loans have increased by 11.69% versus peer growth of 6.09%. Deposits increased by 5.86% versus 4.28% in the system. Our equity increased by 5.10% versus 6.35%. Basically, our loans grew a little bit faster than our deposits. We have lots of opportunities and we are helping lots of members.

The income statement was very healthy because of loan growth. We had a financial margin increase of 4.60% versus 1.77% in the system. Operating expenses increased 7.05% versus 1.74%. There will be some expenses as this is the first full year with the Regent Avenue branch. The increase is completely budgeted and expected.

Other income increased 12.79% versus a negative growth of 0.56% in our peer group. That was primarily due to commercial loan applications. Gross operating income increased 2.16% versus our peer group of 0.59%. Our financial margin and our operating expenses are very close due to the new costs with the new branch.

Mr. Richard Stefanac asked for an explanation of the peer group system and to confirm if there were surplus shares this year or not.

There are 30 credit unions in Manitoba and that they vary in size from \$10 million to \$5 billion. For reporting, the credit unions are split into groups: under \$200 million; \$200 million to \$1 billion; and \$1 billion and over. We are in the middle of the \$200 million to \$1 billion group.

There are no surplus shares this year because we are building our assets. Essentially, as we grow, we have to retain some money for regulatory purposes and to back losses. We can then invest in ourselves to stay competitive and be out there in the market. No surplus shares is not a conscious decision for all of the future but it is a decision that was made to make sure that we do our due diligence and do what is right for our membership as a whole.

Mr. Richard Stefanac inquired about the length of time between the Bank of Canada interest rate increases and the Credit Union's rate to increase.

The senior management team has recently discussed the rates and that there will be a number of rate changes in effect on Monday.

Membership growth was 394 new members and 332 new associates which ended the year at 8,770 memberships and 1,445 associates. Loans to associates was 30% versus 26% in 2016 and income earned on that was 26% of our total income versus 24%. So this is a significant source of continued success.

When I came on board I asked the senior management team for a list of their current projects because I could tell that they were very busy and I could tell that there is a lot going on. The initial list that they gave to me was that we have 28 projects going on this year. It is important to note just how much we are doing to do what is right for our membership and to make sure that we carry into the future.

An important project that will take time and effort but has the opportunity to add value to membership is on a national level. Credential QTrade and NEI wealth management companies are merging under one name – Aviso. This is really the cooperative system because we are combining with Desjardins and a partnership with the entire Canadian credit union system to create a company that will be about \$55 billion of assets under administration. To be competitive in the wealth management space, to give our

membership the tools they need to carry them into the future that goes beyond deposits and accounts.

The next project is that the Credit Union is changing credit card providers. We have a new partnership coming up with a company called Collabria and this will allow us to have both Visa and MasterCard with options like US dollar accounts; rewards program; cash back and so forth. The branches are coming together and creating a team that will work on this because they know our members best.

Me-to-Me transfer allows you to send money freely to other institutions. No matter how much we like our members to have all of their accounts and loans with us, we are realistic that this will not always be the case. So if someone has a loan or a wealth management relationship they can send money without having to go the e-transfer route. There are bigger allowances as to what you can send and you can set the up as regular occurrences.

Another thing we are looking at is remote cheque deposits. With your smart phone you can take a picture to deposit the cheque. You don't have to go to the branch or ATM anymore. But, if it is more convenient, or if you are out of town, just take a picture to deposit cheques.

I would be remiss to not mention our referral programs. You refer a new member and split \$100 with them and our mortgage referral where you split \$500 for new mortgages.

I want to recognize Walter's contribution and his help during my transition. It has been invaluable. He is such a wealth of information and he doesn't know it but I will be tapping it as I go. The Board and the senior management team and what they put in place. The staff at the branch teams and head office, I am just so impressed and so honoured to work with these people. They really put members first. It is important to note that it is me coming into such a great team that is already in place and I am very lucky.

### **6.3 Auditors**

The Chair introduced Mr. Doug Einarson, Director, of BDO Canada LLP.

Mr. Einarson reported that the financial statements of Carpathia Credit Union Limited present fairly, in all material respects, the financial position of the Credit Union as at September 30, 2017. It was noted that Mr. Doug Einarson was available to answer any questions regarding the 2017 results.

The Chair announced that it was after 2:30pm and that registration was closed.

## **7. Discussion of Reports**

The Chair invited questions from members regarding the reports.

Mr. Robert Harasym requested that the audited reports include the signatures as well as the printed names.

Mr. Terrance Machalek requested explanation as to why there are no surplus shares.

There are no surplus shares this year because we are building our assets and maintain our regulatory requirements. Essentially, as we grow, we have to retain some money for regulatory purposes and to back losses. There was a lot of growth in loans and there was healthy growth in assets but the problem is that you have to retain to support that growth. We are not keeping a lot and so between what we are paying and what we are earning it makes it a little slower to build up that capital that will support us. We want to keep as little money in the Credit Union and put as much into your pockets that we can. Because of that it makes it a little tougher to build capital to the right level and pay patronage.

Another member asked about why does it show that in 2017 it seems to be the first year our financial margins are met and the income and expenses are pretty much level.

This was the first year with the new branch. So, like with any business, it takes a little bit to build up the business and to bring it in. Immediately we had a number of members that lived in that area and it was recognized that it would be more convenient for them. There are also a lot of Ukrainians in Transcona and a lot of new developments with potential for business. The expenses are immediate because branch is in place and we have to have people in it but the business will build over time.

What is the anticipated timeframe required for the margin to improve.

There are a number of factors involved but it will take time and rate adjustments for things to improve. It will probably be a 5-year plan for the new branch but it has been built and had been running for a full year with no loss.

This is the first time in 10 years that it is level and this is acceptable?

It is the first time that the branch is onboard and there is also pressure because of the newer branch on Grant.

Has this happened before when the Credit Union has opened new branches?

This can be expected with opening new branches.

When compared to the peer group, Carpathia Credit Union seems to be doing better than the average. What are the strengths and advantages?

Between the commercial team and the branch staff working on residential mortgages, we have a really great team. It is the people. We can do what we want at head office with rates, follow the leader or be competitive in some areas, but it has been the people that you interact with every day that are out there really making the Credit Union what it is.

Do we have disadvantages with the other credit unions?

I think that this is a conversation that we should just sit down and have coffee over

**MOTION** by Mr. Blair Yakimoski **SECONDED** by Mr. Kevin Malenki the reports be accepted as presented.

**CARRIED**

**8. Appointment of External Auditors**

**MOTION** by Mr. Peter Washchshyn, on behalf of the Audit & Risk Committee, to reappoint the firm of BDO Canada LLP as external auditors for the year ending September 30, 2018.

**SECONDED** by Mr. Roman Kobutiak.

**CARRIED**

**9. Board of Directors Election Results**

Mr. Ivan Baniyas, as the Chair of the Nominating Committee, presented three nominees to fill three vacancies on the Board.

The individuals were:

Ms. Irka Semaniuk  
Mr. Don Cilinsky  
Mr. Demyan Hyworon

**MOTION** by Ms. Susan Zuk to adopt the slate of three candidates as presented **SECONDED** by Ms. Zorianna Hyworon.

**CARRIED**

**10. Nominating Committee Appointments**

Mr. Ivan Baniias, as Chair of the Nominating Committee, presented the Nominating Committee report:

The role of the Nominating Committee is an extremely important one. The Committee reports to the Board of Directors and is responsible for the recruitment of prospective candidates to the Board of Directors, ensuring that all candidates are qualified; and to present the slate of these candidates to the Board of Directors for approval. Over the coming year the Nominating Committee will meet on several occasions to recruit nominees to Board of Director positions using various methods of recruitment. The Nominating Committee consisted of board members as well as Ms. Ariadna Choptiany, Dr. Mark Karpa, and Mr. Alex Yaworski.

The following Members-at-Large have been appointed to the Nominating Committee for 2018: Ms. Ariadna Choptiany, Mr. Thomas Duduch and Ms. Ariadna Dlugosh.

**11. New Business**

There was no new business added to the agenda.

**12. Greetings from Special Guests**

Greetings were received from Council of Ukrainian Credit Union via a letter.

The Chair called upon Ms. Marilyn Brennan, Senior Vice-President, Governance & Strategy from Credit Union Central of Manitoba to say a few words.

Good afternoon, ladies and gentlemen. It is such a pleasure to be here today and would first like to thank Roman Zubach, President and CEO Nicholas Rawluk for asking me to join this afternoon to bring a few comments on behalf of Credit Union Central of Manitoba.

It is always so heartening to see so many members in attendance. As owners, the members of any credit union truly are its' foundation. An active and engaged membership is the underpinning of a successful credit union. We certainly see evidence of that engagement today. It is also a reflection of the strength of a credit union a strength that has been the hallmark of Manitoba credit unions over the years. There are now 30 credit unions in the province with combined assets of \$28.5 billion. In 2008, the combined assets were \$14.4 billion. This means that the Manitoba credit union system has nearly doubled in size in the past decade.

The strength and stability is about more than just size. You will recall that more than a decade ago during the global financial crisis some of the world's largest financial institutions collapsed under the weight of excessive risk taking. These are institutions that no one expected to fail. But, never the less that is exactly what happened. In

contrast, Manitoba's credit unions weathered that storm quite well in part because of Manitoba's diversified economy insulated itself against the brunt of the crisis and, also because one of the priorities of credit unions is to safeguard member deposits. That priority leaves credit unions to operate using sound business practices, maintaining quality assets and sufficient levels of liquidity and capital as we have heard today. IN the wake of the financial crisis, financial institutions around the world have had to adapt to and comply with a wave of stringent new regulations and Manitoba's credit unions have been no exception. Fortunately, that track record of diligent management and sound financial stewardship, a history that goes back generations in the case of Carpathia Credit Union, continues to stand us in good stead.

Increased regulation is certainly a challenge but one that credit unions are well prepared to meet.

And speaking of diligent management it is great to see Walter here. He has built quite a legacy and one that we have heard a lot about today and over the years. We wish him all the very best in his retirement.

I can say with great confidence that Carpathia is in excellent hands with Nick Rawluk as the new CEO. As you may know, Nick came to Carpathia from Credit Union Central of Manitoba and I had the pleasure of working with Nick as a part of Central's executive management team. Our offices were next to each other. I, for one, am already missing his trademark cheerful chuckle that would echo through the walls and the halls as he went about his work. You will see that about him.

One thing that Nick and I share is our love of Ukrainian culture. You may not know that my maiden name is Sturzuk. Both of my parents are second generation Ukrainian and are lifetime members of Carpathia. It is a bond that transcends generations. Let's just say that it takes one to know one. We have had lots of fun with that.

For those of you that are just getting to know him, let me just say that Nick is an independent thinker whose thorough nature and attention to detail and persistent curiosity will serve the Credit Union well. The experience and knowledge that he gained over his years at Credit Union Central make Nick the ideal choice in terms to lead this credit union to the next generation. I believe that Nick will honour the proud history of Carpathia Credit Union and at the same time position it to take advantage of the new opportunities credit unions will see in the next few years. Your Board has chosen well.

On behalf of Credit Union Central of Manitoba congratulations to the Board; to management; to staff; and to you the members on another successful year. Best wishes for continued success in the years to come.

Greetings were received from Council of Ukrainian Credit Union via a letter.

Ms. Noella Pylypowich thanked Ms. Donna Korban for her years of dedication to the Credit Union and congratulated her on the many accomplishments achieved while serving on the Board of Directors.

**13. Adjournment**

The Chair thanked everyone for attending and called the meeting to adjournment.

The meeting was adjourned at 3:19pm and was followed by a reception.

**MOTION** by Ms. Natalie Kishensky **SECONDED** by Mr. Bohdan Halkewycz to adjourn the 79<sup>th</sup> Annual General Meeting.

**CARRIED**

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Ivan Baniias  
Chair

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Elizabeth Erickson  
English Secretary

**Results of the Door Prize Draws**

The results of the draw for the five \$50 prizes are as follows:

Ms. Patrusia Babick  
Ms. Darlene Michalishyn  
Mr. Eugene Waskiw  
Ms. Zorianna Hyworon  
Mr. Steve Kiz

Grand Prize – Evelyn Sawchuk