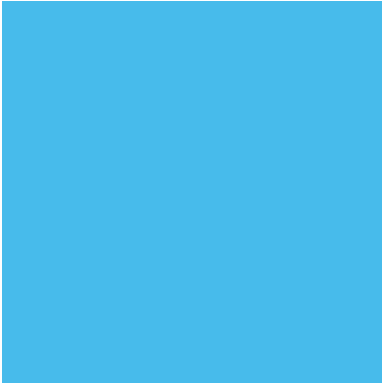




2019



70
YEARS
STRONG



Annual
Report

2019 ANNUAL REPORT

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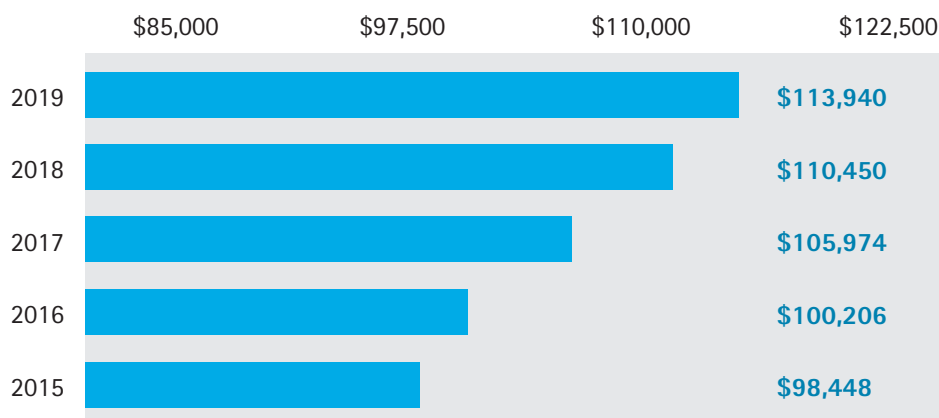
FINANCIALS

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FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS	2019	2018	% CHANGE
Total Assets	\$ 113,940	\$ 110,450	3%
Cash and Cash Equivalents	\$ 1,778	\$ 2,244	-21%
Loans To Members	\$ 90,284	\$ 88,294	2%
Investments	\$ 21,645	\$ 19,688	10%
Members' Deposits	\$ 105,010	\$ 101,715	3%
Capital & Retained Earnings			
Retained Earnings	\$ 8,089	\$ 7,753	
Share Capital	\$ 240	\$ 256	
Tier 2 Capital	\$ 132	\$ 196	
Total Regulatory Capital	\$ 8,461	\$ 8,205	3%
% of total assets	7.4%	7.4%	
% of risk-weighted assets	21%	22%	
Total Income	\$ 4,336	\$ 4,289	1%
Interest Expense	\$ 1,902	\$ 1,638	16%
Operating Expense	\$ 2,048	\$ 2,064	-1%
as a % of average assets	2%	2%	
Net Income Before Income Taxes	\$ 386	\$ 587	-34%
Net Income	\$ 336	\$ 535	-37%
Total Other Comprehensive Income	-	(289)	
Total Comprehensive Income	\$ 336	\$ 246	37%

ASSET GROWTH



REPORT TO THE MEMBERS

This past year marked 70 years for Member Savings Credit Union. Chartered in June 1949 by a group of LCBO employees to offer a savings account and small loans to fellow employees, it has now grown to a full-service financial institution with \$114 million in assets and 3,500 members. Although we have achieved modest growth year over year, we are still true to our roots offering very competitive rates to depositors and borrowers while generating enough profit to ensure sustainability.

FINANCIAL RESULTS FOR 2019

- Assets grew to \$114 million representing growth of 3%
- Loans to members increased by \$2 million representing a growth of 2%
- Members' deposits grew by \$3.3 million rising 3%

WE ARE STILL TRUE TO OUR ROOTS OFFERING VERY COMPETITIVE RATES TO DEPOSITORS AND BORROWERS WHILE GENERATING ENOUGH PROFIT TO ENSURE SUSTAINABILITY

- Net income was \$336 thousand which will be retained in capital to support continued growth and product enhancement
- Capital levels remain very strong at 7.43% of Total Assets versus the minimum required level of 4%

Once again interest rates remained very low throughout the year. Although rates increased once in October 2018, the two additional interest rate hikes forecasted for 2019 did not materialize. While this was great news for borrowers, depositors are still enduring very low returns on their deposits. Low interest rates also mean very tight margins for the credit union to operate as the difference between loan rates and deposit rates is very small. With these very tight spreads we must rely on other sources of income to ensure sustainability. Service charges are one way of increasing our income, but we have worked hard to keep them at a minimum. We continue to keep our low fee banking packages designed to reward members for their business. Our partnerships with other companies, such as insurance providers

like Cumis and The Co-operators, allow us to increase services to our members while providing additional revenue streams.

While we report much of the same year over year, one thing that never stays the same is technology. We must keep up with the pace of change to ensure we can continue to provide the products and services our members want and need. Cyber security is our highest priority and we continually invest in the newest technology to protect our member's data and keep it safe.

NEW PRODUCTS & SERVICES

Keeping up with the latest trends in technology is not our only challenge. We must also make sure we are on top of the latest products. One trend that continues to grow in popularity is the use of digital

advice (or robo-advice). Earlier this year we introduced VirtualWealth®, a simple, easy-to-use online investing service that matches investors with a tailored portfolio based on their goals, timeline and tolerance for risk. Each portfolio holds a professionally managed, well-diversified mix of low-cost funds, which is automatically rebalanced to the investor's target asset allocation. Opening an account is a simple process and can be done directly from our website. VirtualWealth is a trade name of Credential Qtrade Securities Inc.

Members of every age enjoy the convenience of sending and receiving money using *Interac* e-Transfer®. This past year we rolled out new enhanced features that allow users to request money from others and automatically deposit transfers without having to answer a security question. Setting up Autodeposit is simple and continues to provide the necessary security. The *Interac* e-Transfer® Request Money feature is an easy way to request funds from others. Once a request is sent, the receiver simply accepts it and the funds are automatically deposited into the requester's account.

REPORT TO THE MEMBERS (continued)

MEMBER ENGAGEMENT

Regulatory obligations also continue to increase and require significant resources to ensure compliance. Over the past two years we have worked on making sure all member information is correct and current. We have a responsibility to know our members and that means keeping employment status, addresses, and intended use of accounts up to date. We use this opportunity to connect with our members, address any questions they may have and thank them for their business.

Through this initiative we continue to encounter members that we cannot locate. For the most part, these accounts have very small balances and are charged off through annual maintenance fees. As a result, the number of member accounts continues to decline. As many of our operating fees are charged on a per member basis, it is important that we continue to close these underperforming accounts to keep costs down.

Although total membership declined in 2019, we welcomed 122 new members. Many of these new accounts are the result of regular store visits throughout the province which help heighten awareness of the credit union. Also, our new member referral program continues to attract members with \$50 going to both the new member and the referring member.

After over 70 years we reflect on our mission and the reason we are in business:

Member Savings Credit Union Limited, a caring financial institution committed to service excellence through understanding and anticipating member needs, will achieve high member satisfaction and profitable growth thereby becoming the primary financial institution for its members.

It is a pleasure to serve you as your Chair and CEO, but it wouldn't be possible without the incredible team of individuals that represent Member Savings. Their hard work and dedication are what drives the results year over year. We thank you, our members, for putting your trust in us and allowing us the opportunity to serve you.

Respectfully,

Sharon Kent
Chief Executive Officer

Robert Callander
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), and the associated regulations. The elected members of the Committee include: Robert Callander, Christiane Dini, Robert Downey, Liesma Morris and myself, Alex Browning, Audit Committee Chair. 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 2019 fiscal year to:

controls for legislative compliance with a particular focus on requirements for liquidity, capital adequacy and interest rate risk management;

- Complete a self-assessment on the effectiveness of the Committee and take the necessary steps to ensure effectiveness;
- Report that our credit union is in compliance with the Act, our By-laws, the requirements of the Financial Services Regulatory Authority of Ontario (FSRA), and all resolutions and policies of the Credit Union's Board of Directors.

The Committee receives full co-operation and support from management to enable it to play an effective role

THE AUDIT COMMITTEE HAS ADOPTED A MANDATE TO CARRY OUT ITS RESPONSIBILITIES AS SPECIFIED IN THE REGULATIONS TO THE ACT

- 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 auditor's Engagement Letter and 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

in improving the quality of financial reporting to the members and enhancing the overall control structure of the Credit Union.

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 priority in 2019. We continue to offer competitive rates and flexible re-payment schedules to assist our members with solutions to fit their personal 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 members.

Throughout the summer, we offered a loan promotion with rates below prime to consolidate debt, purchase a car, home renovations, vacations and just about anything – all at a great rate. In addition, our new credit card provider Collabria had numerous promotions through the year, including a balance transfer and a bonus points promotion. Expect to see even more promotions in the year ahead.

WE CONTINUE TO OFFER COMPETITIVE RATES AND FLEXIBLE RE-PAYMENT SCHEDULES TO ASSIST OUR MEMBERS

In 2019 Member Savings continued to see strong growth in our mortgage lending with over \$16 million in volume for the year. The Ontario real estate market has continued to grow although at a slower pace than in prior years as a result of the tightening mortgage rules in Ontario that were implemented in 2017. While prices are still steady or slowly increasing in most of Ontario, many markets have seen a reduction in the number of sales. We continued to see a shift away from personal lending towards the consolidation of debt into mortgages. In 2019, we had a reduction in bankruptcies of almost 50% from 2018. This is as a direct result of our tightening personal lending practices in 2017. We are hopeful that the decline in personal bankruptcies will continue into 2020.

2019 saw a reduction in mortgage interest rates from the increases in 2018 and we expect these rates to remain low throughout 2020. The Government also introduced a First-time home buyer incentive to assist individuals in purchasing their first home. While this will not have a large impact in the GTA due to higher home prices, the Government is hopeful it will assist those in smaller centres and rural areas.

Our lending team consists of Karyn Smith – Senior Loan Officer, Veronica Joyner – Senior Loan Officer, Joy Laurin – Loan Officer and myself. We look forward to assisting you in the future and encourage you to contact any one of our lending team to help you meet your financial goals.

Tom Elsdon
Vice President of Lending Operations

REPORT ON LENDING (continued)

LOANS ADVANCED (in thousands)

PURPOSE	2019		2018	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	125	\$ 1,637	131	\$ 1,741
Motor Vehicle Expense	38	806	55	1,291
Recreational Vehicle	1	6	2	37
Vehicle Expense	16	90	17	67
Home Purchase	4	882	8	1,436
Home Furnishings	5	18	7	66
Home Expenses	36	313	26	207
Investments	3	26	4	15
RRSPs	1	6	0	0
Christmas	20	48	19	52
Vacation	15	64	22	110
Wedding	9	67	3	32
Tuition	10	65	7	55
Miscellaneous	51	310	60	275
Total Personal Loans	334	\$ 4,338	361	\$ 5,384
Line of Credit Advances				
(including Personal LOC, RSP				
LOC & Home Equity LOC)	5,311	\$ 6,843	5,538	\$ 7,882
Residential Mortgages	57	\$ 16,694	69	\$ 19,073
Grand Total	5,702	\$ 27,875	5,968	\$ 32,339

NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2018-2019	495	72	21	73	139	800
2017-2018	542	148	26	83	167	966

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	5	\$15
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		\$208

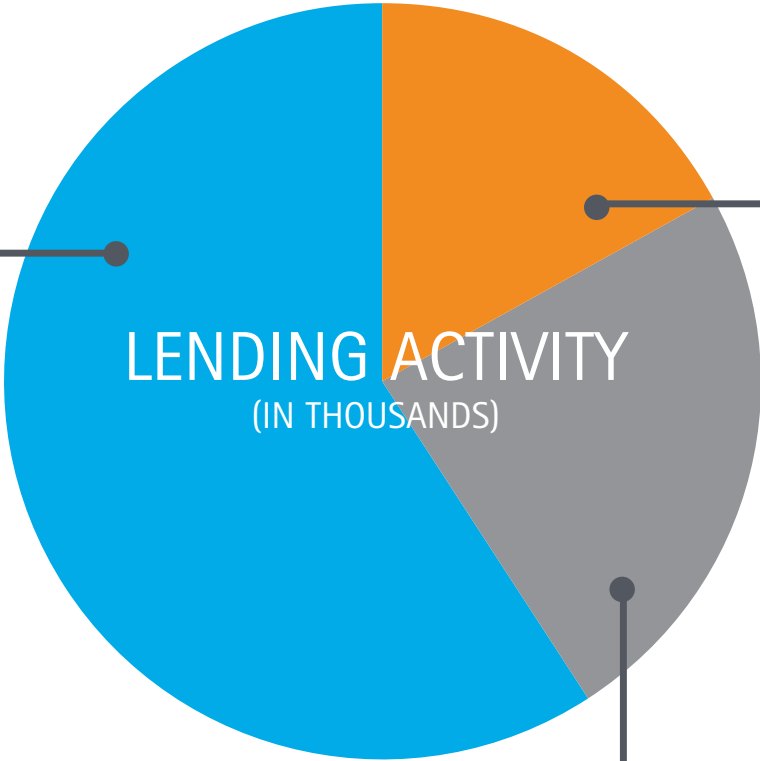
LENDING ACTIVITY IN DOLLARS

60%

RESIDENTIAL
MORTGAGES
\$16,694

16%

PERSONAL
LOANS
\$4,338



LENDING ACTIVITY
(IN THOUSANDS)

24%

LINES OF CREDIT
ADVANCES
\$6,843

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, presentation and consistency of the accompanying summary 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 SUMMARY FINANCIAL STATEMENTS HAVE BEEN DERIVED FROM THE COMPLETE FINANCIAL STATEMENTS

The summary 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 Professional 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

Report of the Independent auditor on the Summary Financial Statements

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Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509
www.GrantThornton.ca

To the Members of
Member Savings Credit Union Limited:

Opinion

The summary financial statements, which comprise the summary statement of financial position as at September 30, 2019, the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Member Savings Credit Union Limited as at September 30, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the financial statements, in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited financial statements and the auditor's report thereon.

The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those financial statements in our report dated November 26, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 to the summary financial statements.



Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

Grant Thornton LLP

Mississauga, Canada
November 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

Member Savings Credit Union Limited

Summary Statement of Financial Position

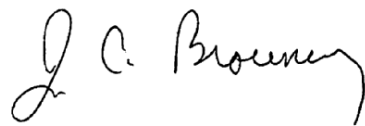
(In thousands)
September 30,

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,778	\$ 2,244
Investments	21,645	19,688
Loans to members	90,284	88,294
Other assets	50	51
Deferred income taxes	46	50
Income taxes recoverable	8	-
Property and equipment	84	77
Derivative financial instruments	45	46
	<u>\$ 113,940</u>	<u>\$ 110,450</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 326	\$ 459
Members' deposits	105,010	101,715
Retirement liability	213	202
Income taxes payable	-	5
Derivative financial instruments	45	42
Shares	106	112
	<u>105,700</u>	<u>102,535</u>
Equity		
Retained earnings	8,089	7,753
Shares	151	162
	<u>8,240</u>	<u>7,915</u>
	<u>\$ 113,940</u>	<u>\$ 110,450</u>

Approved on behalf of the board



Director



Director

Member Savings Credit Union Limited

Summary Statement of Comprehensive Income

(In thousands)

Year ended September 30

2019

2018

Interest revenue		
Interest on loans	\$ 3,320	\$ 3,170
Other interest revenue	<u>528</u>	<u>338</u>
	<u>3,848</u>	<u>3,508</u>
Interest expense		
Interest on deposits	1,799	1,484
Provision for impaired loans	<u>103</u>	<u>154</u>
	<u>1,902</u>	<u>1,638</u>
Financial margin	1,946	1,870
Other income	<u>488</u>	<u>781</u>
	<u>2,434</u>	<u>2,651</u>
Operating expenses		
Personnel and related	1,276	1,284
Computer, office, and other	265	287
Administrative and general	231	219
Member security	136	134
Advertising and communications	41	45
Occupancy	52	51
Other	<u>47</u>	<u>44</u>
	<u>2,048</u>	<u>2,064</u>
Income before income taxes	<u>386</u>	<u>587</u>
Income taxes		
Current	45	47
Deferred	<u>5</u>	<u>5</u>
	<u>50</u>	<u>52</u>
Net income for the year	<u>336</u>	<u>535</u>
Other comprehensive income (net of tax)		
Change in unrealized gains on available-for-sale investments	-	(1)
Reclassification to profit or loss	<u>-</u>	<u>(288)</u>
Total other comprehensive loss for the year	<u>-</u>	<u>(289)</u>
Total comprehensive income for the year	<u>\$ 336</u>	<u>\$ 246</u>

Member Savings Credit Union Limited

Summary Statement of Changes in Members' Equity

(In thousands)

Year ended September 30, 2019

	<u>Retained Earnings</u>	<u>Shares</u>	Accumulated Other Comprehensive <u>Income</u>	<u>Total</u>
Balance at September 30, 2017	7,218	179	289	7,686
Net income	535	-	-	535
Redemption of patronage shares	-	(17)	-	(17)
Change in unrealized gains on available for sale investments	-	-	(1)	(1)
Reclassification to profit or loss	-	-	(288)	(288)
Balance at September 30, 2018	7,753	162	-	7,915
Net income	336	-	-	336
Redemption of patronage shares	-	(11)	-	(11)
Balance at September 30, 2019	\$ 8,089	\$ 151	\$ -	\$ 8,240

Member Savings Credit Union Limited

Summary Statement of Cash Flows

(In thousands)

Year ended September 30

2019

2018

Increase (decrease) in cash and cash equivalents

Operating activities

Net income	\$	336	\$	535
Depreciation and amortization		42		42
Provision for loan losses		103		154
Deferred income taxes		5		5
Increase (decrease) in fair value of interest rate swap contracts		4		(4)
Changes in members' activities:				
Increase in loans to members		(2,093)		(3,595)
Increase in members' deposits		3,295		4,211
Net changes in other non-cash items		(179)		(239)
		<u>1,513</u>		<u>1,109</u>

Investing activities

Increase (decrease) in investment in Central 1 Credit Union - Ontario Region shares		(12)		80
Distribution received from investment in CUCO Co-op Class B investment shares		5		-
Increase in liquidity reserves in Central 1 Credit Union – Ontario region		(406)		(106)
Purchase of portfolio investments (net)		(1,500)		(1,000)
Purchase of property and equipment		(49)		(56)
		<u>(1,962)</u>		<u>(1,082)</u>

Financing activities

Decrease in shares (net)		(17)		(25)
		<u>(17)</u>		<u>(25)</u>

Net (decrease) increase in cash and cash equivalents (466) 2

Cash and cash equivalents

Beginning of year		<u>2,244</u>		<u>2,242</u>
End of year	\$	<u>1,778</u>	\$	<u>2,244</u>

Interest received	\$	3,793	\$	3,480
Interest paid		1,625		1,409
Income taxes paid		54		42

Member Savings Credit Union Limited

Notes to the Summary Financial Statements

(In thousands)

September 30, 2019

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as at September 30, 2019 and 2018 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be included so that they are consistent in all material respects with, or represent a fair summary, of the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- a) The summary financial statements include a statement for each statement included in the audited financial statements;
- b) Information in the summary financial statements agrees with the related information in the audited financial statements;
- c) Major subtotals, totals and comparative information from the audited financial statements are included; and
- d) The summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements.

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

| CREDIT UNION OFFICERS

BOARD OF DIRECTORS

Robert Callander	Chair	2021
Alex Browning	Vice Chair, Audit Committee Chair	2020
Tracy Danbrook	Director, Corporate Secretary	2021
Christiane Dini	Director	2022
Robert Downey	Director	2021
Pamela Lawson	Director	2020
Liesma Morris	Director	2022

CREDIT UNION STAFF

Sharon Kent	Chief Executive Officer
Tom Elsdon	V.P. of Lending Operations
Marcia Downer	Member Services Supervisor
Lisa Churcher	Member Services Representative
Carlee Churcher	Member Services Representative
Betty Anne Flynn	Investment Specialist - CFP
Amanda Huinink	Marketing & Business Development Coordinator
Veronica Joyner	Senior Loan Officer
Joy Laurin	Loan Administrator/Loan Officer
Suzy Pereira	Member Services Representative
Karyn Smith	Senior Loan Officer
Jacqueline Thomas	Member Services Representative
Barb Vincent	Business Development
Michelle Winstone	Member Services Representative

MEMBER SAVINGS CREDIT UNION LIMITED PRODUCTS & SERVICES

ACCOUNTS

Personal 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
Credit Cards

INVESTING

Online Brokerage
Index Linked Term Deposits
Guaranteed Investment
Certificates
Mutual Funds
VirtualWealth®
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
Travel Insurance
Cooperators Group –
Home & Auto Insurance
Deposit Insurance
Corporation of Ontario

Mutual funds are offered through Credential Asset Management Inc. Online brokerage services are offered through Qtrade Investor, a division of Credential Qtrade Securities Inc. VirtualWealth® is a trade name of Credential Qtrade Securities Inc.

MEMBER SAVINGS CREDIT UNION LIMITED BANKING OPTIONS

BRANCH LOCATION

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: 416.860.1072
Toll Free within Ontario:
1.888.560.2218
Fax: 416.860.3682
betterbanking@membersavings.ca

TELEPHONE BANKING

416.640.0686 or 1.888.560.2218

HOME BANKING

www.membersavings.ca

THE EXCHANGE® Network

www.theexchangenetwork.ca

MOBILE BANKING APP

www.membersavings.ca/mobilebanking