



PART OF THE MOVEMENT



LUMINUS
FINANCIAL

ANNUAL
REPORT
2011

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 member
- 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

62nd Annual General Meeting Agenda March 29, 2012

1. Call meeting to order

Confirmation of quorum

2. Approve minutes of the March 24, 2011 Annual General Meeting

3. Election of Directors

4. Reports

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

5. Review of 2011 Financial Statements

6. New Business

Appointment of Auditors

7. Other Business

8. Adjournment

Report of the Board of Directors Chair and Chief Executive Officer

Celebrating milestones

Last year, our Annual Report was about charting our course as we sailed into 2011 celebrating 60 years of service to our members and looking to rebrand our credit union to take us even further on our journey. This year, it is all about our members being “part of a movement”, and communicating to them that they are part of something exciting, as Luminus grows and builds for the future.

At our March 2011 annual general meeting our members unanimously approved our name change to Luminus Financial Services & Credit Union Limited. The new name and logo represent the new era for our members and our brand promise of “clearly better banking.” As we continue to grow and expand, we ensure the ability to provide a full range of competitive products and services for our members, in a way that demonstrates the value of being an owner-member of the place where you bank. It was a great decision supported by all our members and not only have we had great financial success, we have also been recognized by our peers.

In May 2011, Luminus Financial was honoured for marketing excellence. At the awards gala of the Marketing Association for Credit Unions (MACU), we were awarded with an AIME award for Achievement in Marketing Excellence. It's the top award category for MACU, and is selected from entries submitted by credit unions across Canada. The winning entry from Luminus Financial was for our “Coffee's on the House” mortgage campaign – which featured a prominent coffee mug stain on all the posters and other promo materials. The results from the campaign, in terms of the total value of mortgages that came in, were four times the results from the year before.

Since the launch of Luminus Financial on June 1, 2011 our assets have grown from \$51.5 million to over \$70 million, and now serve over 5,000 members with four locations throughout the GTA. Most of the growth achieved came from welcoming Food Family Credit Union members on October 1, 2011, which marked the fourth credit union to join the movement of a bright and growing credit union and truly exemplifies the Luminus Financial philosophy. Over the last six years we've seen our credit union grow by over 110% and now rank among the top 100 credit unions in Ontario.

We have also launched a new website with a totally new look. The new Luminus Financial website uses a very successful model adopted and refined by credit unions across Canada. Members and prospective members will find it easy to navigate, whether you're looking for a particular service such as insurance or credit cards, or whether you are interested in the history of Luminus Financial, information about our governance, or bios of our staff.

The site also has some very cool tools and calculators. You can create your own personal budget and explore ways to strengthen your financial position. You can compare our rates on a car loan vs. what the dealership is offering you, and you can also find out how much in Member Rebates you would have earned on your mortgage by using our MoreGauge Calculator. It's well worth a visit to see what interests you. All through a very secure web environment. The Luminus Financial site uses the latest in security technology for online banking. Every effort has been made to prevent identity theft or any other inappropriate or illegal activity online. In short, it is an excellent way to save you time and money. Of course, we also are very pleased to speak to you or meet with you at your convenience.

Finally in late 2011, Luminus Financial signed a lease agreement from Toronto Star to have about 5,500 square feet of space at 1 Yonge Street for our corporate offices. This new space has now become the centre of where we offer back office support for our branches to provide our members with “clearly better banking”. The corporate office is the home for all senior management, the accounting department, retail and commercial lending, as well as our Call Centre which provides members with virtual services all through our phone system.

Conclusion

It has been a great year for Luminus Financial, and we are excited to see what the future holds. We will continue building on our brand promise, and continue to grow your credit union – a credit union that all members can be proud of. We want our members to understand that they are “part of a movement.” As always, we would like to take this opportunity thank the staff and board of directors for their tireless efforts, but more importantly thank all our members for continuing to support your credit union. We hope that all of you, your families and friends will come to experience “clearly better banking” at Luminus Financial.

Respectfully presented this 29th day of March 2012.



Michael Mozewsky
Chair, Board of Directors



George De La Rosa BComm, FCUIC
Chief Executive Officer

2011 Financial Results

When compared to 2010 the following financial results were in achieved in 2011:

- Cash Resources declined to over \$2.2 million
- Loans to members increased to over \$57.7 million
- Member deposits increased to over \$61.6 million
- Total assets grew to over \$69 million
- Interest income increased to over \$2.4 million
- Net Interest income increased to over \$1.6 million
- Net interest and other income increased to over \$2.3 million
- Members' Equity increased to over \$4.9 million
- Total eligible capital to assets was close to 8.0%
- Total eligible capital to risk weighted assets was over 19%

Credit Committee Report

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

For the fiscal year of 2011, a total of 374 credit applications were approved and funded with a value of \$17,511,351.31. The following chart details the specific loan class and compares them to last year:

2011	2010
230 Personal Loans for: \$1,989,702.10	120 Personal Loans for: \$755,743.16
40 Mortgages for: \$8,777,915.75	27 Mortgages for: \$5,514,707.41
30 Meritlines (Equity Lines of Credit) for: \$3,116,440.00	23 Meritlines (Equity Lines of Credit) for: \$3,274,400.00
27 Personal Lines of Credit for: \$234,925.42	39 Personal Lines of Credit for: \$283,559.00
40 Overdrafts for: \$19,700.00	25 Overdrafts for: \$13,500.00
2 Bridge Financing for: \$561,500.00	1 Bridge Financing for: \$37,965.77
5 Syndicated mortgages for: \$2,461,168.04	7 Syndicated mortgages for: \$3,633,467.86
1 Commercial mortgage for: \$350,000.00	0 Commercial mortgages for: \$0
Total Applications: 374 Total Value: \$17,511,351.31	Total Applications: 242 Total Value: \$13,513,343.20

Member Rebates and Investment Share Dividends

As with every year, Luminus 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. For 2011 we will be sharing close to \$85,000 with members.

Member Rebates: Members that held a loan or mortgage with us will receive a rebate on the interest paid for those products of 1.50%.

Investment Shares: Members that held Investment Shares during 2011 will receive a dividend of 3.00%

The rebates and dividends will be made to each eligible account the week of April 2, 2012.

In 2011, a total of 46 applications were declined (compared to 78 applications in 2010) for reasons ranging from credit history to lack of ability to pay.

As at December 31, 2011 there were twenty one (21) loans in arrears for 90 days or more for a total of \$106,053.67 (compared to thirteen (13) loans in arrears for a total of \$52,359.22 in 2010). The reasons for not paying debt ranged from bankruptcy to lack of income due to unemployment.

The Credit Committee continues its board assigned role of approving all director and officer loans. The committee met at least once every quarter to review the credit union's lending decisions to ensure that members' deposits were being utilized to create income at an acceptable risk. The committee also provided management with valuable suggestions to apply to the everyday retail and commercial business of the credit union.

Respectfully presented this 29th day of March, 2012.

Credit Committee,



Michael Mozewsky, Credit Committee Chair
Andrew Maund
Susan Gouvanakis

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 two (2) 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 2011:

- 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, 2011.
- Reviewed results of the external audit services provided by MNP 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 7, 2012 the Audit Committee met with the external auditors to review, discuss and approve the draft financial statements for the year ended December 31, 2011. A report was presented at the next regular meeting of the Board of Directors.

Respectfully submitted this 29th day of March 2012.

Audit Committee,



Paul Miller, Audit Committee Chair
Adam Kirilo
Michael Mozewsky
Glenn Pollinger

Our Promise to our Members

We will:

1. Listen to you.
2. Respond with your financial best interests as our priority.
3. Offer a full range of competitive financial products and services.
4. Treat you as the owner of our institution – because you are.
5. Share our profits with you.
6. Exemplify all Credit Union principals.
7. Make you glad to be a member, always.

Statement of Financial Position

AS AT DECEMBER 31, 2011

	2011	2010	January 1, 2010
ASSETS			
Cash	\$ 2,274,738	\$ 4,616,714	\$ 4,057,644
Investments	8,450,667	4,215,436	4,825,148
Member Loans	57,723,742	41,882,761	35,055,840
Taxes receivable	22,373	3,568	119,532
Deferred tax	34,450	42,450	20,624
Prepaid expenses	189,284	119,386	27,580
Index-linked derivative contracts	44,142	66,203	61,671
Interest rate swaps	-	56,601	177,951
Property and equipment	337,927	115,648	132,994
	\$ 69,077,323	\$ 51,118,767	\$ 44,478,984

LIABILITIES

Term loan	\$ 1,799,995	\$ 1,000,156	\$ -
Members' deposits	61,661,786	45,507,142	40,015,987
Accounts payable	320,497	148,065	58,108
Index-linked derivative contracts	44,142	66,203	61,671
Member shares	312,221	95,014	72,800
	\$ 64,138,641	\$ 46,816,580	\$ 40,208,566

MEMBERS' EQUITY

Class A Investment shares	\$ 1,731,607	\$ 1,731,607	\$ 1,731,607
Contributed surplus	738,532	70,196	-
Retained earnings	2,468,543	2,500,384	2,538,811
	4,938,682	4,302,187	4,270,418
	\$ 69,077,323	\$ 51,118,767	\$ 44,478,984

Approved by the Board

Director



Director



Audited Financial statements available upon request.

Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
Interest income		
Member loans	\$ 2,316,384	\$ 1,936,851
Investment income	118,530	86,864
	2,434,914	2,023,715
Interest expense		
Member deposits	702,301	624,786
Bonus interest and rebates	29,427	33,814
External borrowings	18,678	355
	750,406	658,955
Net interest income	1,684,508	1,364,760
(Recovery of) provision for impaired loans	(33,437)	24,051
Net interest income after provision for impaired loans	1,717,945	1,340,709
Other income	623,795	282,522
Net interest and other income	2,341,740	1,623,231
Operating expenses		
Administrative expenses	1,141,421	746,415
Remuneration to staff	1,108,846	768,440
Depreciation	43,929	58,847
	2,294,196	1,573,702
Income before other items and taxes	47,544	49,529
Other items		
Gain on ABCP 2008 Limited Partnership units	2,028	42,996
Gain (loss) on other investments	8,734	(9,172)
Unrealized loss on interest rate swaps	(31,348)	(111,576)
	(20,586)	(77,752)
Income (loss) before income taxes	26,958	(28,223)
Income taxes		
Current	(3,475)	12,344
Deferred	8,000	(15,820)
	4,525	(3,476)
Net income (loss) and comprehensive income for the year	\$ 22,433	\$ (24,747)

For the year ended December 31, 2011, the Credit Union was required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS"), having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles. This required a restatement of the financial statements for December 31, 2010 and the balance sheet at the transition date of January 1, 2010.



LUMINUS
FINANCIAL

Clearly better banking.

Toronto Main Branch and Corporate Office

Century Place Branch

Birmingham Branch (restricted employee access)

Front Branch (restricted employee access)

Membership open to anyone living
or working in Ontario.

416.366.5534 or 1.877.782.7639
www.luminusfinancial.com