

Annual Report | 2014

more

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Message from the Chairman

If 2013 was a year of planning and reflection, then 2014 was a year of action and progress. Our new direction is shaped by our history, our vision, our mission and our values. It is also informed by DUCA's innovative approach and willingness to address new challenges head-on.

As we see the initial results of our new strategic direction begin to take shape, we can't help but feel optimistic. Our credit union experienced significant growth over the past year and we look forward to the future with great optimism. In other words, we look forward to providing both our Members and our community with *more*.

"*More*" is not just an element of our logo, it speaks to our drive to achieve real change. We exist to help people do *more*, be *more* and achieve *more* with their money and their lives. Strong financial stewardship is essential, but in the spirit of *more*, DUCA will move beyond this to include the broader community as well. In 2014 we set out to become more than a bank, rather, we are a financial institution seeking to encourage more secure livelihoods and prosperous communities for all members of the society. Our vision is to work closely with individuals and communities in pursuit of both financial and social well-being. We are setting out to define the term Fair Trade Banking and look forward to rolling out this strategy in the years ahead.

DUCA also believes banking should be simple. We are constantly striving to enhance our Member service experience and are always looking for opportunities

to be more effective and efficient. This is a key reason DUCA has embraced the changes being brought about by mobile banking in our industry. DUCA is pushing to be a leader in service and innovation in this space. In recent years, we have launched online banking, mobile banking and other innovative services. In 2014, we also launched our mobile banking subsidiary ZenBanx Canada™, which allows our Members to hold multiple currencies in a single mobile-based bank account. This is a significant step forward for our credit union and we look forward to building this new venture in the coming years.

As your Board, we remain committed to our guiding principles and values, and are continually committed to making DUCA a thriving financial institution for many years to come.

Submitted respectfully,



Ralph Kikkert,
Chairman



Message from the CEO

As we celebrated our 60th anniversary, 2014 has been a historic year for DUCA. It began in 1954 with humble deposits of \$236. Fifty years later, in 2004, DUCA had grown to \$640 million. Now in 2014, assets have grown a record \$490 million to \$1.88 billion. It was also historic for the record growth of deposits, lending, and business development.

While we are proud of this success, there is *more* that compels us than mere accretion of assets. Our overarching longer-term goal remains clear: sustainable growth. DUCA is a credit union with a wellspring of intent and purpose to make a difference in our community and in our country through the co-operative banking sector.

We are purpose-driven to deliver a distinct user experience that will define what it means to be a Member of a co-operative bank. Our niche is those who want *more*. Those that want to achieve *more* with their money and do *more* with Fair Trade Banking.

To transform intent and purpose into tangible results, we must provide a compelling alternative to traditional banks. This means attractive product and service choices, while effectively managing costs and risks. Our purpose is to provide a sustainable return on assets to be utilized for both a better Member experience and to create authentic societal impacts that are at the heart of who we are and why we exist.

We think many other credit unions, including DUCA, are intent to be on that journey for best-in-class financial services excellence. We see our emerging industry innovation helping enable the entire co-operative banking community to do *more*. We continue to seek compelling business opportunities and partnerships that share our team culture, our performance intent, and the

deep-rooted desire to help people do *more* be *more*, and achieve *more* with their money and their lives.

It's important to note that we do not articulate our vision with either hubris or with a sense of having arrived. We put forth our vision with transparency so all may see our intent and direction. We have large audacious goals that are not easy to achieve but are imminently sustainable in that they benefit both the individual Member wanting financial security and good value as well as our society and our world. We're committed to our vision because we believe it's the right thing to do — for our Members and the communities we serve.

Our overall assessment is that DUCA has its set of challenges, like most other credit unions. In order for the business to remain relevant and sustainable, we must continue to change. We must evolve our business, our processes, our technology and our people to embrace micro and macro changes in the marketplace to remain relevant and profitable. We should be a serious and viable alternative to traditional banks. There is a large segment of the Canadian population that is averse to the big banks and the big bank experience. Credit unions, like a large number of community banks in the U.S., can be successful by appealing to this niche market. Our differentiator is, and will continue to be, a Member experience that is second to none, market awareness, and continuing innovation.



Richard Senechal,
President &
Chief Executive Officer



Board of Directors

DUCA's Board of Directors is elected by DUCA Members. This means that they are your voice for how DUCA is governed. Their role falls primarily to overall long-term strategy, ensuring that we're always doing what's right for our Members, teammates, and communities.

There are nine Directors on the DUCA Board. Each serves a maximum 3-year term. Driven by a responsibility to both its Members and various regulating bodies, DUCA continues to focus on enhancing its Board and governance. A large part of this is choosing the right people for Director positions and ensuring that the Board has the right mix of skills and experience required to govern the credit union today, tomorrow, and beyond.

Board of Directors

Ralph Kikkert
 Angela Pollard
 Jennifer Visser
 Marijke Kanters
 Martin vanDenzen
 Henry Buikema
 Cameron Loopstra
 Richard Wells

* Ex Officio Member
 ** Management Advisory Role

Governance Committee

Ralph Kikkert (*Chairman*)
 Angela Pollard (*First Vice Chair*)
 Jennifer Visser (*Second Chair*)
 Marijke Kanters (*Corp.Sec.*)
 Richard Senechal (*CEO*)**

Investment Committee

Angela Pollard (*Chair*)
 Richard Wells
 Marijke Kanters
 Cameron Loopstra
 Martin vanDenzen
 Richard Senechal (*CEO*)**
 Ralph Kikkert (*Chairman*)*
 Francis Sajed (*CLO*)**

Audit Committee

Angela Pollard (*Chair*)
 Henry Buikema
 Marijke Kanters
 Jennifer Visser
 Martin vanDenzen
 Richard Senechal (*CEO*)**
 Ralph Kikkert (*Chairman*)*
 Afzal Hussain (*VP Risk & Audit Affairs*)**

Budget Committee

Marijke Kanters (*Chair*)
 Richard Wells
 Cameron Loopstra
 Jennifer Visser
 Richard Senechal (*CEO*)**
 Ralph Kikkert (*Chairman*)*
 Francis Sajed (*CLO*)**
 Len Dias (*CFO*)**

Board Risk Committee

Jennifer Visser (*Chair*)
 Henry Buikema
 Angela Pollard
 Cameron Loopstra
 Richard Senechal (*CEO*)**
 Ralph Kikkert (*Chairman*)*
 Afzal Hussain (*VP*)**



Achieving more

DUCA 2014 Performance

Business Highlights

Four years ago DUCA's Board determined that, despite a strong heritage and financial legacy, our current organization lacked the management capacity, operating structure, risk management, and strategic insight to propel DUCA forward. In 2012, the Board selected a new management team with a mandate to steer a transformative course of growth coupled with a strong compliance framework to manage risk.

The urgency to change was heightened by a report from DICO and Deloitte highlighting trends and challenges facing the Canadian credit union system. Yet the same report spoke of opportunity for the 5-10 largest Canadian credit unions who could effectively grow their co-operative enterprises. The outcomes for this group would tend to be amongst the most efficient, the most effective to manage risk and enjoy the greatest growth of Members and profit. Large, above-average but sustainable growth was and is necessary (i.e. both organic and inorganic growth).

Since this new direction was implemented, DUCA has grown to the fifth largest credit union in Ontario and is now the 21st largest in Canada (up from 24th in 2013). The average annual rate of growth of our total assets has continued to accelerate. In 2014, we archived the largest growth in assets and deposits in our history. Currently, DUCA has a total of \$2.0 billion in assets under management (including managed wealth assets).

The financial services marketplace in Canada is diverse and competition continues to be intense - new players, new products, new technology and new channels - all focused on acquiring and

servicing an increasingly demanding and sophisticated consumer and small business market. Although credit unions continue to score well in terms of quality of service, value for money and community support, their smaller scale relative to the broader Canadian financial services landscape is making it increasingly difficult to effectively compete in today's environment.

DUCA's performance over the past 10 years has been respectable. To compete effectively in today's environment and capture more market share requires scale and an ability to identify and invest in new solutions. To be successful requires sustainable growth, profitability and a capacity to generate and/or access the liquidity and capital required to support that growth. That said, DUCA sees significant incremental opportunities under the federal umbrella being positioned as a federal co-op bank and/or operating a Schedule "A" financial institution not available as a provincially regulated credit union.

Our longer-term vision of sustainable growth was articulated in our 2014 Business Plan. By "sustainability", we mean a Return on Equity (ROE) that is balanced to our asset growth and that will improve our capital ratios and quality of capital. This is our priority. Achievement of



this goal requires an even stronger balance sheet that can sustain investments in such areas as access and awareness that are required to fuel our growth, while at the same time reflecting a higher capital composition profile.

The key initiatives to accomplish this:

1. Transformation of our asset banking processes
2. Enhancing our risk measurement and management tools
3. Development of new products and relevant channels;
4. Build our capital base

In a short period of time we have accomplished much. Our management capacity has been substantially increased, our risk management infrastructure has been fortified, our market growth has been substantial, and our Member growth has been increased. We have also made substantial investments in our team and we are confident that we will see strong performance in 2015 and onwards.

Management has established a firm foundation of risk management leadership, oversight, policies, procedures and control practices. DUCA embraces risk management practices comprising: Enterprise Risk Management (ERM), Anti-Money Laundering (AML), Know Your Customer (KYC), audit, management, and regulatory oversight.

Other Significant Highlights:

ZenBanx Canada™

In partnership with ZenBanx Holdings Inc., DUCA received regulatory approval to establish a subsidiary, ZenBanx Canada™ to establish the Canadian operations of a new international network to provide mobile bank accounts to the ‘Citizens of the World.’

Record Membership Growth

The Credit Unions of Ontario reported new Member growth of 6.2% (annualized) in 2014. DUCA's growth was 15%, exceeding all our organic growth achievements. In 2014, we led all credit unions in Membership growth as a result of a number of innovation initiatives such as SNAPP (our innovative account-opening tool) and through the DUCA Broker Services (DBS) channel. We did face traditional headwinds in Membership growth in our retail branch network, but have taken significant rebuilding steps to turn this around during 2015.

Increased Team Capacity

In 2014 we made a substantial investment in our DUCA Team. We have had a record hiring of new teammates increasing DUCA's staff Full-Time Equivalent (FTE) by 21.6%. Though we have expanded staff by a record amount, DUCA has increased productivity by over 9% — impressive given the total cost of our staff as a percentage of our assets decreased from 0.76% in 2013 to 0.67% in 2014.

Increased Management Capacity

Managing industry-leading growth and implementing the vigorous productivity changes requires leadership capacity. The DUCA Executive Leadership Team (ELT) has expanded with the addition of a Chief Financial Officer, VP of Retail, VP of People and Culture, and VP of Marketing and Strategy.

Investment in New Technology

We have also made substantial investments in technology. Including:

Loan Origination System (LOS) to increase the production capacity of our lending team; to increase the standardized quality of the adjudication process; to decrease the administration time; and to reduce the total time of loan processing from application to approval and funding.

Customer Relationship Management System (CRM) to provide our Members with a swifter, simpler, Member experience by equipping DUCA teammates with better, quicker, and more secure access to Member data throughout all customer channels - whether it is in branch, on the phone with Member Connect, or online with any device.

Income

Net Interest Income (NII) is DUCA's largest source of revenue (the interest we receive on our loans less the interest we pay on our deposits). During 2014, the low interest rate environment continued to compress our spread which had negatively impacted our NII by \$0.7 million.

Internally, we have been challenged growing organically in our retail network and, as a result, have shifted to growing our mortgage and deposit base via brokers. The higher cost of this distribution channel is offset by the value of the significant industry-wide promotion of our DUCA brand.

Non-Interest Income

DUCA recognizes the challenge it faces with net-interest margin and, like all other financial institutions, has to focus on generating fee-income. As a result of this focus, we are ahead of target in fee-income primarily in our commercial business.

Loan Impairment Charges (LIC)

Our Loan Impairment Charges are \$2.8 million adverse to our Annual Operating Plan (AOP). This is largely a result of certain commercial loans, that were originated in prior years, that surfaced as issues in 2014. Subsequent to yearend, we have a purchase and sale agreement with one of the loans that will result, if closed, in no loss. These loans are in progressive stages of the rehabilitation or recovery process and we do not expect additional increases to the stated provisions for these loans. As DUCA continues to grow our loan portfolio, we may need to proportionately increase reserves. We have a prudent management philosophy in place whereby we adhere to industry guidelines and leading practices to ensure the adequacy of our total loan-loss provisions.

Operating Expenses

Operating expenses are essentially flat to AOP. However, included in operating expenses is approximately \$0.5 million relating to legal and professional fees for ZenBanx Canada™ (ZBC) that were not in AOP, as well as \$4 million dollars of expenses from ZenBanx Canada™.



Performance Highlights

From our humble beginnings in 1954, DUCA has grown to become a leading financial partner for thousands of people from Southern Ontario who want *more* from their banking experience.

During 2014, DUCA celebrated a milestone — our 60th anniversary. As we move into the next 60 years, there is a lot for the DUCA community to get excited about.

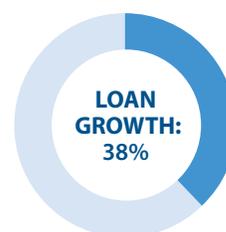
Financial Highlights <i>(in thousands)</i>	% Change	\$ Change	2014	2013
Total Assets	34.9%	486,153	1,877,786	1,391,633
Cash and Investments	7.6%	10,047	142,719	132,672
Loans	38.2%	473,561	1,714,871	1,241,310
Deposits	29.3%	371,750	1,640,795	1,269,045
Members Equity				
Shares	-1.7%	-779	46,275	47,054
Retained Earnings	2.8%	1,590	59,300	57,710
Non-Controlling Interest	-	2,414	2,414	-
Total	3.1%	3,225	107,989	104,764
Total Regulatory Capital	1.3%	1,408	111,121	109,713
As % of Assets	-25.0%	-	6%	8%
As % of Risk Assets	-14.3%	-	12%	14%
Interest Revenue	20.7%	10,668	62,295	51,627
Other Income	33.7%	1,050	4,170	3,120
Interest on Deposits	25.4%	5,388	26,619	21,231
Other Int Expense	102.1%	772	1,528	756
Provision for Credit Losses	209.2%	2,789	4,122	1,333
Operating Expenses	41.4%	8,839	30,191	21,352
As a % of avg assets	15.6%	-	1.85%	1.60%
Net Results Before Patronage excluding non-controlling interest	-48.5%	-4,376	4,650	9,026
Number of Members	14.7%	6,167	48,255	42,088
		Avg Assets	1,634,710	



(+ \$486m)



(+ \$372m)



(+ \$474m)

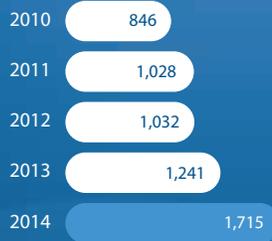


(+ 6,167)

Assets (millions)



Loans (millions)



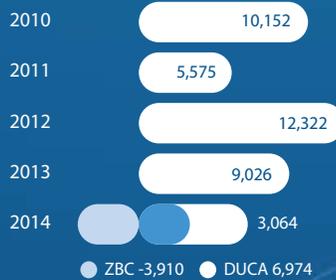
Deposits (millions)



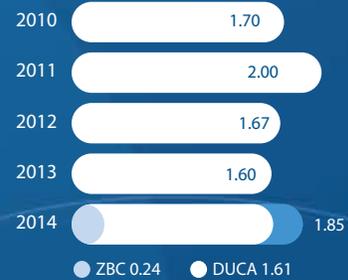
Net Interest Income (millions)



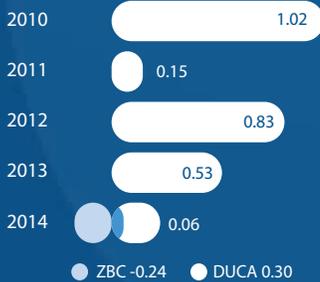
Comprehensive Income Before Patronage (millions)



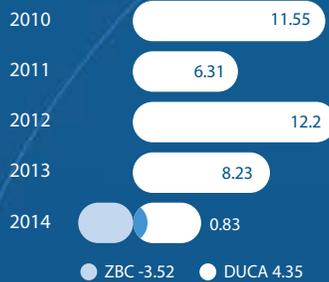
Non-Interest Expense (as a % of average assets)



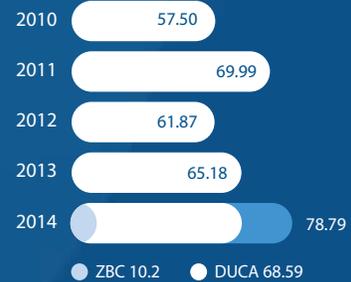
Net Income Return on Average Assets (as a % of average assets)



Return on Regulatory Capital (Before Patronage)



Operating Efficiency (%)



Regulatory Capital (millions)



Credit Highlights

In 2014, DUCA achieved record growth in residential and commercial loan portfolios. Total loans and mortgages exceeded \$1.7 billion, reflecting a 38% rise over the previous fiscal year — a growth rate surpassing all other major Ontario credit unions. On the opposite side of the ledger, our deposit base grew 29% to \$1.64 billion.

2014 was a year for developing significant strength in credit management capacity to chart and propel our growth in origination and lending. Adhering to guidance from our regulators Deposit Insurance Corporation of Ontario (DICO), DUCA separated its origination and adjudication functions and added four senior positions in credit adjudication, supervision and maintenance of all problem loan accounts. By year-end, DUCA's credit team received a clear, favourable pass rating from DICO, while our origination group was setting records in lending and syndication. We are proud of this achievement and committed to maintaining this pass rating in the years ahead.

Fiscal 2014 also marked significant growth in our syndication activity. We broadened our reach to mortgage brokered deals and markets as DUCA led and participated in a number of large, complex deals in the Toronto financial community and beyond. For the first time, we are participating in a syndicated loan program in Ottawa, and have selectively put forward mezzanine financing to serve our Members and growth objectives. Our strategic alliances now extend to major Canadian Schedule "A" banks, and other prominent financial intermediaries, in addition to our sister credit unions of Ontario.

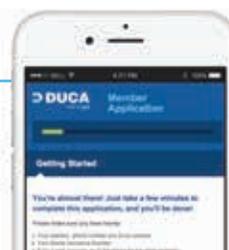
2014 saw the successful launch of DUCA Broker Services (DBS) — a high efficiency, focused, residential mortgage program to balance and complement our commercial

loan programs. In addition, we put forth a securitization program to strengthen our balance sheet and increase the much-needed liquidity for our lending activities — another first for DUCA.

In 2014, we focused on our margins, fee structure, and profitability. We participated in larger, more complex transactions (thanks to the broad base and experience of our seasoned lenders). Our attention to risk management and prudent lending practices remained unwavering, attested to by the approval from our regulators in 2014. We established ourselves as a recognizable and capable partner among the community of credit unions and larger banking institutions. We are leading and participating in shared transactions with the aim of positively impacting the larger community, in addition to our profitability in the year ahead and beyond.

Lending Activity	2014		2013	
	\$(000)	#	\$(000)	#
Personal Loans	338	1,955	415	2,896
Residential Mortgages	1,314	422,422	706	180,355
Personal Prime Line of Credit	486	18,828	768	11,548
Commercial Mortgages	88	266,303	91	149,571
Business Loans	5	644	8	2,142
Business Lines of Credit	15	9,995	17	1,020
Total Lending Activity	2,246	720,147	1,705	347,532

In 2014, DUCA introduced SNAPP, Canada's first 100% online account opening service for prospective Members.



Our Teammates

Stat	2014	2013
Full Time Equivalent	178.4	146.73
Headcount	192	160
Full-time teammates	81.25%	81.25%
Part-time teammates	18.23%	18.13%
Voluntary turnover	8.85%	10.63%
Fixed-Term Contract Employees	0.52%	0.63%

We believe our teammates are central to our success and strive to remain a great place to work. Our significant growth in 2014 is mirrored by growth in our teammate base with a 21.6% increase in overall FTE. This ensures that we have the capacity and expertise to support our success.

Overall growth is just part of the teammate picture at DUCA. Our organization takes pride in providing our teammates not only with jobs, but good jobs. That's why DUCA prioritizes a generous benefits package and does not pass along premiums to our employee-base working more than 38 hours a week. In 2014, DUCA paid \$1.712 million in benefits costs and another \$380,000 in pension contribution benefits on behalf of our teammates.

Living Wage at DUCA

In the communities DUCA operates, the minimum wage is not sufficient to cover many of the basic expenses, particularly for families with children. We view this reality as both concerning and at odds with DUCA's guiding principle: Fairness. In 2014, DUCA became the GTA's first employer to adopt a "living wage pay policy". This means we have adopted the living wage rate for Toronto provided by Living Wage Canada and are committed to alignment with this rate as it continues to evolve.

What is a Living Wage?

The living wage is the hourly rate at which a household can meet its basic needs. It ensures all teammates are able to participate in their communities and experience a reasonable quality of life. The living wage lifts working families out of poverty and strengthens the communities in which they live. At DUCA, we view this as a fundamental principle of Fair Trade Banking.

For the broader community this creates:

- Greater consumer spending power
- Increased spending in local economy
- Increased civic engagement
- Improved health

DUCA is proud to be a leading advocate for this issue. We joined a cross-sector working group aimed at updating the wage rate to ensure it represents the realities faced by our employees and other hard-working members of our community.



Setting the stage for more

2015 and beyond

Co-operative Banking

We're proud to announce that DUCA has joined forces with the Credit Unions of Ontario to help promote the co-operative banking movement through a program that builds awareness around the many benefits of belonging to a credit union.

DUCA is (and has always been) a co-operative financial institution. We believe our profits should serve a higher purpose. We believe they should be shared with our Members through great rates, personalized service and community support. It's what sets us apart from the big banks.

Through this exciting initiative, we are supporting our philosophy of giving back and promoting what we believe to be 'the better way to bank.' By banding together with the Credit Unions of Ontario, we'll be able to reach our largest audience yet and help drive new Membership to our credit union.

To find out more visit cooperativebanking.ca

Fair Trade Banking

At DUCA, we help our Members put many of the foundational financial pieces of their lives in place, such as mortgages, education and retirement. Yet, Members of DUCA have closely related social goals as well:

- They want to live in fair communities where everyone has the opportunity to participate.
- They want their families to experience a positive environment.
- They want to feel that the major components of their lives are aligned with their values.
- They want to receive a fair deal and want to trust that others are receiving the same.

At DUCA we are building a model designed for Canadians who want simple, low-cost community banking for people who care about their world, their community, and making a difference "Fair Trade Banking". We are a financial institution seeking to encourage more secure livelihoods and prosperous communities for all members of society. We provide communities with the tools they need to respond to issues related to poverty, homelessness and marginalization. We work closely with communities in pursuit of both financial, and social well-being.

This is a defining concept for the future of our organization. It refers not only to our voluntary philanthropic contributions, but to how we make our operating decisions as a business and the way we design products considerate of the needs of all our community members. 2014 was largely a time for planning and marks the beginning of this journey. We look forward to reporting on our future progress.

Doing *more* for Communities

Community Investment Summary

DUCA has a long history of giving back to our community. Each year, DUCA commits a minimum of 3.5% of our pre-tax profit towards donations and community sponsorships. This is well beyond the Imagine Canada Caring Company standard of 1%. Our contribution to the community in 2014 is summarized below:

Community Investment Summary		
Company Investment	Cash	\$531,519
	During Working Hours Volunteer Time	\$664
	In-Kind	\$0
	Program Management Costs	\$25,500
	Total Company Investment	\$557,683
External Resources Leveraged	Employee Giving	\$7,936
	External Giving	\$70,468
	External In-Kind	\$1,568
	Non Working Hours Employee Volunteers	30
	# of Non Working Hours Employee Volunteers	601
	Total External Resources Leveraged (ERL)	\$80,602
	Total Contribution to the Community	\$638,285

London Benchmarking Group (LBG) Canada



DUCA joined LBG Canada in 2014 out of recognition that in order to build a leading community

investment program, we must set the bar high and benchmark ourselves against other leading peers.

LBG Canada is a network of companies seeking to maximize the value of community investment, employee volunteering and employee giving programs — for communities, employees and for the business.

Our involvement with LBG Canada enables DUCA to have a full picture of our contribution the community. It also provides important peer benchmarking information to ensure our community investment approach meets or exceeds leading practice.

The DUCA Community in Action

Giving back to the community is a cornerstone on which DUCA was founded and continues to be a guiding force today. Just take a look at some of the shining examples of the ways our Members and DUCA teammates have made a difference in the past year alone:

- **DUgood Join-In Highlights:** 335 new DUCA Members triggered \$16,750 in donations to 59 registered charities in 2014
- **Changelt® Results:** \$3,636 Member donations through the Changelt® program
- **Teammate Volunteering:** Over 600 hours of volunteering contributed by DUCA teammates
- **Teammate Giving & External Giving:** Over \$80,602 raised from our stakeholders in support of DUCA community initiatives

Covenant House Executive Sleep Out



“At DUCA, we have a history of giving back to our Members and the communities we serve — a philosophy in which I firmly believe. The Executive Sleep Out is a great opportunity to raise awareness for a cause

that affects so many in our own city, not to mention across the country. Awareness and fundraising bring

opportunity, and I believe it is important to provide opportunities for people to succeed, in the world of business and in their own personal lives. Who knows what can happen if you just give them a chance. I look forward to uniting with other executives across the city and participating in this special event.” — Richard Senechal, President & Chief Executive Officer.

Ten-thousand children spend time living on the streets of Toronto each year. For three-decades, Covenant House Toronto has offered some 90,000 homeless youth the opportunity to move from a life on the street to a life with a brighter future. There are countless more children out there that need our help.

As Canada’s largest youth agency, Covenant House Toronto provides 24/7 crisis care and has the widest range of services under one roof; including education, counselling, health care, employment assistance and job training. DUCA stakeholders helped raise \$61,416 to support the Covenant House Executive Sleep Out in 2014.

Moving into 2015: “Building communities that DUgood”

By the end of 2014, DUCA’s community investment priorities changed in order to ensure our contributions have the greatest possible impact. Our objective is to work with community organizations to build the supports necessary so that all members of the community have an equal opportunity to participate.



Join-In Program: 335 new DUCA Members triggered \$16,750 in donations to 59 registered charities in 2014.

In other words, to build communities that *DUgood*. With this goal in mind, our new community investment focus will include the following strategic pillars:

Supporting transitions out of poverty: Key segments such as youth and newcomers are increasingly challenged to access economic opportunities and the community resources they need to thrive. DUCA will seek innovative approaches to address high rates of unemployment/underemployment and transitions back to the workforce for youth and newcomers.

Helping High Impact Programs Communicate their Value: Social profit organizations need a diverse base of donor support if they are to be truly sustainable. Yet, these organizations are very rarely funded to develop the evaluation and communication resources they need to communicate their results effectively. This leaves innovative social profit programming in a struggle to maintain the status quo, let alone scale their solutions. At DUCA, we will enable high impact initiatives to grow by providing the resources they need to conduct these assessments and communicate the results.

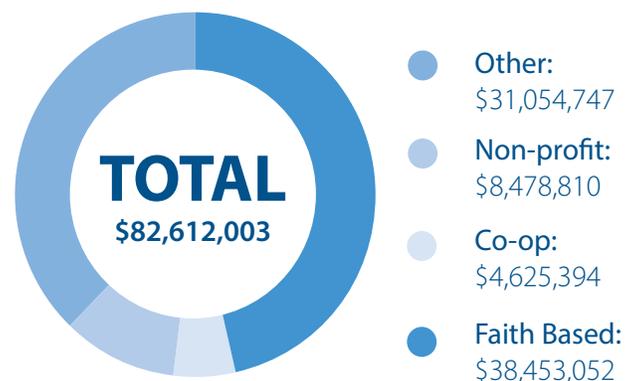
Promoting Fair Financial Inclusion: Many of the most vulnerable Members of our community experience difficulty gaining access to mainstream banking services. This often leads them to participating in high-cost, predatory lending and cheque cashing services. These services create a vicious cycle of lending and repayment which leaves low-income individuals in an increasingly worse financial situation. DUCA will work

with community partners to support the development of thought-leadership in this area and test innovative approaches to addressing these issues.

Using Our Capital to *DUgood*: Community Impact Loans

DUCA has a history of working with individuals and organizations in our community who don't have access to finance support at other institutions. At the end of 2014, DUCA had a total of \$82,612,003 allocated in community impact business loans. This includes lending to community organizations such as non-profits, co-operatives, faith-based organizations and other organizations seeking to have a positive impact on society. This represents 13.33% of our business lending portfolio at DUCA. In addition to our business lending, DUCA also has a total co-op housing mortgage portfolio of \$59 million.

Community Impact Loans Breakdown by Purpose



What is ZenBanx Canada™?

ZenBanx Canada™ is a mobile bank account for “citizens of the world” whose lives, work and interests cross national borders. ZenBanx Canada™ lets Canadians and those who use multiple currencies, like Transnational Workers, Recent Immigrants and Overseas Students save money in the currencies they use, and send money from wherever they are to wherever it needs to be quickly and easily, all from one account that they control.

Why ZenBanx Canada™?



ZenBanx Canada™ founder and CEO, Arkadi Kuhlmann revolutionized banking for the main street consumer with ING Direct. The inspiration for the ZenBanx Account came from his realization

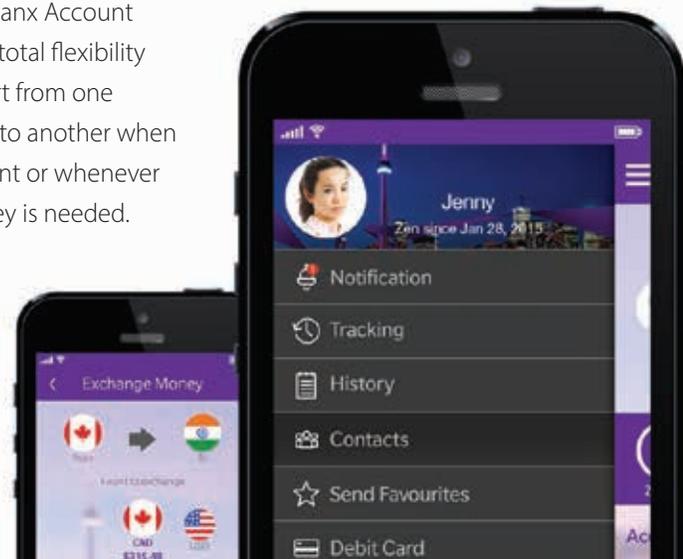
that, increasingly, the people who were making their homes in Canada had been born in other countries and that their banking needs were going unmet with the current system. In short, people are infinitely mobile but their money is not. Often new immigrants will recount their difficulties in establishing financial relationships or opening a bank account and how helpless they felt trying to get a credit card and establish a credit rating. The initial difficulty continues when the “new” Canadian wants to send money to loved ones in their home country. It’s not easy, cost effective, fast, or secure. People have learned how to work around the system. Digital currencies and non-bank money transfer vendors exist, and are popular, but those non-bank solutions all come with their own issues.

The ZenBanx Account was inspired by this simple question: If people can easily cross borders, why can’t their money? ZenBanx Canada™ is driven by a belief that money is a force for good and should be as free to move as people are.

What makes ZenBanx Canada™ Different?

The ZenBanx Account is a secure bank account, regulated and insured* like other Canadian Banks and credit unions, but with a difference: each account can hold up to five different currencies at once, and interest is earned, just like a savings account.

The ZenBanx Account provides total flexibility to convert from one currency to another when convenient or whenever the money is needed.



Funds can be added to the ZenBanx Account any time by electronically transferring money from another of the account holder's bank accounts, a wire transfer or through mobile deposit.

And with a ZenBanx Account, customers can send money in any of the currencies supported to anywhere in the world, all from their mobile device. The ZenBanx Account even makes money a little more social by letting customers create their own private network of trusted contacts and attach personal notes and photos when they send money.

Why Partner with ZenBanx?

ZenBanx Canada™ is a partnership between DUCA and ZenBanx Holdings Ltd., the financial technology company that created and owns the international ZenBanx brand and network technology. Founded on a close alignment of values and strategic foresight, ZenBanx Canada™ supports DUCA in the achievement of a number of its core strategic objectives. Like DUCA, ZenBanx Canada™ was created to deliver on a larger social purpose. Our mission of 'liberating the world's human capital by mobilizing its' money is founded on the belief that a person's money should be a source for good. ZenBanx Canada™ is grounded firmly in the belief that a company can 'do good' while 'doing well'.

And where DUCA is driven by a passion to deliver *more* and always places Member interests at the forefront of all activities, similarly, every element of the ZenBanx Canada™ proposition begins with our Members at the centre. It is a product built on the unmet needs of global citizens and is designed to deliver a Member pleasing experience at every stage.

In addition to a clear alignment of values, ZenBanx Canada™ will play a strong supporting role in achieving DUCA's sustainable growth strategic priorities

DUCA is a credit union with strong immigrant roots. The ZenBanx Account provides a product that will appeal to the unmet regulated banking needs in these communities.

The group, 'citizens of the world,' are immigrants who regularly send money to family in their home countries and will be among those most interested in using The ZenBanx Account. Some are new to Canada while others have established lives in Canada. Their commonality is that they all struggle with the lack of mobility of their money. The ZenBanx Account will act as an entry for these customers to help them understand the DUCA value proposition and provide a gateway into DUCA membership. In addition, the mobile nature of the ZenBanx Account will attract a portion of Canada's 9 million Millennials and support DUCA in efforts to grow membership amongst this crucial 18-34 demographic.

* Canadian Deposit insurers only insure Canadian funds for banks and credit unions.



Financial Performance

2014 by the numbers

Report of the Independent Auditors on the Summary Financial Statements

To the Members of DUCA Financial Services Credit Union Ltd.

The accompanying summary consolidated financial statements of DUCA Financial Services Credit Union Ltd., which comprise the summary consolidated statement of financial position as at December 31, 2014, the summary consolidated statement of comprehensive income and changes in equity for the year then ended, and related notes, are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of DUCA Financial Services Credit Union Ltd. as at and for the year ended December 31, 2014.

We expressed an unmodified audit opinion on those complete consolidated financial statements in our auditors' report dated March 10, 2015.

The summary consolidated financial statements do not contain all the requirements of International Financial Reporting Standards applied in the preparation of the complete audited consolidated financial statements of DUCA Financial Services Credit Union Ltd. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the complete audited consolidated financial statements of DUCA Financial Services Credit Union Ltd.

Management's Responsibility for the Summary Consolidated Financial Statements

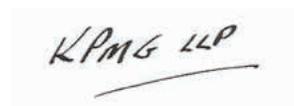
Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated 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 summary consolidated financial statements derived from the complete audited consolidated financial statements of DUCA Financial Services Credit Union Ltd. as at and for the year ended December 31, 2014 are a fair summary of those complete consolidated financial statements, in accordance with the basis described in Note 1.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Charter Professional Accountants, Licensed Public Accountants

March 10, 2015

Toronto, Canada

Consolidated Statement of Financial Position

As at December 31 st (in thousands of dollars)	2014	2013
Assets		
Cash and Cash Equivalents	22,483	22,550
Investments	120,236	110,122
Loans to Members	1,624,189	1,241,757
Securitized Mortgages	91,031	-
Unamortized Broker Fee	3,478	-
Accrued interest Receivables	2,459	2,050
Allowance for Credit Losses	-6,286	-2,497
Other Assets	2,196	1,476
Income Tax Receivable	2,185	-
Property & Equipment	13,896	13,424
Asset Held for Sale	-	565
Derivative Financial Instrument	241	165
Deferred Tax Asset	-	343
Goodwill	1,678	1,678
Total Assets	1,877,786	1,391,633
Liabilities		
Member Deposits	1,640,795	1,269,045
Borrowings	24,016	7,000
Securitization Liabilities - Mortgage-backed Security Liabilities	91,251	-
Accounts Payable and Accrued Liabilities	5,798	3,951
Income Tax Payable	-	850
Derivative Financial Instrument	338	819
Patronage Return and Dividend Payable	3,124	2,945
Deferred Revenue	2,149	426
Deferred Tax	556	-
Member Shares	1,770	1,833
Total Liabilities	1,769,797	1,286,869
Equity		
Shares	46,275	47,054
Retained Earnings	59,300	57,710
Non-controlling Interest	2,414	-
Total Equity	107,989	104,764
	1,877,786	1,391,633

Approved on behalf
of the Board



Ralph Kikkert,
Director



Marijke Kanters,
Director

Consolidated Statement of Comprehensive Income

As at December 31 st (in thousands of dollars)	2014	2013
Revenue		
Interest on Member Loans	60,411	49,459
Other Interest	1,884	2,168
	\$62,295	\$51,627
Expenses		
Interest on Member Deposits	26,619	21,231
Other Interest	1,528	756
	\$28,147	\$21,987
Net Interest Income	34,148	29,640
Other Income	4,170	3,120
Provision for Credit Losses	4,122	1,333
Net Interest and Other Income After Provision for Credit Losses	34,196	31,427
Operating Expenses		
Deposit Insurance	931	890
Depreciation and Amortization	1,325	1,391
Director and Committees	410	398
Employee Salary and Benefits	12,635	10,629
Other Operating and Admin	9,047	6,392
Occupancy	2,126	2,393
Gain on Derivative Instrument	-193	-741
ZenBanx Canada™	3,910	-
	\$30,191	\$21,352
Income Before Patronage and Taxes	4,005	10,075
Patronage Return	2,141	2,005
Income Before Income Taxes and Non-controlling Interest	1,864	8,070
Income Taxes	941	1,049
Comprehensive Income	923	7,021
Net Loss Attributable to Non-controlling Interest	-1,586	-
Net Income	2,509	7,021

Note 1:

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards.

Management is responsible for the preparation of the Summary Financial Statements.

The preparation of these summary financial statements requires management to determine the information that needs to be reflected in them so that they are consistent in all material respects with, or represent a fair summary of, the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- the summary financial statements include the summary statement of financial position and the summary statements of comprehensive income and changes in Members' equity.
- information in the summary financial statements agrees with the related information in the audited financial statements;
- the summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

Please note that the 2014 audited financial statements are available through any of our 15 branches.

Consolidated Statement of Changes in Equity

As at December 31 st <i>(in thousands of dollars)</i>	Member Shares	Retained Earnings	Non-controlling Interest	Total
Balance on Dec. 31, 2012	\$47,680	\$51,657		\$99,337
Net Income		7,021		7,021
Dividends to Members		-968		-968
Issue of Class "A" Shares	2,580			2,580
Redemption of Class "A" Shares	-2,489			-2,489
Redemption of Class "B" Shares	-717			-717
Balance on Dec. 31, 2013	\$47,054	\$57,710		\$104,764
Net Income		2,509	-1,586	923
Dividends to Members		-919		-919
Issue of Class "A" Shares	2,621			2,621
Redemption of Class "A" Shares	-3,400			-3,400
Capital Contributed			4,000	4,000
Balance on Dec. 31, 2014	\$46,275	\$59,300	\$2,414	\$107,989



DUCA Financial Services Credit Union Ltd.

5290 Yonge Street, Toronto, ON M2N 5P9

Phone: (416) 223-8502

Toll free: (866) 900-3822

Email: duca.info@duca.com

Telephone Banking

Local call in the GTA: (416) 223-8522

Long distance callers: (866) 888-DUCA (3822)

www.duca.com

