

**BELGIAN-ALLIANCE CREDIT  
UNION LTD.**

**Financial Statements**  
For the year ended December 31, 2009

# **BELGIAN-ALLIANCE CREDIT UNION LTD.**

## **Financial Statements**

For the year ended December 31, 2009

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Tel/Tél.: 204 956 7200  
Fax/Télé.: 204 926 7201  
Toll-free/  
Sans frais: 800 268 3337  
www.bdo.ca

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

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## Auditors' Report

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

We have audited the balance sheet of **BELGIAN-ALLIANCE CREDIT UNION LTD.** as at December 31, 2009 and the statements of income, retained surplus 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 its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
January 29, 2010

**BELGIAN-ALLIANCE CREDIT UNION LTD.**  
**Balance Sheet**

| December 31                                    | 2009                  | 2008                 |
|--|-----------------------|----------------------|
| <b>Assets</b>                                  |                       |                      |
| Funds on deposit                               | \$ 10,930,164         | \$ 4,041,042         |
| Investments (Note 3)                           | 6,397,042             | 7,460,779            |
| Loans to members (Note 4)                      | 92,811,423            | 82,085,303           |
| Property, plant and equipment (Note 5)         | 1,926,261             | 2,026,835            |
| Other assets (Note 6)                          | 297,429               | 207,372              |
|  | <b>\$ 112,362,319</b> | <b>\$ 95,821,331</b> |
| <b>Liabilities and Members' Capital</b>        |                       |                      |
| Members' deposits (Note 7)                     | \$ 103,396,579        | \$ 87,791,841        |
| Accounts payable (Note 9)                      | 972,294               | 562,288              |
|  | <b>104,368,873</b>    | <b>88,354,129</b>    |
| <b>Commitments (Note 14)</b>                   |                       |                      |
| <b>Members' Capital (Note 12)</b>              |                       |                      |
| Members' shares (Note 10)                      | 802,977               | 761,891              |
| Provision for issue of common shares (Note 11) | 149,043               | 154,259              |
| Retained surplus                               | 7,041,426             | 6,551,052            |
|  | <b>7,993,446</b>      | <b>7,467,202</b>     |
|  | <b>\$ 112,362,319</b> | <b>\$ 95,821,331</b> |

Approved on behalf of the Board:

Remi Breyngman Director

Joanne Mercier Director

**BELGIAN-ALLIANCE CREDIT UNION LTD.**  
**Statement of Income**

| <b>For the year ended December 31</b>        | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
| <b>Income</b>                                |                   |                   |
| Interest from members' loans                 | \$ 4,451,778      | \$ 4,568,439      |
| Investment income                            |                   |                   |
| Liquidity deposits                           | 409,851           | 428,918           |
| Shares                                       | 39,003            | 48,028            |
|  | <u>4,900,632</u>  | <u>5,045,385</u>  |
| <b>Cost of Funds</b>                         |                   |                   |
| Interest paid to members                     | 2,616,628         | 2,696,601         |
| Interest paid to others                      | -                 | 8,667             |
|  | <u>2,616,628</u>  | <u>2,705,268</u>  |
| <b>Gross financial margin</b>                | <u>2,284,004</u>  | <u>2,340,117</u>  |
| <b>Operating expenses</b>                    |                   |                   |
| Administrative                               | 522,914           | 573,308           |
| Members' security                            | 59,810            | 104,538           |
| Occupancy                                    | 386,847           | 364,993           |
| Organizational                               | 80,500            | 73,474            |
| Personnel                                    | 1,131,295         | 983,822           |
| <b>Gross operating expenses</b>              | <u>2,181,366</u>  | <u>2,100,135</u>  |
| <b>Less other income</b>                     | <u>685,098</u>    | <u>721,687</u>    |
|  | <u>1,496,268</u>  | <u>1,378,448</u>  |
| <b>Gross operating income</b>                | <u>787,736</u>    | <u>961,669</u>    |
| <b>Provision for doubtful loans (Note 4)</b> | <u>78,000</u>     | <u>94,023</u>     |
| <b>Income before patronage refund</b>        | <u>709,736</u>    | <u>867,646</u>    |
| <b>Patronage refund (Note 11)</b>            | <u>150,000</u>    | <u>155,000</u>    |
| <b>Income before income taxes</b>            | <u>559,736</u>    | <u>712,646</u>    |
| <b>Provision for income taxes (Note 13)</b>  | <u>47,362</u>     | <u>192,051</u>    |
| <b>Net income for the year</b>               | <u>\$ 512,374</u> | <u>\$ 520,595</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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**BELGIAN-ALLIANCE CREDIT UNION LTD.**  
**Statement of Retained Surplus**

| <b>For the year ended December 31</b>                       | <b>2009</b>         | <b>2008</b>         |
|---|---------------------|---------------------|
| <b>Retained surplus, beginning of year</b>                  | <b>\$ 6,551,052</b> | <b>\$ 6,047,207</b> |
| <b>Net income for the year</b>                              | <b>512,374</b>      | <b>520,595</b>      |
|   | <b>7,063,426</b>    | <b>6,567,802</b>    |
| <b>Dividend on shares (net of tax recoveries) (Note 11)</b> | <b>22,000</b>       | <b>16,750</b>       |
| <b>Retained surplus, end of year</b>                        | <b>\$ 7,041,426</b> | <b>\$ 6,551,052</b> |

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

| For the year ended December 31                      | 2009                 | 2008                |
|---|----------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>         |                      |                     |
| Net income for the year                             | \$ 512,374           | \$ 520,595          |
| Adjustments for                                     |                      |                     |
| Amortization  | 123,620              | 123,046             |
| Provision for doubtful loans                        | 78,000               | 94,023              |
| Patronage refund                                    | 150,000              | 155,000             |
| Accrued interest receivable                         | 18,415               | 10,424              |
| Accrued interest payable                            | 111,361              | 41,083              |
| Income taxes  | (166,223)            | 106,564             |
| Other items, net                                    | 489,172              | (54,939)            |
|   | <u>1,316,719</u>     | <u>995,796</u>      |
| <b>Cash Flows from Financing Activities</b>         |                      |                     |
| Members' deposits, net of withdrawals               | 15,493,377           | 6,563,146           |
| Redemption of common and surplus shares             | (114,130)            | (122,826)           |
| Dividends paid on common shares                     | (25,000)             | (25,000)            |
|   | <u>15,354,247</u>    | <u>6,415,320</u>    |
| <b>Cash Flows from Investing Activities</b>         |                      |                     |
| Loans to members, net of repayments                 | (10,811,398)         | (9,687,705)         |
| Net increase in investments                         | 1,052,600            | 3,746,065           |
| Net purchases of property, plant and equipment      | (23,046)             | (22,655)            |
|   | <u>(9,781,844)</u>   | <u>(5,964,295)</u>  |
| <b>Net increase in cash and cash equivalents</b>    | <b>6,889,122</b>     | <b>1,446,821</b>    |
| <b>Cash and cash equivalents, beginning of year</b> | <b>4,041,042</b>     | <b>2,594,221</b>    |
| <b>Cash and cash equivalents, end of year</b>       | <b>\$ 10,930,164</b> | <b>\$ 4,041,042</b> |
| <b>Supplementary Information</b>                    |                      |                     |
| Interest received                                   | \$ 4,919,047         | \$ 5,055,809        |
| Interest paid                                       | 2,505,267            | 2,664,185           |
| Income taxes paid                                   | 45,712               | 135,221             |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Summary of Significant Accounting Policies

**For the year ended December 31, 2009**

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These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

### **Financial Instruments**

The Credit Union recognizes and measures financial assets and financial liabilities on the balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of each financial instrument. Held-for-trading items are carried at fair value, with changes in their fair value recognized in the statement of income. Available-for-sale items are carried at fair value, with changes in their fair value recognized as other comprehensive income. Loans and receivables and other financial liabilities are carried at amortized cost, using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the credit union has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

The Credit Union has followed the guidance of the Credit Union Deposit Guarantee Corporation of Manitoba, which directed that liquidity deposits with Credit Union Central of Manitoba and Loans and Mortgages be classified as "Loans and receivables" and that Member Deposits be classified as "Other financial liabilities" and therefore that all be accounted for using the amortized cost method. See note 16 for details on classification of all the Credit Union's financial instruments.

Transaction costs for financial instruments are capitalized and then amortized over the term of the instrument using the effective interest rate method.



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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Summary of Significant Accounting Policies

For the year ended December 31, 2009

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### Financial Instruments (continued)

Derivative financial instruments, including embedded derivatives which are required to be accounted for separately, are recorded on the balance sheet at fair value. Changes in the value of derivative instruments (solely embedded derivatives) are recognized directly in income for the period under "Interest from members' loans".

Other comprehensive income includes, in particular, unrealized gains and losses on available-for-sale financial assets and the change in the effective portion of a cash flow hedge transaction. The Credit Union had no comprehensive income for the year.

### Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics. All impairment losses are recognized in the statement of income.

#### Loans to Members

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the Credit Union's portfolio. The allowance is increased by an annual provision for doubtful loans which is charged against income. Loans are considered uncollectible when the Credit Union has exhausted all means of collection. These loans are written-off against the associated provision.

The Credit Union maintains specific allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts.

- Loans classified as impaired include loans for which interest or principal payments are 90 days past due, unless the loan is both well secured and in the process of collection, in which case, they are only classified as impaired if payments are 180 days past due. Loans are also considered impaired if, in management's view, there is no longer reasonable assurance of timely collection of the full amount of principal and interest in accordance with the terms of the loan agreement.

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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Summary of Significant Accounting Policies

For the year ended December 31, 2009

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### Impairment of Financial Assets (continued)

- Estimated realizable amounts are determined by discounting the expected cash flows at the effective interest rate inherent in the loan. If cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, or an estimate of market price for the loan is used.

When the terms of loans that would otherwise be past due or impaired have been renegotiated, a review of the borrower's credit history and the collateral securing the loan is conducted to minimize the risk of loss to the Credit Union.

In addition to specific allowances against identified impaired loans, the Credit Union maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio and is estimated based upon historical loss experience and prevailing economic conditions.

### Revenue Recognition

Interest on loans is recorded using the effective interest method except for loans which are considered impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Investment income is recorded using the effective interest method, except as it relates to adjustments in the rates received from Credit Union Central, these are recorded when payment is received.

Commissions and service charges are recognized as income when the related service is provided or entitlement to receive income is earned.

Other Income is recorded as income as it becomes receivable, or as the Credit Union becomes aware of the income to be recorded.

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## BELGIAN-ALLIANCE CREDIT UNION LTD. Summary of Significant Accounting Policies

For the year ended December 31, 2009

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**Property, Plant and Equipment** Property, plant and equipment acquired during the fiscal year ended December 31, 2009 have been reflected in the accounts at actual cost. Amortization of \$123,620 charged to the 2009 operations of the Credit Union has been calculated on the straight-line basis over the following number of years:

|                         |                |
|-------------------------|----------------|
| Buildings               | 40 years       |
| Furniture and equipment | 10 years       |
| Security equipment      | 2 to 20 years  |
| Computer equipment      | 5 to 6.5 years |
| Building improvements   | 10 years       |
| ATM equipment           | 5 years        |
| Signage                 | 5 years        |

**Income Taxes** The Credit Union follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year.

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets or liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date. A future income tax asset is only recognized if it is more likely than not that the future income tax asset will be realized.

Net future income tax assets or liabilities are reflected in other assets or accounts payable, as appropriate.

**Translation of Foreign  
Currencies**

Cash resources and deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Realized gains and losses are recorded at the rates prevailing at the time of the transaction. Unrealized gains and losses are recorded at the rates prevailing on the balance sheet date.

**New Accounting  
Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Credit Union, are as follows:

International financial reporting standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Credit Union's financial statements has yet to be determined.

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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

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### 1. Nature of Operations

The Credit Union was formed pursuant to the Credit Unions and Caisses Populaires Act of the Province of Manitoba (the "Act") and operates three credit union branches located in the City of Winnipeg.

### 2. Change in Accounting

On January 1, 2009, the Credit Union adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures amendments for additional disclosure about fair value measurements of financial instruments and liquidity risks. The purpose of this amendment is to enhance disclosure requirements, as such, it does not have a financial impact. Comparative information has not been presented because this information is not required in the year of adoption. These amendments are contained within Note 17 of these financial statements.

### 3. Investments

|  | <u>2009</u>                | <u>2008</u>                |
|--|----------------------------|----------------------------|
| Credit Union Central of Manitoba         |                            |                            |
| Shares                                   | \$ 1,046,839               | \$ 899,439                 |
| Contract and daily interest deposits     | <u>5,300,000</u>           | <u>6,500,000</u>           |
|  | <b>6,346,839</b>           | <b>7,399,439</b>           |
| Concentra Financial Services Association |                            |                            |
| Common shares                            | <u>290</u>                 | <u>290</u>                 |
|  | <b>6,347,129</b>           | <b>7,399,729</b>           |
| Accrued interest receivable              | <u>49,913</u>              | <u>61,050</u>              |
|  | <b><u>\$ 6,397,042</u></b> | <b><u>\$ 7,460,779</u></b> |

As the shares held in Credit Union Central of Manitoba and Concentra Financial have been classified as available for sale, they are valued at cost as quoted market prices do not exist. The contract and daily interest deposits in Credit Union Central of Manitoba are deposits for liquidity purposes and are classified as loans and receivables and recorded at amortized cost.

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

For the year ended December 31, 2009

**4. Loans to Members**

Loans to members are presented net of allowances for doubtful loans totalling \$387,196, consisting of \$294,292 for specific loans considered impaired and \$92,904 as non-specific.

|                              | 2009                 | 2008          |
|------------------------------|----------------------|---------------|
| Consumer loans               |                      |               |
| Real estate                  | \$ 65,451,607        | \$ 59,511,757 |
| Non-real estate              | 8,807,801            | 8,619,290     |
| Lines of credit              | 4,182,713            | 3,116,466     |
| Commercial loans             |                      |               |
| Real estate                  | 7,944,602            | 7,136,486     |
| Non-real estate              | 729,212              | 509,965       |
| Lines of credit              | 831,272              | 389,842       |
| Syndicated loans             |                      |               |
| Real estate                  | 5,062,589            | 2,957,320     |
|                              | <b>93,009,796</b>    | 82,241,126    |
| Accrued interest receivable  | 188,823              | 196,101       |
|                              | <b>93,198,619</b>    | 82,437,227    |
| Allowance for doubtful loans | 387,196              | 351,924       |
|                              | <b>\$ 92,811,423</b> | \$ 82,085,303 |

During the current year, the Credit Union held \$8,840,625 in outstanding commercial loans relating to the real estate, rental, and leasing industry and \$1,194,101 in outstanding commercial loans relating to the hotel industry.

The following schedule provides the loan allowance related to each loan category, together with the gross amount of loans, including accrued interest, in each major loan category.

|                   | 2009                      |                    | 2008                      |                    |
|-------------------|---------------------------|--------------------|---------------------------|--------------------|
|                   | Gross<br>Loan<br>Balances | Total<br>Allowance | Gross<br>Loan<br>Balances | Total<br>Allowance |
| <b>Impaired</b>   |                           |                    |                           |                    |
| Consumer          | \$ 1,189,337              | \$ 294,292         | \$ 1,534,876              | \$ 255,179         |
| Commercial        | -                         | -                  | 14,565                    | 14,565             |
|                   | 1,189,337                 | 294,292            | 1,549,441                 | 269,744            |
| <b>Performing</b> | 92,009,282                | 92,904             | 80,887,786                | 82,180             |
|                   | <b>\$ 93,198,619</b>      | <b>\$ 387,196</b>  | <b>\$ 82,437,227</b>      | <b>\$ 351,924</b>  |
|                   | <b>\$ 92,811,423</b>      | <b>\$ 387,196</b>  | <b>\$ 82,437,227</b>      | <b>\$ 351,924</b>  |
|                   | <b>\$ 92,811,423</b>      | <b>\$ 387,196</b>  | <b>\$ 82,437,227</b>      | <b>\$ 351,924</b>  |
|                   | <b>\$ 92,811,423</b>      | <b>\$ 387,196</b>  | <b>\$ 82,437,227</b>      | <b>\$ 351,924</b>  |
|                   | <b>\$ 92,811,423</b>      | <b>\$ 387,196</b>  | <b>\$ 82,437,227</b>      | <b>\$ 351,924</b>  |

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

For the year ended December 31, 2009

### 4. Loans to Members (continued)

The principal collateral and other credit enhancements we hold as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities.

During the year ended December 31, 2009, the Credit Union acquired \$6,350 of assets in respect of problem loans. The related reduction in allowance for doubtful loans was \$3,500.

A loan is considered past due when a counterparty has not made a payment by the contractual date due. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either (i) less than 90 days past due, or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

|  |            | <b>2009</b>  |            |                         |              |
|--|------------|--------------|------------|-------------------------|--------------|
|  |            | 1-30 Days    | 31-90 Days | Greater Than<br>90 Days | Total        |
|  | Consumer   | \$ 769,694   | \$ -       | \$ -                    | \$ 769,694   |
|  | Commercial | 22,737       | -          | -                       | 22,737       |
|  |            | \$ 792,431   | \$ -       | \$ -                    | \$ 792,431   |
|  |            | <b>2008</b>  |            |                         |              |
|  |            | 1-30 Days    | 31-90 Days | Greater Than<br>90 Days | Total        |
|  | Consumer   | \$ 1,541,059 | \$ 189,855 | \$ -                    | \$ 1,730,914 |
|  | Commercial | 1,107,265    | -          | -                       | 1,107,265    |
|  |            | \$ 2,648,324 | \$ 189,855 | \$ -                    | \$ 2,838,179 |

The following schedule provides the activity through the allowance for doubtful loans during the year:

|  |                              | <b>2009</b>       | <b>2008</b> |
|--|------------------------------|-------------------|-------------|
|  | Balance, beginning of year   | \$ 351,924        | \$ 316,716  |
|  | Provision for doubtful loans | 78,000            | 94,023      |
|  |                              | <b>429,924</b>    | 410,739     |
|  | Member loans written-off     | 42,728            | 58,815      |
|  | Balance, end of year         | <b>\$ 387,196</b> | \$ 351,924  |

During the year, the Credit Union recovered \$10,495 of loans previously written-off (2008 - \$11,226) which is included as part of other income on the statement of income.

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

For the year ended December 31, 2009

### 5. Property, Plant and Equipment

|                                    | 2009                |                             | 2008                |                             |
|------------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
|                                    | Cost                | Accumulated<br>Amortization | Cost                | Accumulated<br>Amortization |
| Land                               | \$ 541,267          | \$ -                        | \$ 541,267          | \$ -                        |
| Buildings                          | 1,347,174           | 260,220                     | 1,347,174           | 226,540                     |
| Furniture and equipment            | 188,987             | 126,081                     | 174,932             | 105,102                     |
| Security equipment                 | 157,519             | 59,422                      | 139,319             | 34,257                      |
| Computer equipment                 | 244,937             | 146,102                     | 314,596             | 191,992                     |
| Building improvements              | 203,042             | 178,831                     | 203,042             | 169,397                     |
| ATM equipment                      | 83,220              | 72,124                      | 83,220              | 55,480                      |
| Signage                            | 15,792              | 12,897                      | 15,792              | 9,739                       |
|                                    | <b>\$ 2,781,938</b> | <b>\$ 855,677</b>           | <b>\$ 2,819,342</b> | <b>\$ 792,507</b>           |
| Cost less accumulated amortization |                     | <b>\$ 1,926,261</b>         |                     | <b>\$ 2,026,835</b>         |

### 6. Other Assets

|   | 2009              | 2008              |
|---|-------------------|-------------------|
| Accounts receivable                     | \$ 12,432         | \$ 12,512         |
| Prepaid expenses                        | 78,330            | 59,960            |
| Deferred expenses (net of amortization) | 135,663           | 134,900           |
| Current income taxes receivable         | 71,004            | -                 |
|   | <b>\$ 297,429</b> | <b>\$ 207,372</b> |

### 7. Members' Deposits

|  | 2009                  | 2008                 |
|--|-----------------------|----------------------|
| Chequing   | \$ 12,317,465         | \$ 11,523,057        |
| Savings and Term deposits  | 62,879,280            | 51,115,325           |
| U.S. term deposits   | 115,599               | 41,458               |
| Registered Retirement Savings Plan and<br>Registered Retirement Income Funds | 23,818,959            | 21,177,907           |
| Locked-in Retirement Account and<br>Locked-in Retirement Income Funds        | 2,413,226             | 1,953,500            |
| Life income funds  | 687,230               | 932,822              |
| Unclaimed and inactive accounts  | 26,606                | 20,919               |
|  | <b>102,258,365</b>    | <b>86,764,988</b>    |
| Accrued interest payable   | 1,138,214             | 1,026,853            |
|  | <b>\$ 103,396,579</b> | <b>\$ 87,791,841</b> |

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

**For the year ended December 31, 2009**

**8. Credit Union Central of Manitoba**

The Credit Union has approved lines of credit equal to 10% of its members' deposits. For the current year this amounts to \$10.3 million. These accommodations are secured by an assignment of shares and deposits in Credit Union Central of Manitoba and a general assignment of loans receivable from members. The line of credit was unutilized at December 31, 2009.

**9. Accounts Payable**

|   | 2009       | 2008       |
|---|------------|------------|
| Outstanding credit union cheques                      | \$ 484,710 | \$ 201,560 |
| Accrued expenses and payables                         | 408,037    | 241,549    |
| Credit Union Deposit Guarantee Corporation assessment | 19,973     | 27,817     |
| Current income taxes payable                          | -          | 34,719     |
| Future income tax liability                           | 33,200     | 30,300     |
| Dividend payable (Note 11)                            | 26,374     | 26,343     |
|   | \$ 972,294 | \$ 562,288 |

**10. Members' Shares**

|   | 2009       | 2008       |
|---|------------|------------|
| Common shares   | \$ 802,977 | \$ 761,891 |
| Surplus shares, beginning of year                           | -          | 9,274      |
| Surplus shares issued from previous year's patronage refund | 155,216    | 30,918     |
| Dividends paid on common shares                             | 24,969     | -          |
| Less: Transfer to common shares                             | 41,086     | 36,835     |
| Less: Transfer to RRSP Variable                             | 14,965     | 2,373      |
| Less: Transfer to RRIF Variable                             | 973        | 984        |
| Less: Redemptions   | 123,161    | -          |
|   | -          | -          |
| Surplus shares, end of year                                 | -          | -          |
| Total Members' Shares                                       | \$ 802,977 | \$ 761,891 |

Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.



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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

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### 10. Members' Shares (continued)

#### Common Shares

Authorized common share capital consists of an unlimited number of common shares, with an issue price per share to be not less than \$5 and redeemable in the amount of consideration received for the share. No member may hold more than 10% of the total number of shares. The total share balance will not be reduced below the previous year end balance or below 2% of the Credit Union's assets (whichever is the lesser).

In order to accelerate the capital building plan undertaken by the Credit Union, a member share subscription program existed, whereby members increased their investment in the Credit Union by purchasing additional shares (at \$5 each) in addition to their initial share (to a maximum of \$200).

The Board of Directors approved the payment of a 3.11% dividend on common shares (see Note 11).

#### Surplus Shares

Authorized surplus share capital consists of an unlimited number of surplus shares, with an issue price per share of \$1 and redeemable at the option of the Credit Union at \$1 per share. The total amount of surplus shares purchased or redeemed by the Credit Union in a fiscal year shall not reduce the Credit Union's equity below 5% of assets.

### 11. Provision for Issue of Common Shares

The Board of Directors has approved that the payment of a patronage refund of approximately \$150,000 be allocated to the members net income for 2009. In addition, a dividend of \$25,000 has been approved for distribution and is recorded in accounts payable.

This patronage refund has been reflected in these financial statements as an expense in the current year. Also, the current year's provision for income taxes has been calculated incorporating this payment, which has resulted in a reduction in the income tax provision of approximately \$18,000. The dividend has been presented through equity net of tax recoveries of \$3,000 resulting in a net charge of \$22,000.

When paid, this refund will be distributed to members on the basis of interest paid with respect to members' savings accounts and interest earned from variable rate loans and residential mortgages. The patronage refund is intended to be used for the purchase of additional common shares, and has been included in the provision for issue of common shares in Members' Capital on the balance sheet as "Provision for Issue of Common Shares".

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

### 12. Capital Requirement

Regulations to the Act require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- total members' capital as shown on the balance sheet shall not be less than 5% of the book value of all assets
- retained surplus shall not be less than 3% of the book value of assets, and
- total capital as calculated in accordance with the Act shall not be less than 8% of the risk-weighted value of its assets.

The Credit Union considers its capital to comprise common and surplus shares, provision for issue of surplus shares and retained surplus. There have been no changes in what the Credit Union considers to be its capital since the previous period.

The Credit Union establishes the risk-weighted value of its assets in accordance with the Regulations of the Act which establishes the applicable percentage for each class of assets. The Credit Union's risk-weighted value of its assets as at December 31, 2009 was \$48,919,841.

As at December 31, 2009 the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 7.11% (2008 - 7.79%), retained surplus ratio of 6.27% (2008 - 6.84%) and a risk-weighted asset ratio of 16.34% (2008 - 18.34%).

### 13. Income Taxes

|   | 2009      | 2008       |
|---|-----------|------------|
| Components of provision for income taxes: |           |            |
| Current income tax expense                | \$ 44,462 | \$ 154,251 |
| Future income tax expense                 | 2,900     | 37,800     |
|   | \$ 47,362 | \$ 192,051 |

The total provision for income taxes in the statements of income and retained surplus is at a rate less than the combined federal and provincial statutory income tax rates for the following reasons:

|  | 2009    | 2008    |
|--|---------|---------|
|  | %       | %       |
| Combined federal and provincial statutory income tax rates | 32.00   | 33.00   |
| Small business deduction                                   | (20.00) | (11.92) |
| Other  | (3.54)  | 4.71    |
|  | 8.46    | 25.79   |

The tax effects of temporary differences which give rise to the net future income tax liability reported in accounts payable is related to the allowance for doubtful loans, amortization of property, plant and equipment and amortization of prepaid mortgage cash back.

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

For the year ended December 31, 2009

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### 14. Commitments

#### Members' Loans

The Credit Union had made commitments to members for loans that had not been disbursed by the December 31, 2009 year end in the approximate amount of \$2,442,222. In addition, the unutilized portions of lines of credit extended to members as at December 31, 2009 were \$6,735,152. The Credit Union also had made commitments to members for unexpired letters of credit in the amount of \$90,000 as at December 31, 2009.

#### Lease Commitments

Contractual obligations in respect of leases for premises require the following aggregate minimum lease payments:

|      |    |        |
|------|----|--------|
| 2010 | \$ | 68,736 |
| 2011 |    | 11,456 |

With respect to these premises, the Credit Union is also responsible to pay their proportion of all taxes, utilities, insurance and repairs.

### 15. Transactions with Related Parties

#### The Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation was created under the Act for the purposes of guaranteeing deposits in Manitoba credit unions, and promoting sound business practices in credit unions.

The payments made to the Corporation during the year ended December 31, 2009 represent the net statutory annual assessment in the amount of \$47,671 (2008 - \$90,755).

#### Credit Union Central of Manitoba

The Credit Union is a member of Credit Union Central of Manitoba, which provides banking and other services to Credit Unions in Manitoba.

Details of investments in Credit Union Central of Manitoba are shown in Note 3. Interest earned on investments during the year amounted to \$448,854 (2008 - \$476,946).

Details of approved lines of credit with Credit Union Central of Manitoba are shown in Note 8. Interest paid on borrowings during the year amounts to \$NIL (2008 - \$8,667).

Payments made to Credit Union Central of Manitoba during the year ended December 31, 2009 for affiliation dues, assessments and cheque clearing fees totalled \$120,980 (2008 - \$120,189).

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

### 15. Transactions with Related Parties (continued)

#### Directors and Officers

During the year the Credit Union made the following payments to and on behalf of the directors and officers of the Credit Union for costs associated with the performance of their duties:

|                          | 2009      | 2008      |
|--------------------------|-----------|-----------|
| Per diems                | \$ 16,463 | \$ 14,835 |
| Training and conferences | 515       | 1,067     |
|                          | \$ 16,978 | \$ 15,902 |

During the year, all loans, deposits and fees that were made to, received from, or charged to the directors or officers or persons in whom any of them has a material interest during the year conform to the Credit Union's ordinary practices for members who are not directors or officers.

As at December 31, 2009, outstanding loans to directors, committee members, management and staff totalled 1.94% (2008 - 1.70%), in aggregate, of the assets of the Credit Union.

### 16. Financial Instrument Risk Exposure and Management

This note describes the Credit Union's objectives, policies and processes for managing risks arising from financial instruments and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The following table presents the principal financial instruments used by the Credit Union from which financial instrument risk arises:

| Class of Financial Instrument | <u>Categories of Financial Assets and Financial Liabilities</u> |                     |                    |                             |
|-------------------------------|---|---------------------|--------------------|-----------------------------|
|                               | Held for Trading  | Loans & Receivables | Available for Sale | Other Financial Liabilities |
| Funds on deposit              | \$10,930,164  | \$ -                | \$ -               | \$ -                        |
| Investments                   |   |                     |                    |                             |
| Liquidity deposits            | -   | 5,349,913           | -                  | -                           |
| Shares                        | -   | -                   | 1,047,129          | -                           |
| Loans to members              | -   | 92,811,423          | -                  | -                           |
| Accounts receivable           | -   | 12,432              | -                  | -                           |
| Member deposits               | -   | -                   | -                  | 103,396,579                 |
| Accounts payable              | -   | -                   | -                  | 939,094                     |

There have been no substantive changes in the Credit Union's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods unless otherwise stated in this note.

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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

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### 16. Financial Instrument Risk Exposure and Management (continued)

#### *General objectives, policies and processes*

The Board has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

#### Credit Risk

Credit risk is the risk of loss to the Credit Union if a counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is mainly exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

#### *Risk Measurement*

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

#### *Objectives, Policies and Processes*

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration.
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness.
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods.
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations.
- Loan delinquency controls regarding procedures followed for loans in arrears.
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board also receives an analysis of bad debts and allowance for doubtful loans quarterly.

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

For the year ended December 31, 2009

### 16. Financial Instrument Risk Exposure and Management (continued)

#### *Maximum Exposure to Credit Risk*

The Credit Union's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

|  | Carrying<br>Value    | 2009<br>Maximum<br>exposure | 2008<br>Maximum<br>exposure |
|--|----------------------|-----------------------------|-----------------------------|
| Credit Union Central of<br>Manitoba deposits | \$ 5,300,000         | \$ 5,300,000                | \$ 6,500,000                |
| Member loans                                 | 92,811,423           | 92,811,423                  | 82,085,303                  |
| Undisbursed loans                            | -                    | 2,442,222                   | 1,996,957                   |
| Unutilized lines of credit                   | -                    | 6,735,152                   | 5,561,177                   |
| Unexpired letters of credit                  | -                    | 90,000                      | 75,000                      |
|  | <b>\$ 98,111,423</b> | <b>\$ 107,378,797</b>       | <b>\$ 96,218,437</b>        |

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Note 4.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is \$nil.

#### Liquidity Risk

Liquidity is the risk that the Credit Union may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

#### *Risk Measurement*

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm-specific and market conditions and the related behaviour of its members and counterparties.

#### *Objectives, Policies and Processes*

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Act require the Credit Union to maintain a certain amount of liquid assets in order to meet member withdrawals.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at December 31, 2009, the position of the Credit Union is as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Qualifying liquid assets on hand | \$ 15,795,367       |
| Total liquidity requirement      | <u>8,271,726</u>    |
| Excess of liquidity requirement  | <u>\$ 7,523,641</u> |

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

For the year ended December 31, 2009

### 16. Financial Instrument Risk Exposure and Management (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

December 31, 2009

|                                  | Carrying<br>Amount | Gross<br>Nominal<br>Cash<br>Outflow | Less than<br>1 month | 1 - 3<br>months    | 3 - 12<br>months   | Greater than<br>1 year |
|----------------------------------|--------------------|-------------------------------------|----------------------|--------------------|--------------------|------------------------|
| <i>(in thousands of dollars)</i> |                    |                                     |                      |                    |                    |                        |
| Deposits                         | \$ 103,397         | \$ (108,786)                        | \$ (40,977)          | \$ (12,767)        | \$ (25,335)        | \$ (29,706)            |
| Payables                         | 939                | (939)                               | (939)                | -                  | -                  | -                      |
| Undisbursed loans                | -                  | (2,442)                             | (2,442)              | -                  | -                  | -                      |
|                                  | <u>\$ 104,336</u>  | <u>\$ (112,167)</u>                 | <u>\$ (44,358)</u>   | <u>\$ (12,767)</u> | <u>\$ (25,335)</u> | <u>\$ (29,706)</u>     |

December 31, 2008

|                                  | Carrying<br>Amount | Gross<br>Nominal<br>Cash<br>Outflow | Less than<br>1 month | 1 - 3<br>months   | 3 - 12<br>months   | Greater than<br>1 year |
|----------------------------------|--------------------|-------------------------------------|----------------------|-------------------|--------------------|------------------------|
| <i>(in thousands of dollars)</i> |                    |                                     |                      |                   |                    |                        |
| Deposits                         | \$ 87,516          | \$ (89,783)                         | \$ (41,131)          | \$ (4,435)        | \$ (20,556)        | \$ (23,661)            |
| Payables                         | 497                | (497)                               | (497)                | -                 | -                  | -                      |
| Undisbursed loans                | -                  | (1,997)                             | (1,997)              | -                 | -                  | -                      |
|                                  | <u>\$ 88,013</u>   | <u>\$ (92,277)</u>                  | <u>\$ (43,625)</u>   | <u>\$ (4,435)</u> | <u>\$ (20,556)</u> | <u>\$ (23,661)</u>     |

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads. The Credit Union is exposed to market risk in its asset/liability management activities. The level of market risk to which the Credit Union is exposed varies depending on market conditions and expectations of future price and yield movements.

#### *Interest Rate Risk*

Traditional banking activities, such as deposit taking and lending, expose the Credit Union to market risk, of which interest rate risk is the largest component. The Credit Union's goal is to manage the interest rate risk of the balance sheet to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

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

For the year ended December 31, 2009

### 16. Financial Instrument Risk Exposure and Management (continued)

#### *Risk Measurement*

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

#### *Objectives, Policies and Procedures*

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Credit Union Deposit Guarantee Corporation in accordance with the Credit Union's matching policy. This policy has been approved by the board of directors as required by Regulations to the Act. For the year ended 2009, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within six months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

| Expected repricing or maturity date | Assets                | Liabilities           | Net Asset/Liability Mis-match |
|-------------------------------------|-----------------------|-----------------------|-------------------------------|
| Current                             | \$ 39,442,742         | \$ 29,200,623         | \$ 10,242,119                 |
| < 6 months                          | 2,083,450             | 15,392,578            | (13,309,128)                  |
| 1 year                              | 8,502,999             | 18,562,704            | (10,059,705)                  |
| 2 years                             | 6,024,152             | 10,425,976            | (4,401,824)                   |
| 3 years                             | 12,045,644            | 7,451,359             | 4,594,285                     |
| 4 years                             | 18,703,743            | 5,606,282             | 13,097,461                    |
| 5 years                             | 21,176,057            | 4,991,147             | 16,184,910                    |
| > 5 years                           | 398,391               | -                     | 398,391                       |
|                                     | 108,377,178           | 91,630,669            | 16,746,509                    |
| Non-interest sensitive items        | 3,985,141             | 20,731,650            | (16,746,509)                  |
|                                     | <u>\$ 112,362,319</u> | <u>\$ 112,362,319</u> | <u>\$ -</u>                   |

As at December 31, 2009, the weighted average rate for interest-bearing assets is 4.31% and for interest-bearing liabilities is 2.42%.



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# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

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### 16. Financial Instrument Risk Exposure and Management (continued)

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

The Credit Union's risk due to changes in interest rates is illustrated in the sensitivity analysis below:

|                                  | <u>Expected<br/>Increase (decrease)<br/>in Net Income</u> |
|----------------------------------|---|
| Increase in interest rates of 1% | \$ (92,000)   |
| Decrease in interest rates of 1% | 92,000  |

#### Foreign Exchange Risk

Another risk component of traditional banking activities is foreign exchange risk. The Credit Union's goal is to manage the foreign exchange risk of the balance sheet to a target level. The Credit Union continually monitors the effectiveness of its foreign exchange mitigation activities.

#### *Risk Measurement*

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

#### *Objectives, Policies and Procedures*

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to \$250,000 in U.S. funds.

For the year ended December 31, 2009, the Credit Union's exposure to foreign exchange risk was not material.

### 17. Fair Value of Financial Assets and Liabilities

The following represents the fair values of on and off balance sheet financial instruments of the Credit Union. The fair values disclosed exclude the value of assets and liabilities that are not considered financial instruments. In addition, the value of intangibles such as long-term member relationships are not included in the fair value amounts. The Credit Union considers the value of intangibles to be significant.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, many of the Credit Union's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2009

### 17. Fair Value of Financial Assets and Liabilities (continued)

Due to the judgement used in applying a wide range of acceptable valuation techniques in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

| (thousands of dollars) | 2009              |                   |                        | 2008             |                  |                        |
|------------------------|-------------------|-------------------|------------------------|------------------|------------------|------------------------|
|                        | Book Value        | Fair Value        | Excess over Book Value | Book Value       | Fair Value       | Excess over Book Value |
| <b>Assets</b>          |                   |                   |                        |                  |                  |                        |
| Funds on deposit       | \$ 10,930         | \$ 10,930         | \$ -                   | \$ 4,041         | \$ 4,041         | -                      |
| Investments            | 6,397             | 6,432             | 35                     | 7,461            | 7,668            | 207                    |
| Loans to members       | 92,811            | 95,180            | 2,369                  | 82,085           | 82,418           | 333                    |
| Other                  | 12                | 12                | -                      | 12               | 12               | -                      |
|                        | <b>\$ 110,150</b> | <b>\$ 112,554</b> | <b>\$ 2,404</b>        | <b>\$ 93,599</b> | <b>\$ 94,139</b> | <b>\$ 540</b>          |
| <b>Liabilities</b>     |                   |                   |                        |                  |                  |                        |
| Members' deposits      | \$ 103,397        | \$ 104,765        | \$ 1,368               | \$ 87,792        | \$ 88,405        | \$ 613                 |
| Accounts payable       | 939               | 939               | -                      | 497              | 497              | -                      |
|                        | <b>\$ 104,336</b> | <b>\$ 105,704</b> | <b>\$ 1,368</b>        | <b>\$ 88,289</b> | <b>\$ 88,902</b> | <b>\$ 613</b>          |

Interest rate sensitivity is the main cause of changes in the fair value of the Credit Union's financial instruments. The book values are generally not adjusted to reflect the fair value, as it is the Credit Union's intention to realize their value over time by holding them to maturity.

The Credit Union has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Credit Union's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

All financial assets and liabilities are considered to be in the level 3 fair value measurement category. As the fair value calculations are based on unobservable inputs, management is of the opinion that there are no other reasonably possible alternative assumptions that could be applied to the valuation of these financial assets and liabilities.

During the year, there were no transfers into or out of the level 3 fair value measurement category.

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

**For the year ended December 31, 2009**

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**18. Pension Plan**

The Credit Union has a defined contribution pension plan for full-time employees. The contributions are held in trust by the Cooperative Superannuation Society Limited and are not recorded in these financial statements. The Credit Union matches employee contributions at rates ranging from 6% to 10% of the employee salary. The expense and payments for the year ended December 31, 2009 was \$33,725 (2008 - \$36,774). As a defined contribution pension plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.