

# ANNUAL REPORT

FEBRUARY 1, 2014 TO JANUARY 31, 2015





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# Our Mission

Creating social, economic and cultural value for the benefit of our communities

Creando valore sociale, economico e culturale a beneficio di tutta la comunità

Since opening its doors in October 2000, IC Savings has remained true to its vision of becoming the financial institution-of-choice for people living in those neighbourhoods where our credit union has branches.

Day in and day out, we remain focused on creating value for our customers, known as members in the credit union community. With our trademark style of knowledgeable and friendly service, we offer a full range of personal and business banking products and services that will be of benefit to them. These can be accessed online, in-person at our six retail branches in the Greater Toronto Area, or through the lending services division.

This annual report is a snapshot of our activities between February 1, 2014 and January 31, 2015. While the numbers speak to our team's focus on the practices that will ensure a fiscally sound enterprise, the stories illustrate a deep commitment to community-building, now and in the future.



# Message from the Chairman

Whether by the numbers or by its reputation, IC Savings has fulfilled a key part of its mission by consistently demonstrating itself to be a sound, stable and competent alternative to the chartered banks.

As a board, we are proud that others have also taken notice. In November, the credit union's unique business model was shared with key financial sector policymakers and civil servants from several federal ministries and agencies during a briefing in Ottawa on the credit union system. In addition to a private meeting with The Hon. Joe Oliver, Minister of Finance, held in October, this event illustrates how far IC Savings has come, and how successful it has been in carefully building and enhancing its reputation among influencers and stakeholders.

Later in the year, Credit Union Central of Canada, the voice of the credit union system in Canada, and the Filene Research Institute, a well-regarded American think tank, invited IC Savings to participate in a benchmark research study. Specifically, the credit union's remarkable compounded annual asset growth – achieved solely by organic growth – caught the eyes of researchers. We are proud that IC Savings was included in this overview, which featured some of the best-performing credit unions in the world today. An excerpt from this study is offered in this annual report.

We believe these accomplishments are the outcome of a disciplined commitment to a well-defined business model and strategy, and having the right team in place to deliver and execute it.

We also applaud the credit union's commitment to community-building. In particular, we recognize the tremendous leadership of Fausto Gaudio, president and CEO, who is serving as the co-chair for the \$225-million building campaign for the new Humber River Hospital. He is joined on the campaign cabinet by Clara Astolfo, vice-president of business and community development, as well as a number of members and board directors.



This board remains focused on good corporate governance, and to that end, benefitted from a strategic session that emphasized the importance of board and director competencies.

On behalf of the Board of Directors, I thank our more than 12,660 members for their loyalty and trust. We will continue to work on your behalf in the year ahead.

A handwritten signature in black ink, appearing to read 'Alex De Iulis'.

ALEX DE IULIS  
CHAIR OF THE BOARD

# Message from the President & CEO

The most recent fiscal year was an exceptional one for IC Savings and its members. I am especially pleased to report that the value of our assets under administration has surpassed half a billion dollars. Our credit union now ranks among the top 15% of credit unions in Ontario by size.

Equally significant is that, for the first time, our credit union has recorded an after-tax profit of more than \$5 million. Like our impressive efficiency ratio, this particular metric speaks to our innate ability to operate efficiently.

For the 14th straight year, IC Savings has posted significant growth across all lines of business, whether personal banking or commercial and residential mortgages. Total assets under administration grew to \$527.7 million, an increase of 14.0% from the previous fiscal year. As noted above, our net profits increased by 17.3% over last year, and our retained earnings grew by 20.8%, increasing our capital to more than \$41.6 million.

Additionally, our credit union continued to achieve a perfect score from the Deposit Insurance Corporation of Ontario through the Differential Premium Score (DPS) Ratings Report, which is an expression of the regulator's trust in a credit union's management to run the business to the highest standards.

These accomplishments are a testament to the efforts of an experienced senior leadership team and our dedicated employees. Each remains focused on enhancing the member experience, while building loyalty and lifelong relationships with members. Additionally, our membership has grown to more than 12,660 by the end of the year.

I would also like to take this opportunity to thank the Board of Directors for their continued support and guidance, without which the above accomplishments would have not been possible.



FAUSTO GAUDIO  
PRESIDENT & CEO



# Financial Highlights

## ASSETS UNDER ADMINISTRATION

2015	2014
\$527,656,975	\$462,655,768

## DEPOSITS FROM MEMBERS

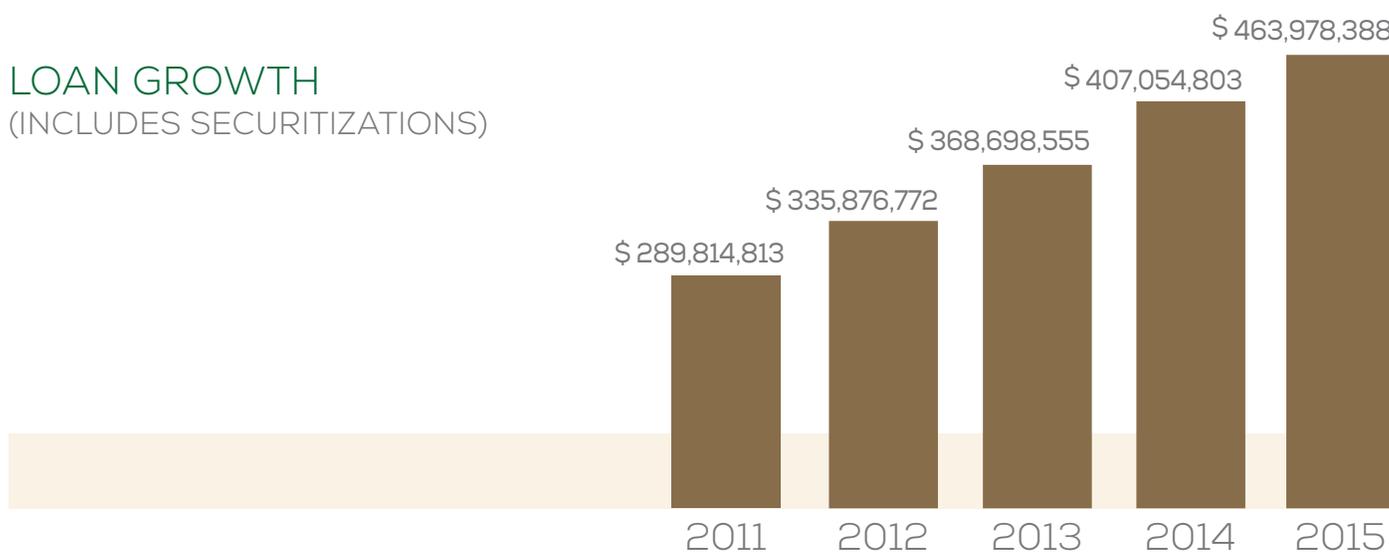
2015	2014
\$ 477,223,697	\$414,179,436

## CAPITAL & RETAINED EARNINGS

	2015	2014
Retained Earnings	\$23,712,437	\$19,631,438
Class B Investment Shares	17,585,253	16,441,678
Accumulated Other Comprehensive Income	324,356	272,059
<b>Total</b>	<b>\$41,622,046</b>	<b>\$36,345,175</b>

## LOAN GROWTH

(INCLUDES SECURITIZATIONS)



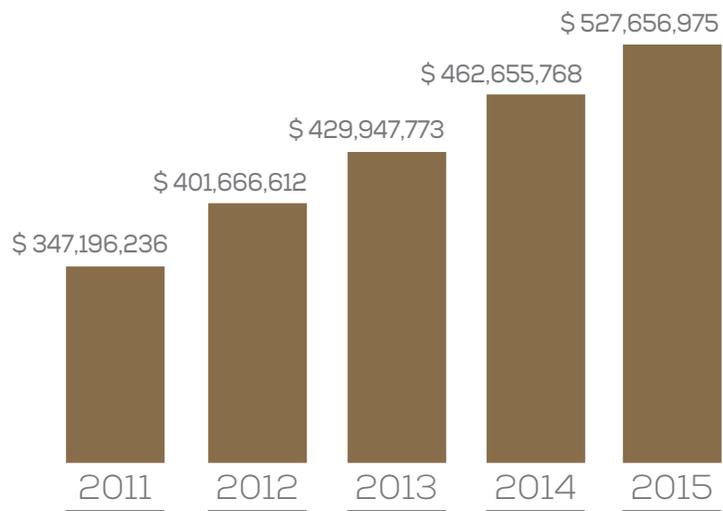
## PROFITABILITY NET INCOME

2015	2014
\$5,161,480	\$4,401,686

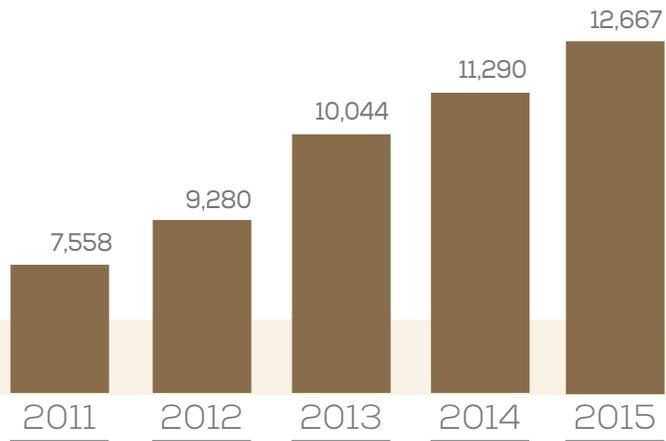
## NET INTEREST & OTHER INCOME

2015	2014
\$14,152,458	\$12,339,795

## GROWTH OF ASSETS UNDER ADMINISTRATION



## MEMBERS



# Financial Statements

## BALANCE SHEET AS AT JANUARY 31, 2015

IN \$	2015	2014
<b>ASSETS</b>		
Cash Resources	18,653,462	17,837,738
Investments	34,384,370	30,652,142
Loans to Members	463,978,388	398,784,596
Other Assets	1,381,630	717,439
Property and Equipment	9,259,125	6,393,646
	<b>527,656,975</b>	<b>454,385,561</b>
<b>LIABILITIES &amp; RETAINED EARNINGS</b>		
<b>Liabilities</b>		
Member Deposits	477,223,697	414,179,436
Other Liabilities	8,731,375	3,787,574
Membership Shares	79,857	73,376
	<b>486,034,929</b>	<b>418,040,386</b>
<b>MEMBERS' EQUITY</b>		
Retained Earnings	23,712,437	19,631,438
Class B Investment Shares	17,585,253	16,441,678
Accumulated Other Comprehensive Income	324,356	272,059
<b>Total</b>	<b>41,622,046</b>	<b>36,345,175</b>
	<b>527,656,975</b>	<b>454,385,561</b>

APPROVED BY THE BOARD



FRANK A. PETTI  
Chair, Audit Committee



ALEX DE IULIS  
Chairman

## ASSETS UNDER ADMINISTRATION

IN \$	2015	2014
Balance Sheet Assets	527,656,975	454,385,561
Securitized Assets	-	8,270,207
<b>Total Assets Under Administration</b>	<b>527,656,975</b>	<b>462,655,768</b>

## STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 31, 2015

IN \$	2015	2014
<b>INTEREST INCOME</b>		
Member Loans	19,916,874	17,381,379
Investment Income	456,147	393,827
	<b>20,373,021</b>	<b>17,775,206</b>
<b>INTEREST EXPENSE</b>		
Member Deposits	7,705,772	6,710,610
	<b>7,705,772</b>	<b>6,710,610</b>
<b>Net Interest Income</b>	12,667,249	11,064,596
Provision for Impaired Loans	223,442	301,956
<b>Net Interest Income After Provision for Impaired Loans</b>	<b>12,443,807</b>	<b>10,762,640</b>
Other Income	1,708,651	1,577,155
<b>Net Interest &amp; Other Income</b>	<b>14,152,458</b>	<b>12,339,795</b>
<b>OPERATING EXPENSES</b>		
Personnel	4,125,600	3,865,817
Administrative Expenses	2,536,099	2,011,916
Occupancy Expenses	819,204	877,277
Depreciation and Amortization	320,323	325,956
Deposit Insurance Premium	202,172	218,202
	<b>8,003,398</b>	<b>7,299,168</b>
<b>Income Before Taxes</b>	<b>6,149,060</b>	<b>5,040,627</b>
<b>INCOME TAXES</b>		
Current	1,060,667	883,400
Deferred	(20,790)	(151,553)
	<b>1,039,877</b>	<b>731,847</b>
<b>Net Income for the Year</b>	<b>5,109,183</b>	<b>4,308,780</b>
Other Comprehensive Income	52,297	92,906
<b>Total Comprehensive Income for the Year</b>	<b>5,161,480</b>	<b>4,401,686</b>

# Audit Committee Report

The Credit Union's Audit Committee is a committee of the Board of Directors and operates pursuant to section 125 of the Credit Unions and Caisses Populaires Act, 1994. The committee, which consists of four directors, has a mandate to cover all of the duties specified to be performed by the audit committee in the Regulations of the Act. The Audit Committee meets at least quarterly and arranges its agenda so that, on an annual basis, the following duties will be performed and appropriate action taken as a result thereof:

- serve as the principal communication link between the external auditors and the Board of Directors and, in particular, review the terms of engagement and scope of the audit, and review IC Savings' annual financial statements prior to recommending Board approval.
- obtain a reasonable understanding of the elements of internal controls that are important to safeguard the assets of the Credit Union, ensure the accuracy of financial reports, and ensure compliance with policies and procedures.
- serve as the Board's liaison with the internal auditor and review the internal audit mandate, work plan and reports.
- review the policies, procedures and controls which relate to legislative compliance, with a particular focus on requirements for liquidity, capital adequacy and interest rate risk management.

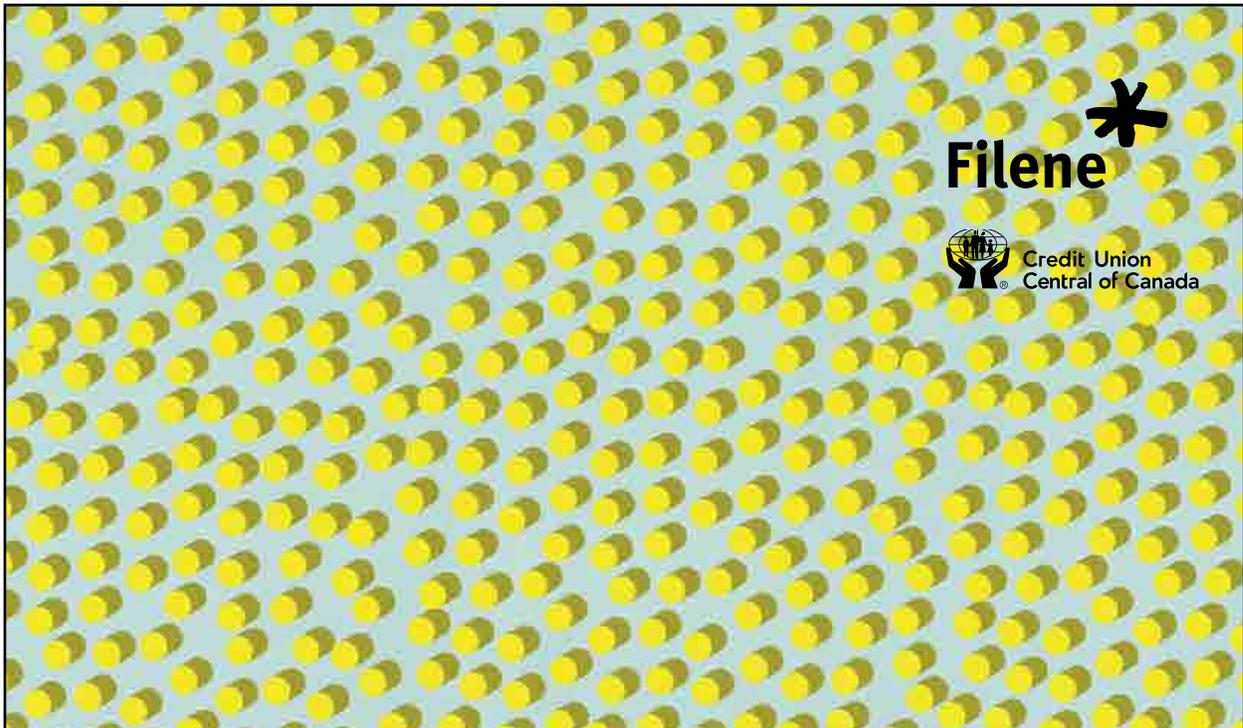
Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors or senior management, as appropriate, with respect to the matters outlined above and follows up to ensure that the recommendations are considered and appropriate action taken.

The committee receives full co-operation and support from management to enable it to effectively fulfill its role in maintaining the quality of financial reporting to the Members, and an effective overall control structure.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to the Members, nor are there any further matters which are required to be disclosed pursuant to the Act or the Regulations thereto.



Frank A. Petti  
Chair, Audit Committee



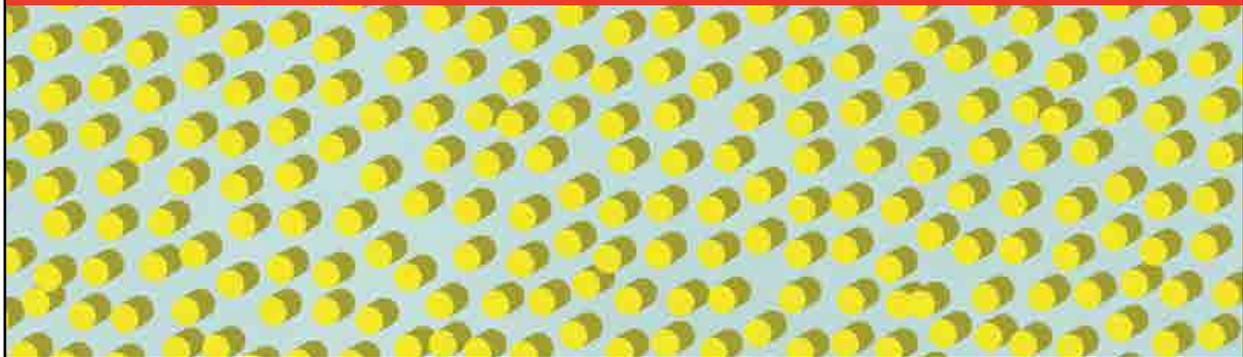
**Filene** 

 Credit Union  
Central of Canada

**REPORT**

# **Developing and Executing a Clear Value Proposition: Six Credit Union Case Studies**

Dave Grace, Managing Partner, Dave Grace & Associates



**Filene** Research Institute 

\*Excerpt reprinted with permission. Full report published December 2014.

# Italian Canadian Savings and Credit Union Case Study

## Executive Summary

Establishing a unique value proposition for a credit union is only half the battle. Delivering on this value proposition will require a well-defined execution strategy year in and year out. As part of a joint research series, the Filene Research Institute and Credit Union Central of Canada decided to identify examples of credit unions with clear value propositions. These organizations set out to understand the strategies infused in these credit unions and then identify the lessons from them that other credit unions seeking to implement a distinct value proposition could implement.

## ITALIAN CANADIAN SAVINGS & CREDIT UNION

**Where:** Toronto, Canada

**What:** Customer intimacy

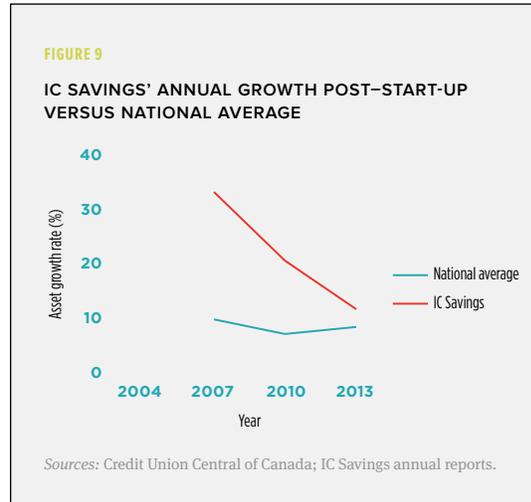
**How much:** \$401M in assets

**Why:** CAGR 58.5% in assets (start-up in 2000)

The underlying core of any value proposition lies in an organization defining whether it will seek to be a leader in operational efficiency (i.e., best total cost solution), product innovation (i.e., best products), or customer intimacy (i.e., best solution). A scan of credit unions in the United States, Canada, and Australia sought examples of those above \$100 million in assets that had double-digit growth (or near it) every year on average from 2000 to 2013. From that list we chose six for their geographical, size, and operating model diversity.

## Why It Was Selected for the Study

Since opening in October 2000, IC Savings has grown to become the 62nd-largest credit union in Canada (out of 366 total credit unions).<sup>1</sup> Over its short history it has averaged a remarkable 58.5% compounded annual asset growth—all through organic growth. Even discounting the first decade of extremely fast “start-up” growth, IC Savings still had an average of 12.25% asset growth over the past three years and membership is at 11,000 across six branches. See Figure 9 for its growth rate following the start-up phase.



## How It Executes Its Value Proposition

IC Savings knows that it can't be all things to all people, but if it can “make a buck at it” it will do it. IC Savings is a story lender, which means understanding and evaluating its members' stories in a marketplace where judgment takes a back seat to credit scores in making lending decisions. However, this does not mean getting a loan at IC Savings is easy. In the past year it approved only 55% of loan applications. It generally looks for loan-to-value ratios below 75% and has nonperforming loans greater than 60 days of only 0.4% of total loans.

This is not just a story about an entrepreneur with vision and good execution. This level of growth probably couldn't happen in the United States or Australia for a variety of reasons. First is the extensive use of brokered deposits, which at one point represented 50% of all deposit liabilities and helped it grow fast, but also because of the liquidity, capital requirements, and sources of capital that allow for this level of growth.<sup>2</sup> For example, at the end of 2013 IC Savings had 45% of eligible capital in the form of investment shares<sup>3</sup> and the remaining 55% of capital as retained earnings.

## Authenticity of Its Value Proposition

Unlike an institution with a value proposition as an innovator or efficiency maven, it's harder to illustrate the customer intimacy approach through a rate or product.

## Implementation

IC Savings attracts many recent immigrants, small entrepreneurs, and individuals who do not yet have a credit history in Canada or whose history requires understanding of circumstances. Many institutions cannot, or will not, lend to these persons because the loan would be considered nonconforming and could not be sold. Because IC Savings recognizes the potentially greater risks of its strategy, it prices according to the potential risk. Once it understands the particular circumstances and “story” of a potential borrower, IC Savings then determines if the person is a potentially eligible applicant. If so, it uses a risk and pricing matrix before advancing the loan to the underwriting process. However, if it wants to be selective within a large pool of applicants it must have pricing that is also highly competitive.

As a newcomer in the market, IC Savings has understood that it needs to “pay up” on deposits to continue to fund the loan book. Today only 20% of deposits are brokered as term deposits, and the loan demand continues. But as it has expanded, it’s still required to “chase” new business by networking and asking for business where it opens branches. With 87% of assets (or 96% of total deposits) out generating good income in loans, this ability to generate lots of good loans has enabled it to grow soundly.

When it all comes together and works, the credit union is able to generate good income (i.e., 0.95% ROA in 2013). It understands some of the profits have to go back into the local community to build the brand and generate the publicity to bring in new members. An appreciation for this aspect of the credit union model has grown over time within IC Savings.

## Board and Staffing

Unlike the other case study credit unions, which have been in existence for decades, at IC Savings the chief instigators are still running the show and it’s as much a story about their personal achievements as it is the institution’s development.

Branch staff are required to get to know the members and to keep the free espresso flowing. The head of lending has worked with the CEO at two other companies, and he and the underwriting team know exactly what the strategy and target market are. Over the past 13 years only one board member has changed, so they too understand and appreciate the strategy. As IC Savings has grown, greater importance has been placed on all staff sharing in the vision of building customer intimacy and loyalty. As a result, internal communications have become as important as external communications.

# About Filene

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene:

*“Progress is the constant replacing of the best there is with something still better.”*

—Edward A. Filene



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<sup>1</sup> Credit Union Central of Canada, Largest 100 Credit Unions 2014 Q4 2013.

<sup>2</sup> The regulatory requirements in Ontario call for 4% eligible capital to total assets and 8% eligible capital to risk-weighted assets. In addition, credit unions are allowed to offer investment shares and subordinated debt, which can make up 50% of an institution's eligible capital.

<sup>3</sup> Investment shares are a type of tier 1 capital instrument, which does not have deposit insurance and does not carry a guaranteed return, and for which the regulator has the right to refuse redemption if doing so would impair or jeopardize the credit union.

# Board of Directors

Elected by the membership to govern the credit union, our Board of Directors reflects a diverse range of industry and professional backgrounds. We are fortunate to draw upon the experience and talents of this committed group who provide leadership and guidance at the highest level of governance.

**Alex De Iulis**  
Chair

**Sam J. Ciccolini**  
Vice-Chair

**Frank A. Petti**  
Chair, Audit Committee

**Dino Bottero**  
Director

**Paolo Canciani**  
Director

**John Da Re**  
Director

**Marisa Zanini**  
Director

**Robert Gray**  
Corporate Secretary

# Executive Team

Our experienced senior team strives for excellence, seeking to deliver an exceptional customer experience. Their continued focus on this goal has been instrumental to our success.

**Fausto Gaudio**  
President and CEO

**Bruce Savage**  
Senior Vice-President,  
Lending Services

**Clara Astolfo**  
Vice-President, Business and  
Community Development

**Wadood Sheikh**  
Vice-President, Finance  
and Administration

# Message from the Foundation Chair

Five years on, the IC Savings Foundation, the charitable arm of the credit union, has made real and lasting impacts in our community. Doing good is part of our DNA. Helping advance the important work of many worthy causes and charities, the foundation has helped enrich the lives of many children, seniors, men and women here in the community and abroad.

From at-risk youth to the frail elderly to mental health issues, our financial support and volunteerism have helped many organizations continue to do their very good work. To-date, more than \$930,000 has been pledged and donated. A select few of the worthy beneficiaries are listed below.

In particular, the sixth annual Festa in Piazza, held on May 22, 2014, generated much goodwill and more than \$114,000. Capturing the fervour and energy of the summer's World Cup, this signature fundraising event celebrated the strong bonds of friendship and community.

**In addition to Vita Community Living Services/Mens Sana Families for Mental Health, which is profiled on the following pages, other worthy recipients of our support include:**

**Cor Unum Africa** – Founded in 2009, this registered charity funds development projects in the fields of education, healthcare and water development in Mozambique, Kenya, Ethiopia and now also Brazil.

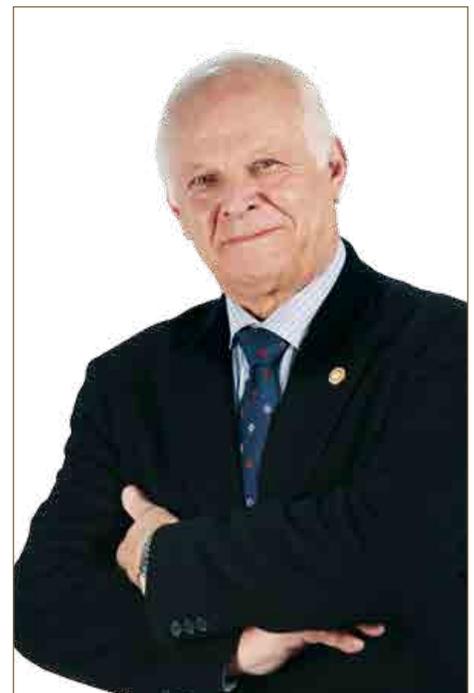
**Luso Canadian Charitable Society** – This society provides support to people with physical and developmental disabilities. Support specifically targeted the 24-hour, state-of-the-art, 10-bed respite care program that launched in September 2013.

**Toronto Azzurri Youth Sports Village** – For over 15 years the Toronto Azzurri Soccer Club has developed programs for children and youth that now include a focus on sports and the arts.

**University of Toronto** – *Mississauga, Department of Language Studies* – With individual scholarships, the Study in Florence Program, a unique nine-week program, affords students the opportunity to improve their fluency in Italian, immerse themselves in the country's culture and become more global-minded.



RALPH CHIODO  
CHAIR OF THE BOARD OF GOVERNORS



# Offering hope and help to people with a mental illness

It is estimated that one in five Canadians will experience a form of mental illness at some point in their lives.<sup>1</sup> No one is spared; in fact, mental illness can affect people of all ages, with differing levels of education and income, as well as from different cultures.

Even more striking is that on average, adults with severe mental health illness will die up to 25 years earlier than adults in the general population.<sup>2</sup> This is a sobering statistic.

From depression to mood disorders and schizophrenia, mental illness can have a profound effect on the individual who lives with it. Those with severe forms will be challenged in their ability to function well in life, whether in school, at work, in relationships and with self-care.

Mental illness can also deeply affect family members who step forward to offer support. Many will say that dealing with the stigma associated with mental illness is often more difficult than the illness itself.

In 1991, a group of families, bound together by the unique needs of their children, who were diagnosed with chronic mental illness, came together to establish Mens Sana Families for Mental Health. In their minds, there was a critical need to be addressed. This unique not-for-profit has grown, over the years, to offer specialized programs and services through two residences, accommodating 15 men and women, as well as a drop-in centre. Through these initiatives, independence is fostered, a sense of belonging is created, and friendships are made, a balm against the isolation that can be an all-too-sad reality for many.

One of the Mens Sana residents is Katy (*pictured far right*), a 45-year-old woman who struggles with bipolar disorder. She will tell that you that “one minute I am happy, and then I am sad,” and that “it is hard to get motivated, hard to get started some days.” But with the compassionate support of staff and through her treasured friendship with Stefano, another resident, she has “learned to get along with it.”

The IC Savings Foundation is proud to support Mens Sana and its partner organization, Vita Community Living Services as these two remarkable non-profit organizations and their clinical teams seek to provide safety, to practise respect and to promote community for the benefit of their members throughout our city and York Region.

<sup>1</sup> Canadian Institute of Health Research  
<sup>2</sup> Canadian Journal of Psychiatry



## PROVIDING SAFETY, PRACTICING RESPECT & PROMOTING COMMUNITY

“The support of the IC Savings Foundation in programs like Mens Sana makes an enormous and lasting impact. The stabilizing programs help people access treatment early, stay off the street, out of hospital, or out of the criminal justice system, and help promote recovery, support inclusion and positively impact the overall health of individuals, families, neighbourhoods, and communities.” – Adam M. Smith, Executive Director, Vita Community Living Services & Mens Sana Families for Mental Health.

From residential supports to respite and community participation programs, Vita Community Living Services supports adults with developmental disabilities and those who present with a dual diagnosis; that is, when a developmental disability presents with a psychiatric diagnosis. Learn more about this organization, as well as Mens Sana Families for Mental Health, at [www.vitacsl.org](http://www.vitacsl.org)



# IC Savings Foundation

## STATEMENT OF OPERATIONS AND NET ASSETS FOR THE YEAR ENDED JANUARY 31, 2015

	2015	2014
<b>REVENUE</b>		
Contributions from IC Savings	123,500	140,000
Other Contributions	49,015	42,260
Fundraising	114,276	125,153
Interest Income	1,519	1,010
	<b>288,310</b>	<b>308,423</b>
<b>EXPENSES</b>		
Donations	90,065	248,915
Uncollected Donations	-	100,000
Cost of Fundraising	39,524	35,266
Professional Fees	2,652	5,402
	<b>132,241</b>	<b>389,583</b>
(Deficiency) Excess of Revenue Over Expenses	156,069	(81,160)
<b>Net Assets, beginning of the year</b>	<b>239,350</b>	<b>320,510</b>
<b>Net Assets, end of the year</b>	<b>395,419</b>	<b>239,350</b>

## BOARD OF GOVERNORS

Ralph Chiodo, Chair	Ralph Aquino	Danny Caranci	Marcello Di Giovanni	Vince Mariani
Italo Di Bonaventura, Vice-Chair	Clara Astolfo	Morris Cariola	Fausto Gaudio	Vince Papa
The Hon. Frank Iacobucci	Vito Bianchini	Sam J. Ciccolini	Robert Gray	Frank A. Petti
	Dino Bottero	Alex De Iulis	Grace Locilento	Felice Sabatino

# Connect With Us

## CORPORATE OFFICE & LENDING SERVICES

2900 DUFFERIN STREET

## WOODBIDGE BRANCHES

WOODBIDGE VILLAGE, 6-53 WOODBRIDGE AVENUE  
7766 MARTIN GROVE ROAD

## TORONTO BRANCHES

2900 DUFFERIN STREET  
LITTLE ITALY, 637 COLLEGE STREET  
LITTLE PORTUGAL, 1168 DUNDAS STREET WEST  
CORSO ITALIA, 1254 ST. CLAIR STREET WEST

LATE 2015: 5300 DUNDAS STREET WEST TO BE THE NEW HOME  
OF OUR CORPORATE OFFICE AND A SEVENTH BRANCH



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IC Savings

[www.icsavings.ca](http://www.icsavings.ca)

