

2014 Annual Report



**Branching Out to
Provide Clearly Better Banking**

PROFILE

While Luminus Financial is a comparably new brand within the Canadian credit union and banking sector, its origins date back to 1951. At the time, it took the name Starnews Credit Union, founded by a group of Toronto Star employees who wanted a credit union to provide personal banking products and services.

In 2010, Starnews was granted a new status as an open bond credit union, allowing it to amalgamate with four other related credit unions and to serve any individual, business or organization in Ontario. Luminus Financial was born the following year, with a mission to help its members achieve their financial goals while supporting the communities it served with a clearly better banking experience.



LUMINUS
FINANCIAL

Clearly better banking.

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Vision Statement

To be our members' first choice for financial products, services and advice.

Mission Statement

We are committed to helping our members achieve their financial goals; encouraging and facilitating the development of our team; supporting our communities.

Values Statement

Luminus is Adaptable Responsive Committed and Co-operative (ARCC)

ADAPTABLE

We will expand opportunities by recognizing and responding to changes

We will position products and services to attract the family unit

We will embrace and be open to competitive trends

RESPONSIVE

We will treat everyone with respect and fairness

We will be responsive and sensitive to the diverse needs of our members

We will embrace and be open to changes that will keep us competitive

We will develop products and services for members and their families

COMMITTED

We are committed to service excellence

We will encourage a team environment committed to open and honest communication at all levels to provide better service to our members

We will be committed to bringing financial awareness and understanding to members so they may be financially independent

CO-OPERATIVE

We will operate in accordance with co-operative principles:

- Voluntary and Open Membership
- Democratic
- Member Control Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for Community

We will recognize our social responsibilities within our environment and community

OUR PROMISE TO OUR MEMBERS: WE WILL

Respond with
your financial
best interests as
our priority.

Listen to you.

Offer a full range
of competitive
financial products
and services.

Share our
profits with
you.

Treat you as the
owner of our
institution –
because you are.

Exemplify all
Credit Union
principles.

Make you glad
to be a member,
always.



65th ANNUAL GENERAL MEETING AGENDA

MARCH 26, 2015



1

Call meeting to order
Confirmation of quorum

2

**Approve minutes
of the April 2nd,
2014 Annual
General Meeting**

3

**Election of
Directors**

4

Reports

Board of Directors Chair
and Chief Executive Officer
Credit Committee
Audit Committee

5

**Review of 2014
Financial Statements**

6

New Business

Appointment of Auditors

7

**Results of
Election of
Directors**



8

Other Business

By-law amendment that reduces the number of members of the Credit Union's Board of Directors by one member, from 10 to 9.

9

Adjournment

REPORT OF THE BOARD OF DIRECTORS CHAIR AND CHIEF EXECUTIVE OFFICER

For Luminus Financial and our over 3,700 member-owners, 2014 marked a watershed year for firmly establishing our roots as an open bond credit union, and for increasing our presence as a clearly better banking alternative.

Looking ahead, with the continued success of our innovative financial products, combined with the introduction of new programs and partnerships, and our upcoming move to a new, more visible location in June 2015, we believe Luminus is poised for even more growth.

For 2014, our overall numbers look impressive. Topline, we increased our membership by close to 10 percent. We increased our cash resources to **\$6.4 million**, our mortgages by **\$18.2 million** and grew our total assets to **\$95.9 million**, achieving almost **25% growth** over the previous year.

Looking back, we attribute our growth to a number of key programs and initiatives.

Remit Now, Pay Later Program

Identifying a new market opportunity, Luminus Financial launched its Remit Now, Pay Later remittance program in July 2013, with the bulk of the campaign taking hold in 2014. For Luminus, this demonstrated its first public campaign since becoming an open bond credit union. The program was designed to provide a secure, convenient and efficient remittance service to the Filipino community in Ontario.

By partnering with BDO Bank in the Philippines, the Luminus remittance program allows members the option to transfer money to family/friends in their home countries using their FREE FiveStar Chequing with an automatic \$500 overdraft protection. This allows participating members to send money with ease, 24 hours a day, 7 days a week; all within the convenience of our online portal.

Newcomers often face the challenge of building a financial history in a new country. By creating the program, Luminus offers an affordable remittance service, not only to send money back home, but also to help individuals from the Filipino community to solidify their financial base in Canada.

Results exceed expectations

The Remit Now, Pay Later Program directly **contributed to a 4.0 %** increase in Filipino memberships, a **5.1%** increase in foreign exchange transactions, and a **1.8%** increase in online transaction fees. In addition, the associated word-of-mouth and marketing campaigns resulted in an almost **10%** increase in overall member enrolments and close to a **30%** increase in assets since July 2013.

With the launch of the program, we have witnessed noticeable growth in awareness of Luminus to the targeted ethnic group, with many of our community efforts regularly covered by the Filipino media.

The success of the Filipino-targeted remittance program has led Luminus to plan similar initiatives for other underserved ethnic groups in the near future.

Other financial highlights from 2014

We are pleased to report that we approved a total of 349 credit applications with a funding value of **\$27.3 million**.

In addition, loans to members increased to **\$82.3 million** and member deposits increased to **\$87.6 million**, thanks in part to our strong campaigns for RRSPs, investment loans, saving accounts and personal and commercial mortgages. For fiscal 2014, Luminus added **69 personal mortgages** to the books, for a value of **\$18.2 million**.

By all measurements, our campaigns met or exceeded their goals.

Moving forward, branching out

On the horizon, we see exciting plans already taking shape for 2015.

In January, we announced plans to open a new branch at One Yonge Street, scheduled for a June 2015 opening. The ground floor location will give us far more visibility with waterfront foot traffic and drive-by retail presence.

Unlike a traditional bank, this new branch will offer a “one-stop shop” for financial solutions, demonstrating the credit union’s commitment to providing more member-oriented services. As with the tradition of the credit union, this financial hub emphasizes community and personable interactions with our focus to provide clearly better banking.

Members will have access to a full range of financial resources and services outside of the credit union’s standard product and service offerings. This includes the branch taking on the role as host for educational seminars and community events, on-site training and financial resource materials. Think of us as delivering a boutique banking experience with fewer desks, more kiosks and interactive screens, and definitively more helpful dialogue shared over a coffee.

New Foreign Exchange Service and Wealth Management Partnership

In addition to providing our current suite of banking products and services, the new branch will offer a **currency exchange kiosk** from our partner **Interchange Financial**, along with **wealth management services** from our new partner, **CWP Financial**, an affiliate of **Sun Life Financial**.

The new partnership with CWP compliments the financial products we provide for our members. CWP Financial develops and manages customized investment portfolios, as well as provides estate and financial planning services. It’s a win-win for all.

On behalf of the Board, we would like to thank our team for helping Luminus forge ahead and achieve its goals. We look forward to an exciting year ahead as we enter 2015, confident in the quality of our financial products, services and in the many strengths of our credit union.

Paul Miller
Chair, Board of Directors

George De La Rosa
Chief Executive Officer

2014 FINANCIAL RESULTS

When compared to 2013 the following financial results were achieved in 2014:



LOANS TO MEMBERS
INCREASED TO OVER

\$82.3 million



CASH RESOURCES
INCREASED TO OVER

\$6.4 million



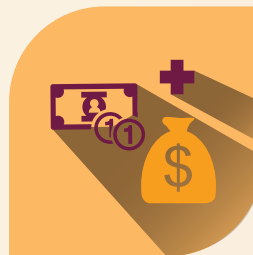
TOTAL ASSETS
GREW TO OVER

\$95.9 million



MEMBER DEPOSITS
INCREASED TO OVER

\$87.6 million



NET INCOME
INCREASED TO

\$268,891



INTEREST INCOME
INCREASED TO OVER

\$2.9 million



NET INTEREST AND
OTHER INCOME
INCREASED TO OVER

\$3 million



OPERATING
EXPENSES
WERE STEADY AT

\$2.7 million



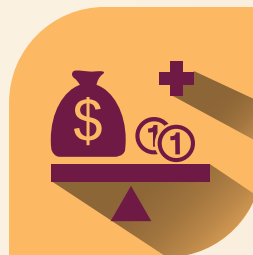
TOTAL REGULATORY
CAPITAL TO ASSETS
RATIO WAS

5.7%



MEMBERS' EQUITY
DECREASED TO

\$4.9 million



TOTAL REGULATORY
CAPITAL TO RISK
WEIGHTED ASSETS
RATIO WAS

13.2%

MEMBER REBATES AND INVESTMENT SHARE DIVIDENDS

As with every year, Luminus Financial shares a portion of its profits with members through our Member Rebate Program as well as sharing our profits with members that purchased Investment Shares.



Member Rebates:

Members that held a loan, mortgage or meritline with Luminus Financial will receive a rebate on the interest paid for those products of **1.00%**



Investment Shares:

Members that held Investment Shares during 2014 will receive a dividend of **3.00%**

The rebates and dividends will be made to each eligible account no later than March 31, 2015.

CREDIT COMMITTEE REPORT

The Credit Committee continued to serve the members of Luminus Financial and is pleased to share the following information with its members.

For the fiscal year of 2014, a total of 349 credit applications were approved and funded with a value of **\$27,302,472.75**. The following chart details the specific loan class and compares them to last year:

| 2014 | 2013 |
|--|---|
| 95 Personal Loans for \$901,246.29 | 100 Personal Loans for \$1,005,716.85 |
| 69 Mortgages for \$18,202,108.10 | 50 Mortgages for \$11,050,628.65 |
| 31 Meritlines (Equity Lines of Credit) for \$4,449,300.00 | 4 Meritlines (Equity Lines of Credit) for \$710,000.00 |
| 24 Personal Lines of Credit for \$344,500.00 | 35 Personal Lines of Credit for \$244,500.00 |
| 109 Overdrafts for \$55,685.00 | 203 Overdrafts for \$101,500.00 |
| 4 Bridge Financing Loans for \$753,200.00 | 4 Bridge Financing Loans for \$435,300.00 |
| 16 Syndicated Mortgages & Loans for \$2,271,433.36 | 4 Syndicated Mortgages & Loans for \$822,066.49 |
| 1 Commercial Mortgage & Loan for \$325,000.00 | 1 Commercial Mortgage & Loan for \$1,000,000.00 |
| Total Applications: 349 | Total Applications: 401 |
| Total Value: \$27,302,472.75 | Total Value: \$15,369,711.99 |

In 2014, a total of 61 applications were declined compared to 144 applications in 2013 for reasons ranging from credit history to lack of ability to pay.

As at December 31, 2014 there were 7 loans in arrears for 90 days or more for a total of **\$28,087.23** compared to 8 loans in arrears for a total of **\$53,317.09** in 2013. The reasons for not paying debt ranged from accumulated debts or bankruptcy to lack of income due to unemployment.

The Credit Committee continues its role of approving all director and officer loans. The committee also provided management with valuable suggestions to apply to the everyday business of the credit union.

Respectfully presented this 26th day of March 2015.

Credit Committee

Paul Miller, Chair Jmee-Lynn Widjaya Andrew Maund

REPORT OF THE AUDIT COMMITTEE

Pursuant to section 125 of the Credit Unions and Caisses Populaires Act, 1994, the board of directors appointed a minimum of three (3) directors to the Audit Committee, a sub-committee of the board.

The Audit Committee met on a quarterly basis to carry out their duties as defined in the Act and as stipulated in the credit union's policies and procedures. The following were the duties performed by the Audit Committee during 2014:

- Reviewed complaints and issues concerning privacy and ensured compliance with the Personal Information Protection and Electronic Documents (PIPED) Act initiated in 2001. We can report that Luminus is in compliance with the legislation as of December 31, 2014.
- Reviewed results of the external audit services provided by Grant Thornton LLP.
- Reviewed the Luminus Disaster Recovery Plan that will ensure protection of the assets of Luminus and its members, in the event that unforeseen circumstances prevent normal operating conditions.
- Reviewed risk management policies and procedures of Luminus. This review pointed no major areas of weakness that require correction.
- Reviewed the policies, procedures and controls used by management to which relate to legislative compliance with particular focus on Capital, Liquidity Management, Investment and Interest Rate Risk.
- Reviewed regular reports provided by management to ensure that Luminus complies with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- On February 25, 2015 the Audit Committee met with the external auditors to review and discuss the draft financial statements for the year ended December 31, 2014. A report was presented at the next regular meeting of the Board of Directors, and a follow up meeting for approval of the draft financial statements was held on March 9, 2015

Respectfully submitted this 26th day of March 2015.

Audit Committee

Jmee-Lynn Widjaya, Audit Committee Chair Andrew Maund Glenn Pollinger



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Report of the Independent auditor on the Summary Financial Statements

To the Members of
Luminus Financial Services & Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2014, 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 Luminus Financial Services & Credit Union Limited as at December 31, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated March 9, 2015. 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 Luminus Financial Services & 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 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 Luminus Financial Services & Credit Union Limited for the year ended December 31, 2014 are a fair summary of those financial statements, on the basis described in Note 1.

Burlington, Canada
March 9, 2015

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Luminus Financial Services & Credit Union Limited

Statement of Financial Position

| December 31 | 2014 | (restated) 2013 | (restated) 2012 |
|---|----------------------|----------------------|----------------------|
| Assets | | | |
| Cash | \$ 6,455,779 | \$ 3,208,823 | \$ 7,567,066 |
| Investments | 6,443,476 | 5,693,657 | 5,392,671 |
| Loans to members | 82,320,004 | 68,347,888 | 63,516,533 |
| Other assets | 260,366 | 218,438 | 273,995 |
| Property and equipment | 486,312 | 537,262 | 542,894 |
| | <u>\$ 95,965,937</u> | <u>\$ 78,006,068</u> | <u>\$ 77,293,159</u> |
| Liabilities | | | |
| Term loan | \$ 2,200,047 | \$ 2,200,000 | \$ 2,100,349 |
| Members' deposits | 87,648,716 | 70,036,367 | 69,567,405 |
| Other liabilities | 752,195 | 379,047 | 342,955 |
| Deferred income taxes | - | 105,940 | 81,000 |
| Shares | 382,441 | 240,109 | 282,751 |
| | <u>90,983,399</u> | <u>72,961,463</u> | <u>72,374,460</u> |
| Equity | | | |
| Shares | 1,442,471 | 1,731,589 | 1,731,589 |
| Retained earnings | 2,790,242 | 2,575,952 | 2,468,093 |
| Contributed surplus | 628,532 | 628,532 | 628,532 |
| Accumulated other comprehensive income (AOCI) | 121,293 | 108,532 | 90,485 |
| | <u>4,982,538</u> | <u>5,044,605</u> | <u>4,918,699</u> |
| | <u>\$ 95,965,937</u> | <u>\$ 78,006,068</u> | <u>\$ 77,293,159</u> |

Approved on behalf of the board

Director

Director

Luminus Financial Services & Credit Union Limited

Statement of Comprehensive Income

(restated)

Year Ended December 31

2014

2013

| | | |
|---|-------------------|-------------------|
| Financial income | | |
| Loans | \$ 2,839,819 | \$ 2,764,632 |
| Investments | <u>122,815</u> | <u>133,928</u> |
| | <u>2,962,634</u> | <u>2,898,560</u> |
| Financial expense | | |
| Member deposits | 889,423 | 881,533 |
| Distributions to members | 34,934 | 10,678 |
| External borrowings | <u>36,081</u> | <u>18,227</u> |
| | <u>960,438</u> | <u>910,438</u> |
| Financial margin | 2,002,196 | 1,988,122 |
| Provision for impaired loans | <u>62,698</u> | <u>56,482</u> |
| Net interest income after provision for impaired loans | 1,939,498 | 1,931,640 |
| Other income | <u>1,095,702</u> | <u>1,004,742</u> |
| Net interest and other income | 3,035,200 | 2,936,382 |
| Operating expenses | | |
| Administrative expenses | 1,348,470 | 1,398,402 |
| Remuneration to staff | 1,265,261 | 1,241,158 |
| Depreciation | <u>119,517</u> | <u>107,044</u> |
| | <u>2,733,248</u> | <u>2,746,604</u> |
| Income before taxes | <u>301,952</u> | <u>189,778</u> |
| Income taxes | | |
| Current | 30,625 | 10,841 |
| Deferred | <u>2,436</u> | <u>24,940</u> |
| | <u>33,061</u> | <u>35,781</u> |
| Net income | <u>268,891</u> | <u>153,997</u> |
| Other comprehensive income | | |
| Items that may subsequently be reclassified to profit of loss | | |
| Change in unrealized gain on available for sale investments | 15,393 | 21,357 |
| Income tax relating to components of other comprehensive income | <u>(2,632)</u> | <u>(3,310)</u> |
| Total other comprehensive income | <u>12,761</u> | <u>18,047</u> |
| Total comprehensive income | <u>\$ 281,652</u> | <u>\$ 172,044</u> |

Luminus Financial Services & Credit Union Limited

Statement of Changes in Members' Equity

Year Ended December 31, 2014

| | <u>Shares</u> | <u>Retained earnings</u> | <u>Contributed surplus</u> | <u>AOCI</u> | <u>Total</u> |
|--|---------------------|------------------------------|--------------------------------|-------------------|---------------------|
| Balance at | | | | | |
| December 31, 2012 (restated) | \$ 1,731,589 | \$ 2,468,093 | \$ 628,532 | \$ 90,485 | \$ 4,918,699 |
| Net income | - | 153,997 | - | - | 153,997 |
| Other comprehensive income | - | - | - | 18,047 | 18,047 |
| Dividends paid on Class A | | | | | |
| Investment shares, net of tax | - | (46,138) | - | - | (46,138) |
| Balance at | | | | | |
| December 31, 2013 (restated) | 1,731,589 | 2,575,952 | 628,532 | 108,532 | 5,044,605 |
| Net income | - | 268,891 | - | - | 268,891 |
| Other comprehensive income | - | - | - | 12,761 | 12,761 |
| Redeemable portion of Class A | | | | | |
| Investment shares classified as liability | (160,275) | - | - | - | (160,275) |
| Redemptions of Class A | | | | | |
| Investment shares | (128,843) | - | - | - | (128,843) |
| Dividends paid on Class A | | | | | |
| Investment shares, net of tax | - | (54,601) | - | - | (54,601) |
| Balance at December 31, 2014 | \$ 1,442,471 | \$ 2,790,242 | \$ 628,532 | \$ 121,293 | \$ 4,982,538 |

Luminus Financial Services & Credit Union Limited

Statement of Cash Flows

(restated)

Year Ended December 31

2014

2013

Increase (decrease) in cash and cash equivalents

| | | |
|---|---------------------|---------------------|
| Operating | | |
| Net income | \$ 268,891 | \$ 153,997 |
| Adjustments for: | | |
| Interest revenue | (2,962,634) | (2,898,560) |
| Interest received on member loans | 2,831,375 | 2,808,639 |
| Interest received on investments | 128,563 | 138,995 |
| Interest expense | 960,438 | 910,438 |
| Interest paid on member deposits | (1,053,641) | (843,153) |
| Depreciation | 119,517 | 107,044 |
| Provision for impaired loans | 62,698 | 56,482 |
| Income taxes expense | 33,061 | 35,781 |
| Net change in other assets | (51,305) | 59,231 |
| Net change in other liabilities | 267,129 | 30,283 |
| Dividends paid directly through retained earnings | (54,601) | (46,138) |
| Income taxes paid | (23,604) | (12,016) |
| | <u>525,887</u> | <u>501,023</u> |
| Financing | | |
| Net change in member deposits | 17,705,551 | 401,677 |
| Net change in membership shares | (17,943) | (42,642) |
| Redemption of investment shares | (128,843) | - |
| Increase in term loan | 47 | 99,651 |
| | <u>17,558,812</u> | <u>458,686</u> |
| Investing | | |
| Purchase of property and equipment | (68,567) | (101,412) |
| Net change in member loans | (14,026,370) | (4,931,844) |
| Net change in investments | (742,806) | (284,696) |
| | <u>(14,837,743)</u> | <u>(5,317,952)</u> |
| Net change in cash during the year | 3,246,956 | (4,358,243) |
| Cash, beginning of year | <u>3,208,823</u> | <u>7,567,066</u> |
| Cash, end of year | \$ <u>6,455,779</u> | \$ <u>3,208,823</u> |

Luminus Financial Services & Credit Union Limited

Notes to the Financial Statements

December 31, 2014

1. Basis of presentation

Management is responsible for the preparation of the summary financial statements. The summary financial statements presented include the summary statement of financial position and the summary statements of comprehensive income, changes in members' equity and cash flows.

The financial statements do not include any other schedules, the summary of significant accounting policies or notes to the financial statements. The summary statement of financial position and summary statements of comprehensive income, changes in members' equity and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.




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



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Membership open to anyone living or working in Ontario.