



LUMINUS
FINANCIAL



Expanding Our Horizons

2016 ANNUAL REPORT

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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.



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

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

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 our Members:



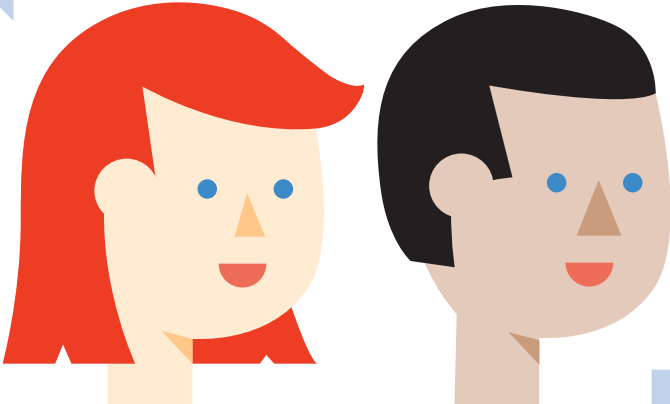
WE WILL...

Respond with your financial best interests as our priority.

Listen to you.

Offer a full range of competitive financial products and services.

Exemplify all Credit Union principles.



Make you glad to be a member, always.

Share our profits with you.

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

67th Annual General Meeting Agenda

APRIL 6TH 2017

- 1 CALL MEETING TO ORDER**
Confirmation of quorum
- 2 APPROVE MINUTES OF THE APRIL 7TH, 2016 ANNUAL GENERAL MEETING**
- 3 ELECTION OF DIRECTORS**
- 4 REPORTS**
Board of Directors Chair and Chief Executive Officer
Credit Committee
Audit Committee
- 5 REVIEW OF 2016 SUMMARY FINANCIAL STATEMENTS**
- 6 NEW BUSINESS**
Appointment of auditors
- 7 ANNOUNCEMENT OF ELECTION RESULTS**
- 8 OTHER BUSINESS**
- 9 ADJOURNMENT**



Report of the Board of Directors Chair and CEO



“Every horizon, upon being reached, reveals another beckoning in the distance.” – William Eugene Smith

On November 23, 2016 we had the honour of celebrating our 65th anniversary as a credit union—a milestone that would not have been possible without the support of our valued member-owners. We are thankful each day for the opportunity to serve you, and for the feedback you share with us that allows us to provide you with a clearly better banking experience. Looking ahead to the next 65 years, we are excited to continue finding new and better ways to help you reach your most important financial milestones.

Another highlight of 2016 was celebrating the first anniversary of our Financial Hub on the waterfront. Over the past year and a half, the Hub has proven to be much more than a retail space; not only does it offer a comfortable and inviting place for people to do their banking, but it is helping to bring the community together. Last year, the Hub served as a meeting space for a diverse range of events including urban living seminars, charity functions, internship programs, and our #OneYongeFoodHub events. It also allowed us the opportunity to host our Annual General Meeting in a location of our own. Since the opening of the Hub, we've had many new members join us from the waterfront

community, and we're looking forward to welcoming many more.

2016 also marked the 12th consecutive year that Canadians ranked credit unions first in overall Customer Service Excellence among all financial institutions in the annual Ipsos® Best Banking Awards. The results of the survey reflect the importance our employees place on delivering a high level of service and being our member-owners' first choice for financial advice.

Last year, we introduced a number of new products, services and initiatives, including the June launch of our highly anticipated Personal Financial Management tool—a complimentary service in online banking that provides members with a comprehensive view of their financial picture. With easy-to-understand graphs and charts, this tool allows members to create budgets, categorize their spending, and link accounts at other financial institutions, all within the safety of the online banking platform they know and trust. We were proud to be one of the first credit unions in Ontario to offer this innovative new product.

Another initiative we launched in 2016 was Interac® Online Payment, a secure and convenient payment option that gives members the option to purchase items online using their accounts at Luminus instead of a credit card or PayPal. We also introduced larger limits for Interac e-Transfer® to make transferring funds even easier for our members. And in an effort to continuously improve our internal processes, we began implementing paperless technology, an initiative for which we received the 2016 Laserfiche Run Smarter® Award, which recognizes organizations that are using Laserfiche technology to improve productivity, transform business processes and drive innovation.

Despite a challenging economic and regulatory environment that continued into 2016, Luminus achieved strong financial results, welcoming over 350 new members with total assets growing to over \$136.5 million—a 13% increase

over the previous year. We're grateful for this success but even more so for the opportunity to share it with our members. Following a review of the audited financial statements as at December 31, 2016, the Board of Directors approved the payment of dividends on its Class A Investment Shares, Series 1 and 2, to be paid on April 14, 2017.

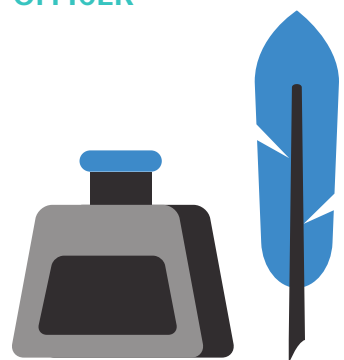
As we reflect on an outstanding year, we vow never to forget who got us here—our member-owners. As we look to the years ahead, we see a bright future before us—one in which we hope to share our vision of a better banking experience with even more Canadians. Thank you for your unwavering support as we expand our horizons toward the next 65 years. We couldn't be more grateful to have you with us on this journey.



Paul Miller
CHAIR, BOARD OF DIRECTORS



George De La Rosa
CHIEF EXECUTIVE OFFICER



2016 Financial Results

WHEN COMPARED TO 2015 THE FOLLOWING FINANCIAL RESULTS WERE ACHIEVED IN 2016:



Investments increased to over
\$9.6 MILLION



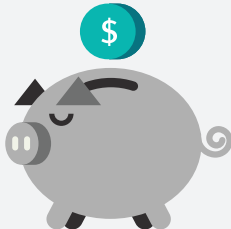
Total assets increased to over
\$136.5 MILLION



Members' deposits increased to over
\$125 MILLION



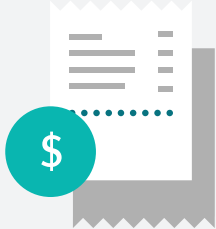
Financial expenses increased to over
\$2 MILLION



Financial income increased to over
\$3.9 MILLION



Total regulatory capital to risk weighted assets ratio was
15.8%



Loans to members increased to over
\$117 MILLION



Total regulatory capital to assets ratio was
6.9%

Investment Share Dividends

EVERY YEAR, LUMINUS FINANCIAL SHARES A PORTION OF ITS PROFITS WITH MEMBER-OWNERS THAT PURCHASED INVESTMENT SHARES.

CLASS A SERIES 1 INVESTMENT SHARES:

Member-owners that held Class A Series 1 Investment Shares on December 31, 2016 will receive a dividend of 3.00%

CLASS A SERIES 2 INVESTMENT SHARES:

Member-owners that held Class A Series 2 Investment Shares on December 31, 2016 will receive a dividend of 4.00%

Dividends will be paid into eligible accounts no later than April 14, 2017.



Credit Committee Report

The Executive Committee continues to serve the members of Luminus Financial and is pleased to share the following information with its members. For the fiscal year of 2016,

a total of 294 credit applications were approved and funded with a value of \$44,184,403.11.

The following chart details the specific loan class and compares them to last year:

2016	2015
93 Personal Loans for \$969,184.40	98 Personal Loans for \$1,005,054.01
76 Mortgages for \$21,204,510.17	76 Mortgages for \$19,765,925.61
57 Meritlines (Equity Lines of Credit) for \$11,770,361.00	25 Meritlines (Equity Lines of Credit) for \$3,905,453.62
25 Personal Lines of Credit for \$307,550.00	21 Personal Lines of Credit for \$368,387.35
26 Overdrafts for \$13,500.00	75 Overdrafts for \$42,000.00
5 Bridge Loans for \$748,343.34	9 Bridge Loans for \$2,256,275.00
3 Syndicated Mortgages & Loans for \$1,465,000.00	1 Syndicated Mortgage & Loan for \$77,199.89
9 Commercial Mortgages & Loans \$7,705,954.20	16 Commercial Mortgages & Loans for \$5,609,445.95
Total Applications : 294	Total Applications : 321
Total Value: \$44,184,403.11	Total Value: \$ 33,029,741.43

In 2016, a total of 14 applications were declined compared to 16 applications in 2015 for reasons ranging from credit history to lack of ability to pay.

As at December 31, 2016 there were 11 loans in arrears for 90 days or more for a total of \$19,145.98 compared to 15 loans in arrears for a total of \$31,914.71 in 2015. The reasons for not paying ranged from accumulated debts or bankruptcies

Respectfully Presented this 6th day of April 2017.

Executive Committee:

Paul Miller, Chair
 Andrew Maund, Vice Chair
 Jonathan Olinski, Corporate Secretary

and consumer proposals to lack of income due to unemployment.

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

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 2016:

- 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, 2016.
- 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 8, 2017 the Audit Committee met with the external auditors to review and discuss the draft financial statements for the year ended December 31, 2016. A report was presented at the next regular meeting of the Board of Directors and approval of the draft financial statements was held on March 8, 2017.

Respectfully presented this 6th day of April 2017.

Audit Committee:

Glenn Pollinger, Chair
Andrew Maund, Director
Arnold Denton, Director
Frank Kocis, Director

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, 2016, the summary statements of comprehensive loss, 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, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 8, 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 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, 2016 are a fair summary of those financial statements, on the basis described in Note 1.

Mississauga, Canada
March 8, 2017



Chartered Professional Accountants
Licensed Public Accountants

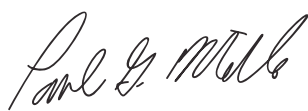
Financial Statements

LUMINUS FINANCIAL SERVICES & CREDIT UNION LIMITED SUMMARY STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS) DECEMBER 31ST

	2016	2015
Assets		
Cash and cash equivalents	7,051	11,514
Investments	9,646	8,409
Members' loans receivable	117,040	97,641
Other assets	506	476
Property and equipment	2,126	2,411
Intangible assets	215	215
	136,584	120,666
Liabilities		
Term Loan	2,000	-
Members' deposits	125,073	110,758
Other liabilities	198	417
Member shares	384	390
	127,655	111,565
Equity		
Member shares	5,844	5,990
Retained earnings	2,319	2,349
Contributed surplus	629	629
Accumulated other comprehensive income	137	133
	8,929	9,101
	136,584	120,666

Approved on behalf of the Board:



Paul Miller



Andrew Maund

LUMINUS FINANCIAL SERVICES & CREDIT UNION LIMITED

SUMMARY STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS) YEAR ENDED DECEMBER 31ST

	2016	2015
Financial income		
Member loans	3,811	3,354
Investments	169	138
	3,980	3,492
Financial expense		
Member deposits	2,021	1,626
External borrowings	6	32
	2,027	1,658
Financial margin	1,953	1,834
Provision for loan impairment	9	6
Net interest income after provision for impaired loans	1,944	1,828
Other income	1,301	1,003
Operating margin	3,245	2,831
Operating expenses		
Remuneration to staff	1,411	1,418
Administrative expenses	1,461	1,618
Depreciation	354	239
	3,226	3,275
Income (loss) before taxes	19	(444)
Income taxes		
Current	(1)	(56)
Deferred	-	2
	(1)	(54)
Net income (loss)	20	(390)
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gain on		
Available for sale investments	4	12
Total other comprehensive income	4	12
Total comprehensive income (loss)	24	(378)

LUMINUS FINANCIAL SERVICES & CREDIT UNION LIMITED

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

(IN THOUSANDS) YEAR ENDED DECEMBER 31ST

	Shares	Retained Earnings	Contributed Surplus	AOCI	Total
Balance at					
December 31, 2014	1,443	2,790	629	121	4,983
Net loss	-	(390)	-	-	(390)
Other comprehensive income	-	-	-	12	12
Issuance of Class A, Series 2					
Investment shares	4,713	-	-	-	4,713
Redemptions of Class A					
Investment shares	(166)	-	-	-	(166)
Dividends paid on Class A					
Investment shares, net of tax	-	(51)	-	-	(51)
Balance at					
December 31, 2015	5,990	2,349	629	133	9,101
Net loss	-	20	-	-	20
Other comprehensive income	-	-	-	4	4
Issuance of Class A, Series 2					
Investment shares	14	-	-	-	14
Redemptions of Class A					
Investment shares	(160)	-	-	-	(160)
Dividends paid on Class A					
Investment shares, net of tax	-	(50)	-	-	(50)
Balance at December 31st, 2016	5,844	2,319	629	137	8,929

LUMINUS FINANCIAL SERVICES & CREDIT UNION LIMITED

SUMMARY STATEMENT OF CASH FLOWS

(IN THOUSANDS) YEAR ENDED DECEMBER 31ST

	2016	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Net income (loss)	20	(390)
Adjustments for:		
Provision for impaired loans	9	6
Depreciation	354	239
Distribution to members	(50)	(51)
Changes in member activities:		
Increase in loans to members (net)	(19,408)	(15,327)
Increase in deposits of members (net)	14,315	23,109
Changes in other non-cash items:		
Other assets	(30)	(215)
Payables and accruals	(219)	(335)
	(5,009)	7,036
Financing		
Proceeds from (repayment of) external borrowing	2,000	(2,200)
(Decrease) increase in shares (net)	(152)	4,555
	1,848	2,355
Investing		
Purchase of investments (net)	(1,260)	(1,954)
Distributions from CUCO Co-op investment	27	-
Purchase of property and equipment	(69)	(2,164)
Purchase of intangible asset	-	(215)
	(1,302)	(4,333)
Net (decrease) increase in cash during the year	(4,463)	5,058
Cash, beginning of year	11,514	6,456
Cash, end of year	7,051	11,514
Interest received	3,928	3,501
Interest paid	2,201	1,094
Income taxes paid	-	136

LUMINUS FINANCIAL SERVICES & CREDIT UNION LIMITED

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

DECEMBER 31ST 2016

1. Basis of presentation

The summary financial statements are derived from the audited financial statements, prepared in accordance with IFRS as at December 31, 2016 and 2015 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.



LUMINUS
FINANCIAL

Luminus Financial

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