

ANNUAL REPORT

2012



Belgian-Alliance
Crédit Union 





2012 ANNUAL GENERAL MEETING

Tuesday, April 23, 2013

Registration commences at 6:00 PM

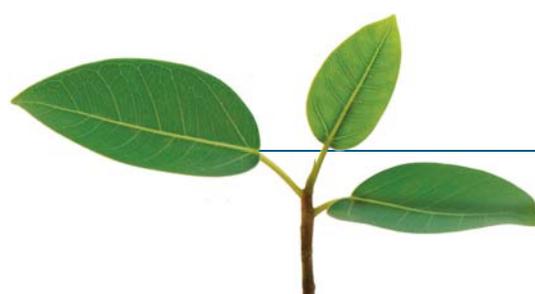
Meeting commences at 7:00 PM

Norwood Hotel, 112 Marion Street, Winnipeg

AGENDA

1. Call to Order and Opening Remarks
2. Introduction of Guests, Directors and Chief Executive Officer
3. Appointment of Recording Secretary
4. Approval of the Agenda
5. Adoption of Rules and Regulations Governing Annual Meeting
6. In Memoriam
7. Proof of Due Calling and Establishment of a Quorum
8. Approval of the Minutes of the last Annual General Meeting
9. Board of Directors' Report
10. CEO's Report
11. Independent Auditor's Report
12. Presentation of the 2012 Financial Statements
13. Appointment of Auditors for the 2013 Fiscal year
14. Consideration of the Amendment of the Articles/By-Laws of the Credit Union
15. Election of Directors
16. Door Prize Draw
17. Service Awards
18. Other Business
19. Adjournment

Reception and refreshments to follow



2012 BOARD OF DIRECTORS



Board of Directors

(from left to right, back):
Remi Brengman (Chair)
Bob Seys
Bohdana Bashuk (Vice-Chair)
Marcel Daeninck

(from left to right, front):
Rachelle Needham
Casey Van Gorp
Jim Beaulieu
Joanne Mercier (Secretary)

		TERM EXPIRES
Remi Brengman	Chair	2014
Bohdana Bashuk	Vice-Chair	2013
Joanne Mercier	Secretary	2015
Marcel Daeninck	Director	2013
Jim Beaulieu	Director	2013
Casey Van Gorp	Director	2014
Bob Seys	Director	2015
Rachelle Needham	Director	2014

HONORARY DIRECTORS

Maurice Daeninck • Richard Gregoire
Alfred Huyghe • John Jorgenson
Armand Taillieu

BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors of Belgian-Alliance Credit Union Ltd., I would like to thank you, the members, for the opportunity and privilege to serve you during this past year. As we look back and reflect on the past months, it becomes more apparent that we now live in a fast paced environment, where change is a constant.

The year 2012 was a year of many changes, both in our Credit Union and elsewhere. The economy of the world changed in many ways, and not always in a positive way. Many people believed that 2012 would bring stability, only to be disappointed. Some thought that interest rates at an all time low would rise, but the rates remained low. Others thought that the times of high profit would again return, but they didn't. Through these challenging times, your Board of Directors worked hard to insure that our Credit Union remained stable and profitable.

The Board of Directors of the Belgian-Alliance Credit Union is responsible for the proper governance of your Credit Union. In essence, we are accountable to you our members to ensure key principles are being followed as pertains to Corporate Governance, Strategic Management, Risk Management, and Internal Controls. These principles form part of the Standards of Sound Business Practices, as outlined and monitored by the Deposit Guarantee Corporation of Manitoba. It is these principles that assist credit unions boards to direct, and prudently guide in an effective and appropriate manner. These principles are even more important in these challenging times. In 2012, your Board of Directors met regularly to ensure these principles were being respected. Training and development sessions followed by Directors provided them with a better understanding of their responsibilities and new reporting requirements. The following table provides an overview of the 2012 scheduled meetings. This chart does not take into consideration the countless hours of work and preparation before and between these meetings. In 2012, the Honoraria, per diems, conference, and training costs totaled \$22,285.00.

MEETING ATTENDANCE	BOARD		EXECUTIVE		AUDIT AND RISK		NOMINATING		AD HOC	
	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED
Bashuk, Bohdana	17	15	9	9	n/a	n/a	n/a	n/a	n/a	n/a
Beaulieu, Jim	17	17	n/a	n/a	4	4	n/a	n/a	n/a	n/a
Brengman, Remi	17	17	9	9	n/a	n/a	n/a	n/a	5	4
Daeninck, Marcel	17	16	n/a	n/a	4	3	n/a	n/a	n/a	n/a
Mercier, Joanne	17	16	9	9	n/a	n/a	1	1	5	5
Needham, Rachelle	17	15	n/a	n/a	n/a	n/a	1	1	n/a	n/a
Seys, Bob	17	14	n/a	n/a	4	4	1	1	5	5
Van Gorp, Casey	17	1 (onkave)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

In 2012 your Credit Union paid back to its members a Patronage Refund of \$150,000.00, as well as a 3.0% dividend on your shares. Belgian-Alliance Credit Union is one of an ever decreasing number of credit unions that continue to pay Patronage Refunds to its members. Your Board of Directors holds true to the belief that started our Credit Union almost 75 years ago - Owned by the members for the members. We will always be "People Helping People".

In the October of 2012, we welcomed our new Chief Executive Officer Martin Trudeau. Martin's primary function is to manage the day to day operation of the credit union, and work with the board of directors in preparing strategic planning initiatives. Given the historically low interest rates, low margins, and fierce competition that is evident in the Winnipeg market, it is apparent that proper planning is necessary to ensure our continued success.

We are pleased to announce the creation of a Wealth Management sector. In today's environment, it is very important to ensure that proper financial investment advice, coupled with the requested products, be available to you the members. The Board is always looking to insure that we are meeting the needs of our members.

The Board of Directors would like to thank Casey Van Gorp, who unfortunately has found it necessary to retire from the board after 45 years of service to our Credit Union. Casey's dedication and support of our initiatives and for the well being of the credit union will never be forgotten. The majority of these years were spent as Corporate Secretary. We offer our sincere thanks and appreciation to Casey for helping to ensure our success over the last several decades.

Although our financial performance was perhaps not quite as good as in recent years, we take great pride in ensuring that your assets are well protected. Our regulated ratios at fiscal year end were as follows.

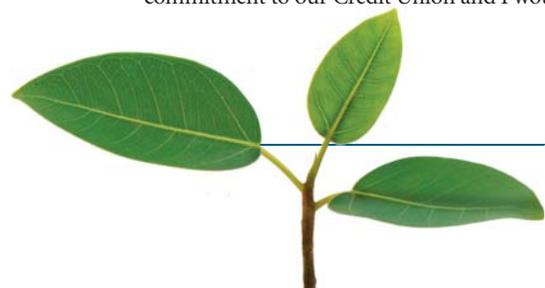
	RETAINED EARNINGS	CAPITAL	RISK WEIGHTED AVERAGE
Actual	5.38%	6.06%	18.59%
Required	3.00%	5.00%	8.00%
Excess	2.38%	1.06%	10.59%

In 2013 we will continue to work hard to put the assets of your Credit Union into good quality loans and mortgages to ensure the continued growth of our retained earnings.

I would like to thank my fellow Board Members for their tireless and committed leadership and I thank YOU the members, for your continued support of our Credit Union.

On behalf of the Belgian-Alliance Credit Union Board of Directors, I would like to thank our hard working staff team for their ongoing commitment to our Credit Union and I would like to thank YOU the members, for the opportunity and privilege to serve you this past year.

Remi Brengman
Remi Brengman
Chairperson



STAFF



HEAD OFFICE STAFF

(from left to right):

*Gerry Beckett,
Commercial Account Manager*

*Janine Oliver,
Chief Financial Officer*

*Martin Trudeau,
Chief Executive Officer*

*Marissa Wagner,
Chief Operating Officer*

*Cali Hitch,
Administrative Coordinator*

PROVENCHER
BRANCH STAFF

(from left to right):

Melanie Mike

Drew Hampton

Lorna Mozel

Stephanie Betker

Kim Wiebe

Erin Fitzgerald

Jessica Messner

Doreen Davies (absent)



PORTAGE
BRANCH STAFF

(left to right):

Jordan Nikolovski

Nicole Paun

Daren Miguez

Debbie Lechner, Branch Manager

Ainsley MacKenzie

Steve Rampersad



Welcome to Belgian-Alliance Credit Union 



JEFFERSON
BRANCH STAFF

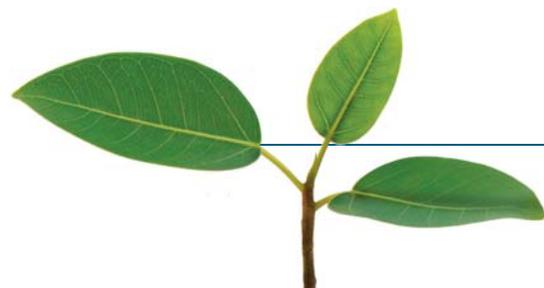
(from left to right):

Jenalie Closas

Sarah Carter

Wes Vencatasamy

Brenda Wagner



CEO REPORT

Co-operative enterprises have been building local economies and improving lives and livelihoods for hundreds of years. In 2012, the world celebrated the United Nations International Year of Co-operatives with the purpose of honouring the value of working together to meet our economic, social and cultural needs. The year also saw Manitoba Credit Unions celebrate a major milestone having been established in the province for 75 years. The Belgian-Alliance Credit Union was formed in February 1939 and is thus considered one of the oldest Credit Unions in the province.

For our credit union, the past year was one of change, opportunity and challenge. The financial services industry is evolving very rapidly and the distribution channels are no longer based simply on traditional methods. Not long ago, before the introduction of the internet, when a member required a trusted advisor, they would turn to their local credit union. Although oftentimes this is still true today, many consumers now research their decisions themselves through the use of internet search engines such as “Google” well in advance of meeting our in-branch advisors. Many of our members no longer visit our branches and now ask for their service channels to be delivered in a multitude of ways. Telephone Banking, Internet Banking, Debit cards, ATM services, call centers and also text and mobile banking have become the method used of mass distribution.

Competition in the Manitoba marketplace is very aggressive and hinders the margins earned by any financial institution that calls our province home. These reduced margins, coupled with historically low interest rates, strain our profitability thus efficiency becomes our area of focus going forward. The board of directors along with the senior management team have begun the process of reviewing our organisational structure to ensure we are well positioned to offset these challenges as well as others due to regulatory and compliance issues. In 2013, our main focus will be to revisit, amend and replace our strategic planning initiatives to ensure we create a solid roadmap on our way to our destination. Change is constant in this industry however with proper planning, strategies and our principles based upon service excellence, our credit union can continue with its history of success.

We achieved great results in 2012 due to our dedicated members, staff and board of directors. Starting the year with an excess amount of liquidity that was earning very little return, the decision was made to divest certain out of province deposits. As a result, our credit union asset base decreased by 1.24%. Given our level of liquidity, an emphasis was also placed on increasing our loan portfolio in order to earn our members a better return from their credit union. For the year in question, our loan portfolio grew by 17.17%. Profitability, although lower, was in excess of six hundred thousand dollars (before income taxes and distribution to members). Believing in the principal of the cooperative movement whereby profits are distributed to the members, the decision was made by our board of directors to once again distribute patronage as well as a dividend on common shares held.

In closing, I would simply like to thank all of our members for their continued support. Our credit union has a wonderful history and will continue along the path of providing great service, rates and products to you our owners. I would also like to take a moment to show appreciation to our staff for their dedicated efforts in this last fiscal.

Respectfully submitted,



Martin Trudeau CEO

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying statement of financial position of BELGIAN-ALLIANCE CREDIT UNION LTD. and all the information in this annual report are the responsibility of management and have been approved by the Audit Committee of BELGIAN-ALLIANCE CREDIT UNION LTD.

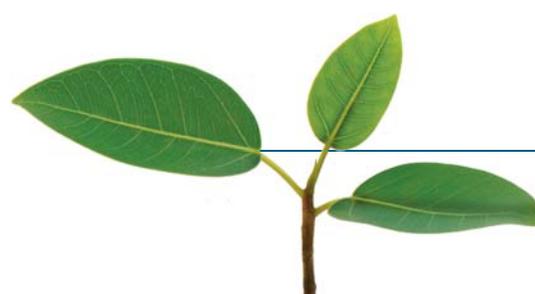
The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The BELGIAN-ALLIANCE CREDIT UNION LTD. Audit Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full and free access to the Audit Committee.



Martin Trudeau, CEO





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Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Report of the Independent Auditor on the Summary Financial Statement

To the Members of **BELGIAN-ALLIANCE CREDIT UNION LTD.**

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2012 and the summary statements of comprehensive income, changes in member equity, and cash flows are derived from the audited financial statements of **BELGIAN-ALLIANCE CREDIT UNION LTD.** for the year then ended. We expressed an unmodified audit opinion on those financial statements in our report dated March 19, 2013.

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

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Audit Standard (CAS) 81 'Engagements to Report on Summary Financial Statements'.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of **BELGIAN-ALLIANCE CREDIT UNION LTD.** for the year ended December 31, 2012 are a fair summary of those financial statements, on the basis described in Note 1.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
March 19, 2013

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms.

BDO Canada s.r.l., une société canadienne à responsabilité limitée, est membre de BDO International Limited, société de droit anglais, et fait partie du réseau international de sociétés membres indépendantes BDO.

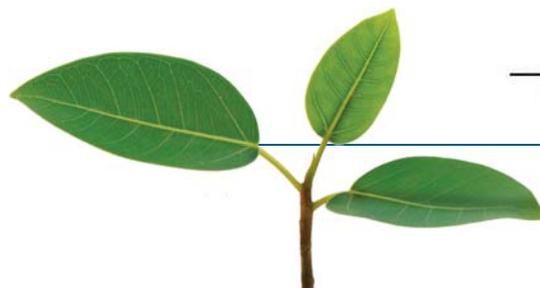
BELGIAN-ALLIANCE CREDIT UNION LTD.
Summary Balance Sheet

December 31	2012	2011
Assets		
Funds on hand and on deposit	\$ 2,524,012	\$ 8,203,914
Income taxes recoverable	33,740	-
Other assets	117,200	160,853
Investments	12,425,838	30,677,567
Loans to members	149,674,782	127,746,604
Property and equipment	1,722,423	1,798,630
	<u>\$ 166,497,995</u>	<u>\$ 168,587,568</u>
Liabilities and Members' Equity		
Borrowings	\$ 2,111,096	\$ -
Income taxes payable	-	72,972
Other liabilities	705,060	632,985
Deposits payable	153,523,449	158,211,154
Deferred income tax liability	48,000	44,000
	<u>156,387,605</u>	<u>158,961,111</u>
Commitments		
Members' Equity		
Members' shares	1,002,631	901,921
Provision for issue of common shares	150,000	150,000
Retained earnings	8,957,759	8,574,536
	<u>10,110,390</u>	<u>9,626,457</u>
	<u>\$ 166,497,995</u>	<u>\$ 168,587,568</u>

Approved on behalf of the Board of Directors:

 _____ Director
 _____ Director

The accompanying notes are an integral part of these financial statements.



BELGIAN-ALLIANCE CREDIT UNION LTD.
Summary Statement of Comprehensive Income

For the year ended December 31	2012	2011
Revenue		
Interest on loans to members	\$ 6,029,471	\$ 5,253,192
Investment income		
Liquidity deposits	442,256	414,639
CUCM shares	123,656	45,625
	<u>6,595,383</u>	<u>5,713,456</u>
Cost of Funds		
Interest paid to members	2,312,916	2,329,951
Interest paid to associates	1,454,604	641,457
	<u>3,767,520</u>	<u>2,971,408</u>
Gross financial margin	<u>2,827,863</u>	<u>2,742,048</u>
Operating Expenses		
Personnel	1,258,524	1,108,217
Administrative	872,748	678,258
Occupancy	390,507	400,601
Members' security	164,352	118,374
Organizational	102,635	129,089
Distributions to members	150,000	150,000
Gross operating expenses	<u>2,938,766</u>	<u>2,584,539</u>
Less other income	<u>685,430</u>	<u>661,177</u>
	<u>2,253,336</u>	<u>1,923,362</u>
Gross operating income	574,527	818,686
Provision for impaired loans	<u>106,131</u>	<u>(58,179)</u>
Income before income taxes	<u>468,396</u>	<u>876,865</u>
Provision for income taxes		
Current	55,640	80,262
Deferred	4,000	20,000
	<u>59,640</u>	<u>100,262</u>
Net and comprehensive income for the year	<u>\$ 408,756</u>	<u>\$ 776,603</u>

The accompanying notes are an integral part of these financial statements.

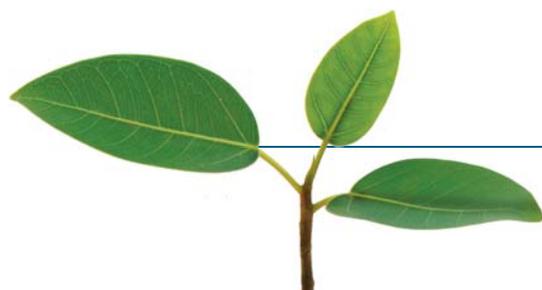
BELGIAN-ALLIANCE CREDIT UNION LTD.
Summary Statement of Changes in Members' Equity

For the year ended December 31

2012

	Provision for Issue of Common Shares	Members' Shares	Retained Earnings	Total
Balance at December 31, 2010	\$ 199,206	\$ 851,005	\$ 7,819,442	8,869,653
Net income for the year	-	-	776,603	776,603
Distributions to members	150,000	-	(21,509)	128,491
Issue of members' shares	(199,206)	200,571	-	1,365
Redemption of members' shares	-	(124,786)	-	(124,786)
Transfer (to) from registered deposits	-	(24,869)	-	(24,869)
Balance on December 31, 2011	\$ 150,000	\$ 901,921	\$ 8,574,536	9,626,457
Net income for the year	-	-	408,756	408,756
Distributions to members	150,000	-	(25,533)	124,467
Issue of members' shares	(150,000)	178,468	-	28,468
Redemption of members' shares	-	(61,784)	-	(61,784)
Transfer (to) from registered deposits	-	(15,974)	-	(15,974)
Balance on December 31, 2012	\$ 150,000	\$ 1,002,631	\$ 8,957,759	10,110,390

The accompanying notes are an integral part of these financial statements.



BELGIAN-ALLIANCE CREDIT UNION LTD.
Summary Statement of Cash Flows

For the year ended December 31	2012	2011
Cash Flows from Operating Activities		
Net income for the year	\$ 408,756	\$ 776,603
Adjustments for		
Interest revenue	(6,595,383)	(5,713,456)
Interest expense	3,767,520	2,971,408
Depreciation expense	113,546	133,563
Provision for impaired loans	106,131	(58,179)
Patronage fund	150,000	150,000
Transfer to registered deposits	(15,974)	(24,869)
Deferred income taxes	4,000	20,000
	<u>(2,061,404)</u>	<u>(1,744,930)</u>
Change in other assets and liabilities	115,729	(869,109)
Change in income taxes payable	<u>(106,712)</u>	<u>(80,707)</u>
	<u>9,017</u>	<u>(949,816)</u>
Changes in member activities (net)		
Change in loans to members	(22,012,392)	(27,110,540)
Change in deposits payable	<u>(4,563,977)</u>	<u>51,622,123</u>
	<u>(26,576,369)</u>	<u>24,511,583</u>
Cash flows related to interest, dividends, and income taxes		
Interest received on loans to members	6,007,553	5,225,276
Interest received on investments	630,907	435,054
Interest paid on deposits payable	(2,436,644)	(1,841,090)
Interest paid on borrowings	<u>(1,454,604)</u>	<u>(641,457)</u>
	<u>2,747,212</u>	<u>3,177,783</u>
Total cash flows from operating activities	<u>(25,881,544)</u>	<u>24,994,620</u>
Cash Flows from Investing Activities		
Net increase in investments	(1,313,266)	12,624
Net purchase of property and equipment	<u>(37,339)</u>	<u>(10,495)</u>
Total cash flows from investing activities	<u>(1,350,605)</u>	<u>2,129</u>
Cash Flows from Financing Activities		
Issue of common and surplus shares	28,468	1,365
Redemption of common and surplus shares	(61,784)	(124,786)
Dividends on shares (net of income tax recovery)	<u>(25,533)</u>	<u>-</u>
Total cash flows from financing activities	<u>(58,849)</u>	<u>(123,421)</u>
Net (decrease) increase in cash and cash equivalents	<u>(27,290,998)</u>	<u>24,873,328</u>
Cash and cash equivalents, beginning of year	<u>37,703,914</u>	<u>12,830,586</u>
Cash and cash equivalents, end of year	<u>\$ 10,412,916</u>	<u>\$ 37,703,914</u>
Comprised of the following:		
Funds on hand and on deposit	\$ 2,524,012	\$ 8,203,914
Credit Union Central of Manitoba term deposits	10,000,000	29,500,000
Credit Union Central of Manitoba borrowings	<u>(2,111,096)</u>	<u>-</u>
	<u>\$ 10,412,916</u>	<u>\$ 37,703,914</u>

BELGIAN-ALLIANCE CREDIT UNION LTD.
Notes to Summary Financial Statements

For the year ended December 31, 2012

1. Basis of the Summary Consolidated Financial Statements

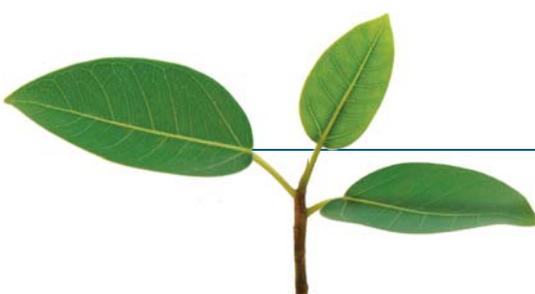
Management is responsible for the preparation of summary financial statements. The summary presented includes only the summary balance sheet and the summary statements of comprehensive income, changes in members' equity, and cash flows. It does not include the notes to the financial statements. The summary balance sheet and summary statements of comprehensive income, changes in members' equity, and cash flows are presented in the same detail as the audited financial statements except the note referencing has been removed.

Copies of the December 31, 2012 audited financial statements are available at the Credit Union's branches or at www.belgianalliancecu.mb.ca.

2. Compliance with Minimum Capital and Liquidity Requirements

The Credit Union is in compliance with the capital requirements, but is deficient in the liquidity reserve requirements, at December 31, 2012 established by the Regulations to The Credit Unions and Caisses Populaires Act of Manitoba. However, the Credit Union has unutilized borrowing capacity available to cover the deficiency of liquidity requirement at December 31, 2012. The Credit Union was in compliance with the capital and liquidity reserve requirements at December 31, 2011.

Readers of the summary financial statements are advised that in order to appropriately interpret the Credit Union's capital and liquidity, the reader must refer to the audited financial statements and related notes for the year ended December 31, 2012, which contain the information detailing the calculation.



CANDIDATES FOR THE BOARD OF DIRECTORS 2013

At Belgian-Alliance Credit Union's Annual General Meeting, which will take place Tuesday, April 23, three directors will be elected. When nominations closed on December 28, 2012, valid nominations were received for three incumbents: Marcel Daeninck, Bohdana Bashuk and Jim Beaulieu. Below are brief biographies for each candidate.

MARCEL DAENINCK



Marcel Daeninck joined Belgian Credit Union in 1947 and was elected to the board in 1984. He has served on numerous committees, most recently on the Audit and Risk Management committee. He joined Red River Co-op in 1974 and was appointed to its board in 1998, where he currently serves as Secretary of the Board.

Marcel was recognized for his significant contributions to the development and success of co-operatives in Manitoba with the 2011 Cooperative Merit Award, which acknowledged his dedicated service to both BACU and Red River Co-op.

In 2006 Marcel was awarded a certificate of appreciation from the Government of Canada in recognition of his outstanding service as a volunteer.

BOHDANA BASHUK



Bohdana Bashuk currently serves as Vice-Chair on the board of Belgian-Alliance Credit Union.

After working briefly in the legal and wealth management fields, Bohdana now works as Executive Assistant at the Ukrainian Cultural and Educational Centre in Winnipeg.

She is most noted for her work in broadcasting: eight years as host/moderator with WTN (Women's Television Network), and 23 years as producer/host with CKJS Radio in Winnipeg. Bohdana has completed the Credit Union Director Achievement Program and has been a director for nine years.

JIM BEAULIEU BA, BSC, CGA (RETIRED)



Jim Beaulieu is a long time resident of St. Boniface and has served on the board for over 28 years. He has university degrees in mathematics and in economics, and is a Certified General Accountant (retired). Jim has been chair of the credit union's Audit and Risk Management Committee for many years.

Jim worked in the Provincial Government of Manitoba for 23 years, the last nine as Deputy Minister of Urban Affairs and Deputy Minister of Housing. He is a past president of the Toronto-based Institute of Public Administration. Since 1996 Jim has been an independent consultant specializing in public sector management and finance, organizational change and local government; his volunteer and contract work has spanned many countries including Ukraine, the Middle East, south-east Asia and China. He also has small business experience, as coowner of a local Internet company.





Membership open to all

Provencher Branch
387 Provencher Boulevard
Winnipeg, Manitoba
R2H 0G9

Jefferson Branch
101-930 Jefferson Avenue
Winnipeg, Manitoba
R2P 1W1

Portage Branch
1177 Portage Avenue
Winnipeg, Manitoba
R3G 0T2