



ANNUAL REPORT 2009



People Helping People
The Credit Union Difference

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TABLE OF CONTENTS

Agenda..... 2

Minutes of the 2008 Annual General Meeting..... 3-6

Listing of Staff and Management 6

A Message From Your Board and Management 7

Management’s Responsibility for Financial Reporting..... 8

Loan Activity Report 9

Report of the Audit Committee..... 9

Five Year Review 10

Financial Statements 11-26

AGENDA

FOR THE 61st ANNUAL GENERAL MEETING

- 1..... Call Meeting to Order, Opening Comments and Introductions
- 2..... Report on Registration
- 3..... Adoption of the Agenda
- 4..... Motion to Accept the Minutes of the 60th Annual General Meeting
- 5..... Report of the Board of Directors
- 6..... Loan Activity Report
- 7..... Audit Committee Report
- 8..... External Auditor Report
- 9..... Presentation of the Financial Statements
- 10..... Appointment of the External Auditor
- 11..... Board Elections
- 12..... Report of the CEO
- 13..... Resolution on the amendment to the By-Laws of the Credit Union
- 14..... Question Period
- 15..... Adjourn Meeting

MINUTES

From the 60th Annual General Meeting held on April 7, 2009 at the Best Western Lamplighter Inn, London

1. Call to Order

The meeting was called to order at 7:10 p.m. by Kim Darling, Board Chair. Kim welcomed those in attendance to the 2009 Annual meeting and then introduced the Board, CEO and guests.

2. Report on Registration

Lew Figol, Corporate Secretary, reported that 28 members and 6 guests were presented. Kim Darling declared that the meeting was duly constituted, as the minimum requirement of 20 members was present to establish a quorum.

3. Adoption of the Agenda

Motion: That the Agenda for the meeting as printed in the 2008 Annual Report be adopted.

Moved/Seconded: N. Hindmarsh / D. Bernardo
Carried

4. Minutes of the Previous Annual General Meeting

Kim Darling presented the minutes from the 59th Annual General Meeting.

Motion: That the minutes of the 59th Annual General Meeting for London Civic Employees' Credit Union held at the Best Western Lamplighter Inn, 591 Wellington Road South in London, on Tuesday April 8, 2008 be accepted as printed in the 2008 Annual Report.

Moved/Seconded: J. Berg/L. Dilling
Carried

5. Board of Directors' and Management Report

Kim Darling offered a few words on London Civics' primary focus & mission of serving the financial needs of all our members.

In planning for the future Kim Darling touch on a few the initiatives that London Civic will be implementing in 2009. In the first half of 2009 London Civic will add mobile making to our list of services offered to the membership. We will be undertaking an extensive survey in the spring to help us stay on course with our members needs.

Kim concluded by thanking the CEO, Lew Figol

and Tom Jolliffe retired CEO for their vision and commitment to steering London Civic over the past year. Their leadership combined with the skills and dedication of the staff and Board have helped London Civic undergo significant evolution and to lay the foundation for our future success.

6. Loan Activity Report

Jill Berg presented a brief summary of the loan activity that occurred in 2008. Ms Berg stated that the credit union advanced 10,175 million in loans, lines of credit, MeritLines and mortgages during 2008. This was slightly lower than our total loans advanced in 2007.

Ms Berg indicated that Meritline loans and personal lines of credit continue to be an attractive and growing component of lending for the membership.

She concluded by encouraging members to seek out London Civics' financial services team of: Larry Dilling, Zenalia Vetere & Jill Berg.

Motion: That the Report on Loan Activity as printed in the 2008 Annual Report and as presented at the Annual General Meeting be accepted.

Moved/Seconded: J. Fitzgerald/P. Fitzgerald
Carried

7. Audit Committee Report

Nancy Hindmarsh stated that the Audit Committee consists of a standing committee of four members from the Board of Directors, as recommended by Section 125 of the Credit Union and Caisses Populaires Act, 1994. The mandate of this committee is to review, recommend and ensure adherence to the administrative and regulatory policies that have been developed for London Civic Employees' Credit Union Limited.

In the course of their quarterly meetings, the Audit Committee reviewed policies and procedures to ensure that the Credit Union adhered to the Deposit Insurance Corporation of Ontario's Standards of Sound Business and Financial Practices. The Audit Committee also reviewed and discussed with Management, the results of any internal reports regarding the Credit Union's compliance to policies and procedures. In

MINUTES From the 60th Annual General Meeting cont'd

addition, the audit Committee met with the external auditor to review the terms and results of the annual external audit.

Based on its findings, the Audit Committee issues reports and make recommendations to the Board of Directors.

The Audit Committee receives the full support of Management and plays an effective role in monitoring and improving the control structure at London Civic.

Motion: That the Audit Committee Report as printed in the 2008 Annual Report and as presented at the Annual General Meeting be adopted.

Moved/Seconded: J. Gillespie/K. DeForest
Carried

8. Report of the External Auditor

Jim Lane, CA from the firm of Retford & Lane LLP presented the Report from the External Auditor.

Motion: That the External Auditor's Report as printed in the 2008 Financial Statements and as presented at the Annual General Meeting be accepted.

Moved/Seconded: T. Jolliffe/L. Dilling
Carried

9. Financial Statements

Nancy Hindmarsh provided a brief summary of the highlights from the 2008 financial statements.

Motion: That the financial Statements for December 31, 2008 including Notes to the Financial Statements be accepted as presented.

Moved/Seconded: D. Green/J. Berg
Carried

10. Appointment of External Auditors

Nancy thanked Jim Lane CA and the firm of Retford & Lane LLP for their services offered to the credit union during the past year,

One of the roles of the Audit Committee is to retain the services of an external auditing firm.

Motion: That the firm of Retford & Lane LLP Chartered

Accountants be appointed as External Auditors for London Civic Employees' Credit Union for the year ended December 31, 2009.

Moved/Seconded: L. Figol/M. McNaughton
Carried

11. Board Elections

Ken Walsh indicated that there are currently three vacant Board positions. During the past year one Board member, Jim Killin, resigned. In addition, the term for two other members has expired: Brenda Harwood and Nancy Hindmarsh.

In accordance with the by-laws of London Civic, the credit union undertakes a general call for nominees to the Board of Directors. The credit union seeks nominations by advertising in the London Free Press, publishing a notice in the credit union office, providing nomination information on the website and through personal contacts.

We received 3 nominations for the three current Board vacancies. Nominations were received from the following individuals: Nancy Hindmarsh (TVDSB), Brenda Harwood (City of London), and Margaret McNaughton (Labatt's).

The Corporate Governance Committee receives Board nominations. A mandate of the Corporate Governance Committee is to seek a Board that is comprised of members with complementary skills and who represents different parts of the bond. The committee interviewed each Nominee to determine their fit on the LCECU Board of Directors from the view point of best achieving a diverse range of skill sets and bond member representation. Accordingly, the Corporate Governance Committee is recommending the following motion:

Motion: The Corporate Governance Committee recommends to the membership that Margaret McNaughton be accepted to finish the term of Jim Killin. Mr. Killin's term expires in 2010.

Moved/Seconded: M. Turner/T. Jolliffe
Carried

MINUTES From the 60th Annual General Meeting cont'd

12. Address from the CEO

Since arriving at London Civic last May, I have come to realize that I left one credit union for a better one. Having worked for almost 30 years in the credit union system, I have to admit that our staff and Board are both very dedicated to serving the needs of the members. I would like to thank the board for their confidence in me and for their leadership and their guidance and expertise and thank you to the staff for the way that you serve the needs of all our members. The staff truly believes in the credit union motto of people helping people.

At this time I would like to acknowledge the backbone of our organization, our staff:

Nancy Glendenning

Larry Dilling

Don Green

Rick Welch

Karen DeForest

Jill Berg

Julie Gignac

Leslie MacIntosh

Zenalia Vetere

Bonnie Lupa (on leave)

What started off as a year of promise, 2008 became a year of challenges. With what started as a housing slowdown in the U.S. ended up being a world wide recession the likes of which have not been seen in a generation. First the U.S. banks failed then the insurance industry and finally the auto industry. This affected London Civic as Credit Union Central of Ontario held over 100 million in Asset Backed Commercial paper.

The market dried up and these investments could not be resold. As a result all credit unions in Ontario assumed ownership as CUCO merged with B.C.'s central. While we suffered a write-down in the investment and in Central shares the merger will be beneficial for London Civic and all Ontario Credit unions in the long run.

So what does 2009 and beyond look like. The future is a future of beginnings and moving forward. As we speak we are enhancing several computer applications to be able to better serve our members. This month,

we are installing a new loans origination program that will allow us to handle loan requests more efficiently and also allow for applications to be submitted electronically.

In May, we are implementing an Asset Liability management program that will allow us to reduce the risks associated with managing our assets and liabilities.

These are items that the members will not directly notice- what the member will notice are a variety of improvements and additional services. We now offer ATM cards that work instantly instead of having to wait 24 hours. We will be offering mobile banking which will allow members to access their balances through any telephone with texting capabilities. We now offer a 1-800 number to report lost or stolen ATM cards so that they can be cancelled 24 hours a day. And we will be offering a student scholarship to a promising leader within our membership. The scholarship will not only be a monetary one, but will also offer the recipient an advisory role with a real life board experience by attending board meetings as an advisor to the board on matters concerning our youth.

I see a bright future for the credit union and look forward to serving the needs of members in the years to come.

13. Question Period

Lew Figol and Kim Darling provided responses to questions raised at the meeting.

Patricia Fitzgerald enquired how we notified the membership of service fee increases as she felt we might be able to better communicate these changes.

L. Figol informed the membership that these changes were posted 60 prior to taking effect. Notification was posted in the Credit Union on our website and in the member's statements.

Patricia Fitzgerald inquired if there was any talk of DICO increasing \$100, 00.00 insurance limit.

Kim Darling responded by informing the membership that Central 1 was lobbying the provincial government for unlimited insurance on members savings.

MINUTES From the 60th Annual General Meeting cont'd

14. Adjourn Meeting

Kim Darling offered a few closing comments and then thanked the membership for attending this year's Annual General Meeting.

Motion: To adjourn the 2008 Annual General Meeting.

Moved/Seconded: K. Walsh/M. Turner
Carried

STAFF LISTING Friendly people helping you with your financial needs.

Karen DeForest
Member Service Representative

Larry Dilling
Senior Account Manager

Lew Figol
Chief Executive Officer

Julie Gignac
Member Service Representative

Nancy Glendenning
Assistant Manager

Donald Green
Chief Financial Officer

Bonnie Lupa (on leave)
Senior Financial Services Officer

Leslie Macintosh
Administrative Support

Zenalia Vetere
Senior Financial Services Officer

Rick Welch
Senior Member Service Representative

Teri Lynn Witherspoon
Senior Financial Services Officer

Jill Regan
Senior Account Manager

A MESSAGE FROM YOUR BOARD AND MANAGEMENT

People Helping People – The Credit Union Difference

The London Civic Employees' Credit Union experienced excellent growth in 2009. Member loans increased by \$3.4 million (11.4%) to \$33.7 million; deposits increased by \$2.9 million (9.0%) to \$35.2 million; and assets increased by \$3.1 million (8.8%) to \$38.1 million. The credit union's total equity position increased to \$2.5 million or 6.7% of assets, which exceeds the requirements of legislation.

During the year, the credit union experienced significant growth in member demand for loans and mortgages which was likely encouraged by low market interest rates as well as the incentives of the renovation grants offered by the federal government. An additional loan demand came from members of London Diesel Employees Credit Union when their credit union closed its doors. We welcomed almost 170 new members from the former London Diesel Employees Credit Union into our family who borrowed almost \$0.5 million in the final two months of the year. It is our hope that these new members will be able to enjoy the expanded services that our credit union has to offer and that additional former London Diesel members will join our credit union in the future.

Economically, 2009 proved to be even more difficult than the previous one as our country went through one of the worst recessions in 50 years. Although our financial margins remained very tight during the year, members' dedication to the credit union allowed our credit union to grow and expand. The increased borrowing of the members allowed us to post an increase in income before adjustments of \$155,049, an amount that was 33.2% higher than the amount recorded in 2008. As a result of the positive financial results in 2009, the Board of Directors declared and paid a dividend on shares of 4.05% (5.0% in 2008), as well as a loan rebate and bonus interest of 1.35% (1.0% in 2008) to all members that qualified based on their patronage of the credit union during the year. These share dividends, when added to the existing level of surplus shares, increases the credit union's equity position and financial strength. As always, providing superior value to all members continues to be the top priority of your Board of Directors, Management and employees.

Financial markets bottomed out at the beginning of the year, then rebounded somewhat to recover some of the losses sustained in 2008 and early 2009. The secondary credit markets remain seized for a second straight year, and interest rates remain at historic lows, causing tighter

financial margins for the credit union. While the recession appears to be over, the recovery will be longer than it has been in the past and some of our members are still suffering the effects of having lost their jobs, as the job market has not rebounded as quickly as the stock markets. London Civic has been there to help families that have been affected and has continued to provide our members with sound advice and readily accessible credit and favourably priced deposit products. The key priorities for the credit union will be to continue our growth so that we can remain competitive and so that we may offer additional products and services of value to our members.

We will face new challenges in 2010, including the introduction of International Financial Reporting Standards; the introduction of Chip Card technology; as well as changes to the manner in which member electronic transactions are processed. Each of these changes will require us to develop new policies, procedures and compliance processes, which will not be a small task. Fortunately, we have a team of dedicated and capable employees who are ready to take on these new challenges with a high degree of commitment.

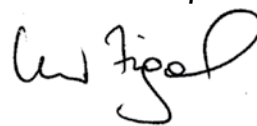
In 2010, London Civic will continue our commitment to serving our members needs. We are currently exploring the possibilities of expanding services with such core products as safety deposit boxes as well as the possibility of offering small business services in the future.

We would like to thank you, our members, for your continued loyalty, support and feedback, which are very important to us in meeting your needs and expectations. Your greatest compliment to us is your referral of family and friends to become members and transfer their business to the London Civic Employees' Credit Union. We will continue to work hard to earn your continued loyalty and referrals and we look forward to working together with you to meet the important challenges of the future.

Our success is indeed your success! Now that's unique!

Our success is indeed your success!

Now that's unique!



Lew Figol
CEO



Kim Darling
Chair

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

THE ACCOMPANYING FINANCIAL STATEMENTS OF LONDON CIVIC EMPLOYEES' CREDIT UNION LIMITED ARE THE RESPONSIBILITY OF MANAGEMENT AND HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS.

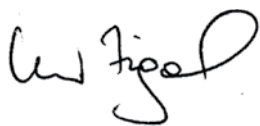
Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Financial statements are not precise, as they include certain amounts based on estimates and judgments.

Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. 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. Management is responsible for maintaining systems of internal accounting and administrative controls to provide reasonable assurance as to the reliability of financial information, and to ensure that the Credit Union's assets are appropriately accounted for and adequately safeguarded.

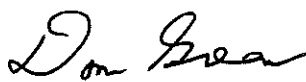
The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board carries out this responsibility principally through its Audit Committee. The Audit Committee meets periodically with Management and the external auditors throughout the year, and reports its findings to the Board for its consideration.

The financial statements have been audited by Retford Lane Bates LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have free and independent access to the Audit Committee.



Lew Figol
CEO



Don Green, CA
CFO

BOARD OF DIRECTORS

Kim Darling*, Chair
Nancy Hindmarsh, Vice Chair
Brenda Harwood
Jim Morton
Mike Turner
Ken Walsh
Sherry McEvoy* (since October 2009)
Richard Kemp* (since December 2009)
Margaret McNaughton (resigned)
Terry Simpkin (resigned)

AUDIT COMMITTEE

Nancy Hindmarsh, Chair
Brenda Harwood
Sherry McEvoy
Mike Turner

CORPORATE GOVERNANCE COMMITTEE

Ken Walsh, Chair
Kim Darling
Nancy Hindmarsh
Jim Morton

* *Term expires*

LOAN ACTIVITY REPORT

In their meetings, the Board of Directors reviewed and approved the New Loan Activity Report. To ensure quality in loan underwriting, all lending officers have a specified lending limit. Personal loans in excess of their limit are reviewed and approved by the Senior Account Manager. In addition, all Mortgage and Meritline loans are reviewed and approved by the Manager of Member Services. Loans

in excess of the Manager of Member Services' lending limit are forwarded to the Chief Executive Officer for approval prior to their submission to the Board of Directors. The table below summarizes the lending activity for the year ended December 31, 2009.

	2009		2008	
	#	\$	#	\$
Loans Approved				
Personal Loans	378	4,460,798	300	3,312,238
Line of Credit	144	755,575	200	1,106,226
Mortgages	31	2,575,207	25	1,984,642
Meritline	61	4,554,380	47	3,772,621
Total	614	12,345,960	572	10,175,728
Loans Declined	127		61	
Total Loan Applications	741		633	

REPORT OF THE AUDIT COMMITTEE

The Audit Committee consists of a standing committee of four members from the Board of Directors, as recommended by Section 125 of the Credit Union and Caisses Populaires Act, 1994. The mandate of this committee is to review, recommend and ensure adherence to the administrative and regulatory policies that have been developed for London Civic Employees' Credit Union.

In the course of their quarterly meetings, the Audit Committee conducted its affairs in accordance with the Act and Regulations and reviewed policies and procedures to ensure that the Credit Union adhered to the Deposit Insurance Corporation of Ontario's Standards of Sound Business and Financial Practices. The Audit Committee also reviewed and discussed with Management, the results of any internal reports regarding the Credit Union's compliance to policies and procedures. In addition, the Audit Committee met with the external auditor to review the terms and results of the annual external audit.

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors.

The Audit Committee receives the full support of Management and plays an effective role in monitoring and improving the control structure at London Civic.

Submitted on Behalf of the Audit Committee.



Nancy Hindmarsh
Audit Committee Chair

FIVE YEAR REVIEW (UNAUDITED)

	2009	2008	2007	2006	2005
BALANCE SHEET					
Cash and investments	\$ 3,762,334	\$ 4,033,848	\$ 3,558,824	\$ 2,599,481	2,337,311
Loans to members	33,801,106	30,366,594	29,368,853	26,980,697	24,096,334
Less: Loan allowance	(106,428)	(112,504)	(138,153)	(112,186)	(101,889)
Fixed & other assets	610,157	707,552	966,866	793,120	793,207
Total Assets	38,067,169	34,995,490	33,756,390	30,261,112	27,124,963
Members' deposits	35,180,495	32,286,897	29,821,318	25,487,847	23,708,854
Other liabilities	357,660	306,774	1,542,312	2,627,398	1,385,688
Membership shares	192,250	183,310	185,175	166,450	166,760
Class A patronage shares	75,906	87,076	112,132	132,659	197,978
Retained earnings	2,260,858	2,131,433	2,095,453	1,846,758	1,665,683
Total Capital	\$ 2,529,014	\$ 2,401,819	\$ 2,392,760	\$ 2,145,867	\$ 2,030,421
Regulatory capital ratio	6.69%	7.00%	7.22%	7.04%	7.43%
INCOME STATEMENT					
Interest income	\$ 1,737,431	\$ 1,856,543	\$ 1,934,321	\$ 1,670,880	\$ 1,460,253
Investment and other income	301,337	330,313	281,582	234,282	222,732
Total revenue	2,038,768	2,186,856	2,215,903	1,905,162	1,682,985
Interest paid to members	702,783	892,937	816,774	617,334	519,625
Borrowing costs	7,784	35,264	135,035	72,907	16,194
Operating spread	1,328,201	1,258,655	1,264,094	1,214,921	1,147,166
Salaries and benefits	581,686	578,510	589,345	480,817	453,197
Other operating costs	563,866	539,754	549,940	472,661	464,211
Income before undernoted	182,649	140,391	124,809	261,443	229,758
Loss from write-down of investments		(71,999)	-	-	-
Gain (loss) on sale of capital assets		-	(3,447)	-	77,836
Patronage rebates and dividends	(27,600)	(24,000)	(25,490)	(38,889)	(50,488)
Income before income taxes	155,049	44,392	95,872	222,554	257,106
Income taxes	25,624	8,412	18,155	41,479	38,948
Net Income	\$ 129,425	\$ 35,980	\$ 77,717	\$ 181,075	\$ 218,158
Number of members	3,994	3,805	3,836	3,444	3,439
Growth in member deposits	9.0%	8.3%	17.0%	7.5%	-0.1%
Liquidity	9.7%	11.2%	10.8%	8.9%	8.9%
Asset growth	8.8%	3.7%	13.0%	11.6%	1.6%

AUDITORS' REPORT

To the Members of **London Civic Employees' Credit Union Limited:**

We have audited the balance sheet of London Civic Employees' Credit Union Limited as at December 31, 2009 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2009 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Retford Lane Bates LLP
Licensed Public Accountants
January 14, 2010

BALANCE SHEET AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash resources (Note 3)	\$ 722,071	\$ 962,225
Investments (Note 4)	3,040,263	3,071,623
Loans to members (Note 5 and 6)	33,694,678	30,254,090
Other assets (Note 7)	293,787	358,581
Capital assets (Note 8)	316,370	348,971
	\$ 38,067,169	\$ 34,995,490
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Members' deposits (Note 9)	\$ 35,180,495	\$ 32,286,897
Other liabilities (Note 10)	357,660	306,774
Member shares (Note 11)	268,156	270,386
	35,806,311	32,864,057
Retained earnings	2,260,858	2,131,433
	\$ 38,067,169	\$ 34,995,490

Approved by the Board,



Director



Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
Interest income (Note 13)		
Member loans	\$ 1,737,431	\$ 1,856,543
Investment income	80,006	110,836
	1,817,437	1,967,379
Interest expense		
Member deposits (Note 14)	702,783	892,937
Distribution to members	27,600	24,000
External borrowings	7,784	35,264
	738,167	952,201
Net interest income	1,079,270	1,015,178
Provision for impaired loans (Note 6)	14,195	10,419
Net interest income after loan losses	1,065,075	1,004,759
Other income		
(Loss) gain on interest rate swap agreements	(4,104)	38,247
Other income	225,435	181,230
	221,331	219,477
Net interest and other income	1,286,406	1,224,236
Operating expenses		
Administration (Schedule)	389,126	383,507
Deposit insurance	30,349	28,605
Occupancy	130,196	117,223
Salaries and benefits	581,686	578,510
	1,131,357	1,107,845
Income before other adjustments	155,049	116,391
Other adjustments		
Write-down of ABCP 2008 Limited Partnership (Note 4)	-	(56,700)
Write-down of CUCO shares (Note 4)	-	(15,299)
	-	(71,999)
Income before income taxes	155,049	44,392
Income taxes		
Current	15,724	902
Future	9,900	7,510
	25,624	8,412
Net income for the year	129,425	35,980
Retained earnings, beginning of the year	2,131,433	2,095,453
Retained earnings, end of the year	\$ 2,260,858	\$ 2,131,433

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
Cash flows from operating activities		
Net income for the year	\$ 129,425	\$ 35,980
Adjustments for:		
Amortization	62,534	54,916
Provision for impaired loans (Note 6)	14,195	10,419
Patronage rebates and dividends	27,600	24,000
Unrealized gain on interest rate swap agreements	4,104	(38,247)
Write-down of ABCP 2008 Limited Partnership (Note 4)	-	56,700
Write-down of CUCO shares (Note 4)	-	15,299
Future income taxes	9,900	7,510
	247,758	166,577
Changes in non-cash working capital balances:		
Other current assets	60,690	253,160
Other liabilities	40,984	(243,047)
	349,432	176,690
Cash flows from investing activities		
Purchase of capital assets	(29,931)	(10,515)
Loans to members - net	(3,454,782)	(1,033,810)
Investments	31,359	32,117
	(3,453,354)	(1,012,208)
Cash flows from financing activities		
Decrease in term loan	-	(1,000,000)
Members' deposits	2,893,598	2,465,579
Membership shares	(29,830)	(50,921)
	2,863,768	1,414,658
(Decrease) increase in cash and cash equivalents	(240,154)	579,140
Cash and cash equivalents, beginning of the year	962,225	383,085
Cash and cash equivalents, end of the year	\$ 722,071	\$ 962,225
INTEREST AND INCOME TAXES PAID:		
Interest paid	\$ 762,940	\$ 903,870
Income taxes paid (net of refunds)	\$ (10,846)	\$ (4,889)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

Nature of Business

London Civic Employees' Credit Union Limited (the "Credit Union") is a financial institution incorporated in Ontario under the Credit Unions and Caisses Populaires Act, and operates in accordance with this statute and the accompanying regulations. The Credit Union is a member of the Deposit Insurance Corporation of Ontario ("DICO") and Central 1 Credit Union ("Central 1"). The Credit Union provides financial products and services to members throughout Ontario.

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with the preceding year. Outlined below are the accounting policies considered to be significant.

The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Investments

Investments designated as loans and receivables are accounted for at amortized cost and income thereon accrues using the effective interest method.

Investments designated as held for trading are carried at fair value based primarily on published market prices. Gains and losses are included in investment income for the period in which they arise.

Investments classified as available for sale are carried at fair value where such a value can be reliably measured, otherwise they are carried at cost. Unrealized gains and losses are recognized directly in other comprehensive income. In the period in which the asset is sold, or otherwise derecognized, the cumulative gain or loss, previously recorded in accumulated other comprehensive income, is recognized in net income.

Capital assets

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

Asset	Rate
Furniture and equipment	20%
Computer hardware	33.3%
Computer systems	20%
Computer software	33.3%
Leasehold improvements	Amortized over remaining term of lease including the first renewal term

Loans to members

Loans to members are stated at amortized cost. Interest income is recorded using the effective interest rate method over the terms of the loans. Loan fee income that contributes to the overall yield of a loan is incorporated into the effective interest rate and recognized in income over the term of the loan.

A loan is classified as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days.

Once a loan is classified as impaired, all previously accrued interest is reversed and charged against current income unless the amount is fully secured. Loans are generally returned to accrual status when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgements about current economic conditions. If the circumstances under which these estimates and judgements were made change, there could be a significant change to the allowance for impaired loans which consists of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Members' deposits

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

Member shares

The Credit Union has adopted the recommendations of the Canadian Institute of Chartered Accountants relating to the financial statement presentation of members' share accounts and the related distributions paid on such financial instruments. In accordance with these recommendations, the Credit Union's shares are presented in the balance sheet as financial liabilities. These liabilities qualify as capital for regulatory purposes, notwithstanding their financial statement classification. Dividends or other payments related to member shareholdings are reported in the statement of operations as a financial expense.

Translation of foreign currencies

The monetary assets and liabilities of the Credit Union denominated in foreign currencies are translated at the rates of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the year. Exchange gains or losses are included in operations.

Derivative financial instruments

The Credit Union enters into equity-linked purchase options to

manage exposure to stock market risk. The Credit Union does not enter into derivative financial instruments for trading or speculative purposes.

When derivatives are used to manage exposure, the Credit Union determines for each derivative whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge of a specifically identified group of assets or liabilities. The Credit Union assesses, both at the inception and over the term of the hedge, whether these derivatives are highly effective in offsetting changes in fair value or cash flows of hedged assets and liabilities.

Derivatives that do not qualify for hedge accounting are carried at fair value on a gross basis in assets and liabilities with changes in fair value recorded in other income.

Equity-linked purchase options are used to reduce the exposure to stock market fluctuation in the returns associated with the index-linked deposits issued to members. The premiums paid for these options are deferred in members' deposits and amortized to interest expense on members' deposits over the life of the options.

2. Future Changes in Accounting Policy

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that IFRS will replace Canadian GAAP for publicly accountable enterprises for interim and annual periods beginning on or after January 1, 2011, including the restatement of the comparative period financial statements on the same basis. As a credit union, we are included in the definition of a publicly accountable enterprise and, as such, we will be required to prepare the December 31, 2011 financial statements, including comparative information for 2010, in compliance with IFRS.

The Credit Union's project plan includes three phases: (1) scope and plan, (2) design and build, and (3) implement and review. The scope and plan phase is underway and the standards that are expected to have a significant impact on the Credit Union's recognition, measurement, presentation and disclosure of its financial statements are being identified.

We are in the process of assessing the differences between our current accounting policies and those provided by IFRS, as well as the elections and policy choices available on adoption. Our assessment will include the potential impact of the conversion effort on our systems, internal controls over financial reporting, disclosure controls and business activities.

Significant changes to IFRS accounting standards are expected to be issued by the International Accounting Standards Board throughout 2010 and 2011. As a result, there is uncertainty regarding the expected accounting standards that will ultimately be in place in 2011 and, therefore, applicable to our first IFRS financial statements, including comparatives and opening IFRS balance sheet. Our IFRS project plan includes activities to ensure we monitor these changes. At this point in the project, we are not able to reasonably estimate the quantitative impact of transitioning to IFRS on our financial statements.

3. Cash Resources

Cash consists of cash on hand and payroll deductions which have been made and which are in the course of being remitted. The Credit Union has an available credit facility of \$4,490,000 to cover a shortfall in cash resources due to unanticipated volume in clearings. This facility includes a line of credit of CDN \$480,000, US \$10,000, a term loan of \$3,000,000 and an extraordinary term loan of \$1,000,000. This facility is secured by a general security agreement and an assignment of book debts and bears interest at 0.8%. At December 31, 2009, the facility was not utilized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

4. Investments

	2009	2008
Loans and receivables		
Central 1 Credit Union Liquidity reserve deposit	\$ 2,624,287	\$ 2,467,649
Accrued interest	24,574	36,503
	2,648,861	2,504,152
Held for trading		
Short-term deposits	-	115,352
ABCP 2008 Limited Partnership	129,625	167,439
	129,625	282,791
Available for Sale		
Credit Union Central of Ontario shares	46,046	284,679
Central 1 Credit Union Class A shares	86,931	1
Central 1 Credit Union Class E shares	128,800	-
	261,777	284,680
	\$ 3,040,263	\$ 3,071,623
Market Value	\$ 3,075,244	\$ 3,115,185

Central 1 Credit Union Liquidity Reserve Deposit

As a condition of maintaining membership in Central 1 in good standing, the Credit Union is required to maintain on deposit in Central 1 an amount equal to 7% of the Credit Union's total assets updated at each calendar quarter end. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice.

Central 1 Credit Union Shares

Effective July 1, 2008, Credit Union Central of Ontario (CUCO) merged with Credit Union Central of British Columbia to form a new entity, Central 1. Central 1 assumes the responsibility of being the credit union central in both provinces.

As a condition of maintaining membership in Central 1, the Credit Union is required to maintain a minimum level of investment in shares of Central 1. The minimum level of investment is determined annually based on the Credit Union's total assets at year end. The merger was affected through the acquisition of CUCO's net assets and the Credit Union has received the Class A and Class E shares in Central 1.

During the prior year, the value of the remaining CUCO shares were determined to be impaired and were written down based on guidance provided by CUCO. No market exists for the shares of CUCO or Central 1. The shares may be surrendered upon withdrawal from membership. The proceeds and terms of payment are to be negotiated at the time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

4. Investments (continued)

ABCP 2008 Limited Partnership

As a pre-condition of the merger to form Central 1, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership, ABCP 2008 Limited Partnership ("ABCP LP"), to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. The Credit Union owns ABCP LP units equal to 0.1814% of the partnership. The ABCP LP is governed by a board of directors that was elected by the unit holders.

The Credit Union carries its investment in the ABCP LP at its share of the fair value of the partnership as estimated by the general partner. Approximately 80% of the ABCP held in the partnership is subject to a court-sanctioned restructuring process known as the "Montreal Accord". The remaining investment is in Apex Trust which has been restructured by the sponsor. Both restructurings involved replacing the original short-term ABCP with various classes

of long-term notes. The notes bear a variety of interest rates between 0% and 5% with most floating with a premium or discount to the Bankers' Acceptance rate.

As at December 31, 2009, the ABCP LP determined or estimated the principal characteristics of its notes, including the interest rate, maturity date and credit rating. It then estimated the yield that a potential investor would require to purchase each class of notes. The ABCP LP used this information to calculate a fair value for each class of notes. Based upon a sensitivity analysis of the assumptions used, the expected yield required by a potential investor remains the most significant assumption included in the fair value estimate.

The Credit Union has accepted its proportionate share of ABCP LP's net asset value of \$85 million as the value of its investment at year end. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in the future.

5. Loans to Members

	2009	2008
Mortgages	\$ 25,740,413	\$ 22,742,539
Personal	8,038,540	7,598,078
Accrued interest	22,153	25,977
	33,801,106	30,366,594
Less allowance for impaired loans (Note 6)	106,428	112,504
	\$ 33,694,678	\$ 30,254,090

The loan classifications set out above are as defined in the regulations to the Credit Unions and Caisses Populaires Act, 1994.

Residential mortgage loans are repayable in monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of thirty-five years.

Personal loans, including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years,

except for secured line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for residential mortgage loans, are open and, at the option of the borrower, may be paid off at any time without notice.

As at December 31, 2009, the Credit Union was committed to the issuance of mortgage loans to members in the aggregate amount of \$nil (2008 - \$526,720).

As at December 31, 2009, the approved and unused line of credit limits amount to \$6,992,297 (2008 - \$3,976,731).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

6. Allowance for Impaired Loans

	2009		2008	
Balance at beginning of year	\$	112,504	\$	138,153
Loans written off		(31,369)		(49,649)
Loans recovered		11,098		13,581
		92,233		102,085
Provision charged to operations		14,195		10,419
Balance at end of year	\$	106,428	\$	112,504

The Credit Union has established loan concentration policies to ensure a prudent diversification of the types of loans in its portfolio. Additionally, the Credit Union has a maximum limit on the value of loans to an individual and connected parties. The maximum amount varies depending on the type of loan.

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowances.

	Allowance for impaired loans balance		Aggregate impaired loans	
	2009	2008	2009	2008
Mortgages	\$ -	\$ 16,211	\$ -	\$ 58,498
Personal	106,428	96,293	90,169	58,490
	\$ 106,428	\$ 112,504	\$ 90,169	\$ 116,988

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of the loans that are past due, but not considered impaired.

	2009		2008	
Mortgages	\$	203,732	\$	-
Personal		42,588		37,187
	\$	246,320	\$	37,187

7. Other Assets

	2009		2008	
Other receivables	\$	20,750	\$	47,935
Prepaid expenses		31,236		35,486
Future income taxes		3,200		13,100
Income taxes receivable		-		10,846
Index-linked derivative contract		238,601		207,723
Interest rate swaps		-		41,322
Forward contracts		-		2,169
	\$	293,787	\$	358,581

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

8. Capital Assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Furniture and equipment	\$ 107,498	\$ 80,890	\$ 26,608	\$ 33,124
Computer equipment	291,351	261,447	29,904	35,201
Leasehold improvements	353,254	93,396	259,858	280,646
	\$ 752,103	\$ 435,733	\$ 316,370	\$ 348,971

Amortization expense for the year amounted to \$62,534 (2008 - \$54,916).

9. Members' Deposits

	2009	2008
Chequing accounts	\$ 1,705,269	\$ 1,599,837
Savings accounts	11,180,686	9,735,411
Term deposits	7,513,902	7,578,326
Registered savings plans	13,173,739	11,806,273
Registered income funds	1,357,148	1,238,890
Accrued interest	249,751	328,160
	\$ 35,180,495	\$ 32,286,897

Registered plans

Concentra Trust is the trustee of the registered plans offered to the members. Under an agreement with the trust company, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members or their designates, by the Credit Union on behalf of the trust company.

Index-linked deposits

The Credit Union has issued and outstanding \$4,227,193 (2008 - \$4,369,353) of Index-Linked products to its members. These deposits have maturities of 3 and 5

years and pay interest to the depositors, at the end of the respective terms, based on the performance of the S&P / TSX 60 Index.

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the S&P / TSX 60 Index associated with these products. The Credit Union has paid Central 1 an amount discounted over the term of the deposit to fully fund the Credit Union's liability to Central 1. At the end of the term of the deposit, Central 1 pays to the Credit Union an amount equal to the earnings that will be paid to the depositors based on the performance of the S&P / TSX 60 Index.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

10. Other Liabilities

	2009		2008
Accounts payable and accrued charges	\$ 102,374	\$	99,051
Income taxes payable	16,685		-
Index-linked derivative contract	238,601		207,723
	\$ 357,660	\$	306,774

11. Member Shares

	2009		2008
Membership shares	\$ 192,250	\$	183,310
Patronage shares	48,306		63,076
Accrued dividends on patronage shares and rebates	27,600		24,000
	\$ 268,156	\$	270,386

The Credit Union has 3,994 (2008 - 3,805) members. As a condition of membership, each adult member and business must hold 10 shares and youths (under 18 years of age) must hold 5 shares at the issue price of \$5 each. Shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements and the discretion of the directors who may require notice.

Patronage Rebates and Dividends

Although members' shares are regarded as capital for regulatory purposes, they impose a contractual obligation

on the Credit Union to pay cash in certain defined future circumstances. They have, therefore, been classified as liabilities for purposes of these financial statements. Correspondingly, dividends paid on these shares have been classified as an expense in the statement of operations.

Members are eligible to receive patronage rebates based on annual interest paid on their borrowings and on annual interest received on certain of their deposits. Members are also eligible to receive dividends on patronage shares.

2009 patronage rebates and dividend expense is comprised of the following:

	2009		2008
1.35% (2008 - 1.00%) bonus interest on interest earned on savings, chequing and non-registered term deposits (minimum bonus \$5)	\$ 3,799	\$	3,545
1.35% (2008 - 1.00%) rebate of loan interest paid	21,847		17,143
4.05% (2008 - 5.25%) dividend on patronage shares held December 31, 2009	1,954		3,312
	\$ 27,600	\$	24,000

The bonus interest, loan interest rebate and dividends are payable on January 14, 2010 in the form of patronage shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

12. Capital Adequacy

The Credit Union's capital management policy outlines the overall objectives to ensure that the Credit Union has sufficient capital needed to address the inherent risks of the Credit Union, ensure the long term viability of the Credit Union, and support its current and future operating plans.

The processes for managing capital include setting the policy for capital management, setting policies in related areas, establishing budgets and reporting monthly to the Board of Directors regarding financial results and capital adequacy, in relation to the statutory minimum.

In accordance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and

accompanying regulations, credit unions are required to maintain sufficient capital to meet the following test:

Leverage test: Regulatory capital, primarily comprising of membership shares, any other class of qualifying capital that may be issued, retained earnings and the non-specific/general allowance for impaired loans, must amount to at least 5.0% of total assets. The Credit Union has established an internal policy to maintain regulatory capital at no less than 5.5% of total assets.

As at December 31, 2009, the Credit Union is in compliance with the minimum statutory requirements for regulatory capital, as outlined in the following table: Total regulatory capital is comprised of Tier 1 and Tier 2 capital as follows:

	2009	2008
Tier 1 capital		
Membership shares	\$ 192,250	\$ 183,310
Retained earnings	2,260,858	2,131,433
Non-redeemable portion of patronage shares	75,906	87,076
Total Tier 1 capital and Regulatory Capital	2,529,014	2,401,819
Tier 2 capital		
Non-specific loan loss provisions	17,530	59,238
Total Tier 2 capital	17,530	59,238
Tier 1 and Tier 2 capital	2,546,544	2,461,057
Less: Other capital amounts	-	(13,100)
Total Regulatory Capital	\$ 2,546,544	\$ 2,447,957
Leverage test ratio:	6.7%	7.0%

13. Interest Income

Interest income is generated as follows:

	2009	2008
Mortgage loans	\$ 1,149,449	\$ 1,190,934
Personal loans	587,982	665,609
Member loans	1,737,431	1,856,543
Investments classified as loans and receivables	66,275	92,371
Investments classified as available for sale	13,731	-
Financial assets other than those held for trading	1,817,437	1,948,914
Investments classified as held for trading	-	18,465
	\$ 1,817,437	\$ 1,967,379

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

14. Interest Expense on Member Deposits

Interest expense on member deposits is generated as follows:

	2009	2008
Demand	\$ 80,601	\$ 175,255
Term	222,793	265,021
Registered savings plans	361,744	400,651
Registered income funds	37,645	52,010
	\$ 702,783	\$ 892,937

15. Income taxes

The Credit Union's basic statutory tax rate is approximately 17%. Any future income taxes included in other assets is the cumulative amount of tax applicable to temporary

differences between the carrying amount of the assets and liabilities and their values for tax purposes.

16. Commitments

The Credit Union has entered into an agreement to lease office space for a ten year term expiring March 31, 2015. The Credit Union has the option to renew the lease for two further seven year terms. The lease requires minimum lease payments plus operating and maintenance costs estimated as follows:

2010	\$ 95,366
2011	97,335
2012	97,335
2013	99,698
2014	100,485
thereafter	25,121
	<u>\$ 515,340</u>

17. Restricted Party Transactions

As at December 31, 2009, the aggregate value of interest-bearing personal and mortgage loans approved to directors, officers, and their related parties totalled \$25,621 (2008 - \$302). There was no allowance for impaired loans required in respect of these loans as at December 31, 2009.

The regulations require the financial statements to disclose a general description of the nature, number and aggregate

value of Restricted Party transactions, as defined, and the allowance for loan losses related to such transactions.

Restricted Party has been defined to include a person, and the person's relative, spouse, or relative of the spouse, who has been a director, officer or committee member in the preceding twelve months, and corporations in which the person owns more than 10% of the voting shares.

18. Additional Disclosures Required by the Act

The only remuneration paid to directors and committee members was for travel allowance and expenses for attendance at meetings.

19. Fair Value Of Financial Instruments

The estimated fair value amounts approximate the amounts at which instruments could be exchanged in a current transaction between willing partners who are under no compulsion to act. The estimated fair values of the Credit Union's financial instruments and the valuation techniques and assumptions are set out below. The valuations may vary significantly based on the judgement used in estimating

the amount and timing of future cash flows. As a result, the estimated fair values are not necessarily comparable across different organizations and may not be realizable. The estimation of fair values are based on market conditions at a specific point in time and may not be reflective of future fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

19. Fair Value Of Financial Instruments (continued)

	Book value	Estimated fair value	2009 Difference	2008 Difference
Assets				
Cash resources	\$ 722,071	\$ 722,071	\$ -	\$ -
Investments	3,040,263	3,075,244	34,981	43,562
Loans to members	33,694,678	34,004,493	309,815	(1,203)
Other	238,601	238,601	-	-
Liabilities				
Members' deposits	(35,180,495)	(35,613,055)	(432,560)	(202,003)
Other	(238,601)	(238,601)	-	-

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair value of cash resources are assumed to approximate their book value due to their short-term nature.
- The fair value of investments are based on quoted market values.
- The estimated fair value of variable rate loans and deposits are assumed to be equal to book value as the interest rates reprice to market on a periodic basis.
- The estimated fair value of fixed rate loans and deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

20. Nature and Extent of Risks Arising From Financial Instruments

Liquidity risk

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk that the Credit Union will be unable to pay obligations when they fall due, including the withdrawal of members' deposits or the funding of loans to members.

The Credit Union's liquidity management policy outlines the processes for managing liquidity risk, including maintaining high quality liquid investments, maintaining a credit facility with Central 1 (see Note 3) and monthly reporting to the Board of Directors regarding the Credit Union's liquidity

level, in relation to the statutory minimum of 5%. In addition, the Credit Union continually monitors cash flows, the significance of large deposits and loan commitments relative to its liquidity.

The liquidity ratio represents the ratio of assets qualifying as liquid assets under the Act to the sum of members' deposits and borrowings. The Credit Union has established an internal policy of maintaining a ratio between 7% and 16%. At December 31, 2009, the liquidity ratio is 9.7% (2008 - 11.2%) which is in compliance with policy.

The assets that are eligible for liquidity purposes are as follows:

	2009	2008
Cash resources	\$ 722,071	\$ 962,225
Liquidity reserve deposits with Central 1	2,624,288	2,467,649
Deposits with other financial institutions	-	115,352
Other amounts	9,088	46,486
	\$ 3,355,447	\$ 3,591,712

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

20. Nature and Extent of Risks Arising From Financial Instruments (continued)

Credit risk

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet his or her financial obligations.

The Credit Union's credit management policy sets out the processes for managing credit risk, including the following:

- Setting a maximum amount of credit to an individual and connected parties;
- Setting a total limit by loan type;
- Performing a credit analysis (e.g. review and assess the

borrower's credit history, ability to repay the loan, and character);

- Obtaining collateral when appropriate;
- Employing risk based pricing;
- Establishing loan approval limits;
- Reporting monthly to the Board of Directors regarding loan activities, as required by the Board and the Act; and
- Procedures followed for loans in arrears.

The Credit Union's exposure to the risk of loss on impaired or potentially impaired loans is set out in Note 6.

Interest rate risk

The business of the Credit Union necessitates the management of interest rate risk. Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings, due to mismatches in the maturities and interest rate types (fixed vs. variable) of its financial liabilities and financial assets.

The Credit Union's interest rate risk policy sets out the

processes for managing interest rate risk, including establishing a limit of the exposure to interest rate fluctuations, stating the method used to measure interest rate risk, and reporting monthly to the Board of Directors the earnings at risk.

The table below summarizes amounts by maturity dates and effective interest rates for the following on-balance sheet financial instruments:

	Variable Rate	Less than one year	One to five years	Non-rate Sensitive	Total	Effective Interest Rate
Cash resources	\$ 478,152	\$ -	\$ -	\$ 243,919	\$ 722,071	0.12%
Investments	-	778,073	1,870,789	391,401	3,040,263	1.63%
Loans to members	18,496,485	895,832	14,302,361	-	33,694,678	5.19%
Total	18,974,637	1,673,905	16,173,150	635,320	37,457,012	
Members' deposits	14,455,373	9,867,601	10,676,461	181,060	35,180,495	1.93%
Member shares	75,906	-	-	192,250	268,156	1.15%
Total	14,531,279	9,867,601	10,676,461	373,310	35,448,651	
Matching gap	\$ 4,443,358	\$ (8,193,696)	\$ 5,496,689	\$ 262,010	\$ 2,008,361	

Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances of its foreign currency liabilities are not matched with the balances of its foreign currency assets.

It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency assets to its foreign currency liabilities

(i.e. members' deposits denominated in US dollars). Consequently, the impact on earnings of foreign currency exchange risk is not significant.

Net foreign exchange gains of \$12,884 (2008 - \$16,223) have been included in other income on the statement of income and retained earnings for the year ended December 31, 2009.

SCHEDULE OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
Administration		
Administration fees	\$ 11,688	\$ 9,833
Advertising and promotion	52,027	42,336
Amortization	41,745	34,127
Annual meeting	2,016	2,813
Bank and clearing charges	69,339	65,722
Board and committee	13,345	13,260
Bonding	25,282	23,909
Data processing	45,339	44,946
Education and training	7,984	6,500
League dues	10,425	17,706
Loan administration	6,761	4,960
Office	68,603	64,042
Professional fees	25,450	46,028
Telephone	5,287	4,014
Travel	3,835	3,311
	\$ 389,126	\$ 383,507



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