



LUMINUS
FINANCIAL

Strengthen

OUR

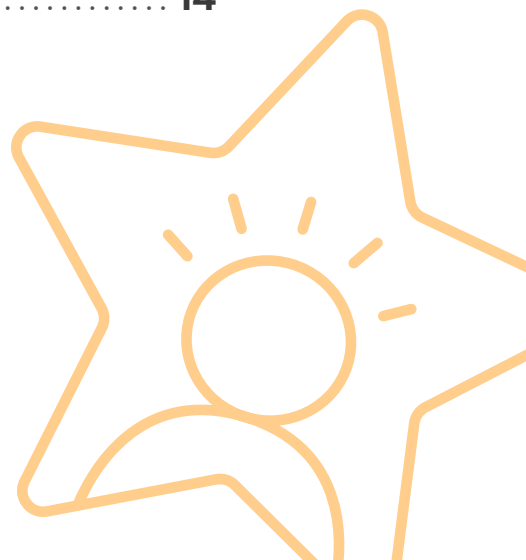
FOUNDATIONS

2018

ANNUALREPORT

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History

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.

In 2017 another credit union joined Luminus Financial, and together we now serve over 5,300 members, with 2 locations across the GTA and with assets of over \$175 million.



Vision & Mission Statements

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.

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

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

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.

Co-operative

We will operate in accordance with co-operative principals:

- 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 Member-Owners

We will...

Respond with your financial best interests as our **priority**

Offer a full range of competitive financial **products & services**

Exemplify all Credit Union **principles**

Make you glad to be a member, **always**

Share our profits with you

Listen to you

Treat you as the owner of our institution—because you are

69th Annual General Meeting Agenda

April 4, 2019

- 1 Call Meeting to Order**
Confirmation of quorum
- 2 Approve Minutes of the April 5, 2018 Annual General Meeting**
- 3 Election of Directors**
- 4 Reports**
Board of Directors Chair and Chief Executive Officer
Credit Committee
Audit Committee
- 5 Review of the 2018 Financial Statements**
- 6 New Business:**
Appointment of External Auditors
- 7 Special Business:**
Amendment to Luminus' by-laws to consider as special business an amendment to the Credit Union's by-laws to reduce the size of the Board of Directors to 8 members, and to fix the last business day of the calendar year as the record date for determining who is entitled to receive notice of (and is therefore entitled to attend, speak, and move and second motions at) the annual general meeting.
- 8 Announcement of Election Results**
- 9 Other Business**
- 10 Adjournment**

Report of the Board of Directors Chair & CEO

As we reflect on 2018, we're grateful for the impact our services have had on both our members and our communities throughout the year.

Now, with the new financial year upon us, it's important to acknowledge the work we've done but also to look at this year as an opportunity to strengthen the foundations of our credit union while seeking new opportunities for growth.

This past year, the board and the executive team worked together to establish a detailed strategic plan for growth which includes four foundational pillars. These are:

1. Be bold, innovative, and future-focused.
2. Grow to \$300-\$500 million in assets profitably.
3. Build, acquire, develop, sustain and reward a knowledgeable and passionate workforce.
4. Become an influencer within the system.

Being bold, innovative and future-focused.

2018 saw a number of exciting opportunities move ahead for Luminus Financial. Off the back of our success with the Victory Community Credit Union merger, we continue to look outwards for other potential opportunities. Such partnerships help strengthen our brand and asset base while

supporting the growth of Ontario credit union partners as well as their communities.

2018 also saw plenty of new product offerings with our Interac Flash card, new Visa credit cards, and streamlined online banking taking center stage. Looking forward, we will continue to build on the success of tools like these that make everyday banking simple for our member-owners. One feature we're excited to see launch is Enhanced User Functionality from Interac which allows members to request payments online, not just make them.

When we talk about staying future-focused, we are continually looking for new ways to leverage technology and improve member communication. You may have noticed that we have started sending regular newsletters, email blasts and use our social media accounts to educate and inform members and the community. We will continue to use these tools to throw open the doors and invite more people from our communities into the Luminus conversation. So, if you haven't already, we urge you to sign up. You'll get updates that cover everything from fraud

prevention to the latest tools we've built to help you secure your financial future.

Growing to \$300-\$500 million in assets profitably.

Nothing speaks louder than the numbers when it comes to summing up a financial year, and we're proud to report that we grew our assets in 2018 by close to \$13 million. We also earned over \$6.2 million in revenue for the year, which is a growth of \$1.5 million compared to the prior year, and we don't intend to stop there. This result helps us set realistic goals for growth, and is a trend that we have budgeted for in 2019. Key to reaching these goals at Luminus is our workforce. Which brings us to our third pillar.

Build, acquire, develop, sustain and reward a knowledgeable and passionate workforce.

Central to what we do is who we are. In 2018, we took a more in-depth look at our workforce to see where we can improve, launching our inaugural Employee Voice Engagement Survey. With 78% overall engagement, there is plenty of food for thought and a long list of what we are doing well and where we can do even better. We want to provide a great work/life balance for our staff and this feedback will help make that goal a reality.

Become an influencer within the system.

We're constantly looking to build brand

awareness and become a prominent voice in the credit union system. Our board participates in various networking events within the industry including meetings with Central 1, the Canadian Credit Union Association, as well as local and provincial government representatives. Our CEO is also a director on the Credit Union Council and the Credit Union Services Association, actively participating in the working group that is providing feedback to the new Financial Services Regulatory Authority of Ontario as it begins to form in 2019. Our fingers are on the pulse, and we intend to keep them there!

At Luminus, these pillars allow us to create a future-focused strategy in a quickly changing world. We constantly look to innovate, learn and influence, while keeping our community values at the core of everything we do. We're confident that the work we've done is only the beginning and 2019 will be full of opportunities to grow. By building on our past successes, and never losing sight of the future, we will work together to strengthen Luminus' foundations.

As we look back on another rewarding year, we are thankful for the opportunity to serve you, and we look forward to continuing to create unique financial solutions to help you achieve your goals.



Paul Miller
CHAIR, BOARD OF DIRECTORS



George De La Rosa
CHIEF EXECUTIVE OFFICER

2018 Financial Results

The following financial results were achieved in 2018



Net income was
\$107,000



Total assets
increased to over
\$175.2 Million



Members' deposits
increased to
\$160.9 Million



Financial expenses
increased to
\$3.3 Million



Financial income
increased to
\$6.2 Million



Total regulatory capital
to risk weighted assets
ratio was
12.1%



Loans to members
increased to
\$156.7 Million



Total regulatory capital
to assets ratio was
5.3%

Executive Committee Report

The Executive Committee continues to serve the member-owners of Luminus Financial and is pleased to share the following information with its member-owners. For the fiscal year of 2018, a total of 179 credit applications were approved and funded with a value of \$39,751,604. The following chart details the net funded balances within the following loan classes and compares them to the previous two years*:

Loan Class	2018		2017		2016	
	#	\$	#	\$	#	\$
Residential Lending	56	\$33,110,721	77	\$32,012,481	79	\$22,669,510
HELOCs	27	\$4,178,967	74	\$15,006,700	57	\$11,770,361
Personal Loans	81	\$2,184,146	77	\$1,254,389	98	\$1,717,527
Personal LOCs	15	\$277,770	4	\$83,593	25	\$307,550
Commercial Lending	0	\$0	11	\$8,936,003	9	\$7,705,954
Total	179	\$39,751,604	243	\$57,293,166	268	\$44,170,902

*Overdraft accounts have not been included in the above table. Syndicated loans and bridge loans have been consolidated into their respective loan classes.

In 2018, a total of 111 applications were cancelled or declined compared to 57 applications in 2017 as they had rescinded their request or not met the criteria from a credit or policy perspective.

As at December 31, 2018 loans in arrears for 90 days or more amounted to a total exposure of \$45,302 compared with a total exposure of \$3,871 as at December 31, 2017. For those facilities that have been deemed impaired, the causes range from loss of income or employment, illness, disability or passing away.

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

Respectfully presented on April 4, 2019 by the Executive Committee:

Paul Miller, Chair
Jonathan Olinski
Michael Mathieson

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 2018:

- Reviewed complaints and issues concerning privacy and ensured compliance with the Personal Information Protection and Electronic Documents (PIPEDA) Act initiated in 2001. We can report that Luminus is in compliance with the legislation as of December 31, 2018.
- 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 March 9, 2019 the Audit Committee met with the external auditors to review and discuss the draft financial statements for the year ended December 31, 2018. A report was presented to the Board of Directors for approval of the draft financial statements which was also held on March 9, 2019.

**Respectfully presented on April 4, 2019 by
the Audit Committee:**

Jon Olinski, Audit Committee Chair
Jonathan Bowness
Ashana Khanna
Andrew Maund

Report of the Independent Auditor

On the Summary Financial Statements



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To the Members of Luminus Financial Services & Credit Union Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Luminus Financial Services & Credit Union Limited as at December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the financial statement, in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited financial statements and the auditor's report thereon.

The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those financial statements in our report dated March 9, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Mississauga, Canada
March 9, 2019

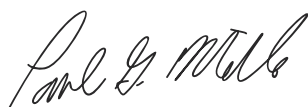
Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

Summary Financial Statements

Luminus Financial Services & Credit Union
Limited Summary Statement of Financial Position
(in thousands) as of December 31, 2018

	2018	2017
Assets		
Cash	4,392	4,461
Investments	11,265	11,484
Loans to members	156,740	143,208
Other assets	685	573
Property and equipment	1,902	2,222
Intangible assets	285	340
	175,269	162,288
Liabilities		
Term Loan	5,000	6,000
Members' deposits	160,857	146,377
Other liabilities	281	514
Shares	469	495
	166,607	153,386
Equity		
Shares	5,637	5,719
Retained earnings	2,125	2,283
Contributed surplus	900	900
	8,662	8,902
	\$175,269	\$162,288

On behalf of the Board:



Paul Miller



Jon Olinski

Luminus Financial Services & Credit Union Limited
Summary Statement of Comprehensive income
(In thousands) year ended December 31, 2018

	2018	2017
Financial income		
Loans	5,970	4,546
Investments	239	169
	6,209	4,715
Financial expense		
Member deposits	3,174	2,398
External borrowings	99	53
	3,273	2,451
Financial margin	2,936	2,264
Provision for impaired loans	32	(12)
Net interest income after provision for impaired loans	2,904	2,276
Other income	694	999
Operating margin	3,598	3,275
Operating expenses		
Administrative expenses	1,798	1,502
Remuneration to staff	1,336	1,242
Depreciation	375	334
	3,509	3,078
Income taxes		
Deferred	(18)	-
Net income	107	197
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gain on		
Available for sale investments	-	(137)
Total other comprehensive income	-	(137)
Total comprehensive income	\$107	\$60

Luminus Financial Services & Credit Union Limited
Summary Statement of Changes in Members' Equity
(In thousands) year ended December 31, 2018

	Shares	Retained Earnings	Contributed Surplus	AOCI	Total
Balance at					
December 31, 2016	5,844	2,319	629	137	8,929
Net income	-	197	-	-	197
Other comprehensive income	-	-	-	(137)	(137)
Redemptions of Class A					
Investment shares	(125)	-	-	-	(125)
Dividends paid on Class A					
Investment shares, net of tax	-	(233)	-	-	(233)
Increase in contributed surplus from business combination	-	-	271	-	271
Balance at					
December 31, 2017	5,719	2,283	900	-	8,902
Adjustments from the adoptions of IFRS 9	-	(68)	-	-	(68)
Adjusted balance on January 1, 2018	5,719	2,215	900	-	8,834
Net income	-	107	-	-	107
Redemptions of Class A					
Investment shares	(82)	-	-	-	(82)
Dividends paid on Class A					
Investment shares, net of tax	-	(197)	-	-	(197)
Balance at December 31, 2018	\$5,637	\$2,125	\$900	-	\$8,662

Luminus Financial Services & Credit Union Limited

Statement of Cash Flows (In thousands)

year ended December 31, 2018

	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Net income	107	197
Adjustments for:		
Provision for impaired loans	32	(12)
Depreciation	375	334
Changes in member activities:		
Increase in loans to members (net)	(13,629)	(21,982)
Increase in deposits of members (net)	14,488	14,533
Changes in other non-cash items:		
Other assets	(112)	(41)
Payables and accruals	(233)	241
	1,028	(6,730)
Financing		
Distribution to members	(197)	(233)
(Repayment of) proceeds from external borrowing	(1,000)	4,000
Decrease in shares (net)	(108)	(124)
	(1,305)	3,643
Investing		
Proceeds from sale (purchase) of investments (net)	218	(624)
Distributions from CUCO Co-op investment	-	33
Purchase of property and equipment	(10)	(21)
Purchase of intangible assets	-	(36)
Cash resources acquired upon business combination	-	1,145
	208	497
Net decrease in cash during the year	(69)	(2,590)
Cash, beginning of year	4,461	7,051
Cash, end of year	4,392	4,461
Interest received	6,137	4,636
Interest paid	2,834	2,017



Luminus Financial Services & Credit Union Limited

Notes to the Summary Financial Statements

as of December 31, 2018

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as at December 31, 2018 and 2017 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 any branch of the credit union.

Strengthen
~~~~~ OUR ~~~~~  
**FOUNDATIONS**

**THANK YOU**

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Memberships are open to anyone living or working in Ontario.

