

2013 ANNUAL REPORT



Report from John Haines

Chair of the Board of Directors

I have the great honour of representing you and serving as Chair of the Board of Directors; and like you I am a member.

My father started my first account in his Credit Union as a child in St. Catharines. When I moved to Kitchener to begin my policing career in 1975, I joined Twin Cities Credit Union, a predecessor to YNCU. I believed then and do still now in the idea of co-operative banking. YNCU is my first and best choice for banking. When my children were small, we opened their first accounts here. Now that they are adults, they have each chosen to have their mortgages here, in addition to their everyday banking. I shared with you last year that my first grandchild, Lexi, is now a member.

Growing and welcoming new members is what we're all about. Sometimes that happens one at a time, as it does with our children and grandchildren, and sometimes it happens on a slightly larger scale. In 2013 we opened a large branch in downtown Woodstock in order to serve our members there better. On December 1st 2013 we welcomed 3,700 new members to the Neighbourhood after **boomerang CREDIT UNION's** Board and membership voted unanimously in favour of a merger with us. This now gives us a branch in downtown London. It's difficult to describe the pride that comes with a unanimous vote of confidence like that. I'm proud of what we've accomplished, and prouder still that others recognize the great work we are doing and want to be part of it.

With this newest partnership, YNCU's geography is connecting communities from Windsor and LaSalle in the west, London, Woodstock, and Waterloo Region to Guelph in the east. We have four branches in the north from our merger with Mitchell and District Credit Union as well as three branches to the south from our merger with Brant Community Credit Union.

While we at Your Neighbourhood Credit Union have been doing our part to ensure the growth and future of our Credit Union, the fact remains that only 20% of Ontarians know the difference between a credit union and a bank, and only 3% of Generation X (ages 25 – 49) use credit unions as their primary financial institution. We have been telling people about a better banking alternative with our community connections and increased advertising. I am thrilled to tell you that YNCU is now partnered with a group of Ontario credit unions working together to launch a similar province-wide initiative. On January 20th, a provincial awareness campaign begins that will introduce the concept of co-operative banking. This campaign is the result of a year-long effort by Credit Union leaders who want to see Credit Unions and their members thrive!!! While this is new to Ontario, the credit unions of BC have worked together for over 20 years to support an ongoing awareness campaign to show a better alternative to the banks. This has been very successful and Credit Unions in BC have increased membership dramatically and are now on equal footing to the banks.

As I repeat the results from last year, I tell you again that Your Neighbourhood Credit Union continues to thrive. During a year when too many Canadian businesses, large and small, national and local, showed disappointing results and laid off workers, YNCU hired people, and showed a solid profit. This year the profit was \$2.4 million and was coupled with 12.5% growth. On top of interest payments like the banks do, we shared the wealth with our members, in the form of patronage dividends. Since 2005, we have returned \$1,900,500.00 in profits to our Members - just for doing business with us! What a great way to demonstrate that when you belong to a Credit Union, your money really does come back to you!!

Your Neighbourhood Credit Union is still all about YOU. Please join me and bring your children and grandchildren to this Credit Union to share a co-operative banking experience. You are truly our best ambassadors. It is not about being the biggest Credit Union in Ontario but always striving to be the best that we do so well here. I would like to thank you for what we have accomplished. With you, our great members and amazing staff, my job is made very easy.

I thank you for the opportunity to serve you as your Board Chair.

Sincerely,



Report from Kerry Hadad

Chief Executive Officer

In reviewing the accomplishments of Your Neighbourhood Credit Union (YNCU) over the past fiscal year, it seems to me that we have experienced a textbook year; this despite the volatility of both the national and international economies and markets.

First off, we were fortunate to be chosen by the former **boomerang CREDIT UNION** membership to join forces with YNCU, and now have a London branch to better serve our members. Welcome and thank you.

Discussion of interest rates continues to dominate business news headlines month after month, and it commands attention in our offices, as well. The continuing low interest rate environment is great for borrowers but not at all comforting for savers and investors, and those trying to enjoy retirement. The impact to YNCU of the ongoing low rate environment is slim interest margins. We adjusted our business model some time ago to ensure greater balance between income from interest and non-interest revenue, a challenge while we strive to offer great services at fair and competitive rates.

Against this backdrop, we closed fiscal 2013 with \$847 million in assets under administration and a profit of \$2.4 million. We grew assets by a better-than-market 12.5%, once again outpacing most of our peers.

We continue to make investments in technology for security and to provide the banking services our members expect and demand. We are currently in the midst of a conversion project that will help us deliver what current and future members want, appealing to younger members and growing our membership. While we know we must navigate an ever-changing technological landscape, we recognize and acknowledge those members who have been with us for years and prefer their banking with a personal touch.

Our focus continues on earning your trust and your full banking business with a full complement of financial services, with wealth management being a key driver of that connection. All of this takes place in an environment of increasing oversight and regulation, demanding better and more complex skills and management. This means we must grow to meet current and future challenges, and seek out promising and growing markets.

I thank you for your continuing membership and support of YNCU, and promise we will deliver those services and results that make this Your Neighbourhood Credit Union.

I close in my usual fashion with an invitation for you to let me know what matters most to you, because that's what matters most to me.

Cordially,



YNCU - LENDING SERVICES REPORT FOR FISCAL 2012–2013

Category	Total Personal Loans & Lines of Credit	Total Residential Mortgages & Meritlines	Total Agricultural	Total Corporate Commercial Lending	YNCU Total
Number of Loan applications received	1,904	1,224	103	185	3,416
Number of Loan applications granted	1,238	652	42	47	1,979
Number of loan applications withdrawn or declined	666	572	61	138	1,437
\$\$\$ Gross Value of Loans granted	\$14,263,615	\$123,459,668	\$6,815,360	\$47,509,205	\$192,047,848
Number of delinquent loans over 90 days	30	21	1	1	53
\$\$\$ Value of delinquent loans over 90 days	\$168,904	\$2,423,778	\$78,974	\$11,204	\$2,682,860

The information outlined represents the **CONSOLIDATED** number of loan applications received, granted and declined/withdrawn by applicants by Your Neighbourhood Credit Union Limited, **FOR THE 12 MONTH PERIOD COMMENCING OCT 1, 2012 TO SEPT 30, 2013**, as well as reports the number and dollar extent of loans (all lending types) 90 days or more in arrears as at SEPT 30, 2013.

Value of delinquency reported is gross dollar delinquency, as per DICO by-law 6, prior to any adjustments for security held in support of those advances.

The lending application process adheres to the Credit Management and Operational Policies of Your Neighbourhood Credit Union Limited and is subject to the review of the Audit Committee and Governance Committee on behalf of the Board of Directors. The report is issued in compliance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 (Ontario).

Content respectfully submitted by: Hugh L. Terry, Manager, Retail Lending Services, Sandra Eedy, Manager, Agricultural & Small Business Lending and Marc Rivard, Manager Commercial Services. Compiled and approved for issuance: Glenn Wilson, Vice President Lending Services

*Source reports - compilation of YNCU Lending Services Monthly Board reporting.

CONDENSED FINANCIAL STATEMENT

Balance Sheet	September 30, 2013 (000's)	September 30, 2012 (000's)
Cash and Investments	72,580	62,154
Loans & Mortgages to Members	726,812	649,052
Other Assets	17,361	14,671
Total Assets	816,753	725,877
Member Deposits	544,101	497,309
Other Liabilities	212,933	170,840
Membership Shares	324	283
Member Equity Shares	28,841	28,637
Retained Earnings	30,554	28,808
Total Liabilities & Members' Equity	816,753	725,877
Statement of Income & Expense (for the year ended)	September 30, 2013 (000's)	September 30, 2012 (000's)
Interest Earned	29,368	27,415
Other Income	2,999	2,995
Total Revenue	32,367	30,410
Interest Paid to Members on Deposits	9,676	9,769
Other Interest Expense	3,641	2,512
Financial Expenses	13,317	12,281
Provision for Loan Losses	552	476
Personnel Cost	9,235	8,824
Occupancy Cost	2,645	2,357
General Business Costs	3,932	4,080
Operating Expenses	16,364	15,737
Operating Income	2,686	2,392
Gain on CUCO Co-operative Association Shares	330	603
Income Before Income Taxes & Membership Patronage Dividend	3,016	2,995
Membership Patronage Dividend	180	180
Income Taxes	400	331
Net Income	2,436	2,484

COMMUNITY RELATIONS COMMITTEE REPORT

YNCU is proud to be involved in helping to build better communities by giving back in a variety of ways. Each year we set aside a minimum of 1% of the pre-tax profit earned by the Credit Union during the previous fiscal year specifically for this purpose. Our program is managed corporately to ensure equitable distribution to the organizations, affiliations and volunteer efforts within the communities in which we operate, and which have a focus on education, the arts, health and wellness, and recreation. Preference is given to those organizations likely to provide lasting benefits, and whose values best reflect similar values held by the broader YNCU membership. In fiscal 2013, we supported the following:

- Beechwood Co-operative Homes Inc. (Pumpkin Carving and Halloween Pizza Party)
- Big Brothers Big Sisters of Waterloo Region
- Brant Food for Thought
- Canadian Cancer (Take Steps Against Breast Cancer)
- Communities in Bloom - Charity Golf Tournament
- Crossing All Bridges Learning Centre
- Enbridge Ride to Conquer Cancer
- Extend-a-Family Waterloo Region
- Foundation for International Development Assistance
- Habitat for Humanity Waterloo Region
- Help a Child Smile
- Hope Spring Cancer Support Centre
- Huron Perth Eat and Learn
- Huron-Oxford-Perth Cystic Fibrosis
- Kitchener Jr Panthers Major Bantam
- KW Kiwanis Music Festival
- Make-A-Wish Southwestern Ontario
- Monkton Wildcats
- Nutrition for Learning
- Ontario Cooperative Association (Cooperative Young Leaders camp sponsorship)
- Ontario Rett Syndrome / ALS Canada
- Optimist Club of Kitchener Waterloo
- Oxford 4-H Association
- Oxford County Nutrition Partnership
- Perth County Historical Foundation
- Region of Waterloo Cricket Association
- Sandwich Sabres Football
- Southwestern Ontario Fiddle & Step Dance
- Stratford House of Blessing
- Stratford Perth Family YMCA
- Student Nourishment Program
- Taya Marie Flores Walk/Run for Sick Kids/Pediatric Oncology Group of Ontario
- Terry Fox Run
- United Way Cambridge & North Dumfries
- Wellesley North Easthope Agricultural Society
- Windsor & Essex County Cancer Centre-Pedaling for Purpose
- YMCA of Woodstock



REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Your Neighbourhood Credit Union (YNCU) is a committee of four directors, appointed by the Board of Directors pursuant to Section 125 of the Credit Unions and Caisse Populaires Act, 1994 (Ontario) and Section 27 of Ontario Regulation 237/09. The Board of Directors has approved a mandate which specifies the duties to be performed by the Audit Committee. The Audit Committee is pleased to report that during the past fiscal year the committee has fulfilled the requirement of the mandate.

The committee met five times during the 2013 fiscal year and completed the following key activities:

- Served as liaison between the Board of Directors and the external auditors;
- Reviewed and recommended to the Board of Directors, the terms of engagement for the external auditors and their remuneration;
- Reviewed and approved the external auditors' scope and audit plan;
- Reviewed the audited financial statements of the Credit Union and recommended their

acceptance to the Board of Directors;

- Reviewed the Credit Union's disaster recovery plan;
- Reviewed reports of regulatory compliance audits;
- Reviewed reports on the Credit Union's insurance coverage;
- Reviewed accounting policies with recommendations to the Board of Directors;
- Reviewed internal audit activities with the CFO and Compliance Officer;
- Reviewed activity reports for the Enterprise Risk Management Program.

There are no significant recommendations made by the committee that have not been implemented by the Credit Union. As well, the committee is pleased to report that there are no outstanding matters which are required to be disclosed pursuant to the Act or Regulations.

Respectfully submitted,
Douglas Patton – Committee Chair
Frank Burgund, John Crowley, Peter Muise – Committee Members

Locations

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to serve you...

Brantford

7 Charlotte Street
(at Colborne)
T: 519.759.7550

Brantford

403 Fairview Drive
(at West Street)
T: 519.759.1150

Cambridge

385 Hespeler Road
(at Cambridge Centre Mall)
T: 519.622.3377

Guelph

T: 519.824.2212
SERVING FIBREGLAS
EMPLOYEES ONLY,
until further notice.

Kitchener

685 Fischer-Hallman Road
(at Ottawa)
T: 519.744.5921

Kitchener

1334 Weber Street East
(across from old Hiway Market)
T: 519.894.9700

LaSalle

5844 Malden Road
(in the Town Centre Plaza)
T: 519.250.0286

Mitchell

105 Ontario Road
T: 519.348.8448

Paris

75 Grand River Street North
T: 519.442.2622

Sebringville

268 Huron Road
T: 519.393.6670

Shakespeare

6 Huron Road East
T: 519.625.8400

Stratford

1067 Ontario Street
(in the Festival Marketplace Mall)
T: 519.271.9083

Uptown Waterloo

168 King Street South
T: 519.579.1860

Windsor

5415 Tecumseh Road East
(at Rivard)
T: 519.258.3890

Woodstock

400 Dundas Street
(at Brock)
T: 519.537.8121

Waterloo

Commons Plaza
655 Erb Street West
(at Ira Needles Blvd.)
T: 519.804.9040

NEW!
LONDON
BRANCH!

London

343 Dundas Street
(at Waterloo Street)
T: 519.661.4563

CORPORATE OFFICE: 38 Executive Place, Kitchener T: 519.804.9190