



momentum[™]
CREDIT UNION

now you're getting somewhere



2017 | Annual Report



Mission

Count on us for simple solutions and service.

Values

We believe our people have the ability to do great things.

We believe that we will never lose sight of our co-operative principles.

We believe in accountability to our members, our colleagues and to ourselves.

We believe in the strength of diversity - diversity of opinion, approach and perspectives.

We believe our vision for the future should be top of mind with every interaction.

We believe that innovation is the best tool to be ahead in the future.

We believe that every member should feel like they belong to something bigger, membership is only the beginning...

The Momentum Credit Union Manifesto

The Financial Statements of Momentum Credit Union Limited were audited by the firm Millard, Rouse & Rosebrugh LLP, Chartered Professional Accountants. The statements presented in the annual report represent excerpts from the audited financial statements.

A complete copy of the audited financial statements of Momentum Credit Union Limited, including all notes to the financial statements, are available upon request.

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REPORT OF THE CHAIR

On behalf of the Board of Directors, it is my pleasure to welcome you to our eighth annual general meeting of Momentum Credit Union and to present my second report as the Chair of the Board. 2017 was the second year that the Credit Union was operating under its Vision 2020 Strategic Plan and the organization had some real successes as it shifted its focus to delivering on the strategic priorities of developing an Innovation Culture, making meaningful investments in Marketing and Partnerships, in improving everything that we do through technology leadership and in improving the Member Experience and Growth of the Credit Union.

The Board's oversight role is undertaken through its work and through the work of its committees. Specifically, the Board committee structure of a regulatory required Audit and Risk Committee, the Governance and Human Resources Committee and the Ad-Hoc Nominating Committee help to ensure that the organization is focused on executing the strategic plan within the approved policies of the Board. The Board takes its responsibilities to set the direction for the organization seriously and is responsible for the approval of the Credit Union's annual business plans and budgets as well as for the ongoing monitoring of the deliverables and risks that are being taken in support of those plans. I am pleased to report that again in 2017 Momentum Credit Union will be sharing its profits with the membership in the form of dividends on its Class A Investment Shares. The total amount of this payment is determined under the Offering Statement and I can confirm that to that end, a payment of \$34,108 was made to the Shareholders.

I will also take this opportunity to thank the staff and management for their significant contributions to our overall success in 2017. It is these people that provide the products and services that you need to live your busy lives and their commitment to delivering the best possible service levels that are critical to our long-term success. They deliver the experiences that you rely on both face-to-face, online, over the phone and behind the scenes every day and we are all grateful for their dedication, care and passion for the membership.

I will also take this opportunity to thank the Board of Directors for their support of me as the Chair in my second year in the role. They are a dedicated and talented team, and their commitment to the Credit Union is at the forefront of everything that we do and every decision that we make. And finally, I will thank the membership for their ongoing support and patronage of the Credit Union. We know that you have plenty of choices available when it comes to your day-to-day banking needs and we appreciate your dedication to Momentum Credit Union.

Count on us for simple solutions and service.

Cooperatively Yours,



Dave Thomas
Chair of the Board
Momentum Credit Union

REPORT OF THE PRESIDENT & CEO

I am very pleased to report that MCU had an excellent year in terms of growth and continues to see improvements in profitability while continuing to invest in technology, innovation, marketing, member experience and in training, coaching and engaging with our people.

Operationally, MCU had a very strong year as assets in your Credit Union grew by \$28M dollars or roughly 15%. This was driven through a combination of strong loan and deposit growth. Specifically, MCU saw its lending portfolio grow by almost \$28M to end the year at \$175M while its deposit portfolio grew by roughly \$35M to end the year at roughly \$195M. From an income perspective, MCU also had a strong year, increasing year over year pre-tax and pre-dividend profits by 85% to end the year with Operating Income of \$591K and Net Income of \$490K.

As the financial services sector continues to change and the demands of members and the public continue to shift towards self-serve, internet and mobile banking, MCU has continued to invest in both its people and technology to ensure that we are delivering the products and services that you want in a manner that is efficient and effective for the Credit Union. In 2017, MCU implemented new technologies to support improved security and to improve the online experience for members and will continue to focus on delivering incremental improvements over the coming years. Our staff undertook product and service training and continued to advance their knowledge and skills in a rapidly changing internal and external environment.

Another significant (yet unplanned) initiative that MCU undertook in 2017 was the procurement of a new Head Office and a suitable location for a move of the King Street branch. As Members who call Hamilton home will know, the City and Metrolinx are acquiring property to support the development of the Hamilton Light Rapid Transit system and the current King Street location that houses our Head Office and Branch is set to be acquired for this significant infrastructure project. I am pleased to confirm that we were able to meet our objective of minimizing the disruption to members that rely on the King Street Branch, by acquiring a new location within a kilometer of our current location on Main Street. Head office will be moving to a new space on York Boulevard. The timelines of these moves are still in the works and will be communicated to the membership as soon as they are finalized.

I will take this opportunity to thank the membership for their continued patronage and loyalty to MCU. We know that there are more choices than ever for your day-to-day banking, borrowing and investment needs. We appreciate the trust and confidence that you put in us every day and we are grateful for your business.

I will also thank the Board of Directors for their commitment to the Credit Union's success. Their guidance and commitment to effective governance in their oversight role is essential to the long-term future of MCU. Finally, I will thank our staff and management teams for their dedication and passion for the membership and for the organization's success. As is obvious to anyone who deals with the Credit Union it is the people behind the machines, computers and telephones that make us unique in what we do and how we do it.

We thank you again for choosing MCU and we look forward to serving you in the future.

Cooperatively yours,



Malcolm Stoffman
President & CEO, Momentum Credit Union

REPORT OF THE GOVERNANCE & HR COMMITTEE

Your Governance and HR Committee has a dual mandate. First, from a governance perspective the Committee is responsible for oversight of the effective governance of the organization, including responsibilities for director on-boarding and training, for Annual General Meeting planning and preparation and for considering options to increase member engagement and participation in the Credit Union's democratic processes.

Secondly, the Committee is responsible for the performance management and compensation of the President and CEO. In that regard, the Committee developed the CEO's performance plan, monitored its implementation, oversaw the Board's annual CEO assessment and was responsible for communicating the results of the performance reviews to the CEO. The Committee also made recommendations to the Board in regards to CEO salary and variable compensation.

Respectfully Submitted,



Dave Thomas (Chair), Bill Jones, Gail Luyben-Powers, Sewak Manak

Years of Service

Please join Momentum Credit Union in recognizing and thanking the following employees for their important contributions over their milestone years of service.

5 YEARS

Carol Fleming
Kim Galway
Sonali Ogale
Karen Thibeault

10 YEARS

Dawn Blackborow
Linda Bowley
Malcolm Stoffman

25 YEARS

Suzanne Hughes

REPORT OF THE AUDIT & RISK COMMITTEE

Momentum Credit Union's Audit and Risk Committee ("ARC") pursuant to Section 125 of the Credit Union and Caisses Populaires Act, 1994, meets not less than quarterly or as required. The ARC, consisting of four directors, operates under the mandate that covers all of the duties in the Regulations of the Act.

For the year ended December 31, 2017, the Committee met 12 times.

As delegated by the Board of Directors and the Act, the ARC has primary responsibility for review of audited financial statements, internal controls, accounting policies and reporting procedures. The Enterprise Risk Management ("ERM") program was added to the ARC's responsibility this year. In 2017, MCU's ERM program was revamped to ensure risk management processes, decisions and actions were better aligned to the organizations strategic objectives. The ARC has primary contact with both the Internal and External auditors. The ARC requested management issue a "Request for Proposal" for a new outsourced internal audit provider that would provide management with objective assurance and advice by providing critical analysis on MCU's strategy and operational processes and procedures. Interested auditors were examined regarding their experience providing internal audit services to credit unions, understanding of the regulatory environment, the composition and qualifications of the proposed service team and cost. The ARC and senior management met separately and then together to review the proposals and then chose the auditor. The chosen auditor was recommended to the Board of Directors which approved the recommendation.

The ARC recommends to the Board of Directors that Millard, Rouse & Rosebrugh LLP remain as the external Auditors. Internal Auditors for the financial year 2018 is PRA Group. Their remuneration is to be set by the Board of Directors.

The ARC participated with other board members in seminars provided by senior management.

International Financial Reporting Services 9- Financial Instruments became effective in January 2018.

The ARC is not aware of any other matters required to be disclosed pursuant to the Act and Regulations.

The ARC receives full cooperation from management of the Credit Union when conducting its business. There were no significant recommendations made by the ARC, the Internal Auditor, the External Auditor or the Deposit Insurance Corporation of Ontario that have not been implemented or are not in the process of being implemented by management.

Respectfully submitted,



David Edwards (Chair), Bill Van Gaal, Ken Watman and Nadia Anton-Collins

BOARD OF DIRECTORS

Board of Directors Meeting Attendance

Director	Regular Board	Special Board	Committee
AUDIT COMMITTEE (January - April)			
David Edwards	3/4	1/1	4/4
Bill Van Gaal	4/4	1/1	4/4
Ken Watman	3/4	1/1	3/4
GOVERNANCE AND HR COMMITTEE (January - April)			
Nadia Anton-Collins	3/4	1/1	2/3
Brian Charlton (January 2017 - March 2017)	2/3	0/1	2/3
Sewak Manak	4/4	0/1	3/3
RISK MANAGEMENT COMMITTEE (January - April)			
Bill Jones (elected March 2017)	1/1	1/1	N/A
Gail Luyben-Powers	4/4	1/1	N/A
Dave Thomas	4/4	1/1	N/A
Paul Vayda (January 2017 - February 2017)	2/2	N/A	N/A
GOVERNANCE AND HR COMMITTEE (May - December)			
Bill Jones	6/7	1/1	1/1
Gail Luyben-Powers	6/7	1/1	0/1
Sewak Manak	5/7	1/1	1/1
Dave Thomas	7/7	1/1	1/1
AUDIT AND RISK COMMITTEE (May - December)			
Nadia Anton-Collins	7/7	1/1	5/5
David Edwards	4/7	1/1	7/8
Bill Van Gaal	6/7	1/1	7/8
Ken Watman	6/7	1/1	8/8

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been audited by Millard, Rouse & Rosebrugh 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 and Risk Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.



Malcolm Stoffman
President & CEO



Jordan Rosenbaum, CPA, CA, CIA, CFSa, CRMA
Vice President, Finance & Risk

In the Community

MCU and its employees were happy to support the following non-profit organizations in 2017 through a combination of fundraisers, corporate donations and event sponsorships.



REPORT OF THE INDEPENDENT AUDITORS

To the Members of Momentum Credit Union Limited

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2017, and the summary statement of comprehensive income for the year then ended, are derived from the audited financial statements of Momentum Credit Union Limited for the year ended December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated February 28, 2018. 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 Momentum 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 in accordance with its criteria to highlight the major areas of credit union activity, investments, member loans, member deposits and members' equity.

Auditors' 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 Standards (CAS) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Momentum Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, in accordance with management's criteria.

March 1, 2018
Brantford, Ontario



CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

SUMMARY STATEMENT

FINANCIAL POSITION

As at December 31	2017	2016
ASSETS		
Cash and bank	16,123,038	10,703,018
Investments	16,184,809	21,836,955
Derivatives	40,075	39,578
Loans to members	174,767,845	146,682,570
Income taxes recoverable	-	33,911
Property, plant and equipment	3,356,622	3,430,985
Intangible assets	398,027	452,303
Goodwill	996,473	996,473
Deferred income taxes	130,796	101,573
Deferred pension costs	3,500	6,100
Other assets	199,974	158,214
	<u>212,201,159</u>	<u>184,441,680</u>
LIABILITIES		
Term Loans	3,000,000	11,000,000
Members' deposits	194,619,430	159,114,917
Derivatives	57,242	45,914
Income taxes payable	59,272	-
Post-retirement pension and benefits	1,545,500	1,419,800
Accounts payable and accrued liabilities	329,428	332,715
Shares	409,939	434,444
	<u>200,020,811</u>	<u>172,347,790</u>
MEMBERS' EQUITY		
Shares	3,290,783	3,509,033
Retained Earnings	6,664,554	6,197,256
Accumulated Other Comprehensive Income	(837,259)	(674,669)
Contributed Surplus	3,062,270	3,062,270
	<u>12,180,348</u>	<u>12,093,890</u>
	<u>212,201,159</u>	<u>184,441,680</u>

SUMMARY STATEMENT

COMPREHENSIVE INCOME

For the year ended December 31	2017	2016
Interest Revenue	6,436,429	5,438,349
Interest Expense	2,456,032	1,968,866
Interest Margin	3,980,397	3,469,483
Other income	939,202	944,493
Income Before Operating Expenses	4,919,599	4,413,976
Operating Expenses		
Employee salaries and benefits	2,454,946	2,396,794
Data processing	419,332	385,165
Administration	578,140	531,745
Insurance	230,862	230,649
Collection and bad debts	138,641	79,459
Occupancy	218,376	198,235
Staff and director expenses	97,004	80,937
Term Loans	191,038	191,062
	4,328,339	4,094,046
Income Before Income Taxes	591,260	319,930
Income taxes - current	101,480	6,379
- deferred	(531)	54,338
Net Income	490,311	259,213
Other Comprehensive Income (Loss) for the Year	(162,590)	(180,513)
Comprehensive Income for the Year	327,721	78,700



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CREDIT UNION

Hamilton Downtown

698 King Street East
Hamilton, ON L8M 1A3
T: 905.529.9445
F: 905.529.9016

Hamilton Mountain

892 Upper James Street
Hamilton, ON L9C 3A5
T: 905.383.3395
F: 905.383.5580

Oakville

1045 Industry Street
Oakville, ON L6K 0A7
T: 905.845.3441
F: 905.845.2155

Brampton

37-480 Chrysler Drive
Brampton, ON L6S 0C1
T: 905.790.0344
F: 905.790.0366