

2007 Annual Report



CREDIT UNION CENTRAL
OF ONTARIO

Message from the CEO and Chair

This annual report provides a look back at a challenging year. It was a year that started with much hope and optimism and despite the difficulties, it concluded in that same spirit.

As an organization and a credit union system, we stand at a crossroads. The choices we make about the direction to take will set our course for many years to come and ultimately determine whether we thrive or whither.

We are at the collision point where our past and our future are coming together. We can no longer stay on the path that got us here. In order to move forward we must take a hopeful, progressive view that will allow us to be open to new opportunities and to new ways of doing old business.

As always, there are many issues that can divide the members of the system. We face critical decisions about the highly technical issue of switching services for our ATM network. To be efficient, cost-effective and, most importantly, member-focused, we need a forward-looking approach that brings the system together and focuses on member based solutions. The search for that route is under way and a decision about which path to take must be made soon.

We also face a decision about the best future for credit unions – should we, as some suggest, form a national co-operative bank that could serve Canadians across the country, or should we maintain and strengthen the current national system and try to fix its faults? Can both survive simultaneously?

System leaders must find ways to work together to forge a common approach that will engage Canadians and attract the young new members that we need.

We must provide the services and experience that the new generation wants. The good news is that the big banks continue to leave the door open for us, handing us service level opportunities that will allow us to make inroads, if we seize them.

We face continuing decisions about our relationship as a system with Desjardins. There are many opportunities for Ontario credit unions to work together with Desjardins in a co-operative way that will provide services for our members that are not available elsewhere. There are opportunities for joint ventures, such as the Ethical Funds and Northwest Funds strategic partnership. It is an approach that many people could not have imagined a few years ago, but it is a route that now seems logical.

As we make decisions about what paths to take, we need to start by asking ourselves what do we value the most? How will these decisions impact our values and the value our members perceive as a result of membership? Once we fully embrace our values we can decide which routes best suit our purpose. The process will also let us identify the anchors that may be holding us in place that will need to be raised so that we can move forward.

Henry David Thoreau urged individuals to move forward in the direction of their dreams and promised that they would be surprised by their success. The same advice holds true for organizations and co-operative systems.

The financial numbers are a clear reflection of the challenges we faced due to external factors that caught us in a web that has delayed our merger with Credit Union Central of British Columbia.

Like many other financial institutions and businesses, Ontario Central was hit by a global credit meltdown last August that led to the halt in trading of \$141.9 million in asset-backed commercial paper.

We believe that paper will eventually pay back most of its par value, but the trading hiatus has caused significant problems and delayed the closing of our merger.

We have taken steps that we believe will mitigate the damages. One danger we want to avoid is becoming too risk-averse in the future. As noted above, in order to succeed we must move forward, not stand in place. This will always involve some risk, but we cannot slow down and be hamstrung by fear.

Moving Forward

We face many challenges in 2008 as we combine with B.C. Central to create Central 1 Credit Union and look for new ways to turn our challenges into opportunities. A key issue is how to integrate the value of what people have built, but take advantage of new technology and opportunities as well. We cannot walk away from who we are, but we need to find ways to reach new members and contain costs to remain competitive.

At Central, we need to grow to meet the new challenges of the future and develop our organization to help our members to become more efficient, so that we can ensure a strong, vibrant credit union system.

We enter the new year full of hope, confident that together we can succeed.

Howard A. Bogach
President and Chief Executive Officer

Sheena Lucas
Chair



Mission

Our mission is to lead and enable the growth and evolution of the credit union system in Ontario.

Vision

Our vision is to be a passionate, tireless promoter of credit unions and co-operative values; to be recognized as the highest-value provider of products and services to our members; and to be acknowledged as having advanced and enabled a strong, viable and cohesive Ontario credit union system. In keeping with our mission and vision, Central:

- Restored the competitive advantage of credit unions by successfully lobbying the provincial government to bring mortgage lending levels in line with those of the big banks.
- Obtained the necessary regulatory changes and government approvals to ensure our proposed merger with Credit Union Central of British Columbia can proceed.
- Participated in the Canadian Business Owner Strategy – a national awareness campaign that is helping credit unions build on their strong relationships with the small business market.
- Expanded our bill payment service, allowing credit union members to make online payments to more than 1,500 merchants.
- Worked with the provincial government to ensure the passage of the new *Credit Unions and Caisses Populaires Act*. It is expected to come into force in 2008.
- Facilitated the return of credit unions back under the system's Interac umbrella. Most Ontario credit unions now participate in Interac and other shared networks under national system arrangements.
- Three-quarters of credit unions also participate in the Canadian Exchange Network, which allows members to perform free withdrawals and deposits at more than 2,200 ATMs.
- Partnered with Credit Union Central of Canada to develop and support the first-ever national conference for credit union treasury and finance professionals.

The Co-operative Principles

Credit unions were founded on the idea of helping people and communities. In 2007, Central and Ontario's credit unions continued to demonstrate their commitment to these values in a number of ways:

- Helping people. Ontario credit unions provide almost \$4 million in donations and sponsorships to community projects and staff volunteer 11,000 hours to charity.
- Helping small business. One quarter of all deposits at Ontario's credit unions is invested in financing over 31,000 small and medium-sized businesses and agriculture.
- Commitment to communities. Credit unions remain the only deposit-taking institution in 43 communities in Ontario.
- Commitment to member service. Credit unions were ranked first among financial institutions in customer satisfaction by the research firm Synovate, while members of the Canadian Federation of Independent Business ranked credit unions second in customer satisfaction.
- Concern for the environment. Central financed a wind farm in Ravenswood, near Grand Bend, that is expected to produce enough green energy annually to power 3,000 homes.

Building Community Well-Being

Like credit unions, Central measures its success based on more than just the bottom line. We believe that contributing to the local communities in which we live and work is an equally important measure of our success as an organization.

Employees participated in fundraising initiatives for the Ontario Credit Union Charitable Foundation, a local food bank, a holiday toy drive and the Heart and Stroke Foundation. Corporate

funding was provided to organizations that promote financial literacy and provide support and funding for micro-businesses. In addition, many of our staff spent a half day sorting and distributing food at a local food bank.

We're equally proud of our ongoing commitment to the environment. Central was one of the first businesses in Ontario to power its offices with green energy through Bullfrog Power;

high-efficiency lighting was installed in all common areas; we reduced paper consumption through various initiatives; and we increased the amount of recyclables captured; and we use green products and services wherever possible. This annual report has been printed on process chlorine-free 100% post-consumer waste paper using an environmentally friendly printing process.

Governance and Management

Our Board and management believe that effective governance is essential to supporting and fostering the long-term vision for Credit Union Central. In 2007, Central's Board continued its efforts in improving our governance structure and effectiveness in keeping with industry best practices.

Board of Directors:

Beth Bruesch
Mitchell and District Credit Union

Bruce Corbett
Your Credit Union

Marty Gillis
Windsor Family Credit Union

Fred Gorbet
Alterna Savings

Janet Grantham
Sydenham Community

Sean Jackson
Meridian

Scott Kennedy, Past Chair
Superior

Sheena Lucas, Chair
Unity Savings

Eve Sigfrid
FirstOntario

Dave Sitaram
Auto Workers

Jack Smit, Vice-Chair
Libro Financial Group

Malcolm Stoffman
Hamilton Community Credit Union

Audit & Conduct Review Committee:

Fred Gorbet, Chair
Alterna Savings

Sean Jackson
Meridian

Eve Sigfrid
First Ontario

Dave Sitaram
Auto Workers

Bruce Corbett
Your Credit Union

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Sydenham Community

Beth Bruesch
Mitchell and District Credit Union

Scott Kennedy
Superior

Jack Smit
Libro Financial Group

Malcolm Stoffman
Hamilton Community Credit Union

Human Resources & Compensation Committee:

Sheena Lucas, Chair
Unity Savings

Jack Smit, Vice chair
Libro Financial Group

Marty Gillis
Windsor Family Credit Union

Janet Grantham
Sydenham Community

Malcolm Stoffman
Hamilton Community Credit Union

Pension Committee:

Dave Sitaram, Chair
Auto Workers

Bruce Corbett
Your Credit Union

Marty Gillis
Windsor Family Credit Union

Legislative Affairs Committee:

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Libro Financial Group

Madeleine Brilliant,
Alterna Savings

Beth Bruesch,
Mitchell and District Credit Union

Lori Gaudette,
Oshawa Community Credit Union Limited

Fausto Gaudio,
Italian Canadian Savings & Credit Union Limited

Scott Kennedy,
Superior

Adrienne McKenzie,
Victory Community Credit Union Limited

Taras Pidzamecky,
Ukrainian Credit Union Limited

Sheryl Wherry
Meridian

Rehabilitation Review Committee:

Nick Driedger, Chair
Mennonite Savings

Sharon Kent
Member Savings

Heather MacDonald
Peoples

Mark Michener
Unity Savings

Steve Mumford
Rochdale

Beryl Roberto
Teachers

Dennis Wipp
United Communities



Board of Directors

Back row: Dave Sitaram, Bruce Corbett, Marty Gillis, Jack Smit, Malcolm Stoffman

Middle row: Fred Gorbet, Beth Bruesch, Sean Jackson, Janet Grantham

Front row: Sheena Lucas, Scott Kennedy, Eve Sigfrid

