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annual report

## 2014 ANNUAL REPORT

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## FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS	2014	2013	% CHANGE
Total Assets	\$ 95,059	\$ 94,899	0%
Cash and Cash Equivalents	\$ 7,578	\$ 3,177	139%
Loans To Members	\$ 72,350	\$ 69,987	3%
Investments	\$ 14,834	\$ 21,413	-31%
Deposits from Members	\$ 87,541	\$ 87,793	0%
Capital & Retained Earnings			
Retained Earnings	\$ 6,608	\$ 6,222	
Share Capital	\$ 323	\$ 335	
Tier 2 Capital	\$ 411	\$ 394	
Total Regulatory Capital	\$ 7,342	\$ 6,951	6%
% of total assets	7.7%	7.3%	
% of risk-weighted assets	22%	22%	
Total Income	\$ 3,291	\$ 3,288	0%
Interest Expense	\$ 1,494	\$ 1,631	-8%
Operating Expense	\$ 1,886	\$ 1,797	5%
as a % of average assets	2%	2%	
Net Income Before Income Taxes	\$ 463	\$ 394	18%
Net Income	\$ 386	\$ 329	17%

## ASSET GROWTH



## REPORT TO THE MEMBERS

We are pleased to report yet another successful year for Member Savings. The financial climate remained virtually unchanged from recent years with interest rates remaining at record lows and competition fierce across all product lines. Although low interest rates may offer a stimulus to the economy by keeping financing costs low, they pose a challenge for financial institutions that rely on the difference between what they pay to depositors and receive from borrowers to earn a profit. During these challenging times, Member Savings has remained focused on containing costs to ensure profitability without the need to increase service fees. In 2014, your credit union generated an after tax profit of \$386 thousand, while continuing to develop some exciting new products and services.

There was more good news for our loan portfolio as we experienced a considerable reduction in underperforming loans. Our loan loss provision was only \$28 thousand in 2014 down from \$162 thousand in 2013.

While loans to members increased throughout 2014, member deposits were down slightly year over year. Some of this reduction can be attributed to more favourable conditions in the equity markets luring funds away from safer investments in the pursuit of higher returns.

Operating expenses increased only slightly over the prior year with a rise in technology expenses and promotional costs. Last year we reported on our

### TECHNOLOGY CONTINUES TO BE A DRIVING FORCE IN OUR ABILITY TO ENHANCE MEMBER CONVENIENCE AND SECURITY.

#### Financial Highlights

The year ended much the same as it started with total assets up only slightly to just over \$95 million. After a decrease in our loan portfolio in 2013, we returned to positive growth in 2014. Despite an extremely competitive mortgage environment, our mortgage portfolio increased by 4.4%.

To combat the competitive mortgage environment, we encourage our members to read the fine print when comparing mortgage pricing. Making a decision on rate alone can often become a very costly one. Our "No Tom Foolery" approach outlines the many features of a Member Savings mortgage that can save thousands of dollars in future costs. Our professional lenders are available to assist members in understanding and comparing the various mortgage products and features.

We continue to see a decline in personal loan volumes as consumers continue to deleverage. As we strive to grow our loan portfolio our goal is not to increase the debt load of our members. We remain committed in assisting our members to become debt free by consolidating high interest debt into a credit union loan at a much fairer interest rate.

participation in the Ontario Credit Union Awareness Campaign. This is a multi-million dollar advertising campaign focused on increasing awareness of credit unions as a viable alternative to banks. We made a two year commitment to this initiative which will see new television commercials rolling out again in early 2015.

#### Investing in Technology

Technology continues to be a driving force in our ability to enhance member convenience and security. Members do business with us through a variety of channels with most dealing with us remotely through a combination of telephone, internet, email and fax. As we don't see the majority of our members in person, we leverage technology to ensure the utmost in member convenience. In early 2014, we implemented electronic signatures for all of our personal loan documents, allowing us to complete the signing process securely by a click of a button. This process has reduced the turnaround time on loan documents to a matter of minutes rather than hours or days. There is no waiting for mail delivery, standing by a fax machine or the need to scan and email documents. We are now using electronic signatures whenever possible to ensure fast, secure and efficient document processing.

## REPORT TO THE MEMBERS (continued)

We are also pleased to report that "we have an app for that!" Over the last year we rolled out three convenient apps with a fourth coming in early 2015. Currently available are: a new member app, a loan app and a budget app for download to a smartphone or tablet. The new mobile banking app, offering an enhanced mobile banking experience, will be rolled out very soon. Following that roll-out will be the introduction of Deposit Anywhere™, allowing cheques to be deposited by simply submitting a picture from a mobile device.

Our new and improved internet banking solution will be introduced in early January 2015. This updated version will include increased security features and an enhanced overall banking experience.

#### The Year Ahead

We are not expecting the economic outlook to change much over the next twelve months. Interest rates are expected to remain low and fierce competition throughout the financial services industry will continue. Recognizing that continued growth is important to the sustainability of the organization, significant growth targets are often a costly endeavour. We remain committed to offering quality products and services at a competitive cost, however winning market share through very aggressive pricing will not be pursued at a loss. We are expecting very modest asset growth throughout 2015 to ensure profitability and sustainability now and into the future.

### THE SUCCESS OF MEMBER SAVINGS IS ONLY POSSIBLE THROUGH THE LOYALTY AND PATRONAGE OF THE MEMBERS IT SERVES.

#### Member Engagement

Member satisfaction is an essential component to our overall success. This past year we conducted a member survey to ensure that we remain on the right path. The results were overwhelmingly positive and we thank the membership for their continued support and commitment. The information gathered is extremely valuable in our planning of future enhancements to our products and services.

As a further enhancement to the provincial awareness campaign, we launched our own Facebook page. The use of social media serves to increase our ability to communicate with a wider audience. Those that visit us on Facebook receive the latest news on all upcoming products and promotions.

Membership growth will remain a priority over the next year. We continually look for innovative ways to attract new members and show them the credit union difference. Similar to many credit unions across the country, the average age of our membership is increasing. Attracting younger members will be our primary focus and many of our products and services will be developed to appeal to this younger demographic, while continuing to offer exceptional service to all of our members.

#### Our People

The success of Member Savings is only possible through the commitment and dedication of a loyal team. At the top is a committed Board of Directors that ensures the credit union is governed for success. These individuals are required to meet and maintain the appropriate competency requirements to effectively fulfill their responsibilities to the credit union and its members. The operations of the organization are the responsibility of the staff who are true professionals in every sense. They are committed to providing our members with the expertise and professional service that one would expect from their financial institution. However the success of Member Savings is only possible through the loyalty and patronage of the members it serves. On behalf of the entire team at Members Savings, we wish to thank our members for their continued support and we look forward to many prosperous years ahead.

Respectfully,

Sharon Kent  
Chief Executive Officer

Liesma Morris  
Board Chair

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee functions to assist the Board of Directors in reviewing financial reports and reporting processes. Our Committee currently consists of five directors, elected by the Board of Directors, and complies with the specifications outlined for Audit Committees in the Credit Unions and Caisses Populaires Act (1994),

- Report that our credit union is in compliance with the Act, our By-laws, the requirements of the Deposit Insurance Corporation of Ontario (DICO), and all resolutions and policies of the Credit Union's Board of Directors.

### OUR CREDIT UNION IS IN COMPLIANCE WITH THE ACT, OUR BY-LAWS, THE REQUIREMENTS OF DICO AND ALL RESOLUTIONS AND POLICIES.

and the associated regulations. My fellow committee members are: Liesma Morris, Robert Callander, Tracy Danbrook, and Bruno Lopes. The Audit Committee has adopted a mandate to carry out its responsibilities as specified in the regulations to the Act and has contracted the services of an internal auditor to assist in fulfilling these duties. The Audit Committee, which meets at least quarterly, met four times during the 2014 fiscal year to:

- Review the Audited Financial Statements and all reports received from the external auditor;
- Meet with the external auditor to review the results of the year end audit;
- Review the external auditor's Engagement Letter and proposed fees;
- Review the Internal Audit Work Plan;
- Review the quarterly internal audit reports from the internal auditor;
- Review management's response to each report and related recommendations;
- Review the Credit Union's policies, procedures and controls for legislative compliance;

The Committee confirms that Management has implemented all recommendations made by the Audit Committee and there are no matters which the Committee believes should be reported to the membership or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,

Alex Browning  
Audit Committee Chair

## REPORT ON LENDING

Meeting our members' individual borrowing needs remained our main focus in 2014. We continued to offer historically low rates and flexible re-payment schedules to assist our members with solutions to fit their individual situations. Whether funds are needed for debt consolidation, car financing, home renovation or a home purchase, we strive to find an affordable lending solution for all of our borrowers.

Looking ahead to 2015, we expect to see interest rates remain near record lows while the economy in Ontario and the rest of North America gains momentum. Growth in the Ontario real estate market continued in 2014 and most economists are still forecasting moderate growth in house prices for 2015, right across Ontario.

### WE ARE CONSTANTLY STRIVING FOR WAYS TO MAKE BORROWING FROM US FAST AND CONVENIENT.

Despite very competitive conditions in the mortgage industry, we returned to positive growth in 2014. Our "6 Reasons Why Our Mortgages Are a Better Choice For You" campaign explained how the many advantages of a Member Savings mortgage, apart from simply the lowest rate, can possibly save thousands of dollars in future costs. We also launched our "Friends with Bonuses" program that pays members \$500 for referring a new mortgage to Member Savings.

Our personal loan portfolio increased slightly over the year. We remain focused on assisting our members in becoming debt free, by consolidating their debt into one manageable monthly payment. This was reflected in a slight increase in loans and loan volumes.

We are constantly striving for ways to make borrowing from us fast and convenient. As many of our members choose to deal with us remotely, we introduced E-Signatures to complete the signing process. This solution has reduced the turn-around time on completing loans documents to a matter of minutes rather than hours or days.

We have a highly seasoned team of lenders that are eager and committed to helping members reach their financial goals. Earlier this year, we were very pleased to announce the promotion of Karyn Smith to Senior Loan Officer, focusing primarily on Mortgage lending including Home Equity Lines of Credit. Our complete lending team consists of Karyn, Veronica Joyner- Senior Loan Officer, Suzy Pereira- Loan Officer and myself, Tom Elsdon- Manager of Lending Operations. We look forward to assisting you now and in the coming year and encourage you to contact any one of us to discuss your individual financial needs.

Tom Elsdon  
Manager of Lending Operations

## REPORT ON LENDING

### LOANS ADVANCED (in thousands)

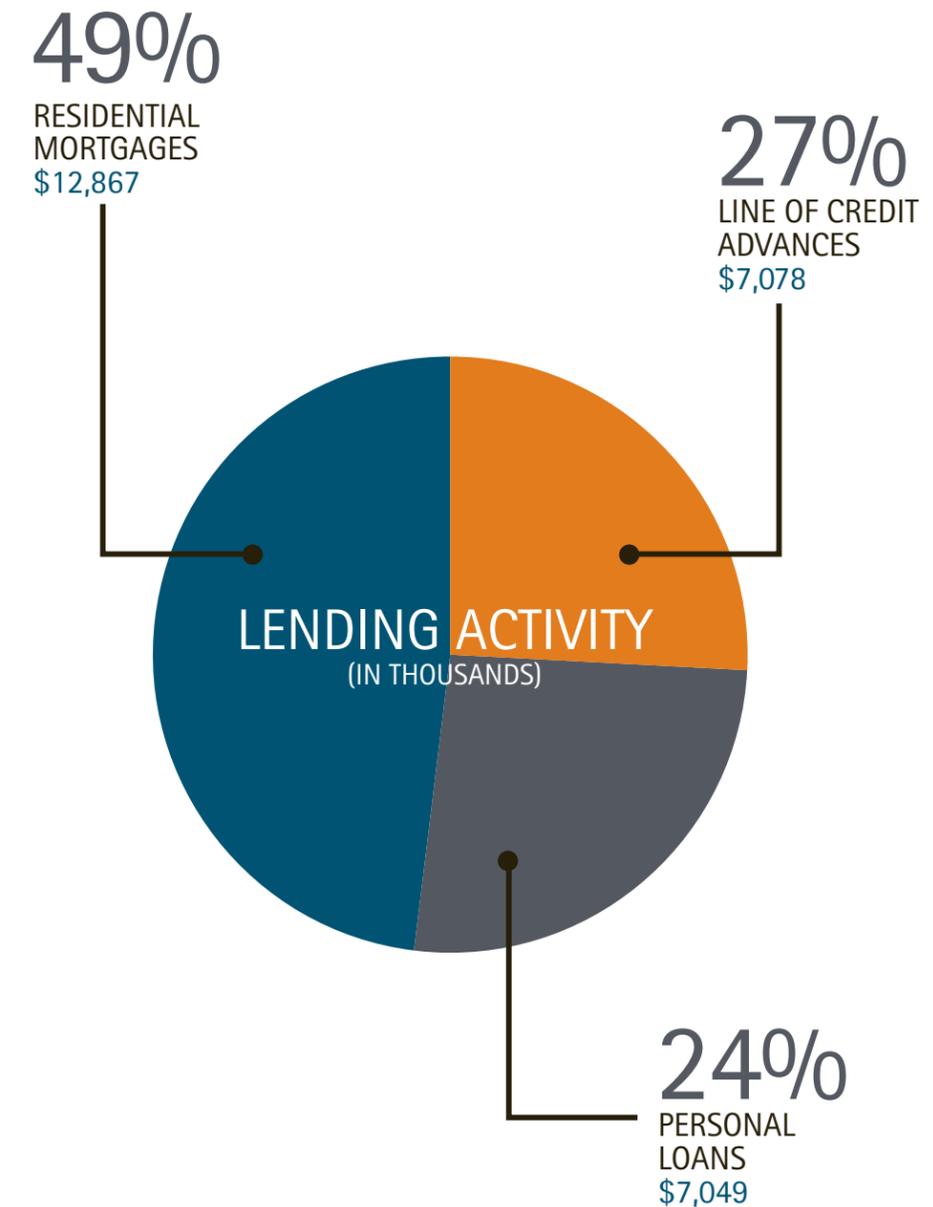
PURPOSE	2014		2013	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	226	\$ 2,798	201	\$ 2,345
Motor Vehicle Expense	79	1,453	56	1,053
Recreational Vehicle	4	99	9	214
Vehicle Expense	29	138	24	88
Home Purchase	12	1,298	8	1,299
Home Furnishings	3	18	3	15
Home Expenses	45	402	30	259
Investments	0	-	5	37
RRSPs	0	-	1	1
Christmas and Weddings	34	83	52	124
Vacation	27	155	22	129
Miscellaneous	103	605	106	503
<b>Total Personal Loans</b>	<b>562</b>	<b>\$ 7,049</b>	<b>517</b>	<b>\$ 6,067</b>
<b>Line of Credit Advances</b> (including Personal LOC, RSP LOC & Home Equity LOC)	<b>5,415</b>	<b>\$ 7,078</b>	<b>5,261</b>	<b>\$ 6,604</b>
Residential Mortgages	54	12,867	72	12,150
<b>Grand Total</b>	<b>6,031</b>	<b>\$ 26,994</b>	<b>5,850</b>	<b>\$ 24,821</b>

### NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2013-2014	524	64	14	71	52	725
2012-2013	508	121	24	81	39	773

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	7	\$ 213
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		\$ 160

## LENDING ACTIVITY IN DOLLARS



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, presentation and consistency of the accompanying summarized financial statements and other information contained in this Annual Report.

proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

## THE SUMMARIZED FINANCIAL STATEMENTS HAVE BEEN DERIVED FROM THE COMPLETE FINANCIAL STATEMENTS

The summarized financial statements have been derived from the complete financial statements which were prepared in accordance with International Financial Reporting Standards and have been audited by Grant Thornton, Chartered Accountants.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

Sharon A. Kent  
Chief Executive Officer



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## Report of the Independent Auditor on the Summary Financial Statements

To the Members of  
**Member Savings Credit Union Limited**

The accompanying summary financial statements, which comprise the summary statement of financial position as at September 30, 2014, the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Member Savings Credit Union Limited as at September 30, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated November 27, 2014. 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 Member Savings 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 on the basis described in Note 1.

### **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 Member Savings Credit Union Limited for the year ended September 30, 2014 are a fair summary of those financial statements, on the basis described in Note 1.

Burlington, Canada  
November 27, 2014

A handwritten signature in cursive script that reads "Grant Thornton LLP".

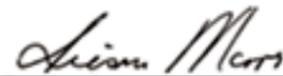
Chartered Accountants  
Licensed Public Accountants

**Member Savings Credit Union Limited**  
**Summary Statement of Financial Position**

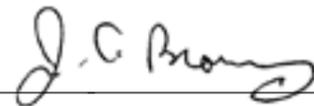
September 30 2014 2013

(in thousands)		
<b>Assets</b>		
Cash and cash equivalents	\$ 7,578	\$ 3,177
Investments	14,834	21,413
Loans to members	72,350	69,987
Other assets	64	81
Deferred income taxes	18	18
Income taxes recoverable	-	18
Property and equipment	144	186
Derivative financial instruments	71	19
	<u>\$ 95,059</u>	<u>\$ 94,899</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 246	\$ 254
Members' deposits	87,541	87,793
Income taxes payable	3	-
Derivative financial instruments	46	26
Shares	134	138
	<u>87,970</u>	<u>88,211</u>
<b>Equity</b>		
Retained earnings	6,608	6,222
Shares	211	221
Accumulated other comprehensive income	270	245
	<u>7,089</u>	<u>6,688</u>
	<u>\$ 95,059</u>	<u>\$ 94,899</u>

Approved on behalf of the board



, Director



, Director

**Member Savings Credit Union Limited**  
**Summary Statement of Comprehensive Income**

Year Ended September 30 2014 2013

(in thousands)		
<b>Interest revenue</b>		
Interest on loans	\$ 2,899	\$ 2,978
Other interest revenue	392	310
	<u>3,291</u>	<u>3,288</u>
<b>Interest expense</b>		
Interest on deposits	1,466	1,469
Provision for impaired loans	28	162
	<u>1,494</u>	<u>1,631</u>
Financial margin	1,797	1,657
Other income	552	534
	<u>2,349</u>	<u>2,191</u>
<b>Operating expenses</b>		
Personnel and related	1,071	1,042
Computer, office, and other	304	253
Administrative and general	224	242
Member security	133	132
Advertising and communications	80	56
Occupancy	34	31
Other	40	41
	<u>1,886</u>	<u>1,797</u>
Income before income taxes	463	394
<b>Income taxes</b>		
Current	77	71
Deferred	-	(6)
	<u>77</u>	<u>65</u>
Net income for the year	386	329
<b>Other comprehensive income (net of tax)</b>		
Change in unrealized gains on available-for-sale investments	25	47
Total other comprehensive income for the year	25	47
Total comprehensive income for the year	<u>\$ 411</u>	<u>\$ 376</u>

**Member Savings Credit Union Limited**  
**Summary Statement of Changes in Members' Equity**

Year Ended September 30, 2014

	(in thousands)			
	Accumulated Other Comprehensive Income	Shares	Retained Earnings	Total
<b>Balance at September 30, 2012</b>	\$ 198	\$ 230	\$ 5,893	\$ 6,321
Net income	-	-	329	329
Redemption of patronage shares	-	(9)	-	(9)
Change in unrealized gains on available for sale investments	47	-	-	47
<b>Balance at September 30, 2013</b>	245	221	6,222	6,688
Net income	-	-	386	386
Redemption of patronage shares	-	(10)	-	(10)
Change in unrealized gains on available for sale investments	25	-	-	25
<b>Balance at September 30, 2014</b>	\$ 270	\$ 211	\$ 6,608	\$ 7,089

**Member Savings Credit Union Limited**  
**Summary Statement of Cash Flows**

Year Ended September 30

2014 2013

	(in thousands)	
Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Net Income	\$ 386	\$ 329
Depreciation and amortization	79	64
Provision for loan losses	62	162
Deferred income taxes	-	(6)
(Increase) decrease in fair value of interest rate swap contracts	(32)	16
Net changes in other non-cash items	32	(476)
	<u>527</u>	<u>89</u>
<b>Investing activities</b>		
(Increase) decrease in loans to members	(2,425)	1,917
(Increase) decrease in investment in Central 1 Credit Union-Ontario Region shares	(20)	7
Distribution received from investment in CUCO Co-op Class B investment shares	68	104
Increase in liquidity reserves in Central 1 Credit Union – Ontario region	54	(213)
Redemption (purchase) of portfolio investments (net)	6,500	(5,500)
Purchase of property and equipment	(37)	(106)
	<u>4,140</u>	<u>(3,791)</u>
<b>Financing activities</b>		
(Decrease) increase in members' deposits	(253)	2,875
Decrease in shares (net)	(13)	(12)
	<u>(266)</u>	<u>2,863</u>
Net (increase) decrease in cash and cash equivalents	4,401	(839)
Cash and cash equivalents		
Beginning of year	3,177	4,016
End of year	\$ 7,578	\$ 3,177
Interest received	3,295	3,281
Interest paid	1,548	1,491
Income taxes paid	45	98

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## Member Savings Credit Union Limited

### Notes to the Summary Financial Statements

September 30, 2014

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#### Basis of presentation (Note 1)

Management is responsible for the preparation of the summary financial statements. The summary financial statements presented include the summary statement of financial position and the summary statements of comprehensive income, changes in members' equity and cash flows. The summary financial statements do not include any other schedules, the summary of significant accounting policies and notes to the financial statements. The summary statement of financial position and summary statements of comprehensive income, changes in members' equity and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.

In addition, a copy of the full financial statements is available to any member, upon request, at the credit union branch.

## CREDIT UNION OFFICERS

### BOARD OF DIRECTORS

Lee Morris	Chair	2016
Robert Callander	Vice Chair	2015
Ruth O'Leary	Director, Corporate Secretary	2017
Alex Browning	Director, Audit Committee Chair	2017
Tracy Danbrook	Director	2015
Bob Downey	Director	2015
Bruno Lopes	Director	2016

### CREDIT UNION STAFF

Head Office Branch  
55 Lake Shore Boulevard East  
Toronto, M5E 1A4

Sharon Kent	Chief Executive Officer
Tom Elsdon	Manager of Lending Operations
Marcia Downer	Member Services Supervisor
Lisa Churcher	Member Services Representative
Carlee Churcher	Member Services Representative
Betty Anne Flynn	Investment Specialist - CFP
Veronica Joyner	Senior Loan Officer
Jennifer Kent	Member Services Representative (currently on Maternity Leave)
Suzy Pereira	Loan Administrator/Loan Officer
Amanda Perkins	Member Services Representative
Karyn Smith	Senior Loan Officer
Barb Vincent	Business Development
Michelle Winstone	Member Services Representative

## MEMBER SAVINGS CREDIT UNION LIMITED PRODUCTS & SERVICES

### ACCOUNTS

Personal Chequing  
Star Membership Chequing  
Gold or Student Star Senior  
Student Star Membership  
Chequing  
Daily Interest Savings  
Investment Savings  
U.S. Dollar Account  
Platinum Savings Account

### LENDING

Personal Loans  
Quick Cash Loans  
Personal Line of Credit  
RRSP Line of Credit  
Mortgages  
Home Equity Line of Credit  
MasterCard

### INVESTING

Online Brokerage  
Index Linked Term Deposits  
Guaranteed Investment  
Certificates  
Mutual Funds  
Registered Retirement  
Savings Plan (RRSP)  
Registered Education  
Savings Plan (RESP)  
Registered Retirement  
Income Fund (RRIF)  
Tax-Free Savings Account (TFSA)

### INSURANCE

Life Insurance  
Buyer Protection/  
Extended Warranty  
Direct Protect Group –  
Home & Auto Insurance  
Deposit Insurance  
Corporation of Ontario

## MEMBER SAVINGS CREDIT UNION LIMITED BANKING OPTIONS

### BRANCH LOCATIONS

Corporate Office  
55 Lake Shore Boulevard East  
Toronto, Ontario M5E 1A4  
Office Hours: 8:30 a.m. to 4:00 p.m.  
Teller Hours: 10:00 a.m. to 3:00 p.m.

Tel: 416.864.2461  
Fax: 416.864.6858

ATM available at this location  
Telephone Banking: 416.640.0686  
Toll Free within Ontario:  
1.888.560.2218  
[betterbanking@membersavings.ca](mailto:betterbanking@membersavings.ca)

### TELEPHONE BANKING

416.640.0686 or 1.888.560.2218

### HOME BANKING

[www.membersavings.ca](http://www.membersavings.ca)

### THE EXCHANGE® Network

[www.the-exchange.ca](http://www.the-exchange.ca)