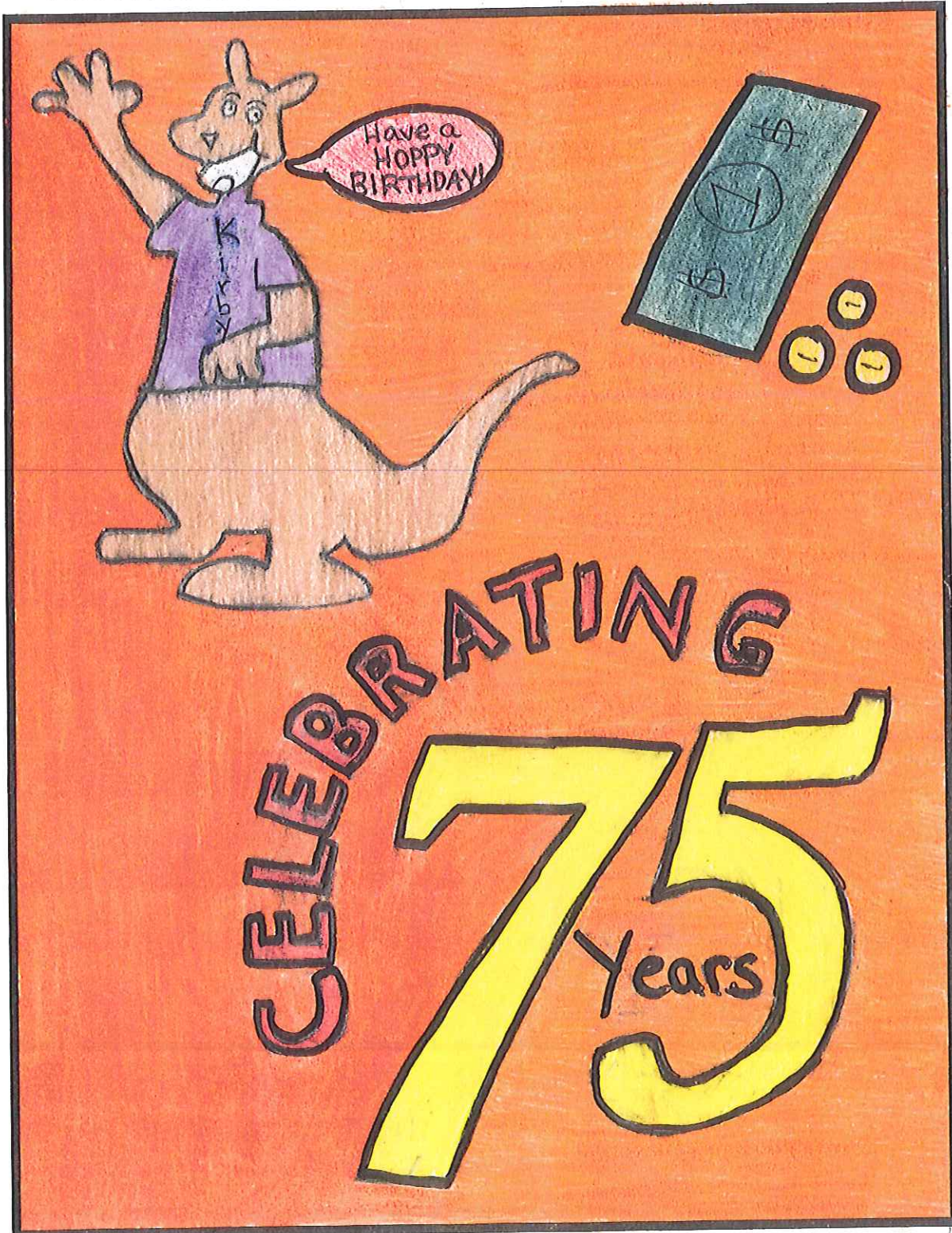


2012 ANNUAL REPORT BRUNO CREDIT UNION



Cover designed by: *Jadyn Borstmayer*

BRUNO SAVINGS AND CREDIT UNION LIMITED

ANNUAL MEETING

AGENDA

Wednesday, April 10, 2013

Bruno Community Hall

6:30 Supper

7:30 Annual Meeting

- 1. Call to Order*
- 2. President's Opening Remarks*
- 3. Confirmation of Quorum*
- 4. Adoption of Agenda*
- 5. Minutes of the 74th Annual Meeting*
- 6. Board of Directors' Report*
- 7. Auditor's Report*
- 8. Appointment of Auditors*
- 9. Proposed new bylaws*
- 10. New or Unfinished Business*
- 11. Door Prizes*
- 12. Adjournment*
- 13. Entertainment to follow:
Don't Mind Us- Comedy*



Saskatchewan
Credit Unions

Make it Real

Message from the Board

On behalf of the board and staff I would like to welcome you to our 75th Annual General Meeting.

*Mark Kehrig , Chair
On behalf of the
Board of Directors*



Bruno Savings and Credit Union Limited

Vision

To provide quality financial services beneficial to our members, community and environment in a manner responsible and accountable to all.

Mission

To be a local democratically controlled responsible, viable financial institution that is responsive to the social and economic needs of current and potential members.

Values

Our goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that we do:

Co-operation and Accountability - We are committed to working together to provide our members with the highest quality service. Our strength and development is enhanced by acting co-operatively as a system. We take into account the effect of our actions on each other.

Service Excellence - We have the highest quality service in the financial community. We provide all credit union members with friendly, knowledgeable and helpful service.

Product Excellence - Our continuous innovation ensures members receive added value. We provide access to a full range of financial products tailored to meet or exceed member needs.

Financial Performance - Our strong financial performance allows us to fulfill our co-operative principles. We balance our need for financial results with the needs of our members and communities. We earn the confidence of our members and ensure our continued growth and development by providing an unlimited guarantee on member deposits and adhering to sound business practices.

Community Impact - We actively support the development of our communities locally, provincially and beyond. Our communities are stronger because of the credit union system.

Professional Conduct - Members' financial affairs are conducted with integrity in a professional manner. Our ethical principles are rooted in the concern for the individual. Confidentiality is integral to the way we do business.

Employee Satisfaction - We respect our employees and their contribution to our success. We encourage employee involvement and participation. We recognize and reward them for their creativity, team work and for achieving objectives. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.

Co-operative Principles

As a true co-operative financial institution, Bruno Savings and Credit Union Limited acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

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

Democratic Member Control

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

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

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

Education, Training and Information

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

Co-operation among Co-operatives

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

Concern for Community

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

Credit Union Market Code

Bruno Savings and Credit Union Limited voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- Complaint handling, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of Bruno Savings and Credit Union.
- Fair sales by outlining the roles and relationship of staff to all members and in accordance with the financial services agreement.
- Financial planning process to advise members on the risks and benefits associated with financial planning services.
- Privacy to protect the interests of those who do business with Bruno Savings and Credit Union. Privacy is the practice to ensure all member information is kept confidential and used only for the purpose for which it was gathered.
- Professional standards to preserve a positive image of Bruno Savings and Credit Union among our members and communities.
- Capital management to ensure our capital structure aligns with our risk philosophy.
- Financial reporting to adhere to business and industry standards.
- Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Bruno Savings and Credit Union.
- Risk management to ensure all risks are measured and managed in an acceptable fashion.

Management Discussion and Analysis

Introduction

Bruno Savings and Credit Union Limited is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Bruno Savings and Credit Union is able to provide financial services to members and non-members. As at December 31, 2012 we had 1322 members and 343 non-members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

Our credit union serves the communities of Bruno and Prud'homme and their surrounding areas through 2 branches, one located in Bruno and one in Prud'homme. In these communities we provide a broad range of financial services including deposit and lending services. The lending is done out of the Bruno office.

Strategy

The vision of Bruno Savings and Credit Union Limited is to provide quality financial services beneficial to our members and communities.

In order to meet this vision, some of our objectives are:

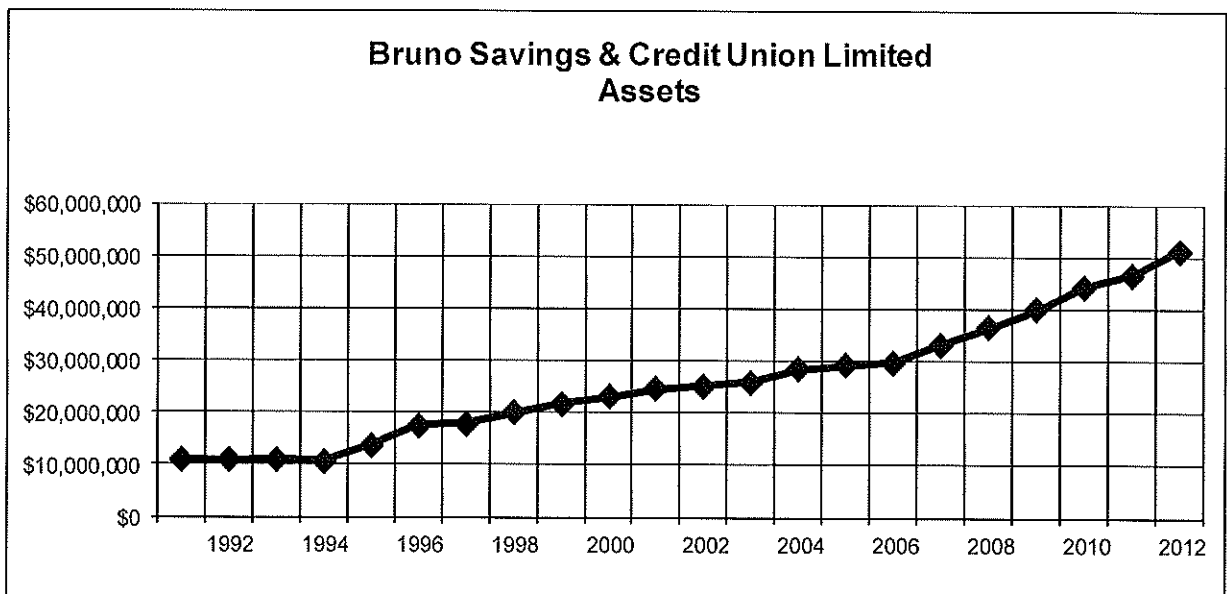
- to have staff that are knowledgeable, empowered and self-motivated
- to have a strategically focused, knowledgeable Board of Directors
- to have a fully satisfied membership
- to provide access to a broad range of products and services that best meet members' needs
- to attract and retain new members and business
- to be a financially viable organization
- to be compliant with all legislation and regulatory requirements
- to have technology in place to meet our members' needs and the needs of our credit union.

Results

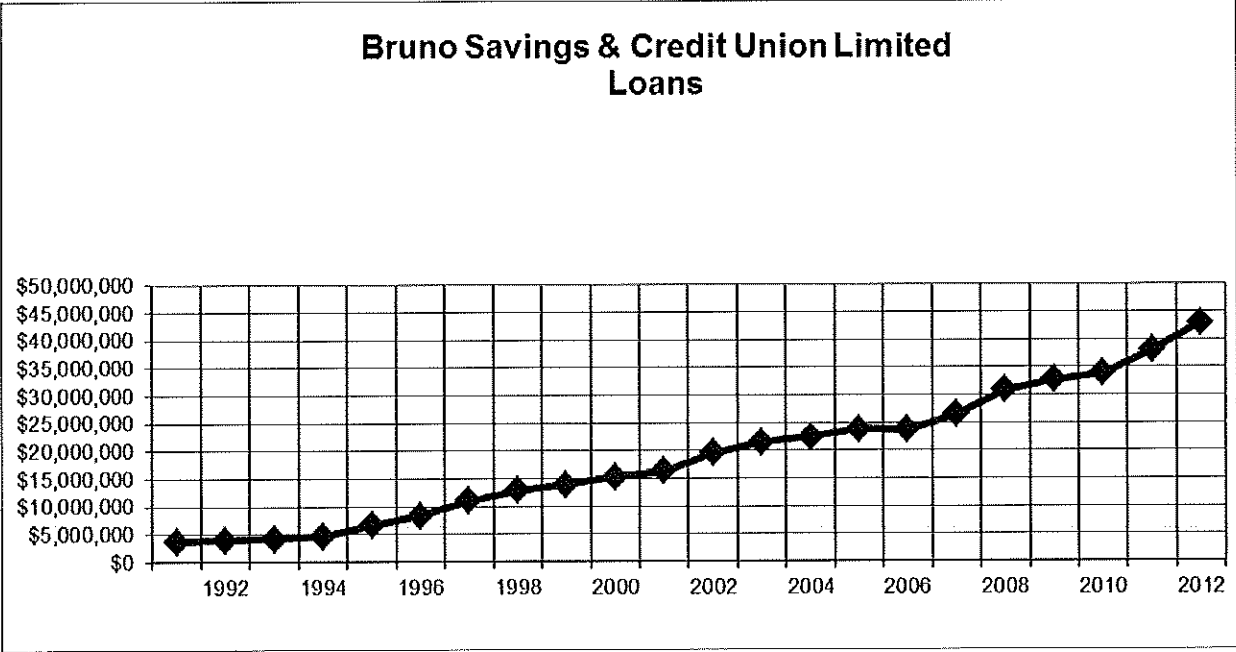
Financial Performance

Following this report is the audited financial statements which give much more detail. The following are some highlights.

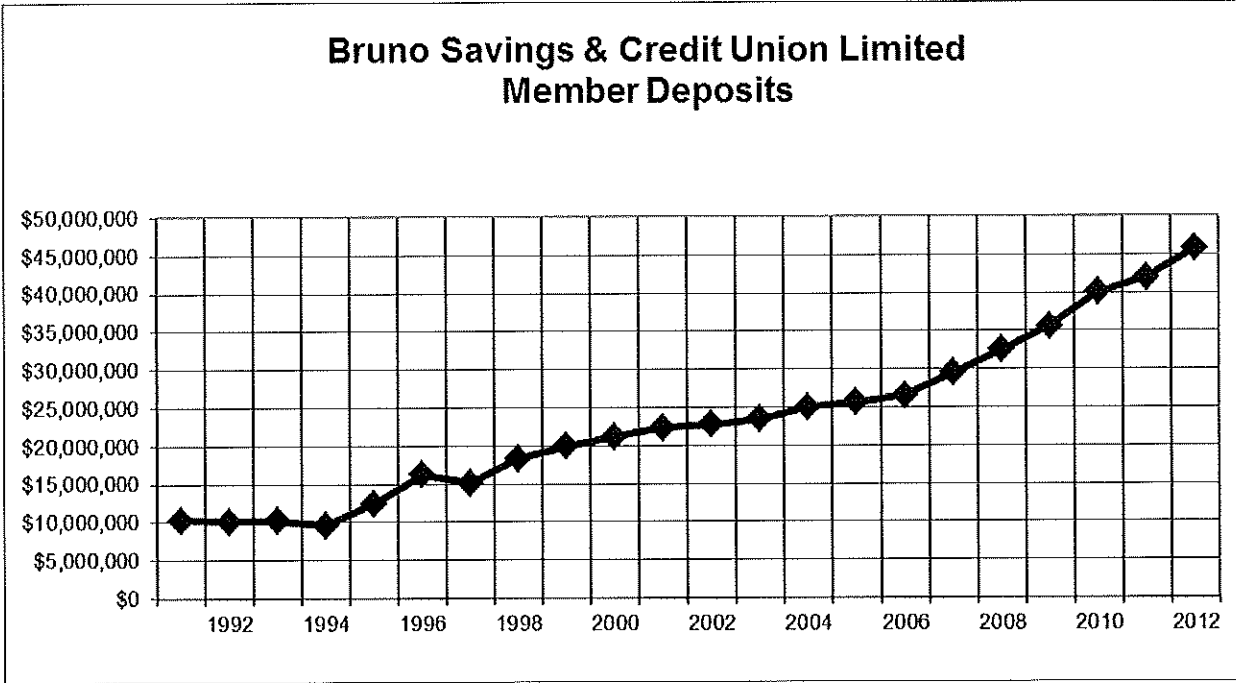
The first is growth: This year we had growth in assets of 10.03% or \$4,676,036.



Loans increased to 83.7% of assets as a percentage (last year end loans totalled 81% of assets). This ratio is calculated on loans and leases and includes accrued interest on the loans outstanding to these members. This is about the highest per cent that we want out in loans and leases. (The dollar amount of loans and leases has increased by approximately \$ 4.9 million dollars in 2012).



Member deposits increased by approximately 9.07% or \$3.80million.



Investments increased by \$0.70 million.

Credit Risk

The next area is risk. Credit risk is the risk of loss arising from a borrower not fulfilling their contractual payment obligations.

The primary type of risk is associated with loans. We decreased our allowance for loan losses to \$6,974 after writing off one loan for \$4,000. (compared to an allowance of \$29,850 at Dec 31, 2011). We ended the year with \$8,475 of impaired loans. (compared to \$48,849 last year). There were \$2,505,733 of loans that were in arrears 1 day or more. (compared to \$2,929,790 last year.) Our lending staff work with all borrowers, with loan arrears, to make suitable arrangements for repayment. In the rare situations where suitable arrangements can not be made, legal action is taken.

Liquidity Risk

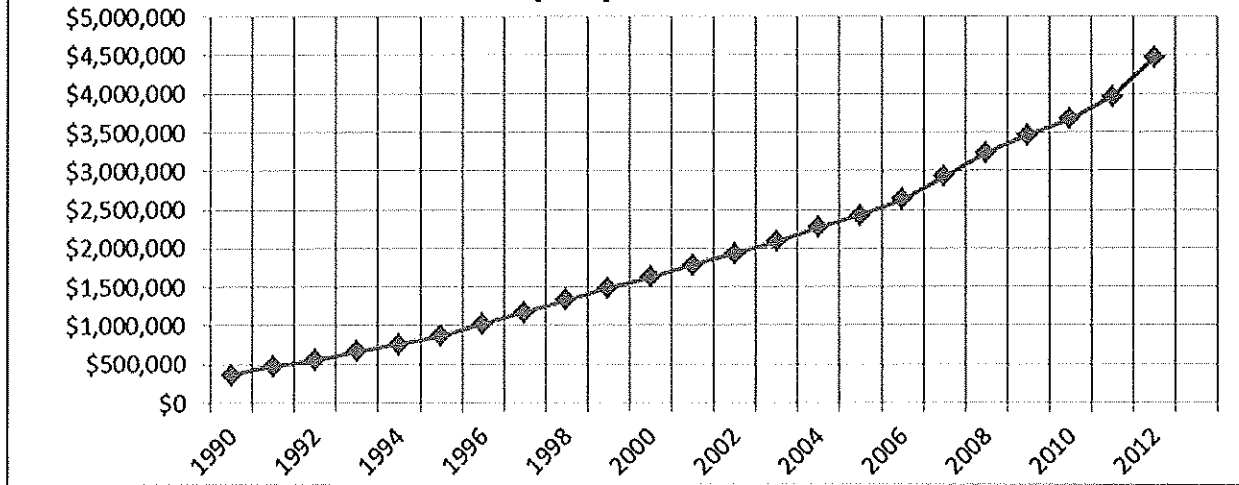
Liquidity is yet another factor which we monitor. Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. We completed the year in a negative liquidity position: -2,832,086 compared to negative -\$1,734,988 last year. This was with \$2.1 million in approved loans not yet disbursed at year end; however with January seeing a large amount of deposit, our liquidity has come back up to a positive position. We can sell loans, purchase deposit through a broker or borrow funds from Concentra Financial to help deal with a liquidity shortfall if needed.

Equity

Equity, the difference of assets and liabilities which is the measure of ownership, remained strong this year. Equity can be measured both as a percentage of assets or as a dollar amount. This year we completed the year with \$ 4,472,270 or 8.72% compared to \$ 3,961,604 or 8.50% last year. There is also an additional \$621,887 or 1.21% in member allocated equity accounts. CUDGC sets standards for the Credit Unions to follow, one of the standards being that we must have 5% equity in our organization or we become subject to supervision by CUDGC. This limit is being increased to 7% next year.

We also rate our equity under the Bank of International Standards. Under BIS standards we are required to hold 8% equity of risk rated assets, we presently hold 14.03% compared to the peer group average of 14.53% and system average of 12.42%.

Bruno Savings & Credit Union Limited Equity



A strong equity position comes from good profitability. This year our profitability was \$223,219 higher than that of last year. Profit after tax allocation was \$510,666 compared to \$287,447 last year. Part of the reason for the higher profit was that the new banking system, purchased in 2009 was fully depreciated in 2011 and we had a net recovery on doubtful loans of \$19,126.

Finally we will look at Productivity. Productivity remains competitive with other Credit Unions.

The following chart will show our productivity compared to peer group (like size) and the provincial average.

PRODUCTIVITY

	BRUNO	LIKE SIZE	PROVINCIAL AVERAGE
Assets/Staff	\$ 5,261,779	\$ 4,528,202	\$ 4,855,459
Deposits/Staff	\$ 4,680,840	\$ 4,110,921	\$ 4,303,294
Loans/Staff	\$4,374,656	\$ 2,981,173	\$ 3,708,362
Membership/Staff	171	169	167
Personnel costs/Staff	\$ 61,989	\$ 65,638	\$ 75,924

Like size or peer group credit unions are the 25 smallest credit unions in the province ranging in size from \$16 million to \$57 million. There are 25 out of 60 Credit Unions in Saskatchewan in this category.

Enterprise Risk Management

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called **Enterprise Risk Management** or **ERM** for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation.

The Board, Management, and Staff annually review and update a strategic plan and an Annual review of our ERM is completed. The Board and Management did confirm our commitment to serving the communities of Bruno and Prud'homme, however we continue to diligently explore options for the future of our credit union, which include remaining as an independent Credit Union.

Through this process, the following risks along with **Credit Risk** and **Liquidity Risk** previously listed in the Financial performance section have been identified risks according to their potential impact on the Bruno Savings and Credit Union Limited.

Strategic Risk

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

Market Risk

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards.

The main legal & regulatory risk identified by Bruno Savings and Credit Union Limited is:

- Failure to comply with the Credit Union Act and Regulations
- Failure to comply with our regulator Credit Union Deposit Guarantee Corporation

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters. Operational risks are looked at by the board regularly throughout the year as they effect the day to day operations. They include risks such as:

- Failure to acquire/implement and sustain effective technology solutions with integrity and / or availability.
- Failure to hire and retain appropriate skilled people
- Absent, ineffective or inefficient internal controls or business processes.
- Inability to maintain continuity in business operations in the face of catastrophic events and other interruptions.

Liquidity Risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations.

Regulatory

Regulatory matters are an ongoing concern of the Bruno Savings and Credit Union Limited. Presently there are many Regulatory bodies in which the Bruno Savings and Credit Union has to comply with. To mention a few of the more important would include: The Registrar of Credit Unions, The Credit Union Deposit Guarantee Corporation (CUDGC), Office of the Superintendent of Financial Institutions (OSFI), Financial Transactions & Reports Analysis Center of Canada (FINTRAC) and Canada Revenue Agency (CRA).

Corporate Structure and Governance

The governance of the Bruno Savings and Credit Union Limited is anchored in the co-operative principle of democratic member control.

Board Of Directors

Mandate and Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of the Bruno Savings and Credit Union. In acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

Board Composition

The board is composed of 9 individuals elected on a regional basis. Terms are for 3 years. Nominations are made by district. Voting is by paper ballot and election results are announced at the Bruno Savings and Credit Union's annual general meeting.

As you will note from the list of the Staff and Directors attached, Ryan Hering, Kurtis Ellis and Andre Lafreniere, have had their terms of office expire this year.

Nominations were held from Feb 28th, 2013 to March 15th, 2013. At the time nominations ceased, there were two nominations for the Bruno District and one for the Prud'homme district. They were Ryan Hering, Kurtis Ellis (Bruno) and Andre Lafreniere (Prud'homme). Since the number of nominations equalled the number of vacancies, elections did not need to take place, and by acclamation the following directors were elected for 3 year terms: Ryan Hering, Kurtis Ellis and Andre Lafreniere. A big thank you to the directors for leaving their names stand for re-election.

Board Compensation

Bruno Savings and Credit Union Limited is fortunate to have competent guidance through the dedication of Management and the Board of Directors.

As in past years the Board of Directors was very busy with regular and committee meetings throughout the year. 9 regular meetings were held as well as other meetings, consisting of a Strategic Planning meeting, a meeting to do the general manager's annual performance review, a meeting with the Credit Union Deposit Guarantee Corporation and a meeting with representatives of the Affinity Credit Union. The audit committee met 4 times, the conduct review committee met once and the credit committee met once in 2012. Directors and committee members are compensated with a per diem for meetings attended. Out of pocket expenses such as mileage and meal costs are also reimbursed to directors for expenses incurred from attending meetings and training. Directors attended various meetings and training throughout the year. Some of these include training from Cu-Source or regional meetings hosted by Credit union Deposit Guarantee.

Board Committees

The Board of Directors organizes itself into several committees to ensure that oversight of various aspects of our operations and governance can be dealt with most effectively. The committees of the board are as follows:

> **Executive Committee:** acts on behalf of the board of directors between regular or special board meetings on all board matters except those which the board may not, in compliance with legislative requirements, delegate. The 2012 members of the committee were: Mark Kehrig, President, Andre Lafreniere Vice-president and Jeff Mark, General Manager.

The executive committee comprised of the president, vice president and the general manager.

> **Conduct Review Committee:** ensures related party transaction comply with legislation, standards of sound business practice and with credit union or committee policies and procedures. They also ensure that all proposed related party transactions are fair to the credit union and that the exercise of the best judgment of the credit union has not been compromised as a result of real or perceived conflict of interest. 2012 members of this committee are: Corrine Doetzel, Ryan Hering, Bentley Carberry and alternates are Phillip Lepage and Elaine Urban.

The conduct review committee is appointed annually at the re-organization meeting.

> **Nominating Committee:** oversees the nomination and election processes for the elections of credit union directors. 2012 members of this committee are Bentley Carberry, Cory Doetzel and Peter Krebs.

The nominating committee is appointed annually at the re-organization meeting.

> **Audit Committee:** ensures an independent review of the credit union's operation on areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to relevant legislation, regulations and standards. 2012 members of this committee were: Elaine Urban, Kurtis Ellis, Mark Kehrig and Andre Lafreniere.

The Audit committee is appointed annually at the re-organization meeting.

> **Credit Committee:** To analyze and make decisions on credit applications within the provision of policy and legislation on any loans brought to them for approval. To review loans granted by management that are exceptions to loans policy and monitor if the

exceptions are reasonable. 2012 members of this committee were: Philip Lepage; Peter Krebs, Jeff Mark and Joan Manderscheid.

The credit committee is appointed annually at the re-organization meeting.

Andre Lafreniere remains as the Delegate for the Bruno Savings and Credit Union Limited to Sask Central where he meets with other credit union delegates on a quarterly basis.

Executive Management

The Executive Management consist of the General Manager, Branch Supervisor , Office Supervisor and Loans officer. As you can see by the attached chart the Executive Management team has 99 years of combined Credit union experience. Constant updates and meetings keep the management busy, both attending and reporting back to directors and staff.

Staff\Employees

There have been no staff changes in the past year. We are fortunate to have many long time employees who are very committed to providing excellent service to our members.

We will be recognizing a few staff with long term service awards a little later in the evening.

Lisa Kramer worked as our summer student at the Bruno office.

WE WOULD NOT BE WHERE WE ARE TODAY WITHOUT OUR DEDICATED MANAGEMENT & STAFF.

Employees take required and optional training on an ongoing basis. Some of the training that is required on an annual basis is Anti-Money Laundering & Terrorist Financing as well as Privacy and Code of Conduct training.



QUICK FACTS

(as of Dec 31, 2012)

- Today there are 55 credit unions in Saskatchewan serving 266 communities through 297 service outlets
- Saskatchewan credit union assets reached \$16.9 billion with revenue of over \$815 million.
- Credit Union lending amounts to \$12.9 billion
- Over 500 board members are locally elected by members of each credit union to provide strategic direction to their management teams.
- Credit unions are a major contributor to Saskatchewan's economy, employing almost 3500 people.
- In 2012, Saskatchewan credit unions contributed \$76,200 to international projects to help co-operatives and credit union in other countries.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$16 million to more than \$4 billion.

Corporate Social Responsibility (CSR)

- The Bruno Saving and Credit Union Limited has always contributed to the well-being of the communities that it serves above and beyond the financial and economic role that financial institutions play.

In 2012 over \$11,000 was spent on local sponsorships. Some of the groups and events that we provided support to were:

-Heartland 4-H Beef Club Achievement day, Prud'homme Rec Board (playground equipment), Bruno Skating Rink, SVP Minor Hockey, Prud'homme Library, Bruno SRC (exercise equipment), Prud'homme Museum, Bruno T Birds Sr Hockey, Bruno School Grad Award, Sask Co-operative Youth Program and others

Capital Management

Our Regulator, The Credit Union Deposit Guarantee Corporation has set out minimum Standards for Credit Unions to follow with regards to capital limits. Credit Unions are expected to hold Capital in excess of these minimums and therefore are required to develop a **internal capital adequacy assessment process (ICAAP)**. The industry standard for minimum equity and reserves is 5.00%. Your credit union's equity is well above industry standards at 9.92 or \$ 5,094,157. This includes \$4,472,270 (8.72%) of retained earnings and \$621,887 (1.21%) of member equity accounts. While our regulator has a 5% standard on this capital level we have a target for retained earnings of 9%. Equity is a reflection of the past success of your credit union. It also serves as the financial cushion that allows your credit union to expand product lines and develop new services.

Capital management can be very complex and includes 6 areas. These areas are:

- ▶ **Board and Management oversight**
 - Policies are developed
 - i.e desired capital levels, risk tolerance, capital expenditures
- ▶ **Sound capital assessment and planning**
 - Capital Plans are developed by management and board and reviewed ongoing
- ▶ **Comprehensive assessment of risks**
 - Risks to capital are assessed through processes such as Enterprise Risk management (ERM)
 - i.e where is the largest concentration of risk to capital (credit/loans)
- ▶ **Stress Testing**
 - On a quarterly basis capital levels are tested for possible erosion
 - Stress testing programs are used to test the ability of the credit union to absorb losses
 - i.e How would rising interest rates effect our capital level
- ▶ **Monitoring and Reporting**
 - Regular reports are prepared for the directors and Credit Union Deposit Guarantee Corporation.
- ▶ **Internal Control Review**
 - Ongoing internal controls and functions along with scheduled internal audits and CUDGC reviews



Bruno Savings and Credit Union Limited
Summary Financial Statements

December 31, 2012



ACCOUNTING › CONSULTING › TAX
701 – 9TH STREET, BOX 2590, HUMBOLDT, SK S0K 2A0
1.877.500.0789 P: 306.682.2673 F: 306.682.5910 mnp.ca

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Bruno Savings and Credit Union Limited:

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2012, and the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of Bruno Savings and Credit Union Limited for the year ended December 31, 2012. We expressed an unmodified opinion on those financial statements in our report dated February 28, 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

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

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary 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 summary financial statements derived from the audited financial statements of Bruno Savings and Credit Union Limited for the year ended December 31, 2012 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Humboldt, Saskatchewan
February 28, 2013

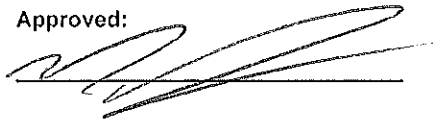
MNP LLP
Chartered Accountants

Bruno Savings and Credit Union Limited
Summary Statement of Financial Position

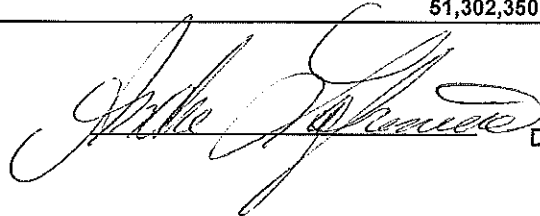
As at December 31, 2012

	2012	2011
Assets		
Cash and cash equivalents	263,977	1,262,196
Investments	8,030,562	7,327,302
Loans	42,953,530	37,994,852
Other assets	15,183	3,467
Property, plant and equipment	39,098	38,497
	51,302,350	46,626,314
Liabilities		
Line of credit	358,200	-
Deposits	45,783,837	41,974,537
Other liabilities	59,546	42,770
Membership shares	6,610	6,850
Equity accounts	621,887	640,553
	46,830,080	42,664,710
Commitment		
Equity		
Retained earnings	4,472,270	3,961,604
	51,302,350	46,626,314

Approved:



Director



Director

Bruno Savings and Credit Union Limited
Summary Statement of Comprehensive Income

For the year ended December 31, 2012

	2012	2011
Interest income		
Loan interest	1,797,456	1,620,304
Investments	189,368	176,720
	1,986,824	1,797,024
Interest expense		
Deposits	489,851	497,851
Borrowed money	2,668	1,008
	492,519	498,859
Net interest income	1,494,305	1,298,165
Recovery of (provision for) credit losses	19,126	(11,761)
Net interest income before other income	1,513,431	1,286,404
Other income	131,297	114,818
Net interest and other income	1,644,728	1,401,222
Operating expenses		
Personnel	604,395	562,579
Security	48,017	47,646
Organizational	35,385	36,320
Occupancy	31,833	31,008
General business	339,079	381,686
	1,058,709	1,059,239
Income before provision for income taxes	586,019	341,983
Provision for income taxes	75,353	54,536
Total comprehensive income	510,666	287,447

Bruno Savings and Credit Union Limited
Summary Statement of Changes in Equity
For the year ended December 31, 2012

	<i>2012</i>	<i>2011</i>
Retained earnings, beginning of year	3,961,604	3,674,157
Add:		
Total comprehensive income	510,666	287,447
Retained earnings, end of year	4,472,270	3,961,604

Bruno Savings and Credit Union Limited

Summary Statement of Cash Flows

For the year ended December 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating		
Interest received from loans	1,778,367	1,560,601
Interest received from investments	180,621	161,941
Other income received	131,297	114,818
Income taxes paid	(63,476)	(66,071)
Interest paid to members	(507,266)	(501,846)
Interest paid on borrowed money	(2,668)	(1,008)
Cash payments to suppliers and employees	(1,061,205)	(1,008,727)
	455,670	259,708
Financing		
Line of credit advances	358,200	-
Net change in deposits	3,826,715	1,956,803
Redemption of membership shares	(240)	(85)
Reduction of equity accounts	(18,666)	(15,335)
	4,166,009	1,941,383
Investing		
Net change in loans	(4,920,463)	(4,079,996)
Net change in investments	(694,513)	(575,488)
Purchase of property, plant and equipment	(4,922)	(1,099)
	(5,619,898)	(4,656,583)
Decrease in cash and cash equivalents	(998,219)	(2,455,492)
Cash and cash equivalents, beginning of year	1,262,196	3,717,688
Cash and cash equivalents, end of year	263,977	1,262,196

BYLAWS

Bruno Savings and Credit Union Limited

ARTICLE 1 - MEANING OF TERMS

1.1 Defined Terms

As used in these Bylaws the following terms have the definitions set forth below:

- (a) "Act" means *The Credit Union Act, 1998*;
- (b) "Annual Meeting" means the Annual Meeting required under *The Credit Union Act, 1998*;
- (c) "Credit Union" means Bruno Savings and Credit Union Limited;
- (d) "Basis of business done with or through the Credit Union" means and is determined in the manner set forth in *The Credit Union Act, 1998* as amended from time to time for determining and calculating patronage returns;
- (e) "Business Area" means and is determined with reference to the geographical area primarily serviced by the District and/or the residences of the members whose accounts are located at that District;
- (f) "Primary Account" means and is determined with reference to the quantity and value of services and deposits handled in that account;
- (g) "Primary Financial Institution" means and is determined with reference to the quantity and value of services and deposits handled between accounts at the Credit Union and elsewhere;
- (h) "Proposal" means a proposal as defined by Section 85 of *The Credit Union Act, 1998*;
- (i) "Fundamental Change" means a fundamental change as defined by the Regulations;
- (j) "Regulations" means the regulations to *The Credit Union Act, 1998* as amended or enacted from time to time.
- (k) "Voting Period" means the period for voting for election of directors or voting on a Fundamental Change as set by the Regulations.
- (l) "Key Management Person" means and includes an individual who is employed in an executive management position in the Credit Union or is a Director of the Credit Union.

1.2 Other Terms

Other terms, whenever used in these Bylaws shall have the respective meanings ascribed to each such term in *The Credit Union Act, 1998* as amended from time to time.

ARTICLE 2 - HEADINGS

2.1 Headings

The section headings used in these Bylaws are not substantive and are included solely for convenience of reference only.

ARTICLE 3 - MEMBERSHIP

3.1 Qualification

Subject to the Articles, membership in the Credit Union is open to all persons.

3.2 Minimum Membership Shares

All persons wishing to become a member shall hold a minimum of one (1) membership share.

ARTICLE 4 - ASSIGNMENT

4.1 Assignment

Shares and other similar interest(s) may only be assigned or transferred with the approval of the Board of Directors.

ARTICLE 5 - DIRECTORS

5.1 Number of Directors

The minimum number of Directors shall be five (5) and, subject to the Articles, the maximum will be nine (9).

5.2 Election of Directors

(a) Election by District

Directors shall be elected by District.

(b) Determination of Districts

District will be defined as follows:

- i. District 1 – shall encompass the Business Area historically or traditionally served by the branch in the community of Bruno.
- ii. District 2 – shall encompass the Business Area historically or traditionally served by the branch in the community of Prud'homme.

(c) Procedure Election by District

District 1 - Members of District 1 will elect not less than 3 and not more than 7 directors.

District 2 - Members of District 2 will elect 2 directors.

Members shall vote in the District in which they reside or if they do not reside in any District in the District where they maintain their Primary Account.

Members may vote in only one District. In the case of a member who could vote at more than one District, the Returning Officer(s) may specify the location at which the member shall vote.

The Returning Officer(s) will keep the lists of members eligible to vote at each location.

5.3 Qualifications of Directors

In addition to the qualifications set out in the Act, nominees and directors shall have the following qualifications:

Each Nominee and Director shall:

- (a) have been a member of the Credit Union for a minimum of one year as at the Closing Date for Nominations;
- (b) use the Credit Union as his/her Primary Financial Institution;
- (c) not be involved in legal proceedings against the Credit Union or any of its affiliates or subsidiaries, in the previous year;
- (d) not be a spouse of a person involved in legal proceedings against the Credit Union or any of its affiliates or subsidiaries;
- (e) not have any loans or credit in arrears in excess of 90 days with the Credit Union in the previous year or have any Judgment registered against them;
- (f) not be an employee of the Credit Union within 24 months of the Closing Date for Nominations;
- (g) not be a Director or employee of a business selling competitive products or services except as a representative of the Credit Union;
- (h) not be a spouse of a Key Management Person of the Credit Union.

5.4 Nomination of Directors

Candidates may only be nominated in the District in which they reside or, if they do not reside in any District, in the District where they maintain their Primary Account. In the event of any questions or dispute as to which District the candidate may be

nominated for, the Board of Directors or its designated committee for such purpose may designate the applicable District.

The Board of Directors will advertise the opening and closing date for the nominations of directors, which shall be set at least 30 days before the start of the scheduled Voting Period. Nominations will close no later than 16 days before the start of the Voting Period. Nominations will not be accepted after the closing date.

All nominees must sign a nomination paper confirming that the nominee meets the eligibility requirements set out in the Act and these Bylaws. Nomination papers must be signed by the person nominated for the position of director and endorsed by the signatures of at least two members of the Credit Union who have accounts in the District of nomination.

The Board shall establish specific policies and procedures in connection with the nominating committee functions including establishing guidelines and criteria for determining suitable candidates based on skill, experience and attributes.

5.5 Conduct of Elections

- (a) Election of Directors will take place during the Voting Period;
- (b) The Voting Period will be set annually by the Board of Directors;
- (c) The Voting Period will not be less than 7 days or more than 12 days in length and shall end not more than 28 days or less than 7 days prior to the Annual Meeting;
- (d) Voting for the directors will be conducted by secret ballot in the manner which is approved by the board of directors. The manner of voting may include but is not limited to voting polls, in branch voting, mail in or electronically or by all such methods. If the board of directors authorizes electronic voting for directors a member may vote at a polling station within a credit union branch;
- (e) Each member is entitled to one vote;
- (f) Where a member votes for more or less than the number of directors to be elected on the ballot, that ballot is not to be counted;
- (g) Ballots shall be counted by the returning officer prior to the Annual Meeting and successful candidates will be announced at the Annual Meeting. Resolution for destruction of ballots shall be made at the Annual Meeting;
- (h) If a meeting is scheduled at which business is to be conducted during the Voting Period for election of directors, and the credit union is permitting electronic voting, a member or shareholder shall be allowed to participate in such meeting by means of telephonic, electronic or other communication facility and vote in person if participating in the meeting in person.

5.6 Term of Office

After the expiry of the initial term, all Directors will be elected for a term of three (3) years.

5.7 Removal of Directors

(a) Removal by Members

Members may remove a Director by two thirds of the votes cast at a meeting.

(b) Disqualification

A director who fails to attend a minimum of 75% or three consecutive meetings of the regularly called Board of Directors' meetings in any one year without just cause is disqualified to remain as a Director. The Board of Directors shall determine just cause.

Any person removed by members or disqualified for failing to attend the minimum number of meetings is also disqualified from any committee or representative body that requires an individual to be a director.

5.8 Vacancies

The Board of Directors may fill a vacancy on the board until the next Annual Meeting provided there is a quorum.

5.9 Remuneration

Directors shall be reimbursed for expenses incurred in connection with Director duties. Directors may be paid a per diem for attending Board or Committee meetings or for performing official Director or Committee functions at rates established by the Board of Directors from time to time. The Board of Directors may also establish and pay reasonable annual or monthly retainer fees in addition to or in lieu of per diems.

ARTICLE 6 – MEETINGS OF MEMBERS

6.1 Conduct

If approved by the Board, meetings of members may be held using telephonic, video, electronic or other communication facilities. Unless a chair is otherwise appointed, the President or any other officer designated by the Board of Directors shall preside over all meetings of the Credit Union and the Board.

6.2 Voting

If approved by the Board, voting at a meeting conducted using telephonic, electronic or other communication facilities shall be by show of hands or secret ballot or by any other means that will identify the voter and vote cast to the returning officer appointed for such location.

6.3 Location

Meetings of the Credit Union may be held at more than one location. If approved by the Board, meetings may be held separately or simultaneously at more than one location. Where arrangements are made for members to participate in the meeting through electronic, video, telephonic or other communication such meeting is considered to be a meeting in one location.

6.4 Meetings at More than One Location

For meetings at more than one location, members should attend and vote at the meeting for their District. Members may only vote once on any question. The returning officer will keep lists of members who registered to vote at each District and may deny registration to any member who previously registered at another District.

6.5 Resolutions for Meetings at More than One Location

Votes on resolutions will be held at each meeting and the resolution will only pass if the aggregate of the votes cast in all meetings is sufficient to pass the resolution. Resolutions from the floor are not permitted.

6.6 Proposals

All Proposals must be submitted in the time and manner prescribed by *The Credit Union Act, 1998*. Resolutions that have not been presented in the time and manner required for Proposals may, at the discretion of the Chair, be presented and debated at an Annual Meeting. Any such resolution is non-binding and will be received by the Board for informational purposes only.

6.7 Annual Meeting Agenda

The Annual Meeting agenda may include the following items of business in addition to those specified by the Regulations.

- (a) Announcement of successful candidates from the conduct of elections (for District or Branch elections);
- (b) Other business including presentment and debate of non-binding resolutions;
- (c) Other specific agenda items (e.g. Amendment to Bylaws).

6.8 Notice of Meetings

Notice of Meetings may be provided by all methods authorized or permitted under the Act or Regulations.

6.9 Other Meetings

The Credit Union may hold semi-annual or other periodic meetings of the members.

6.10 Quorum

The quorum at an annual or special meeting of members:

- (a) is 15 members entitled to vote; and
- (b) where the meeting is held at more than one location, is not less than 10 members who are entitled to vote at each location.

6.11 Voting on a Fundamental Change

- (a) Voting on a resolution respecting a Fundamental Change will be conducted by secret ballot in the manner which is approved by the board of directors. The manner of voting may include but not limited to in person, electronic voting, by mail or by any other approved voting method during a Voting Period established by the board of directors.
- (b) If the board authorizes electronic voting on a resolution to approve a Fundamental Change a member may vote at a polling station within a credit union branch.
- (c) If the credit union authorizes electronic voting on a Fundamental Change during a Voting Period a member shall be allowed to participate in the meeting at which the resolution is presented and vote by means of telephonic, electronic or other communication facility and vote in person if participating in the meeting in person.
- (d) Each member is entitled to one vote. All votes must be received during the Voting Period. The returning officer shall announce the results of the voting on the resolution to approve the Fundamental Change on the next business day after the close of the Voting Period.
- (e) The meeting at which the resolution to approve a Fundamental Change is presented and considered is not concluded until after expiry of the Voting Period and the counting of all votes cast by the voting methods authorized by the board of directors.

ARTICLE 7 - COMMITTEES

- 7.1 The Board may appoint any person to a committee.

ARTICLE 8 – TERMINATION OF A MEMBERSHIP

- 8.1 On any appeal from termination of membership, a vote to rescind the decision of the Board of Directors must be passed by 75% of the members present at the membership meeting.

ARTICLE 9 – REDEMPTION OF MEMBERSHIP SHARES

- 9.1 When a member withdraws or is terminated from the Credit Union for whatever reason, all shares and other interests in the Credit Union shall be paid to the member not later than one (1) year after the effective date of withdrawal or termination; provided the Credit Union is solvent or that such withdrawal will not cause insolvency.
- 9.2 Where a member has a loan with the Credit Union, all shares and other interests shall be firstly applied to the repayment of the loan with any balance remaining to be paid to the member.

ARTICLE 10 - MEMBERSHIP CERTIFICATE

- 10.1 Membership share certificates need not be issued to members.

ARTICLE 11 – SERVICES TO NON-MEMBERS

- 11.1 The Board may determine from time to time what services may not be provided to non-members.

ARTICLE 12 - ALLOCATION OF SURPLUS

- 12.1 The Board shall determine annually the percentage of the patronage return allocated for members in any given financial year to be applied to the purchase of membership shares of the Credit Union.
- 12.2 Members shall be informed in writing of the number of shares purchased or to be purchased.
- 12.3 Issuance of shares shall be with the approval of the board or in a manner approved by the board.
- 12.4 The Credit Union may allocate a portion of surplus arising from the operation of the credit union to non-members.
- 12.5 Any closed or terminated account will not qualify for any dividend or patronage returns declared by the Board at a subsequent date.

ARTICLE 13 - BUSINESS WITH THE CREDIT UNION

- 13.1 Members may do business with the credit union at any branch or District of the credit union and nothing in these Bylaws is intended to or shall be interpreted to restrict the member from conducting business at any branch or District.

ARTICLE 14 – CHARGE AND SETOFF

14.1 The Credit Union has a charge on all membership shares including any joint membership share for a debt of the member and may apply such shares or monies standing to the credit of the member towards payment of such debt.

We hereby certify that the existing Bylaws of Bruno Savings and Credit Union Limited have been rescinded and replaced with the attached Bylaws. These Bylaws have been duly authorized by the members of the Credit Union, at the annual meeting held on the 10th day of April, 2013.

Dated at Bruno, Saskatchewan, this _____ day of _____, 2013.

(President)

(Secretary)