

2014

ANNUAL REPORT

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*Your
Neighbourhood
Credit Union*

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Annual General Meeting

January 27, 2015

Holiday Inn, 30 Fairway Road South, Kitchener
Registration 6:30pm, Call to Order 7:00pm

Agenda

- 1 Call to Order
- 2 Moment of Silence
- 3 Report on Registration and Establishment of Quorum
- 4 Words of Welcome
- 5 Adoption of the Agenda
- 6 Minutes of the Annual General Meeting of January 28, 2014
- 7 Report of the Board of Directors, John Haines
- 8 Business Reports
 - Report of the Auditor, MNP
 - Report of the CEO, Kerry Hadad
 - Report of the Audit Committee, Doug Patton
- 9 Appointment of Auditors
- 10 New Business
- 11 Election of Directors
- 12 Question Period
- 13 Adjournment



Report from John Haines

Chair of the Board of Directors

Good, Better, Best...

My task of summing up the results of the past year for Your Neighbourhood Credit Union is simply stated ... another successful year. Yes economic turmoil and financial unrest continue to be the norm for much of the world.

Your Neighbourhood Credit Union, driven by a professional and dedicated staff, under the stewardship of a strong management team, and overseen by an experienced Board of Directors, closed the year by reaching our targeted net income before dividends and taxes.

It is not news to anyone that 2013 and 2014 continued to bring shrinking margins and some very difficult times. Plant closures, job losses, and increased cost of living affected us all. The only thing that seemed stable was the low prime interest rate. This rate is a good news, bad news story for our membership. While it has helped the younger generation purchase homes and borrow for their families it has severely hurt seniors on fixed incomes who depend on interest income from savings to make ends meet.

The enclosed financial reports tell only part of the story of fiscal year 2013 - 2014.

We cemented our relationship with Boomerang Credit Union in a merger on December 1st, 2013. We followed up this by welcoming CN (London) Credit Union to our family in 2014. This has brought our network to 18 branches. We look forward to serving the community of London, and thank you for welcoming us!

And we did what credit unions were made to do every day - we worked with members so they could maintain payments to keep their homes and credit in good order; created plans to preserve savings; and helped members achieve their financial goals.

As I have said this to you in the past:

We are a better place to save and invest; a better place to borrow; a better place to be a member and an employee. We are a better credit union today, and getting better all the time. We are well-positioned to meet head-on what the economy and the markets will bring our way.

This year again proved this statement to be true.

I see a changing landscape as the provincial awareness campaign brings us and our fellow Credit Unions on equal footing with the banks we compete with.



Now about our fantastic staff!!! I would like to commend you for successfully implementing the recent conversion to our new data system. There is no way that we, as members, can possibly understand all the frustration and work this took. I know that this change was not easy but ... YOU DID IT!

As Chair of your Board of Directors, I extend my sincere thanks to the staff of Your Neighbourhood Credit Union for their hard work and service to our membership and to you as members, for entrusting us with your business. How could I not be proud to be a very small part in a very large success story?

I remain sincerely yours,

John Hawne



Lending Services Report for Fiscal 2013-2014

Category	Total Personal Loans & Lines of Credit	Total Residential Mortgages & Meritlines	Total Agricultural	Total Corporate Commercial Lending	YNCU Total
Number of Loan applications received	1,946	1,159	86	233	3,424
Number of Loan applications granted	1,282	697	35	69	2,083
Number of loan applications withdrawn or declined	664	462	51	164	1,341
\$\$\$ Gross Value of Loans granted	\$15,256,951	\$123,040,226	\$6,404,387	\$63,701,319	\$208,402,883
Number of delinquent loans over 90 days	34	35	1	0	70
\$\$\$ Value of delinquent loans over 90 days	\$156,955	\$3,048,410	\$6,172	\$ -	\$3,211,537

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, 2013 TO SEPT 30, 2014** as well as reports the number and dollar extent of loans (all lending types) 90 days or more in arrears as at SEPT 30, 2014.

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; Marc Rivard, Director, Commercial Services; Robert Leggo, Manager of Collections.

Compiled and approved for issuance by: Glenn Wilson, Vice President Lending Services.

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

Condensed Financial Statement

Balance Sheet	September 30, 2014 (000's)	September 30, 2013 (000's)
Cash and Investments	73,202	72,580
Loans & Mortgages to Members	845,409	726,812
Other Assets	21,599	17,361
Total Assets	940,210	816,753
Member Deposits	635,482	550,262
Other Liabilities	239,987	206,772
Membership Shares	373	324
Member Equity Shares	28,825	28,841
Retained Earnings & Contributed Surplus	35,543	30,554
Total Liabilities & Members' Equity	940,210	816,753



Condensed Financial Statement

Statement of Income & Expense (for the year ended)	September 30, 2014 (000's)	September 30, 2013 (000's)
Interest Earned	33,233	29,368
Other Income	3,622	2,999
Total Revenue	36,855	32,367
Interest Paid to Members on Deposits	10,461	9,676
Other Interest Expense	4,716	3,641
Financial Expenses	15,177	13,317
Provision for Loan Losses	535	552
Personnel Cost	10,118	9,235
Occupancy Cost	2,572	2,645
General Business Costs	5,326	3,932
Operating Expenses	18,551	16,364
Operating Income	3,127	2,686
Gain on CUCO Co-operative Association Shares	180	330
Income Before Income Taxes & Membership Patronage Dividend	3,307	3,016
Membership Patronage Dividend	180	180
Income Taxes	455	400
Net Income	2,672	2,436

Report from Kerry Hadad

Chief Executive Officer

While there is always much to look back on and be proud of when preparing these reports for you, I believe this past fiscal is one where we should be particularly proud. Despite ongoing interest rate pressures, a tightening market and regulatory system, and an end-to-end technology change that affected every part of our business, Your Neighbourhood Credit Union (YNCU) again finished the fiscal year having achieved our goals.

We were humbled by the unanimous vote in favour of merging by the membership of CN (London) Employees Credit Union. We now have an even stronger presence in London, and have further shortened the gap to our Windsor-area branches. Welcome to CN members, and to the new team at the York Street branch!

Both Members and staff of YNCU experienced a huge leap forward in June when our new banking system went live. I would be disingenuous if I suggested the conversion was without its challenges; I've spoken with several of you and know how it affected you personally. There is no area of our business that was untouched by this change that took 16 months from kick-off to completion. However, the investment will pay dividends in the coming years as we now have the technology required to offer those products and services demanded by you, our members and the banking public. We are now positioned to compete with the best financial institutions.

In a marketplace where everyone from Canadian Tire to Walmart to Google to Rogers to Apple to PayPal wants to get into the financial services and banking field, the competition has never been fiercer or the stakes higher. We must earn the business of banking customers and re-earn the business of members every single day. We won't do that without mobile banking and apps and instant self services like email money transfers.

As I noted in my report last year, interest rates monopolized business headlines and conversations everywhere. 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.



We closed fiscal 2014 with \$980 million in assets under administration and a profit of \$2.7 million. We grew assets by a better-than-market 15%, factoring in the merger with Boomerang Credit Union.

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.

Whether it was a compliment or a different kind of comment you shared with me this year, I thank you for reaching out. Your direct connections are what make us better every day. Once again I invite you to let me know what matters most to you, because that's what matters most to me.

Cordially,

A stylized, handwritten signature in black ink, appearing to be the initials 'JAL'.

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 requirements of the mandate.

The committee met five times during the 2014 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

Hilary Anderson, John Crowley, Craig Fee – Committee Members

Community Relations Program Report

During the 2014 fiscal year, YNCU continued to uphold its commitment to helping build better communities by giving back in a variety of ways. Approximately 1% of the 2013 pre-tax profit earned by YNCU was set aside for this purpose. The Community Relations 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 2014, we supported the following:

- Army, Navy and Air Force Veterans
- Big Brothers Big Sisters (Stratford, Woodstock)
- Brant 4-H Awards Banquet
- Brant Sports Complex
- Brant United Way
- Brantford Church Hockey League Atom Select
- Brantford City Soccer Club
- Cambridge Girls Softball Association
- Cambridge Highland Games
- Cambridge Memorial Hospital Foundation
- Canadian Cancer Society Relay for Life
- Canadian Cancer Society
- Century 21 Woodstock fundraising gala
- Canadian Fibrodysplasia Ossificans Progressiva Network
- Cheer Sport Sharks
- CHYM Tree of Hope
- Community Support Connections (Meals on Wheels)
- Conestoga College Student Planner
- Crime Stoppers (London)
- CYL Camp
- Eastdale Public School
- EPHYC Initiatives (Empowering Proactive Youth and Communities)
- John Mavity Hockey Legacy Fund
- Grand River Hospital
- Habitat for Humanity
- Ignite the Fight
- Independent Living Centres (Kitchener, London)
- Juvenile Diabetes Association
- Kanoes for Kids
- Kids Can Play
- KidSport Kitchener Waterloo Chapter
- Kitchener Minor Bantam Select Hockey
- Kitchener Panthers Midget Minor Baseball
- KW Counselling Services
- London Junior Knights Minor Peeewe AA White
- London Junior Mustangs - Major Atom
- Make-A-Wish Foundation
- Mitchell Fair
- Mitchell Hawks Junior C Hockey Team
- Mitchell Optimist Music Festival
- Monkton Rhubarb Festival
- Multiple Sclerosis Society of Canada
- National Service Dogs
- Oxford at War 1814
- Perth County 4-H Association Winter Fair
- Rare Charitable Research Reserve
- Red Dog Golf Tournament (supporting Special Olympics)
- Renaissance Robotics
- Riverside Minor Hockey Association
- Sebringville Athletic Association
- Shakespeare Community Athletic Association
- SickKids Foundation
- Singing Brook Arts Camp
- St Joseph's Healthcare Foundation
- Stedman Hospice
- Stratford House of Blessing
- Strathroy General Hospital
- Student Nutrition - KW YMCA
- SW Ontario Fiddle & Step Dance
- The Working Centre
- Trillium Energy Alliance Inc.
- Tutoring Beyond Borders
- United Church of Canada Downtown Mission
- United Way - Every Kid Counts
- W.C.C.B Inc Music Express
- Wellesley North Easthope Fall Fair
- Williamsburg Community Association
- WMGSA Waterloo Ghost Squirrels Black Team
- Woodstock Soccer Club
- YMCA -YWCA

AGM and Nominating Committee Report

At the Annual General Meeting in January 2015 the terms of the following directors will expire:
John Crowley, Craig Fee and Richard Kemp.

The Nominating Committee accepted nominations from the following members:
John Crowley, Craig Fee, Richard Kemp and Scott Richards.

In accordance with YNCU's by-laws, nominations were closed September 30, 2014. As the duly qualified and properly nominated members are greater than the number of vacancies to be filled, an election will be held. Each position is for a 3-year term. A brief biography of the candidates is below, available on our website and in all branches of the credit union.

Respectfully Submitted by,
AGM and Nominating Committee

2015 Candidates for the Board of Directors

Craig Fee

Craig Fee is seeking a second term as a member of the Board of Directors of Your Neighbourhood Credit Union. Craig attended King's College at the University of Western Ontario for Economics and studied Radio Broadcasting at Humber College. Since 1993, he has worked in broadcast management and as an award-winning radio personality in Toronto, London, Vancouver, Edmonton and Kitchener. In his spare time, Craig enjoys doing his best Dion Phaneuf impression as a blueliner on his beer league hockey team. He is also an absolutely terrible golfer. Craig and his wife Amy live in Southwest Kitchener with their four children and perpetually-starving Black Lab named Ivy.

Richard Kemp

Richard is completing a one year term on the Board at YNCU, originally granted with the merger of Boomerang Credit Union of London. Prior to the merger he served four years on the Board of Directors for London Civic Credit Union, then Boomerang Credit Union. Also a director for the Parkside Property Management team at the Cherry Hill Ridge complex, he enjoys learning and contributing to the boards' success.



Richard was raised in the small town of Glencoe, Ontario, located in southwest Ontario between Sarnia, Chatham and London. As a sports enthusiast he was involved in minor sports, baseball and hockey for over 20 years and received an award for his dedication to helping minor sports in the community. He then travelled to Strathroy where he held several positions with the local Junior B hockey team including president and coach.

Starting at Labatt in the mailroom, he worked up through the ranks of the supply chain, Inventory Control, Purchasing, Raw Materials management and retired as the Constrained Production Planner/Scheduler for Ontario at the London plant, after nearly 40 years with the company. Richard is currently living in London and is employed by Brose Canada as a Materials/Production planner.

John Crowley

John and his wife Betty own and operate a beef farm in the Milverton area where they raise Black Angus cattle. John also works as a full time Registered Insurance Broker, selling property and casualty Insurance. John has been a member of the Credit Union system since he was a teenager. He later became involved as a Director with the Mitchell Credit Union and since then with Your Neighborhood Credit Union.

John has completed the various courses of the Credit Union Director Achievement (CUDA) program. He has served the last two years on the Audit Committee of YNCU. John believes that growth in the Credit Union system is a must, be it organic growth or by mergers or by acquisitions. This a necessity to lessen the cost on the services required by YNCU.

He is encouraged by the forward thinking of the Board and management of YNCU and feels his business sense and agricultural background is an asset. John is a team player and looks forward to continuing his involvement with Your Neighborhood Credit Union.



Scott Richards

Scott has been a Credit Union member since 1975. Scott's volunteer and Credit Union involvement includes: Volunteer Director and Treasurer Manager of Hussmann Credit Union for 14 years; Director for Brant & District Credit Union Chapter which provided education and seminars for volunteer Directors of local Credit Unions for 10 years. Director of Brant Community Credit Union for 9 years during which he participated on the Audit Committee and Executive Committee and served as its Chair for three years. Scott is proud to have been a founding director of Grand River Credit Union and subsequently Your Neighbourhood Credit Union. His roles at YNCU included participation on the Member Relations Committee, Audit Committee and the Governance Committee.

He has completed all required courses in the Credit Union Director Achievement (CUDA) Program and has added elective courses in strategic planning and financial statistics. Scott was a founding Director of the Brant Community Care Access Centre providing local input for the provision of long term care through the Ontario Ministry of Health for five years. Scott has recently semi-retired from Challenger Motor Freight in Cambridge and resides in Paris with his wife, Heather.



SERVING YOU ACROSS *Southwestern Ontario!*

ATMs are located at all branches except Sebringville, Shakespeare and York St.
Drive-thru ATMs at Cambridge, Weber and Fischer-Hallman locations.

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