



MEMBERS MATTER MOST

2011 MEMBER SAVINGS ANNUAL REPORT

2011 ANNUAL REPORT

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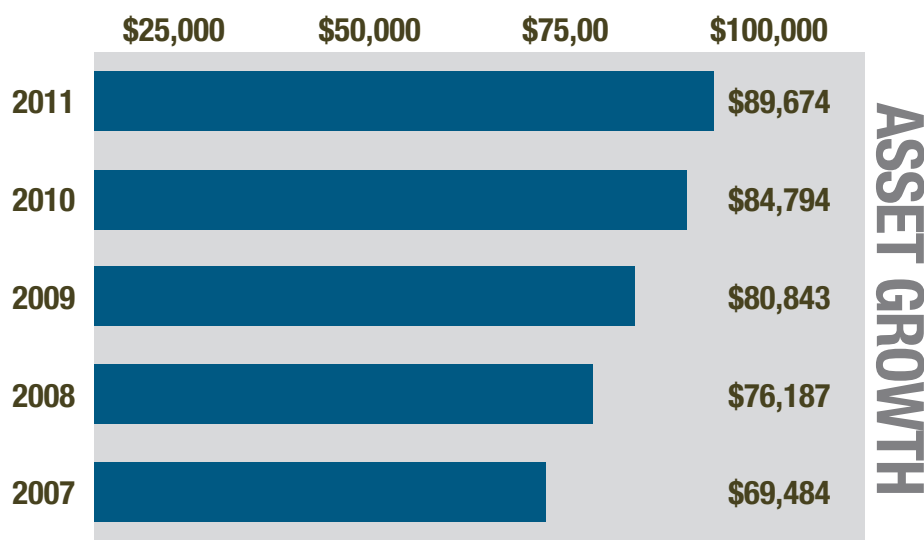
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FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS

	2011	% CHANGE	2010
Total Assets	\$ 89,674	6%	\$ 84,794
Loans To Members	\$ 70,168	-4%	\$ 72,788
Investments	\$ 13,318	49%	\$ 8,944
Deposits from Members	\$ 83,198	6%	\$ 78,419
Capital & Retained Earnings			
Retained Earnings	\$ 5,574		\$ 5,343
Share Capital	\$ 381		\$ 397
Tier 2 Capital	\$ 238		\$ 134
Total Regulatory Capital	\$ 6,193		\$ 5,874
% of total assets	7%		7%
% of risk-weighted assets	19%		16%
Total Income	\$ 4,167	-3%	\$ 4,317
Interest Expense	\$ 1,611	-1%	\$ 1,628
Operating Expense	\$ 1,966	5%	\$ 1,866
as a % of average assets	2%		2%
Net Income before Distributions	\$ 432		\$ 675
Distribution to Members	\$ 150		\$ 204
Net Income	\$ 231		\$ 403

ASSET GROWTH



REPORT OF THE BOARD OF DIRECTORS

At Member Savings Credit Union, we pride ourselves on delivering great service to our membership. Perhaps there is no better illustration of that than the dozens of members we helped in 2011 who were off work but their debts were kept current by disability benefits from our creditor insurance program. Similarly, the estates of deceased members were relieved of the burden of repaying mortgages and loans through the program's death benefits. What sets us apart from other banking

Alex Browning, a senior financial executive with the LCBO, as the newest member of the Board.

This letter also gives me the opportunity to recognize the outstanding contribution made by Susan Tustin over her 17 year career with Member Savings. The Board is grateful for her unmatched dedication and devotion, and we know every member who had the pleasure of dealing with her will miss her as much as we do.

WHAT SETS US APART FROM OTHER BANKING OPTIONS IS SIMPLE — IT'S PEOPLE HELPING PEOPLE.

options is simple – it's people helping people. We're proud to be a caring financial institution.

Financially, Member Savings achieved another successful year in 2011. Net income continues to be strong and our capital position has been strengthened to its highest level ever. Liquidity – an all-important measure for financial institutions after the difficult market conditions over the last four years – is more than adequate to meet our financial obligations.

Our excellent financial performance has enabled us to give back to members in a meaningful way. For the second year in a row, we will distribute an interest rebate to all Prime-based borrowers. More than 800 members will receive a cash payment equal to 15.4% of the interest they paid to the credit union between October 1st, 2010 and September 30th, 2011. The Board has declared this \$150,000 interest rebate to be payable on or about December 9th, 2011.

Recently, we made an important change to our operational structure. The two-person Honeywell branch was closed in October, yielding efficiencies and savings for members. Wendy Martin has stepped down after 26 years of service and we wish her well in her retirement. Lisa Churcher has relocated to our Corporate Office at the LCBO location.

There were changes at the Board level, too. Benny Fernandes retired after more than 27 years of service to the credit union, and we thank him for his contributions. Meanwhile, I would like to welcome

The financial services industry is affected by constant regulatory change. Capital ratios have been increased around the world, while the risk management expectations and training obligations for boards of directors are steadily rising. As we enter 2012, the members of your Board are considering the new Deposit Insurance Corporation of Ontario guidelines for financial ratios which will require us to follow the "Prudent Person" rule in setting appropriate standards for capital, liquidity, and market, structural and operational risk.

I will close by congratulating Sharon Kent, her management team and all the staff for managing the credit union so successfully and providing excellent service to our members. They have kept loan losses at a very low level and achieved an excellent level of profitability in a challenging economic environment. On behalf of the Board, we appreciate the commitment and dedication of all our employees.

On behalf of the Board of Directors,

Robert Callander
Chair

REPORT OF THE AUDIT COMMITTEE

The Audit Committee functions to assist the Board of Directors in reviewing financial reports and reporting processes. The Audit Committee consists of four directors, and complies with the specifications outlined for Audit Committees in the Credit Unions and Caisses Populaires Act (1994), and the associated regulations. Elected members of the Committee include directors: Robert Callander, Tracy Danbrook, Liesma Morris and myself, Bruno Lopes, Chair.

- 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;

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

The Audit Committee has adopted a mandate to carry out its responsibilities as specified in the regulations to the Act. In addition the Audit Committee contracted the services of an internal auditor to assist in fulfilling these duties.

The Audit Committee, which meets at least quarterly, met five times during the 2011 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;

- 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.

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,

Bruno Lopes, CGA
Audit Committee Chair

REPORT OF THE CHIEF EXECUTIVE OFFICER

In 2011, your credit union performed admirably in a demanding economic environment. I am pleased to advise that Member Savings achieved another profitable year and we are entering 2012 with our strongest capital cushion ever.

We're also proud of our new *CreditMaster* mortgage, which is proving to be a boon for first-time home buyers or anyone with evolving circumstances. As young homeowners face added expenses from renovations and repairs, this innovative product makes refinancing simple and easy.

MEMBER SAVINGS ACHIEVED ANOTHER PROFITABLE YEAR AND WE ARE ENTERING 2012 WITH OUR STRONGEST CAPITAL CUSHION EVER.

With the sovereign debt crisis in the Eurozone, legislative gridlock over unsustainable entitlements in the United States, and uncertain growth prospects in Asia, there are many challenges buffeting the global economy and the world's financial system. Canada has remained a relative bastion of stability amid all this turmoil, nonetheless. We are blessed with stable growth, a resilient currency and the world's strongest banking system. Yet consumer confidence has waned in recent months, our real estate markets are overheated, and Canadians are facing record personal debt levels. In light of these risks, abiding the traditional modest and conservative nature which defines our national character will serve us well in the months ahead.

For Member Savings, the uncertain economic outlook means this: We forecast no significant asset growth in 2012. We will manage conservatively, concentrate our efforts on retaining the business we have, and work hard to provide the best value we can to our members.

Our marketing strategy this year is focused on attracting new members to refresh our mature membership through an influx of young adults. As an additional incentive, we launched a special-purpose website, www.takethisdebt.com, to offer consolidation loans up to \$10,000 at a 0% interest rate for the entire first year to new members. Borrowers who are burdened with high-cost credit card debt can save hundreds of dollars by completing a short, online application and joining the credit union. Existing members are eligible when they refer a new member.

While Member Savings' lending opportunities are likely to be limited this year, we believe we are well-positioned to grow deposits and investments in 2012. Our new Investment Specialist, Betty Ann Flynn, boasts superb qualifications and experience. As a Certified Financial Planner she can help members make the right financial choices to meet their long-term goals.

As we look ahead into 2012, one of the most important special projects we've undertaken in years will be a conversion to a new core banking system to run all of our accounts. This upgrade will offer new functions, such as Interac Money Transfer, to benefit the membership as well as a reduced operational commitment from management and staff.

Finally, I want to take this opportunity to say how saddened we are by the tragic passing of Susan Tustin in September. She provided invaluable service and support to our members with skill and grace for more than 17 years and all of us mourn this loss. For now, her duties have been reallocated to others while we take a measured approach to restructuring our operations, and adding new talent, to meet our members' needs now and in the future.

In closing, I would like to personally thank all of you for your loyalty and patronage as members, and recognize our staff for their dedication and commitment to our success.

Sharon A. Kent
Chief Executive Officer

REPORT ON LENDING

At Member Savings, we pride ourselves on meeting our members' borrowing needs with great service and a wide variety of lending products. You can count on us to offer competitive rates but we truly excel in two important areas. Firstly, we take the time to study the borrower's whole picture, rather than relying on just a credit score, so we can say "yes" more often. Secondly, we get you an answer fast – usually within one business day.

12 months. Launched under the banner of a special-purpose website called takethisdebt.com, this compelling program has been an immediate success in attracting new members, particularly the young adults we need to refresh our overall membership.

As the new year unfolds, we believe the low interest rate environment will continue, which presents attractive borrowing opportunities for consumers but

WE PRIDE OURSELVES ON MEETING OUR MEMBERS' BORROWING NEEDS WITH GREAT SERVICE AND A WIDE VARIETY OF LENDING PRODUCTS.

In 2011, many of our members jumped on record real estate prices to sell their homes and downsize. That, coupled with aggressive pricing competition from the major banks, led to several large mortgage payouts which reduced our loan totals for the year.

Nevertheless, the quality of our portfolio improved. Bankruptcies were down from last year, and we earned a recovery from a mortgage write-off in a prior year. Reported delinquencies and the allowance for bad debts were both higher than in 2010 because of an accounting change, since new regulations require us to allow for historical trends in addition to what is actually delinquent.

We opened 2012 with a new loan campaign, offering up to \$10,000 to non-members to consolidate their high-rate credit card debt and pay 0% for the first

funding and profitability challenges for financial institution managers. The Canadian economy should see subdued growth this year, although labour markets and real estate prices are not expected to contract significantly. In this uncertain environment, the management of Member Savings will be cautious and conservative, and focus our primary attention on ensuring our members remain among the most satisfied in the banking industry.

Tom Elsdon
Manager of Lending Operations

REPORT ON LENDING

LOANS ADVANCED

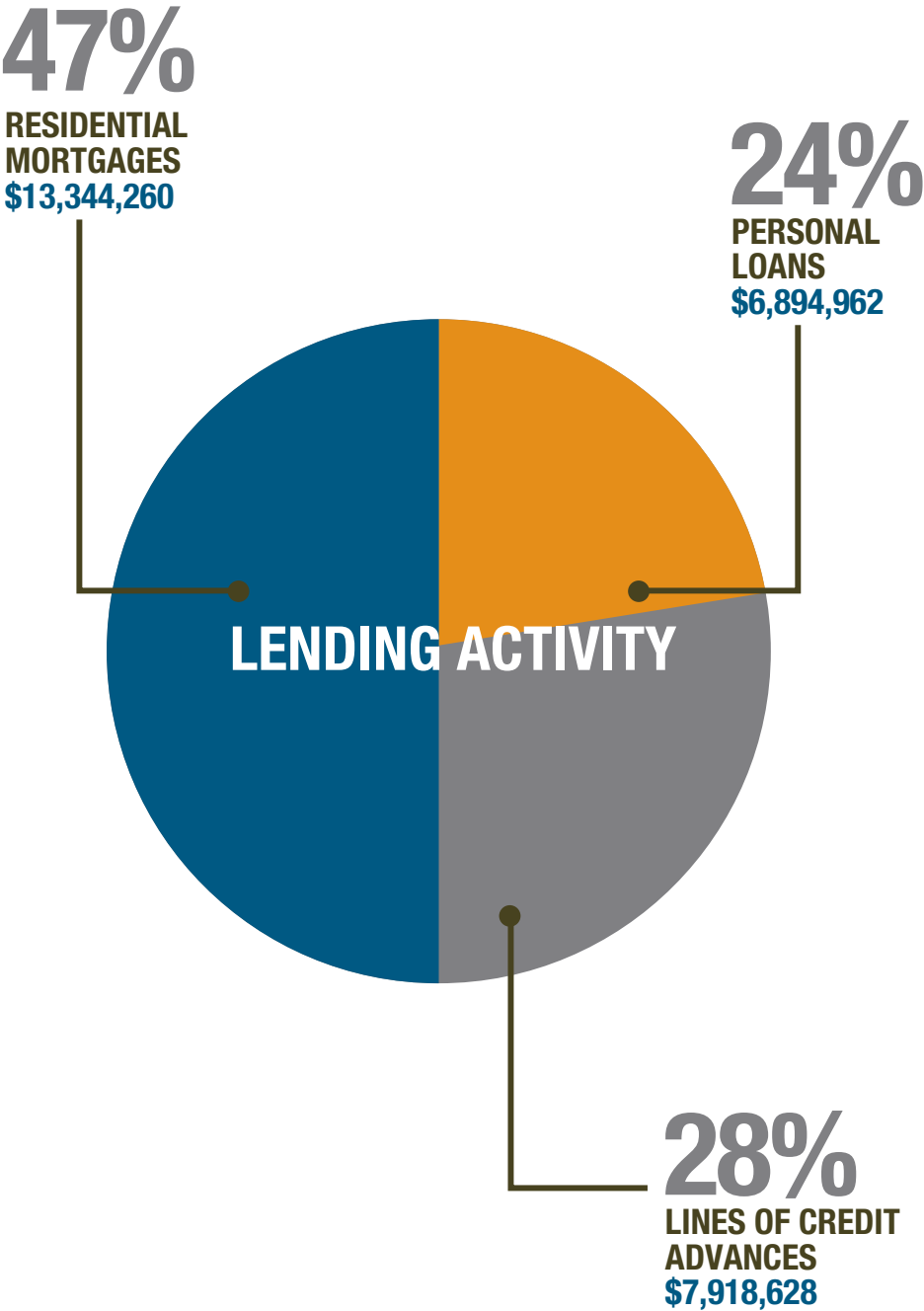
PURPOSE	2011		2010	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	261	\$ 3,542,272	256	\$ 3,119,388
Motor Vehicle Expense	103	1,909,812	101	2,029,994
Recreational Vehicle	3	22,558	6	89,001
Vehicle Expense	27	120,376	25	110,178
Home Purchase	6	141,835	5	642,286
Computer Loans	0	—	0	—
Home Furnishings	4	14,196	6	41,372
Home Expenses	34	384,468	24	219,827
Investments	4	11,880	7	17,871
RRSPs	0	—	0	—
Christmas and Weddings	51	115,543	70	181,842
Vacation	13	61,194	20	70,909
Miscellaneous	140	570,828	164	825,744
Total Personal Loans	646	\$ 6,894,962	684	\$ 7,348,413
Line of Credit Advances				
(including Personal LOC, RSP				
LOC & Home Equity LOC)	5,978	\$ 7,918,628	6,505	\$ 8,464,091
Residential Mortgages	73	13,344,260	80	\$ 15,974,535
Grand Total	6,697	28,157,850	7,269	\$ 31,787,039

NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2010-2011	556	63	9	73	36	737
2009-2010	580	103	12	88	32	815

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	11	\$ 74,333
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		\$ 224,000

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.

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 Canadian generally accepted accounting principles 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 proper records maintained. This system of internal

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

To the Members of
Member Savings Credit Union Limited:

The accompanying summary financial statements, which comprise the summary balance sheet as at September 30, 2011, the summary statements of income and comprehensive income, accumulated other comprehensive income, retained earnings 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, 2011. We expressed an unmodified audit opinion on those financial statements in our report dated November 29, 2011. 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 Canadian generally accepted accounting principles. 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.

Auditor's 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 Standards (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, 2011 are a fair summary of those financial statements, on the basis described in Note 1.

The signature of Grant Thornton LLP is written in a cursive, handwritten style in black ink.

Burlington, Canada
November 29, 2011

Grant Thornton, LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30

	2011	2010
ASSETS		
Cash resources	\$ 5,784,640	\$ 2,369,120
Investments	13,317,599	8,944,450
Loans to members	70,167,738	72,787,960
Land, building and equipment	148,369	174,313
Other assets	255,755	518,261
	\$ 89,674,101	\$ 84,794,104
LIABILITIES		
Liabilities to non-members		
Accounts payable and accrued liabilities	\$ 326,542	\$ 320,707
Dividends payable	150,000	204,200
Future income taxes	—	17,350
Income tax payable	—	69,032
Certified cheques	31,979	803
	508,521	612,092
Liabilities to members		
Member Deposits	82,502,743	77,715,957
Accrued interest on deposits	695,728	703,114
	83,198,471	78,419,071
Share Capital	381,294	397,568
EQUITY		
Retained earnings	5,573,577	5,343,005
Accumulated comprehensive income	12,238	22,368
	\$ 89,674,101	\$ 84,794,104

On behalf of the board

 Director

 Director

MEMBER SAVINGS CREDIT UNION LIMITED
**SUMMARIZED CONSOLIDATED STATEMENTS OF
 RETAINED EARNINGS AND ACCUMULATED
 COMPREHENSIVE INCOME**

YEAR ENDED SEPTEMBER 30

	2011	2010
Retained earnings, beginning of year	\$ 5,343,005	\$ 4,940,287
Net income	230,572	402,718
Retained earnings, end of year	<u>\$ 5,573,577</u>	<u>\$ 5,343,005</u>
Accumulated comprehensive income, beginning of year	\$ 22,368	\$ —
Other comprehensive income, net of tax	(10,130)	22,368
Accumulated comprehensive income, end of year	<u>\$ 12,238</u>	<u>\$ 22,368</u>

MEMBER SAVINGS CREDIT UNION LIMITED
**SUMMARIZED CONSOLIDATED STATEMENT
 OF INCOME & COMPREHENSIVE INCOME**

YEAR ENDED SEPTEMBER 30

	2011	2010
Interest income		
Residential mortgage loans	\$ 2,245,002	\$ 2,401,584
Personal loans	1,078,240	1,110,279
Cash resources, liquidity reserves and investments	277,505	186,441
Other income	566,271	619,076
	<u>4,167,018</u>	<u>4,317,380</u>
Interest expense		
Term deposits	521,216	567,024
Registered savings plans	604,102	607,288
Registered income funds	186,915	199,190
Tax free saving deposits	48,301	30,046
Savings	250,822	221,206
Interest on borrowings	3	3,354
	<u>1,611,359</u>	<u>1,628,108</u>
Financial margin	2,555,659	2,689,272
Provision for loan losses	157,242	147,423
Operating margin	2,398,417	2,541,849
Operating expenses (Page 14)	1,966,102	1,866,374
Income from operations	432,315	675,475
Distributions to members	150,000	204,200
Income before taxes	282,315	471,275
Income taxes	51,743	68,557
Net income representing comprehensive income	<u>\$ 230,572</u>	<u>\$ 402,718</u>

MEMBER SAVINGS CREDIT UNION LIMITED

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30

	2011	2010
Increase (decrease) in cash resources		
OPERATING		
Net income	\$ 230,572	\$ 402,718
Depreciation and amortization	62,705	82,936
Provision for loan losses	157,242	147,423
Write-offs less recoveries	(33,242)	(145,423)
Future income tax provision	(28,968)	(12,800)
Unrealized loss (gain) on mutual fund units	(399)	4,621
Increase in fair value of interest rate swap contracts	15,425	(110,363)
Other comprehensive income, net of tax	(11,930)	26,468
Net change in other non-cash items	189,703	(31,381)
	<u>581,108</u>	<u>364,199</u>
INVESTING		
Increase in loans to members	2,496,222	(3,190,177)
Reduction in investment in Central 1 Credit Union - Ontario Region shares	(13,248)	506
Distribution received from investment in ABCP LP	18,713	22,807
Increase in liquidity reserves in Central 1 Credit Union - Ontario region	606,359	(219,793)
Purchase of portfolio investments (net)	(5,000,000)	-
Purchase of land, building and equipment	(36,761)	(36,005)
	<u>(1,928,715)</u>	<u>(3,422,662)</u>
FINANCING		
Increase in savings by members	4,779,401	3,232,270
Decrease in shares (net)	(16,274)	(17,739)
	<u>4,763,127</u>	<u>3,214,531</u>
Net increase in cash resources	3,415,520	156,068
Cash resources		
Beginning of year	2,369,120	2,213,052
End of year	<u>\$ 5,784,640</u>	<u>\$ 2,369,120</u>
Interest received	\$ 3,322,066	\$ 3,577,075
Interest paid	\$ 1,618,738	\$ 1,789,331
Income taxes refunded	\$ -	\$ 21,415
Income taxes paid	\$ 149,432	\$ 11,265

MEMBER SAVINGS CREDIT UNION LIMITED

CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

YEAR ENDED SEPTEMBER 30

	2011	2010
Advertising and promotion	\$ 44,976	\$ 41,150
Annual and board meetings	13,800	12,280
Automatic teller machine expenses	22,989	22,697
Director and committee remuneration	35,088	24,775
Collection and credit costs	13,410	12,232
Depreciation and amortization	62,705	82,936
Education	21,743	8,829
Equipment service and repairs	73,045	81,074
Insurance		
Share Deposits	5,791	6,959
D.I.C.O.	62,010	60,207
Bond and casualty	69,414	62,689
League Dues	12,035	12,469
Network support	109,614	105,390
Office and general	73,165	73,494
Other service charges	35,836	40,449
Professional fees	65,806	82,220
Salaries and benefits	1,193,299	1,089,320
Telephone and postage	40,531	36,672
Trustee fees - registered plans	10,845	10,532
	\$ 1,966,102	\$ 1,866,374

Summary financial statements

1. The summary financial statements have been prepared on the following basis and include:

- The balance sheet;
- The statements of income and comprehensive income (including the supporting schedule of operating expenses), accumulated other comprehensive income and retained earnings for the year then ended; and
- The statement of cash flows.

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

CREDIT UNION OFFICERS

BOARD OF DIRECTORS

Robert Callander	Chair	2011
Liesma Morris	Vice Chair	2012
Ruth O'Leary	Director, Corporate Secretary	2013
Alex Browning	Director	2013
Tracy Danbrook	Director	2011
Bob Downey	Director	2011
Bruno Lopes	Director	2012

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
Chris Clifford	Member Services Representative
Lisa Churcher	Member Services Representative
Betty Anne Flynn	Investment Specialist - CFP
Dave Kennedy	Senior Loan Officer
Jennifer Kent	Member Services Representative
Colleen Lancaster	Member Services Representative
Suzy Pereira	Loan Administrator/Loan Officer
Karyn Smith	Financial Services Officer
Barb Vincent	Business Development

MEMBER SAVINGS CREDIT UNION LIMITED PRODUCTS & SERVICES

ACCOUNTS

Personal Chequing
Star Membership Chequing
Gold or Star Senior 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: 416.365.5878
Toll Free within Ontario:
1.888.560.2218
betterbanking@membersavings.ca

TELEPHONE BANKING

416.365.5878 or 1.888.560.2218

HOME BANKING

www.membersavings.ca

THE EXCHANGE® Network

www.the-exchange.ca