

ANNUAL REPORT 2014

The tides of change...



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Report from the President & CEO and Board Chair



It is about the journey, not the destination

2014 has been a sea of activity and progress as Mainstreet continues on its quest to become partners in our members' lives. We are committed to providing financial guidance and solutions that fulfill our members' aspirations, drive profitable growth, and strengthen our community roots.

The tides of change continued for Mainstreet this year when we joined forces with Lambton Financial on June 1, 2014 in order to strengthen and continue our commitment to be a financial co-operative that is dedicated to providing our members with a unique and exceptional financial experience.

Mainstreet's tagline and slogan is "Invested in You". This simple statement speaks to the heart of our culture and inspires our staff each and every day to be "partners in our members' lives". It is a litmus test our actions can be measured against as we ask—"is this work/activity bringing me closer to investing in my member and doing the best that I can for him or her"? "How can I go above and beyond to improve this member's life, finances, and overall situation"? In an age of call centres and impersonal service, we want to ensure that our members feel a significant culture shift when they engage with Mainstreet. Our exceptional staff are working daily to develop strong relationships with our members by making a meaningful difference in their financial lives. Whether it is helping a young couple secure their first mortgage or discussing with a member their retirement timing and plans-- we feel honoured and privileged to play an integral role in these key milestones.

Another piece that sets Mainstreet apart as a financial cooperative is our commitment to our local communities. In 2014 we were able to donate close to \$75,000 towards local events, charities, and worthwhile causes. This included significant commitments to St. Joseph's Hospice in Sarnia, The Strathroy Middlesex Hospital, and the three regional United Way chapters which support countless non-profit organizations in all our local communities.

In 2015 we will be developing a comprehensive member experience program to ensure you, our members, receive consistent and exceptional financial service and advice at each of our 13 branch locations. For members who bank on

the go we continue our commitment to providing convenient all-hours banking solutions and in February 2015 introduced our new mobile online banking app.

We are excited about the opportunity to join forces with another exceptional credit union in July of this year. The members of Goderich Community Credit Union will be voting on a proposal to join Mainstreet and form what will be our 14th branch location in the beautiful town of Goderich.

The tides are always changing - there are new and exciting opportunities in our marketplace. We operate in a competitive service environment filled with choices for consumers, low interest rates and an onslaught of mobile banking options being developed which promise to change the face of banking at an ever increasing pace. They say a smooth sea never makes a skillful sailor and we know that as we navigate through these exciting times our commitment to our members will keep us on course while our personalized and customized financial advice, products and plans will ensure smooth sailing for our members and a successful voyage for Mainstreet.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick O'Malley".

Patrick O'Malley
MAINSTREET CREDIT UNION BOARD CHAIR

A handwritten signature in black ink, appearing to read "Janet Grantham".

Janet Grantham
MAINSTREET CREDIT UNION PRESIDENT & CEO

13

Number
of branches

\$553

Million in assets

15th

Overall in Ontario
Credit Unions

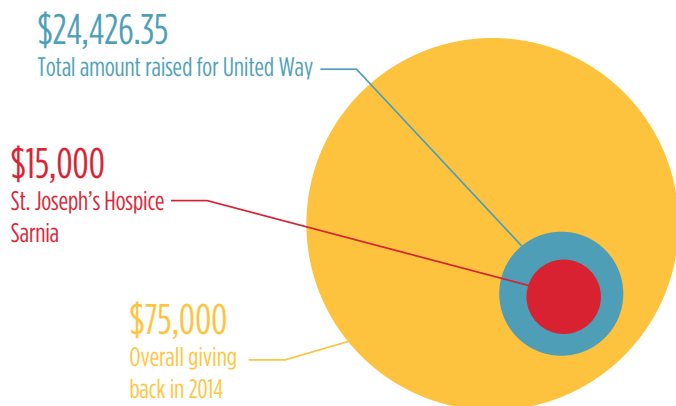
JUNE 1, 2014

Official merger date with
Lambton Financial

19,467

Number
of members

Giving back highlights



\$120

Million in mutual funds



In 2014 Mainstreet hosted and sponsored several large key special events in our communities from the **Neon Nights Run** sponsorship in Chatham, **kids tents** at our local agricultural fairs, **Relay for Life**, **Hospice of Sarnia**, movie nights, support for our local hospitals, and more!

Mainstreet was also proud to have raised close to **\$25,000** for **United Way of Sarnia-Lambton, London-Middlesex and Chatham-Kent**.



In June 2014 Mainstreet was thrilled to award our **Young Leaders of Tomorrow** scholarship prizes to **Carrie-Anne Bauer** (\$3,000 grand prize) from Thamesville who was graduating from Lambton Kent Composite School and attending her first year at Wilfrid Laurier University in fall 2014.



Our \$1,000 runner-up prize goes to **Maylee Bossy** who was graduating from Ursuline College Secondary School in Chatham and attending Carleton University.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Mainstreet Credit Union Limited and all the financial information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, Management has chosen those it seems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Mainstreet Credit Union maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out their responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board. The Committee meets periodically with Management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The financial statements have been audited by Collins Barrow, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the owners. The external auditors have full and free access to the Audit Committee.



Janet Grantham
PRESIDENT &
CHIEF EXECUTIVE OFFICER



Bruce Ross
SVP FINANCE

Report of the Audit Committee For the Year Ended December 31, 2014

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

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

For the year ended December 31, 2014, the Audit Committee met five times.

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

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

Respectfully submitted by the Audit Committee.



Darrin Canniff
CHAIR, AUDIT COMMITTEE

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Mainstreet Credit Union Limited

The accompanying summarized financial statements of Mainstreet Credit Union Limited, which comprise the summarized balance sheet as at December 31, 2014 and the summarized statements of earnings, comprehensive income and members' equity for the year ended December 31, 2014 are derived from the audited financial statements of Mainstreet Credit Union Limited for the year ended December 31, 2014. We expressed an unmodified audit opinion on those statements in our report dated March 25, 2015. Those financial statements and the summarized financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Mainstreet Credit Union Limited.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on these summarized 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 summarized financial statements derived from the audited financial statements of Mainstreet Credit Union Limited for the year ended December 31, 2014 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

Other Matter

The summarized balance sheet as at December 31, 2014 and the summarized statements of earnings, comprehensive income and members' equity for the year ended December 31, 2014 were audited by another auditor.



Collins Barrow CK, LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

62 Keil Drive South
Chatham, Ontario
N7M 3G8 Canada

March 25, 2015

Summarized Statement of Earnings

Mainstreet Credit Union Limited Summarized Statement of Earnings

For the year ended December 31	2014	2013
Interest revenue		
Interest on member loans	\$15,673,454	\$11,646,437
Investment income	1,109,282	499,117
	16,782,736	12,145,554
Interest on member deposits	6,644,346	3,924,641
Financial margin	10,138,390	8,220,913
Other income	2,774,836	1,799,878
Provision for losses on loans	(161,322)	(342,539)
	12,751,904	9,678,252
Expenses		
Administrative	3,306,463	2,490,835
Deposit and loan life insurance	21,842	9,203
Deposit insurance	343,065	249,346
Distributions to members	300,623	245,855
Employee salaries and benefits	6,374,828	4,597,906
Occupancy	980,209	536,483
	11,327,030	8,129,628
	1,424,874	1,548,624
Gain on acquisition	17,825,361	4,574,043
Earnings before income taxes	19,250,235	6,122,667
Income taxes		
Current	217,276	217,243
Deferred	38,771	5,613
	256,047	222,856
Net earnings	\$ 18,994,188	\$ 5,899,811

Summarized Statement of Comprehensive Income and Members' Equity

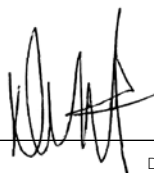
Mainstreet Credit Union Limited Summarized Statement of Comprehensive Income and Members' Equity

For the year ended December 31	2014	2013
Net earnings for the year	\$ 18,994,188	\$ 5,899,811
Other comprehensive income:		
Unrealized gains and losses on available-for-sale financial assets arising during the year	198,490	77,681
Unrealized gains and losses on cash flow hedges arising in the year	117,404	188,289
	315,894	265,970
Income tax effect	(72,656)	-
Other comprehensive income	243,238	265,970
Comprehensive income	\$ 19,237,426	\$ 6,165,781
Contingency Reserve		
Balance, beginning of the year	\$ 14,280,353	\$ 8,380,542
Fair value adjustment	280,000	-
Adjusted balance, beginning of the year	\$ 14,560,353	\$ 8,380,542
Net earnings for the year	18,994,188	5,899,811
Balance, end of the year	\$ 33,554,541	\$ 14,280,353
Accumulated Other Comprehensive Income		
Balance, beginning of the year	\$ 706,127	\$ 440,157
Other comprehensive income for the year	243,238	265,970
Balance, end of year	\$ 949,365	\$ 706,127

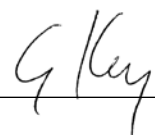
Summarized Balance Sheet

Mainstreet Credit Union Limited Summarized Balance Sheet

December 31	2014	2013
Assets		
Cash resources	\$ 41,943,621	\$6,563,185
Investments	38,998,836	26,612,470
Derivative financial instruments	494,829	124,546
Investment property	840,411	-
Loans to members and accrued interest receivable	455,910,979	295,004,238
Capital assets	13,615,884	4,123,943
Deferred tax asset	70,170	75,600
Other assets	465,567	59,667
	\$ 552,340,297	\$ 332,563,649
Liabilities		
Bank overdraft and short-term loans	\$ -	\$ 2,000,000
Members' deposits and accrued interest payable	506,614,516	305,866,068
Derivative financial instruments	289,018	36,139
Other liabilities	2,771,687	2,175,476
Deferred tax liability	10,141	60,300
Membership shares	8,151,029	7,439,186
Total Liabilities	517,836,391	317,577,169
Members' equity		
Contingency Reserve	33,554,541	14,280,353
Accumulated other comprehensive income	949,365	706,127
Total members' equity	34,503,906	14,986,480
	\$ 552,340,297	\$ 332,563,649



 Director



 Director

Branch Locations

General Inquiries

info@mainstreetcu.ca

Ailsa Craig

135 Ailsa Craig Main Street
PO Box 190

Ailsa Craig, ON NOM 1A0

☎ 519 293-3947

Brigden

2394 Jane Street

Brigden ON NON 1B0

☎ 519 864-1026

Chatham - Keil

40 Keil Drive South

Chatham ON N7M 3G8

☎ 519 436-4590

Chatham- Queen St. Branch

835 Queen St.

Chatham ON N7M 2K5

☎ 519 360-1313

Chatham- Union Gas Branch

50 Keil Dr North

Chatham ON N7M 5M1

☎ 519 436-4590

Note: This office is in the security-protected Union Gas head office. Community members are invited to visit our branch just down the street at 40 Keil Dr S in Chatham.

Corunna Branch

201 Hill Street

Corunna ON NON 1G0

☎ 519 862-5225

London-Lambeth Branch

4562 Colonel Talbot Road
Lambeth ON N6P 1B1

☎ 519 652-5721

Mount Brydges Branch

22478 Adelaide Road

Mount Brydges ON NOL 1W0

☎ 519 264-9708

Parkhill Branch

260 Main Street, PO Box 338

Parkhill ON NOM 2K0

☎ 519 294-6277

Port Lambton

4348 St. Clair Parkway

Port Lambton ON NOP 2B0

☎ 519 677-5652

Sarnia- Exmouth Street Branch

412 Exmouth Street

Sarnia ON N7T 5N9

☎ 519 464-5460

Sarnia-London Road

1295 London Road

Sarnia ON N7S 1P6

☎ 519 542-9059

Strathroy Branch

214 Caradoc Street South

Strathroy ON N7G 2P1

☎ 519 245-2530

