



2017 You
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Most
annual report



Member Savings
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2017 ANNUAL REPORT

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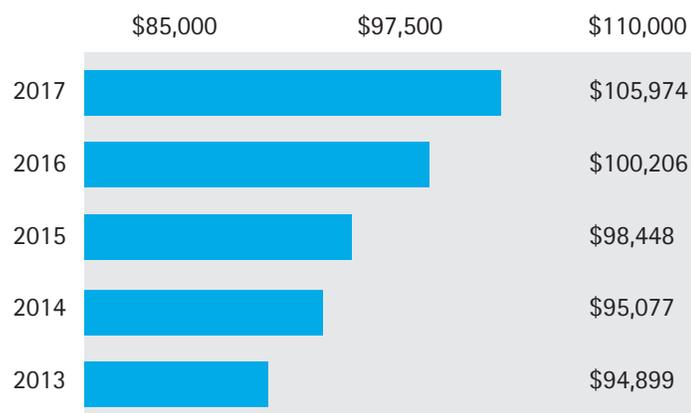
FINANCIALS

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FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS	2017	2016	% CHANGE
Total Assets	\$ 105,974	\$ 100,206	6%
Cash and Cash Equivalents	\$ 2,242	\$ 2,888	-22%
Loans To Members	\$ 84,853	\$ 80,557	5%
Investments	\$ 18,645	\$ 16,508	13%
Deposits from Members	\$ 97,504	\$ 92,056	6%
Capital & Retained Earnings			
Retained Earnings	\$ 7,218	\$ 7,075	
Share Capital	\$ 279	\$ 305	
Tier 2 Capital	\$ 467	\$ 436	
Total Regulatory Capital	\$ 7,964	\$ 7,816	2%
% of total assets	7.5%	7.8%	
% of risk-weighted assets	22%	22%	
Total Income	\$ 3,768	\$ 3,756	-0%
Interest Expense	\$ 1,597	\$ 1,444	11%
Operating Expense	\$ 2,002	\$ 2,010	-0%
as a % of average assets	2%	2%	
Net Income Before Income Taxes	\$ 169	\$ 302	-44%
Net Income	\$ 143	\$ 252	-43%
Total Other Comprehensive Income	\$ 1	\$ 5	-80%
Total Comprehensive Income	\$ 144	\$ 257	-44%

ASSET GROWTH



REPORT TO THE MEMBERS

We've just wrapped up another very busy, yet successful fiscal year, one that saw solid financial results. We far exceeded targets in growth of assets, loan volumes, member deposits and new members, and we continue to keep our capital level over 7.50%. We're pleased to share our highlights for 2017:

FINANCIAL RESULTS

- Assets grew to \$106 million representing growth of 5.8%
- Loans to members increased by \$4.3 million representing a growth of 5.3%
- Member deposits grew by \$5.5 million rising 5.9%
- Net income was \$144 thousand which will be retained in capital to support continued growth and product development

just one day. These initiatives helped us to surpass our membership target in 2017 adding 166 new accounts.

We also focused on deepening our existing relationships with our members. A formal marketing plan was developed to target specific member groups to increase the amount of business they have with Member Savings. We successfully raised over \$2 million in new deposits and \$228 thousand in Personal Lines of Credit, through our use of email communication and member segmentation data. Email communication has become an important component of our marketing plan and we encourage members to sign up on our website. Electronic communication is inexpensive and very dynamic and offers us the ability to notify our members about special promotions very efficiently and effectively.

Last November we committed to contact all members to review their account and confirm their information was

ONE OF OUR MOST SUCCESSFUL INITIATIVES IN RAISING CREDIT UNION AWARENESS CONTINUES TO BE LCBO STORE VISITS.

NEW SERVICE

In early 2017, we successfully launched our Alerts subscription service available through On-line banking. There are several notifications available for such things as GIC renewals, Loan/Mortgage payments, balance warnings and various alerts designed for fraud protection. As a subscriber you may choose how you wish to receive these messages – either by email, text message or both.

GROWING THE BUSINESS

One of our most successful initiatives in raising credit union awareness continues to be LCBO store visits. Amanda Huinink (nee Perkins) and Karyn Smith travelled around the province to visit members and potential members to raise awareness of the many benefits of credit union membership. They also represented the credit union at the LCBO All Managers' Conference, held last October which provided the opportunity to connect with hundreds of managers from the entire province in

up to date. This is not only necessary from a regulatory standpoint, but provided us the opportunity to build deeper relationships with our members and to thank them for their business. We will continue to do regular check-ins to make sure our member data remains current.

MEMBER ENGAGEMENT

We conducted several Member Effort Surveys throughout the year to measure member satisfaction and to identify possible service issues associated with the delivery of our products and services across multiple channels. Whether our members visit us in person, deal with us by phone or transact on-line, we want to ensure that our service standards remain consistent. The information that we receive is very helpful and is used to streamline processes and enhance our services. We will continue to utilize these surveys on an ongoing basis to ensure that dealing with Member Savings is easy and seamless no matter how our members wish to transact with us.

REPORT TO THE MEMBERS (continued)

SOCIAL MEDIA

We continue to grow our social media presence as we are active on both Facebook and Twitter. In addition to our website, these channels provide important information and announcements to our followers. We encourage our members to actively engage us through these social media platforms.

THE YEAR AHEAD

In January 2018 we will roll out our new Interac Flash® MEMBER CARD® debit cards. Members will be able to pay for smaller purchases faster and easier just by tapping their card.

effectively fulfill their responsibilities to the credit union and its members. The daily operations of this organization are the responsibility of the staff, a loyal team of individuals who are committed to providing professional service to members.

This past year, as part of our focus on employee retention and satisfaction, an employee engagement survey was conducted to measure the current level of employee engagement. We achieved a 100% response rate with an overall engagement score of 87%, compared to a benchmark score of 79%.

WE ACHIEVED A 100% RESPONSE RATE WITH AN OVERALL ENGAGEMENT SCORE OF 87%, COMPARED TO A BENCHMARK SCORE OF 79%.

Effective January 1, 2018, DICO deposit insurance protection will be increasing from \$100,000 to \$250,000 on all eligible non-registered deposits and will remain unlimited on all registered deposits such as RRSPs, RRIFs and TFSAs.

PEOPLE & CULTURE

At Member Savings we have many people that are dedicated to our success. At the top is the Board of Directors, who meet regularly throughout the year to

However, the success of Member Savings is only possible through the loyalty and patronage of the members we serve.

We thank you for your continued support and urge you to Talk to Us for all your financial needs!

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. My fellow committee members are: Robert Callander, Christiane Dini, Robert Downey, and Liesma Morris. 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

- Review management's response to each report and related recommendations;
- Review the Credit Union's policies, procedures and controls for legislative compliance;
- 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.

these duties. The Audit Committee, which meets at least quarterly, met four times during the 2017 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;

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 2017. Whether funds are needed for debt consolidation, car financing, home renovation or a home purchase, we strive to find an affordable lending solution that is tailored to each member's personal situation.

Over the past year, Member Savings continued to see strong growth in mortgage lending with over \$18 million in volume for the year. The Ontario real

estate market has continued to be strong with year over year gains, despite the tightening of mortgage rules in Ontario. With the increased equity available, we continued to see a shift away from personal lending towards consolidation of debt into mortgages.

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similar requirements. Nevertheless, Member Savings will continue to apply very cautious qualification requirements to ensure our members are able to afford their payments in a rising interest rate environment.

Despite very prudent lending practices, loan costs escalated this past year with a rise in bankruptcies and consumer proposals. Unfortunately, this comes at a cost to all our members, as these loans must be written off, decreasing the income available for product and service

| MEETING OUR MEMBERS' INDIVIDUAL BORROWING NEEDS REMAINS OUR PRIORITY.

estate market has continued to be strong with year over year gains, despite the tightening of mortgage rules in Ontario. With the increased equity available, we continued to see a shift away from personal lending towards consolidation of debt into mortgages.

In October 2016, the federal government implemented changes to the eligibility requirements for high ratio insured mortgages in an effort to cool the housing market. These changes affect home buyers with a down payment that is less than 20% of the property purchase price. The rules require the lender to qualify the borrower at a rate higher than their actual contract rate to ensure the borrower can afford the debt should rates rise in the future. Despite these efforts, housing prices soared in the first half of 2017 with record prices in April triggering further tightening of mortgage rules.

Effective January 2018, federally regulated financial institutions are required to qualify all borrowers at a mortgage rate 2% higher than the current rate. This may provide a competitive advantage for Credit Unions as the provincial regulator has yet to implement

enhancements. This has led to further tightening of our personal lending practices.

This past February, we welcomed Joy Laurin to our lending team. Joy took over for Suzy Pereira who moved over to a Member Service role. Joy comes to our team with many years of prior lending experience and will be a great asset to our team. I would also like to thank Suzy for her many years of dedication and hard work on the lending team.

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 New Year and encourage you to contact any one of our lenders to help you achieve your financial goals.

Tom Elsdon
Manager of Lending Operations

REPORT ON LENDING

LOANS ADVANCED (in thousands)

PURPOSE	2017		2016	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Debt Consolidation	160	\$ 2,228	202	\$ 2,707
Motor Vehicle Expense	54	1,170	61	1,259
Recreational Vehicle	4	49	5	121
Vehicle Expense	23	176	18	95
Home Purchase	5	1,746	11	2,807
Home Furnishings	3	25	2	12
Home Expenses	55	517	45	418
Investments	5	26	1	6
Christmas and Weddings	52	158	28	80
Vacation	16	91	22	119
Miscellaneous	90	1,168	72	355
Total Personal Loans	467	\$ 7,354	467	\$ 7,979
Line of Credit Advances				
(including Personal LOC, RSP				
LOC & Home Equity LOC)				
	5,439	\$ 6,963	5,323	\$ 7,647
Residential Mortgages	73	\$ 18,087	77	\$ 20,263
Grand Total	5,979	\$ 32,404	5,867	\$ 35,889

NEW APPLICATIONS RECEIVED

	PERSONAL LOANS	LINE OF CREDIT (PERSONAL & RSP)	HOME EQUITY LINE OF CREDIT	MORTGAGES	DECLINED	TOTAL
2016-2017	558	104	37	76	49	824
2015-2016	496	77	15	93	51	732

	NUMBER	AMOUNT
LOANS AND MORTGAGES IN ARREARS IN EXCESS OF 90 DAYS	9	\$ 53
ALLOWANCE FOR IMPAIRED LOANS (INCLUDING NON-SPECIFIC)		\$ 218

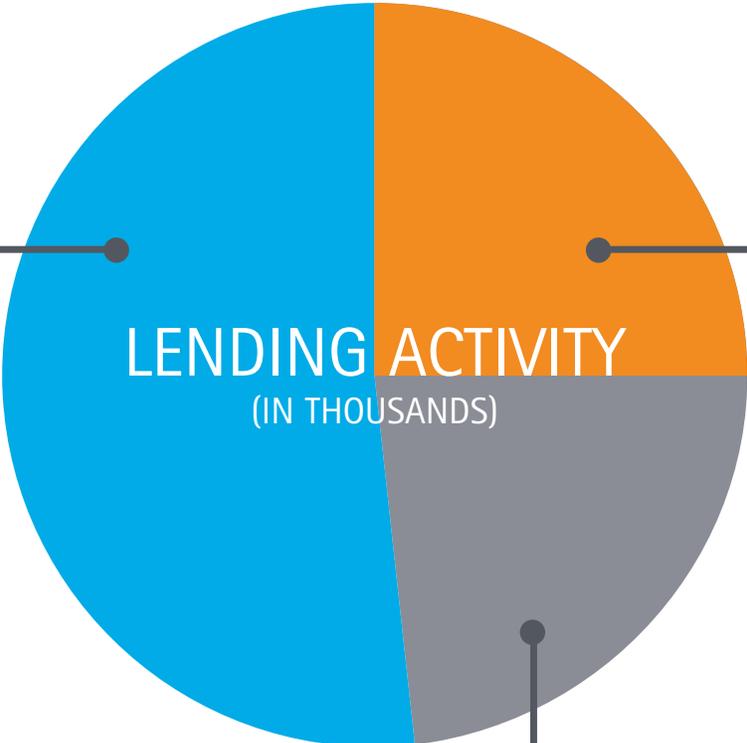
LENDING ACTIVITY IN DOLLARS

56%

RESIDENTIAL
MORTGAGES
\$18,087

23%

PERSONAL
LOANS
\$7,354



LENDING ACTIVITY
(IN THOUSANDS)

21%

LINES OF CREDIT
ADVANCES
\$6,963

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

Grant Thornton LLP
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:

The accompanying summary financial statements, which comprise the summary statement of financial position as at September 30, 2017, 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, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated November 23, 2017. 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 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 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, 2017 are a fair summary of those financial statements, on the basis described in Note 1.



Mississauga, Canada
November 23, 2017

Chartered Professional Accountants
Licensed Public Accountants

Member Savings Credit Union Limited Summary Statement of Financial Position

(In thousands)

September 30, 2017 2016

Assets

Cash and cash equivalents	\$ 2,242	\$ 2,888
Investments	18,645	16,508
Loans to members	84,853	80,557
Other assets	61	61
Deferred income taxes	56	46
Income taxes recoverable	6	11
Property and equipment	63	101
Derivative financial instruments	<u>48</u>	<u>34</u>
	\$ 105,974	\$ 100,206

Liabilities

Accounts payable and accrued liabilities	\$ 445	\$ 277
Members' deposits	97,504	92,056
Retirement liability	171	150
Derivative financial instruments	48	34
Shares	<u>120</u>	<u>133</u>
	98,288	92,650

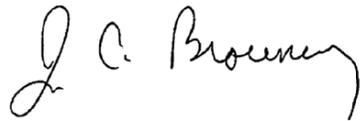
Equity

Retained earnings	7,218	7,075
Shares	179	193
Accumulated other comprehensive income	<u>289</u>	<u>288</u>
	7,686	7,556
	\$ 105,974	\$ 100,206

Approved on behalf of the board



Director



Director

Member Savings Credit Union Limited

Summary Statement of Comprehensive Income

(In thousands)

Year ended September 30

	2017	2016
Interest revenue		
Interest on loans	\$ 3,014	\$ 2,984
Other interest revenue	<u>257</u>	<u>219</u>
	<u>3,271</u>	<u>3,203</u>
Interest expense		
Interest on deposits	1,361	1,337
Provision for impaired loans	<u>236</u>	<u>107</u>
	<u>1,597</u>	<u>1,444</u>
Financial margin	1,674	1,759
Other income	<u>497</u>	<u>553</u>
	<u>2,171</u>	<u>2,312</u>
Operating expenses		
Personnel and related	1,210	1,178
Computer, office, and other	283	306
Administrative and general	274	253
Member security	123	123
Advertising and communications	65	86
Other	40	48
Occupancy	<u>7</u>	<u>16</u>
	<u>2,002</u>	<u>2,010</u>
Income before income taxes	<u>169</u>	<u>302</u>
Income taxes		
Current	36	54
Deferred	<u>(10)</u>	<u>(4)</u>
	<u>26</u>	<u>50</u>
Net income for the year	<u>143</u>	<u>252</u>
Other comprehensive income (net of tax)		
Change in unrealized gains on available-for-sale investments	<u>1</u>	<u>5</u>
Total other comprehensive income for the year	<u>1</u>	<u>5</u>
Total comprehensive income for the year	<u>\$ 144</u>	<u>\$ 257</u>

Member Savings Credit Union Limited

Summary Statement of Changes in Members' Equity

(In thousands)

Year ended September 30, 2017

	<u>Retained</u> <u>Earnings</u>	<u>Shares</u>	Accumulated Other Comprehensive <u>Income</u>	<u>Total</u>
Balance at September 30, 2015	\$ 6,823	\$ 202	\$ 283	\$ 7,308
Net income	252	-	-	252
Redemption of patronage shares	-	(9)	-	(9)
Change in unrealized gains on available for sale investments	-	-	5	5
Balance at September 30, 2016	7,075	193	288	7,556
Net income	143	-	-	143
Redemption of patronage shares	-	(14)	-	(14)
Change in unrealized gains on available for sale investments	-	-	1	1
Balance at September 30, 2017	<u>\$ 7,218</u>	<u>\$ 179</u>	<u>\$ 289</u>	<u>\$ 7,686</u>

Member Savings Credit Union Limited

Summary Statement of Cash Flows

(In thousands)

Year ended September 30

2017

2016

Increase (decrease) in cash and cash equivalents

Operating activities

Net income	\$ 143	\$ 252
Depreciation and amortization	52	65
Provision for loan losses	236	107
Deferred income taxes	(10)	(4)
Decrease in fair value of interest rate swap contracts	-	18
Changes in members' activities:		
Increase in loans to members	(4,532)	(4,498)
Net increase in members' deposits	5,448	1,624
Net changes in other non-cash items	<u>178</u>	<u>92</u>
	<u>1,515</u>	<u>(2,344)</u>

Investing activities

Increase in investment in Central 1 Credit Union - Ontario Region shares	(11)	(16)
Distribution received from investment in CUCO Co-op Class B investment shares	227	-
Increase in liquidity reserves in Central 1 Credit Union – Ontario region	(336)	(96)
Redemption (purchase) of portfolio investments (net)	(2,000)	5,000
Purchase of property and equipment	<u>(14)</u>	<u>(19)</u>
	<u>(2,134)</u>	<u>4,869</u>

Financing activities

Decrease in shares (net)	<u>(27)</u>	<u>(10)</u>
	<u>(27)</u>	<u>(10)</u>

Net increase (decrease) in cash and cash equivalents

(646)

2,515

Cash and cash equivalents

Beginning of year	<u>2,888</u>	<u>373</u>
End of year	<u>\$ 2,242</u>	<u>\$ 2,888</u>

Interest received	\$ 3,246	\$ 3,346
Interest paid	1,313	1,412
Income taxes paid	45	49

Member Savings Credit Union Limited

Notes to the Summary Financial Statements

(In thousands)

September 30, 2017

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with IFRS as at September 30, 2017 and 2016 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	2018
Alex Browning	Vice Chair, Audit Committee Chair	2020
Tracy Danbrook	Director, Corporate Secretary	2018
Robert Downey	Director	2018
Christiane Dini	Director	2019
Pamela Lawson	Director	2020
Liesma Morris	Director	2019

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
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
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

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