

REPORT TO OUR MEMBERS



2015/2016



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TO OUR MEMBERS

It's an exciting time at WFCU Credit Union. As we've boldly proclaimed through our rebranding in September 2015, "We're Not A Bank. We're Better." Every facet of the credit union is engaged to ensure we continue to be not only better, but the preferred financial institution in Windsor-Essex, and beyond.

The Canadian financial institution sector is as competitive as ever. Traditional banks are facing increased pressure from credit unions, as well as non-traditional entities focused on digital-only, "no frills" service for their customers. At WFCU Credit Union, we're committed to serving our members, personally. We strive to know you by name, and provide you with all the financial products and services you'll ever need, efficiently and effectively. We've launched services that enhance our member experience, and we will continue to promote new and emerging technologies which make banking easier, more convenient and more rewarding.

Fiscal 2015/2016 was a year of great celebration, honouring the 75 years we've proudly served our members in Windsor-Essex. It was also a year of many firsts, with numerous product launches and new initiatives as part of our five year strategic plan, "Success 2020: Relevant and Sustainable".

Products like Quick Loans, SmarterCash: A Pay Day Alternative, ALTO Savings, Optimum Investments, Interac® Online Payment, Deposit Anywhere and Auto+ Lease were launched.

WFCU Commercial Services, WFCU Investment Services and WFCU Finance & Leasing were all re-launched with new logos and marketing collateral that was consistent with the new WFCU Credit Union brand. We also launched WFCU Real Estate Corporation, WFCU Mortgage Broker Services and WFCU Foreign Exchange Services.

We made numerous improvements to back-end systems to further assist in our growth. This included ACE Sales Tracking, a Corporate Accounting Solution, a Human Resource Information System, IntelliLender and a Corporate Learning Management System.

And, to make it even easier for our members to do business with us, we introduced Remote Branch Deposit Capture, Me-to-Me Transfer, MemberDirect TeleService, Remote Deposit Corporate Capture and launched the new WFCU Mobile App. We also expanded our unique value proposition to those outside Windsor-Essex with the introduction of Omnia Direct, allowing everyone in Ontario to experience the top notch products and services we provide.

WFCU Credit Union ended the 2016 fiscal year strong. Total assets increased \$192.4 million or 15.1% to \$1.467 billion at May 31, 2016 and Member Shares and Equity increased 1.9% to \$98.6 million. Managed assets increased \$462.6 million or 21.8% at May 31, 2016. Members' deposits^t increased \$148.6 million or 14.3% to \$1,190.7 million at May 31, 2016.

Total loans^{tt} to members continued to increase with growth of \$199.4 million ending the year at \$1,302.1 million, an increase of 18.1%.

Commercial and agricultural loans and mortgages continued their strong growth ending the year at \$673.1 million, which is a 22.1% increase over last year. Residential mortgages finished the year at \$567.9 million, an increase of 14.6%.



Martin J. Komsa
WFCU President &
CEO



Martin D. Gillis
Chair, WFCU Board
of Directors

Through WFCU Wealth Management, WFCU's Wealth Consultants continued to provide members access to financial planning services consisting of comprehensive investment and life insurance solutions. This year, WFCU Wealth Management achieved strong growth ending the year with assets of \$127.4 million held in mutual funds and segregated fund investments. This is an increase of 12.4% from May 2015.

Interest income increased \$2.4 million to \$49.9 million while interest expense increased by \$0.9 million compared to last year. This resulted in net interest income after dividends of \$26.6 million, increasing by \$1.5 million compared to last year.

Members earned \$19.2 million in interest on deposits. In addition, a dividend of 2.50% was paid on Investment Shares Series 1, 2, 3, and 4 held by members. Series 5 Investment Shares earned an annual dividend of 2.80% plus the planned Year Two Bonus of 0.30%.

The credit union's Asset Liability Committee met regularly to ensure the credit union's growth was profitable and sustainable while working to provide our members with the most competitive rates for loans, mortgages and deposits.

Net income from operations before final allocation to the total loan loss provision, unrealized gains and income tax for 2015/2016 totaled \$5.034 million compared to the previous year total of \$5.05 million. However, your Board of Directors on a recommendation of Executive Management adjusted the provision for losses on loans by an additional \$4.35 million, which resulted in a net income before unrealized gains and income taxes of \$684,000.

A key indicator of WFCU Credit Union's financial strength is our Regulatory Capital, which includes Member Shares and Member Equity. Our Regulatory Capital forms a solid foundation for our future sustainability and growth and ensures WFCU Credit Union offers competitively priced products and services. WFCU Credit Union follows a prudent Capital Plan to ensure we exceed Regulatory Capital limits and it was successfully followed during fiscal 2016.

Regulatory Capital totals \$100.5 million and represents 6.85% of total assets and 11.44% of total risk weighted assets. These ratios exceed legislated Regulatory Capital levels of 4.0% of total assets and 8.0% of total risk weighted assets.

Our Board, Management and Staff remain committed to being better, offering our membership unmatched products and services while making the communities we serve the best place to work and live. WFCU Credit Union will continue to be a preferred financial institution in Windsor-Essex, and beyond. It is a privilege to serve our membership.



Martin D. Gillis,
Chair, WFCU Board of Directors



Martin J. Komsa,
WFCU President & Chief Executive Officer

¹Includes accrued interest payable. ²Includes accrued interest receivable and allowance for impaired loans.

2015/2016

A YEAR OF MILESTONES

2,092 **NEW MEMBERS!**

36,496 **TOTAL MEMBERS!**

MANAGED ASSETS

\$2.6 BILLION
21.8% GROWTH

MEMBERS EARNED **\$19 MILLION**
IN INTEREST ON DEPOSITS

DIVIDENDS PAID TO MEMBERS **\$1.4 MILLION**

6TH LARGEST CU IN ONTARIO

LOANS **\$1.3B** | 18.4% GROWTH

DEPOSITS **\$1.2B** | 14.3% GROWTH

COMMERCIAL SERVICE TOTALS

\$888 NOT IN MILLION

 **\$568 MILLION**
RESIDENTIAL MORTGAGES

CREDIT UNIONS RANK **#1** IN CUSTOMER SERVICE

In 2015/2016, we continued to put our members first, by serving them where, when and how they need us. By successfully launching numerous new products and services, while continuing to give back to the communities we serve, we delivered on our promise to be the **best financial institution in Windsor-Essex**, and beyond.

This past year we proudly achieved these milestones, once again proving why **"We're Not A Bank. We're Better."**



NEW BRAND

Our new brand was launched with an updated logo and new tagline that boldly proclaims, "We're Not A Bank. We're Better."

We're not a bank. We're better.

FOREIGN EXCHANGE SERVICES

WFCU Foreign Exchange Services' Portal, gives WFCU members convenient access to 'live' USD exchange rates. Rates through WFCU Foreign Exchange Services are much more competitive, saving our members money.



SMARTERCASH: A PAY DAY ALTERNATIVE

WFCU Credit Union became Ontario's first financial institution to offer an affordable alternative to assist borrowers to break away from the predatory payday cycle. Our product also provides users the ability to build credit and establish real savings.

AUTO+ LEASE

We launched a program to provide auto leasing services to all auto dealers across Ontario with our Auto+ Lease product.



OMNIA DIRECT

Omnia Direct, our digital entity was launched in January 2016 to offer the benefits of membership to people living in communities from Tilbury to Thunder Bay.

WFCU REAL ESTATE CORPORATION

WFCU Real Estate Corporation is a 100% wholly owned subsidiary corporation of WFCU Credit Union created to help diversify the products and services we offer in the communities we serve.



2015



2016

FIVE YEAR FINANCIAL RESULTS

May 31 Year End Balances (000's)	2016	2015	2014	2013	2012
Balance Sheet					
Personal Loans	\$ 64,765	\$ 55,531	\$ 53,107	\$ 55,201	\$ 57,547
Mortgage Loans	567,858	495,539	442,000	404,987	373,325
Commercial Loans	673,074	551,427	487,462	411,545	353,841
Total Loans*	\$ 1,305,697	\$ 1,102,497	\$ 982,569	\$ 871,733	\$ 784,713
Variable Rate Deposits	\$ 520,272	\$ 459,933	\$ 357,744	\$ 338,375	\$ 304,757
Fixed Rate Deposits	665,529	577,721	525,610	545,939	477,902
Total Deposits**	\$ 1,185,801	\$ 1,037,654	\$ 883,354	\$ 884,314	\$ 782,659
Assets	\$ 1,467,269	\$ 1,274,839	\$ 1,104,166	\$ 1,036,114	\$ 908,010
Annual % Increase	15.1%	15.5%	6.6%	14.1%	17.5%
Managed Assets	\$ 2,584,899	\$ 2,122,325	\$ 1,681,361	\$ 1,499,434	\$ 1,274,755
Annual % Increase	21.8%	26.2%	12.1%	17.6%	32.6%
Statement Of Income					
Net Interest Income	\$ 27,958	\$ 26,479	\$ 24,600	\$ 22,801	\$ 21,344
Other Non-Interest Income	6,237	5,260	4,535	4,501	4,181
Net Interest & Other Income	\$ 34,195	\$ 31,739	\$ 29,135	\$ 27,302	\$ 25,525
Non-Interest Expenses	\$ 32,189	\$ 25,974	\$ 24,043	\$ 21,871	\$ 20,737
Income Before Distribution To Members	\$ 2,006	\$ 5,765	\$ 5,092	\$ 5,431	\$ 4,788
Regulatory Capital	\$ 100,460	\$ 98,871	\$ 93,199	\$ 73,343	\$ 68,055

*Excludes accrued interest receivable and allowance for impaired loans. ** Excludes accrued interest payable.

MANAGEMENT REPORT

Management is responsible for the preparation, presentation and consistency of the accompanying consolidated financial statements and other information contained in this Annual Report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by KPMG LLP Chartered Professional Accountants.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. This system of internal controls provides

reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the consolidated financial statements.



Martin J. Komsa, Chief Executive Officer



Michelle Voth, Vice President, Finance

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Windsor Family Credit Union:

The accompanying summary consolidated financial statements of Windsor Family Credit Union which comprise the summary consolidated statement of financial position as at May 31, 2016 and the summary consolidated statements of income, comprehensive income and changes in members' equity, for the year then ended are derived from the complete audited consolidated financial statements, of Windsor Family Credit Union as at and for the year ended May 31, 2016.

We expressed an unmodified audit opinion on those complete consolidated financial statements in our auditors' report dated August 10, 2016.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the complete audited consolidated financial statements of Windsor Family Credit Union. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the complete audited consolidated financial statements of Windsor Family Credit Union.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated 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 consolidated financial statements derived from the complete audited financial statements of Windsor Family Credit Union as at May 31, 2016 and for the year then ended are a fair summary of those complete consolidated financial statements in accordance with the basis described in Note 1.



Chartered Professional Accountants,
Licensed Public Accountants
August 10, 2016
Windsor, Canada

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	2016	2015
Assets		
Cash and short-term deposits	\$ 44,158	\$ 64,044
Investments	98,320	85,158
Loans to members	1,302,072	1,102,660
Property and equipment	19,498	19,935
Intangible assets	398	65
Other assets	2,407	2,656
Deferred income taxes	416	321
	\$ 1,467,269	\$ 1,274,839

Liabilities and Members' Equity

Members' deposits	\$ 1,190,709	\$ 1,042,105
Borrowings	171,529	129,603
Other liabilities	6,398	6,391
Member shares	49,082	47,806
	\$ 1,417,718	\$ 1,225,905
Members' equity:		
Retained earnings	\$ 49,485	\$ 48,868
Contributed surplus	668	668
Accumulated other comprehensive loss	(602)	(602)
	49,551	48,934
	\$ 1,467,269	\$ 1,274,839

On behalf of the Board:



Martin D. Gillis, Chair



Rick Martinello, 1st Vice Chair

SUMMARY CONSOLIDATED STATEMENT OF INCOME

(in thousands of dollars)	2016	2015
Interest income:		
Interest on loans	\$ 48,873	\$ 46,243
Investment income	1,088	1,282
	<u>49,961</u>	<u>47,525</u>
Interest expense:		
Interest on members' deposits	19,215	18,178
Interest on borrowings	2,788	2,868
Dividends	1,389	1,420
	<u>23,392</u>	<u>22,466</u>
Net interest income after dividends	26,569	25,059
Other non-interest income	6,237	5,260
Provision for losses on loans	6,329	1,087
	<u>26,477</u>	<u>29,232</u>
Non-interest expenses:		
Employee salaries and benefits	14,043	13,292
Administrative	6,641	5,906
Occupancy	2,824	2,821
Data processing	1,513	1,385
Member deposit insurance	515	461
Governance	257	317
	<u>25,793</u>	<u>24,182</u>
Net income before the undernoted	684	5,050
Unrealized gain on investments	32	168
Income before income taxes	716	5,218
Provision (recovery) for income taxes:		
Current	194	900
Deferred	(95)	(27)
	<u>99</u>	<u>873</u>
Net income for the year	\$ 617	\$ 4,345

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN MEMBERS' EQUITY

Summary Consolidated Statement of Changes in Members' Equity

(in thousands of dollars)	2016	2015
Net income	\$ 617	\$ 4,345
Other comprehensive income, never to be reclassified, net of tax:		
Defined benefit plan - actuarial gains, net of tax	-	17
Comprehensive income	\$ 617	\$ 4,362

Summary Consolidated Statement of Changes in Members' Equity

(in thousands of dollars)	2016	2015
Retained earnings:		
Balance, beginning of year	\$ 48,868	\$ 44,523
Net income	617	4,345
Balance, end of year	49,485	48,868
Contributed surplus:		
Balance, beginning and end of year	668	668
Accumulated other comprehensive loss, net of tax:		
Balance, beginning of year	(602)	(619)
Other comprehensive income	-	17
Balance, end of year	(602)	(602)
Members' equity, end of year	\$ 49,551	\$ 48,934

NOTE 1

The summary consolidated financial statements are derived from the audited consolidated financial statements, prepared in accordance with IFRS as at May 31, 2016 and May 31, 2015 and for the years then ended.

The preparation of these summary consolidated financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of the audited consolidated financial statements.

Management prepared these summary consolidated financial statements using the following criteria:

- (a) The summary consolidated financial statements include a statement for each statement included in the audited statements;
- (b) Information in the summary consolidated financial statements agrees with the related information in the audited consolidated financial statements;
- (c) Major subtotals, totals and comparative information from the audited consolidated financial statements are included; and
- (d) The summary consolidated financial statements contain the information from the audited consolidated financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized consolidated financial statements.

The audited consolidated financial statements of WFCU are available upon request by contacting the credit union.

REPORT OF THE AUDIT COMMITTEE

Windsor Family Credit Union has maintained an Audit Committee pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994. The Audit Committee which consists of five directors meets at least quarterly and has adopted a mandate that, on an annual basis, covers all of the duties in the Regulations to the Act which are specified to be performed by Audit Committees.

As delegated by the Board, the Audit Committee has primary responsibility for review of audited consolidated financial statements, internal controls, accounting policies and reporting procedures and it has primary contact with external and internal auditors.

This past year, the Audit Committee met four times. During the year, the Audit Committee reviewed the Internal Audit Plan and discussed with management the scope of internal audit work and findings, including the audit of a number of departments and processes.

The Audit Committee received satisfactory explanations from management on the reports and observations of the internal auditors. The committee received quarterly reports from the Enterprise Risk Management Committee which assists the credit union in the ongoing identification and monitoring of significant risks to the credit union. The committee received regular reports from the Internal Capital Adequacy Assessment Process ("ICAAP") Committee which contained status updates with respect to the credit union's work on ICAAP as this

was its first year of implementation. WFCU is required by the regulator to implement an ICAAP and conduct an annual assessment of its capital requirements. WFCU's ICAAP was approved by the Audit Committee and the Board of Directors.

The Audit Committee is effectively conducting its affairs in accordance with the Act and the Regulations and has received and continues to receive full co-operation from management. There were no significant recommendations made by the Audit Committee or a previous Audit Committee that have not been implemented or are in the process of being implemented.

As part of the overall plan for enhanced training and development for the Board, the Audit Committee's members have participated in such training and development as the committee considers appropriate.

The Audit Committee is not aware of any other matters that are required to be disclosed pursuant to the Act or the Regulations.



Robert Nesbitt
Chair, Audit Committee



wfcu

CREDIT UNION

We're not a bank. We're better.



BETTER THAN A BANK:
CREDIT UNIONS LEAD CANADIAN
FINANCIAL INSTITUTIONS FOR
CUSTOMER SERVICE EXCELLENCE
12 YEARS IN A ROW

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