

2010
ANNUAL
REPORT



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CORPORATE PROFILE

Hald-Nor Community Credit Union is one of Ontario's growing regional credit unions with four Branches serving the South Coast and Upper Hamilton region, \$113 million in assets under administration, 5,300 Members and 40 Employees.

OUR PURPOSE

At Hald-Nor Community Credit Union, our purpose is to professionally deliver a complete range of financial products, information, and advice; in ways that are convenient, accessible, secure, and comfortable to those whom we serve. We achieve this by building trusted relationships, by being disciplined through continuous learning, and by merging core values and talents through teamwork and special partnerships.

CORE VALUES

- Honesty, trustworthy, joyful, and ethical business practice;
- Responsible citizenship as persons and as a corporation;
- Respect and opportunity for individual growth, and the development of our people;
- Striving for continuous improvement; anticipating and seeking new opportunities to serve;
- The pursuit of excellence in everything we do; and
- Strength and stability of capital.

PRODUCTS AND SERVICES

Personal Banking – Savings and chequing accounts, high-interest savings, US dollar accounts, special accounts for seniors, youth and students, online and telephone banking, personal loans, lines of credit, mortgages, MasterCard® credit cards, safe deposit boxes, foreign currency, term deposits, and TFSA's.

Business Banking – Business savings and chequing account packages, cash management services, lines of credit, letters of credit, business and commercial loans, real estate, construction and development financing, business credit cards, payroll outsourcing, merchant MasterCard®, foreign exchange services and night deposits.

Wealth Management – “Term deposits, TFSA's, RRSP's, RESP's, LIF's, RRIF's, GIC's, mutual funds*, stocks** and bonds**.”

Insurance – Home and property, automobile, business, recreational, life, health and employment.

**Hald-Nor
at a glance**

OUR VISION

Our vision for 2015 is to build towards a strong regional credit union presence.

report from the president & C.E.O



We have made significant progress on strategic initiatives to position for the new economic reality – the only certainty is uncertainty!

Ralph Luimes

President and C.E.O.

Divergent views concerning the direction of the economy, has created an air of cautiousness. Despite a more stable environment, the Canadian economy is being steadily pulled down by an internally focused U.S. Surprising many, the consensus position amongst economists and business people is unusually broad, motivating many folks to err on the side of caution and simply not take chances. Today's sound money management practices include, not only expense control, but also pay down of debt and building of reserves. Today, sound management includes the use of "shock absorbers" to protect against a range of potential scenarios in case a revenue source suddenly dries up.

In the last two years, all of us have witnessed families and businesses experiencing severe hardship, in some cases bankruptcy, often caused by influences completely beyond their control. Therefore, many are taking more care to manage their resources and are cautious as they pursue opportunities. Of particular interest, is the counsel being given to folks in their twenties by those ten years older; don't take on too much debt, pay it down and save.

> LEARNING AND GROWING MEMBER RELATIONSHIPS

At Hald-Nor, learning not only helps to position the organization for navigating uncertainty, it also builds capacity for the future. Much focus has and continues to be on regulatory requirements associated with anti-money laundering rules, international accounting standards, tax free savings account and Ontario's revised credit union act.

In addition, the website was rebuilt, on-line security was enhanced, the period for retaining e-statement records was extended and we are about to launch mobile banking.

Demographically, society is on the front of a multi-year succession period as families, businesses and financial institutions are creating, supporting or implementing succession plans. Technically, main street banking is also changing as micro engineering creates smaller and lighter instruments offering increased convenience and mobility through which products and services are delivered. The emotional challenge of the day arises from the drag economy which tends to grow a culture of complacency given there is not as much reward to motivate innovation and productivity. Given the drag economy, we are also conscious of how challenging times motivates crime and incents fraud artists, necessitating increased emphasis on risk management.

> FINANCIAL PERFORMANCE

Elsewhere in this booklet, five year trend charts illustrate year over year change in key benchmark measures. In addition, the single most significant year over year change in the balance sheet is the increase of the cash position by \$5.5 million. This arises largely from stronger than expected growth in deposits and a decline in the loan growth rate.

Assets grew from \$106 million in 2009 to \$113 million in 2010, representing a 7.3% gain year over year. After tax profitability also grew year over year \$539,754, all of which was assigned to reserves for financial stability. Capital levels held steady at 7.54% when measured as a percentage of assets, but when measured as a percentage of risk weighted assets it is 14.75%.

As always, we continue to see strong value in partnering with other credit unions on a variety of operational initiatives. Success in a market that is growing and changing requires that we always be looking for a path to improve. Operational effectiveness, scale of operation, points of access and a desire to be local are all key goals for the credit union.

The past years have been marked with significant change and instability in the financial sector. This past year, regulatory change seemed to be the order of the day. Branch and administration Staff at HNCCU, have worked hard negotiating much change. As CEO, I'm sure staff would tell you they still have lots of work to do, but I'm proud of their efforts in the last year. HNCCU Members are part of the Canadian credit union system, which has meaningful scale and is in an attractive position going forward. Our Credit Union is sound, our deposits are safe and business continues.

~ Ralph Luimes

President and Chief Executive Officer

MESSAGE FROM THE CHAIR

On behalf of the Board of Directors of Hald-Nor Community Credit Union (HNCCU), it gives me great pleasure to share with you reports on the performance of the Credit Union for the year ending June 2010. From its humble beginnings 56 years ago, Hald-Nor has grown to become a respected credit union in Ontario. Today, we are a strong, innovative, responsive and vibrant financial institution providing valued solutions to the South Coast and Upper Hamilton region of Southern Ontario.



Dick Kranendonk
Chair, Board of Directors

Last year was the year of change and 2010 has become one of instability. Despite the quality of the Canadian banking system, the Canadian economy is being pulled down by the rest of the world and in particular the US.

At Hald-Nor, this means we also need to be vigilant and agile in our structure as society and the economy restructure. We are well aware the restructuring will carry implications for our HNCCU Staff and our Member-Owners. Despite this, we have seen and appreciate the continued support and trust of our Members. This is most notable as the average relationship balance per Member continued to increase. This is very encouraging. Therefore it is my sincere pleasure to report that your Credit Union achieved excellent operational and financial results, despite the drag we experience on our economy. The regulatory environment continues to demand the attention of the financial sector, and as reported in this booklet, we are addressing these issues head on to ensure your Credit Union's future remains strong and secure.

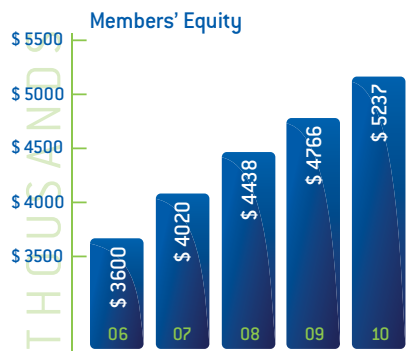
Operationally, the merger of Ontario and British Columbia Centrals has proven to be positive and we expect to review the governance model in the fall of 2010. The liquidity situation has improved dramatically compared to 2009. Our CEO and Senior Staff continue to participate in national initiatives as called upon.

HNCCU's proportional share of ABCP (asset backed commercial paper) investments has generated some positive cash flow as portions of it mature and valuation is reviewed quarterly.

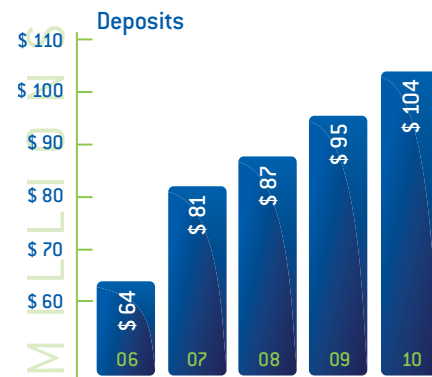
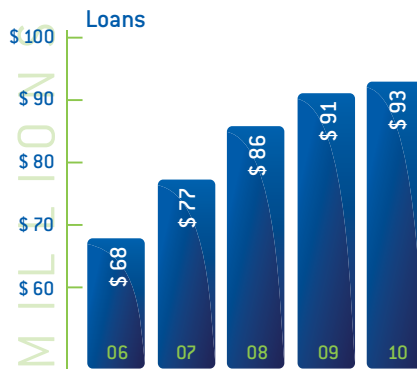
The Board of Directors continues to perform their jobs to a high standard; adapting to the changing economic landscape by, identifying risk to be managed, working in the best interests of Members and working with Management to provide direction in revising and updating our Strategic Plan. Board policies were reviewed and adjusted where required; as well, we are continuing to work through the new changes in the Credit Union Act (Ontario).

As the Chair of the Board of Directors, I extend my respect and sincere appreciation to the contributions of all fellow Directors, including Dave Wagner, who has decided not to continue following three years of service. The Directors are impressively diverse and diligent – as a group they work very well together. I am pleased to report that Katrina Schmitz and Chris Smith have both decided to stand for re-election. I also thank Sherry Osinga and Luann Wagner for allowing their name to stand for election to the Board.

On behalf of the Board of Directors, I would also like to express my sincere appreciation for the joyous efforts of Staff and Managers who have worked hard to address new regulatory requirements to strengthen the organization from the inside out. It is evident they are proud of their local focus; remaining helpful, personal and responsive to Members. Thank you also to CEO Ralph Luimes and his Management Team for their continued leadership to the Credit Union and the community.



financial performance at a glance



consolidated

	2010	Number	000' Dollars	% of Total\$	2009	Number	000' Dollars	% of Total\$
Personal Mortgages	Approved	81	12,986	85%	93	13,165	76%	
	Declined	19	2,297	15%	28	4,223	24%	
	TOTAL	100	15,283	100%	121	17,388	100%	
Personal Loans	Approved	202	2,145	74%	199	3,076	79%	
	Declined	67	757	26%	62	821	21%	
	TOTAL	269	2,902	100%	261	3,897	100%	
Personal LOC's	Approved	115	2,309	96%	211	2,959	97%	
	Declined	18	99	4%	30	85	3%	
	TOTAL	133	2,408	100%	241	3,044	100%	
Business Loans & LOC's	Approved	47	6,837	42%	58	5,562	50%	
	Declined	20	9,603	58%	26	5,491	50%	
	TOTAL	67	16,440	100%	84	11,053	100%	
Delinquency			0.95%				1.13%	

report on
management
responsibility

The accompanying summarized financial statements and the complete financial statements have been prepared by Management of Hald-Nor Community Credit Union Limited (HNCCU), which is responsible for their reliability, completeness, and integrity. The financial statements were developed in accordance with Canadian generally accepted accounting principles. The financial information presented in this annual report booklet is consistent with the financial statements and has been approved by the Board of Directors.

A system of internal controls and reporting procedures are designed to provide reasonable assurance that the financial records are complete and accurate so as to safeguard the assets of the organization. These systems allow informed judgments and estimates of the expected effects of current activities and transactions. Included are the establishment and communication of standards of business conduct throughout all levels of the organization to prevent conflicts of interest and unauthorized disclosure, and to provide assurance that all transactions are authorized and proper records are maintained. When alternative accounting methods exist, Management and the Audit Committee choose those deemed most appropriate given the circumstances. Further, they are reviewed by the Credit Union's External Auditors and the Credit Union is subject to periodic examination by the Deposit Insurer of Ontario in co-operation with the Financial Securities Commission of Ontario.

Millard, Rouse & Rosebrugh LLP (MRR)—the External Auditors—have examined the complete financial statements in accordance with Canadian generally accepted auditing standards. MRR have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Ralph Luimes, President & CEO
Connie Wighton, VP Finance & CFO

HALD-NOR COMMUNITY CREDIT UNION LIMITED

The accompanying summarized balance sheet, statements of income, undivided earnings, reserve for financial stability, and cash flows are derived from the complete financial statements of Hald-Nor Community Credit Union Limited as at June 30, 2010 and for the year then ended. In our auditors' report on the complete financial statements dated July 27, 2010, we expressed an unqualified opinion. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

Millard, House & Rosebrugh LLP

Chartered Accountants
Licensed Public Accountants
Hagersville, Ontario
July 27, 2010

auditor's
report

financial
statement

assets

As at June 30	2010	2009
Cash and bank	8,204,880	2,920,578
Other current assets	1,122,315	1,003,428
Loans receivable	93,090,583	91,910,555
Investments	10,273,261	9,826,224
Property, plant and equipment	1,196,026	498,207
Future income taxes	66,900	47,323
	113,953,965	106,206,315

liabilities and members equity

Term loans	0	1,700,000
Other current liabilities	521,014	514,778
Members deposits	104,843,864	95,951,411
Members shares	3,351,657	3,273,934
Reserve for financial stability	5,210,278	4,670,524
Accumulated Other Comprehensive Income	27,152	95,668
	113,953,965	106,206,315

statement of undivided earnings

financial
statement

As at June 30	2010	2009
Balance - beginning of year	0	0
Add: Net Income	539,754	222,227
Less: Appropriation to reserve for financial stability	539,754	222,227
Balance - end of year	0	0

statement of reserve for financial stability

Balance - beginning of year	4,670,524	4,448,297
Add: appropriation from undivided earnings	539,754	222,227
Balance - end of year	5,210,278	4,670,524

financial
statement

statement of accumulated other comprehensive income

As at June 30	2010	2009
Balance - beginning of year	95,668	-9,448
Transition adjustment to financial instruments	0	0
Other comprehensive income for the year	-68,516	105,116
Balance - end of year	27,152	95,668

statement of comprehensive income

Net Income	539,754	222,227
other comprehensive income	-68,516	105,116
Comprehensive income for the year	471,238	327,343

statement of income

financial
statement

As at June 30	2010	2009
Revenue	6,351,581	6,001,783
Financial costs	2,078,826	2,265,853
Expenses	3,536,794	3,353,442
<hr/>		
income before dividends, income taxes and other expenses	735,961	382,488
estimated dividends on investment shares	109,404	121,737
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income before income taxes	626,557	271,756
provision for income taxes	86,803	49,529
<hr/>		
Net income	539,754	222,227

statement of cash flows

As at June 30	2010	2009
Cash flows from operating activities	733,666	304,681
Cash flows from financing activities	7,270,176	5,463,373
Cash flows from investing activities	-2,719,540	-5,999,371
net increase in cash and cash equivalents	5,284,302	-231,317
opening cash and cash equivalents	2,920,578	3,151,895
Closing cash and cash equivalents	8,204,880	2,920,578

AUDIT

This Committee reviews reporting and risk management practices. It oversees the results of the External Auditors' audit of the annual financial statements. The Committee also reviews the recommendations made by those performing internal audit work regarding internal controls, procedures and ensuring appropriate action is taken.

In 2009-2010 the Audit Committee met five times with Management and External Auditors, to discuss internal controls over the financial reporting process, scope of audit, organizational risk and the External Auditor's report. The Committee reports its findings to the Board of Directors for consideration.

Millard, Rouse & Rosebrugh LLP (MRR)—the External Auditors—have examined the complete financial statements in accordance with Canadian generally accepted auditing standards. MRR have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Dick Kranendonk
Greg Schmidt
Jonathan van der Heiden, Chair
Dave Wagner

GOVERNANCE

This Committee reviews the work of the CEO and receives reports from the CEO concerning staff experience, quality of skills, effectiveness and depth and also meets regularly with the CEO to review annual goals and objectives. The Committee is also responsible for the annual review of policy; making recommendations to the Board as required.

Gary Beemer
Katrina Schmitz
Chris Smith, Chair

* Mutual funds are offered through Qtrade Asset Management Inc., member MFDA. Commission, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise stated, mutual fund securities and cash balances are not insured nor guaranteed, their values change frequently and past performance may not be repeated.

**Online brokerage services are offered through Qtrade Investor, a division of Qtrade Securities Inc., member IIROC and CIPF.

board
committees



HALD-NOR
CREDIT UNION

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