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Independent Auditor's Report

To the Members of
BELGIAN-ALLIANCE CREDIT UNION LTD.

We have audited the accompanying financial statements of **BELGIAN-ALLIANCE CREDIT UNION LTD.**, which comprise the balance sheet as at December 31, 2010, and the statements of income, retained surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **BELGIAN-ALLIANCE CREDIT UNION LTD.** as at December 31, 2010 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
March 14, 2011

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BELGIAN-ALLIANCE CREDIT UNION LTD.
Balance Sheet

December 31 **2010** **2009**

Assets

Funds on deposit	\$ 3,330,586	\$ 10,930,164
Investments (Note 2)	10,664,981	6,397,042
Loans to members (Note 3)	100,524,958	92,811,423
Property, plant and equipment (Note 4)	1,921,698	1,926,261
Other assets (Note 5)	168,995	297,429
	\$ 116,611,218	\$ 112,362,319

Liabilities and Members' Capital

Members' deposits (Note 6)	\$ 106,472,248	\$ 103,396,579
Accounts payable (Note 8)	1,218,449	972,294
	107,690,697	104,368,873

Commitments (Note 13)

Members' Capital (Note 11)

Members' shares (Note 9)	851,005	802,977
Provision for issue of common shares (Note 10)	199,206	149,043
Retained surplus	7,870,310	7,041,426
	8,920,521	7,993,446

\$ 116,611,218 **\$ 112,362,319**

Approved on behalf of the Board:

Remie Brenqman Director

Joanne Mercier Director

BELGIAN-ALLIANCE CREDIT UNION LTD.
Statement of Income

For the year ended December 31	2010	2009
Income		
Interest from members' loans	\$ 4,841,082	\$ 4,451,778
Investment income		
Liquidity deposits	297,691	409,851
Shares	10,800	39,003
	5,149,573	4,900,632
Cost of Funds		
Interest paid to members	2,414,389	2,616,628
	2,735,184	2,284,004
Gross financial margin		
Operating expenses		
Administrative	561,633	522,914
Members' security	116,516	59,810
Occupancy	389,369	386,847
Organizational	86,846	80,500
Personnel	961,596	1,131,295
	2,115,960	2,181,366
Gross operating expenses		
	713,300	685,098
	1,402,660	1,496,268
Gross operating income	1,332,524	787,736
Provision for doubtful loans (Note 3)	54,598	78,000
Income before patronage refund	1,277,926	709,736
Patronage refund (Note 10)	200,000	150,000
Income before income taxes	1,077,926	559,736
Provision for income taxes (Note 12)	228,671	47,362
Net income for the year	\$ 849,255	\$ 512,374

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

BELGIAN-ALLIANCE CREDIT UNION LTD.
Statement of Retained Surplus

For the year ended December 31	2010	2009
Retained surplus, beginning of year	\$ 7,041,426	\$ 6,551,052
Net income for the year	849,255	512,374
	7,890,681	7,063,426
Dividend on shares (net of tax recoveries) (Note 10)	20,371	22,000
Retained surplus, end of year	\$ 7,870,310	\$ 7,041,426

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

BELGIAN-ALLIANCE CREDIT UNION LTD.
Statement of Cash Flows

For the year ended December 31	2010	2009
Cash Flows from Operating Activities		
Net income for the year	\$ 849,255	\$ 512,374
Adjustments for		
Amortization	136,224	123,620
Gain on disposal of capital assets	(6,568)	-
Provision for doubtful loans	54,598	78,000
Patronage refund	200,000	150,000
Accrued interest receivable	(14,733)	18,415
Accrued interest payable	(119,282)	111,361
Income taxes	229,112	(166,223)
Other items, net	151,106	489,172
	<u>1,479,712</u>	<u>1,316,719</u>
Cash Flows from Financing Activities		
Members' deposits, net of withdrawals	3,194,951	15,493,377
Redemption of common and surplus shares	(101,809)	(114,130)
Dividends paid on common shares	(26,000)	(25,000)
	<u>3,067,142</u>	<u>15,354,247</u>
Cash Flows from Investing Activities		
Loans to members, net of repayments	(7,769,970)	(10,811,398)
Net change in investments	(4,251,369)	1,052,600
Net purchases of property, plant and equipment	(125,093)	(23,046)
	<u>(12,146,432)</u>	<u>(9,781,844)</u>
Net increase (decrease) in cash and cash equivalents	(7,599,578)	6,889,122
Cash and cash equivalents, beginning of year	10,930,164	4,041,042
Cash and cash equivalents, end of year	\$ 3,330,586	\$ 10,930,164
Supplementary Information		
Interest received	\$ 5,134,840	\$ 4,919,047
Interest paid	2,533,671	2,505,267
Income taxes paid	217,375	45,712

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

BELGIAN-ALLIANCE CREDIT UNION LTD.

Summary of Significant Accounting Policies

For the year ended December 31, 2010

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 15 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.

BELGIAN-ALLIANCE CREDIT UNION LTD.

Summary of Significant Accounting Policies

For the year ended December 31, 2010

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.

BELGIAN-ALLIANCE CREDIT UNION LTD.

Summary of Significant Accounting Policies

For the year ended December 31, 2010

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.

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

For the year ended December 31, 2010

Property, Plant and Equipment Property, plant and equipment acquired during the fiscal year ended December 31, 2010 have been reflected in the accounts at actual cost. Amortization of \$136,224 charged to the 2010 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	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.

BELGIAN-ALLIANCE CREDIT UNION LTD.

Notes to Financial Statements

For the year ended December 31, 2010

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. Investments

	<u>2010</u>	<u>2009</u>
Credit Union Central of Manitoba		
Shares	\$ 1,098,208	\$ 1,046,839
Contract and daily interest deposits	9,500,000	5,300,000
	10,598,208	6,346,839
Concentra Financial Services Association		
Common shares	290	290
	10,598,498	6,347,129
Accrued interest receivable	66,483	49,913
	\$ 10,664,981	\$ 6,397,042

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.

The contract and daily interest deposits earn interest at rates ranging from 1.07% to 1.76%.

BELGIAN-ALLIANCE CREDIT UNION LTD. Notes to Financial Statements

For the year ended December 31, 2010

3. Loans to Members

Loans to members are presented net of allowances for doubtful loans totalling \$388,774, consisting of \$289,272 for specific loans considered impaired and \$99,502 as non-specific.

	2010	2009
Consumer loans		
Real estate	\$ 70,035,638	\$ 65,451,607
Non-real estate	10,863,832	8,807,801
Lines of credit	5,278,297	4,182,713
Commercial loans		
Real estate	7,955,855	7,944,602
Non-real estate	958,881	729,212
Lines of credit	864,548	831,272
Syndicated loans		
Real estate	4,769,695	5,062,589
	100,726,746	93,009,796
Accrued interest receivable	186,986	188,823
	100,913,732	93,198,619
Allowance for doubtful loans	388,774	387,196
	\$ 100,524,958	\$ 92,811,423

During the current year, the Credit Union held \$7,574,614 in outstanding commercial loans relating to the real estate, rental, and leasing industry and \$1,601,105 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.

	2010		2009	
	Gross Loan Balances	Total Allowance	Gross Loan Balances	Total Allowance
Impaired				
Consumer	\$ 1,059,145	\$ 289,272	\$ 1,189,337	\$ 294,292
Commercial	177,743	-	-	-
	1,236,888	289,272	1,189,337	294,292
Performing	99,676,844	99,502	92,009,282	92,904
	\$100,913,732	\$ 388,774	\$ 93,198,619	\$ 387,196
	\$100,524,958		\$ 92,811,423	

BELGIAN-ALLIANCE CREDIT UNION LTD. Notes to Financial Statements

For the year ended December 31, 2010

3. Loans to Members (continued)

The principal collateral and other credit enhancements the Credit Union holds 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, 2010, the Credit Union acquired \$nil (2009 - \$6,350) of assets in respect of problem loans. The related reduction in allowance for doubtful loans was \$nil (2009 - \$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.

		2010			
		1-30 Days	31-90 Days	Greater Than 90 Days	Total
	Consumer	\$ 1,329,438	\$ 38,489	\$ -	\$ 1,367,927
	Commercial	270,779	-	-	270,779
		\$ 1,600,217	\$ 38,489	\$ -	\$ 1,638,706
		2009			
		1-30 Days	31-90 Days	Greater Than 90 Days	Total
	Consumer	\$ 769,694	\$ -	\$ -	\$ 769,694
	Commercial	22,737	-	-	22,737
		\$ 792,431	\$ -	\$ -	\$ 792,431

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

	2010	2009
Balance, beginning of year	\$ 387,196	\$ 351,924
Provision for doubtful loans	54,598	78,000
	441,794	429,924
Member loans written-off	53,020	42,728
Balance, end of year	\$ 388,774	\$ 387,196

During the year, the Credit Union recovered \$4,029 of loans previously written-off (2009 - \$10,495) 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, 2010

4. Property, Plant and Equipment

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 541,267	\$ -	\$ 541,267	\$ -
Buildings	1,347,174	293,899	1,347,174	260,220
Furniture and equipment	182,409	117,226	188,987	126,081
Security equipment	164,861	66,388	157,519	59,422
Computer equipment	292,285	186,795	244,937	146,102
Building improvements	203,042	188,265	203,042	178,831
ATM equipment	139,506	96,273	83,220	72,124
Signage	15,792	15,792	15,792	12,897
	\$ 2,886,336	\$ 964,638	\$ 2,781,938	\$ 855,677
Cost less accumulated amortization		\$ 1,921,698		\$ 1,926,261

5. Other Assets

	2010		2009	
Accounts receivable	\$ 12,432	\$	12,432	\$
Prepaid expenses	72,682	\$	78,330	\$
Deferred expenses (net of amortization)	83,881	\$	135,663	\$
Current income taxes receivable	-	\$	71,004	\$
	\$ 168,995	\$	297,429	\$

6. Members' Deposits

	2010		2009	
Chequing	\$ 11,721,724	\$	12,317,465	\$
Savings and Term deposits	65,796,409	\$	62,879,280	\$
U.S. term deposits	71,278	\$	115,599	\$
Registered Retirement Savings Plan and Registered Retirement Income Funds	24,578,886	\$	23,818,959	\$
Locked-in Retirement Account and Locked-in Retirement Income Funds	2,258,142	\$	2,413,226	\$
Life income funds	1,000,752	\$	687,230	\$
Unclaimed and inactive accounts	26,125	\$	26,606	\$
	105,453,316	\$	102,258,365	\$
Accrued interest payable	1,018,932	\$	1,138,214	\$
	\$ 106,472,248	\$	103,396,579	\$

BELGIAN-ALLIANCE CREDIT UNION LTD. Notes to Financial Statements

For the year ended December 31, 2010

7. Credit Union Central of Manitoba

The Credit Union has approved lines of credit equal to 10% of its members' deposits with an annual interest rate based on the Chartered banks overnight funds rate with no fixed repayment. For the current year this amounts to \$10.6 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, 2010.

8. Accounts Payable

	2010	2009
Outstanding credit union cheques	\$ 602,140	\$ 484,710
Accrued expenses and payables	404,268	408,037
Credit Union Deposit Guarantee Corporation assessment	24,815	19,973
Current income taxes payable	153,679	-
Future income tax liability	32,000	33,200
Dividend payable (Note 10)	1,547	26,374
	\$ 1,218,449	\$ 972,294

9. Members' Shares

	2010	2009
Common shares	\$ 851,005	\$ 802,977
Surplus shares, beginning of year	-	-
Surplus shares issued from previous year's patronage refund	149,837	155,216
Dividends paid on common shares	50,860	24,969
Less: Transfer to common shares	48,028	41,086
Less: Transfer to RRSP Variable	14,351	14,965
Less: Transfer to RRIF Variable	5,547	973
Less: Redemptions	132,771	123,161
Surplus shares, end of year	-	-
Total Members' Shares	\$ 851,005	\$ 802,977

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

BELGIAN-ALLIANCE CREDIT UNION LTD.

Notes to Financial Statements

For the year ended December 31, 2010

9. 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 3.06% dividend on common shares (see Note 10).

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.

10. Provision for Issue of Common Shares

The Board of Directors has approved that the payment of a patronage refund of approximately \$200,000 be allocated to the members net income for 2010. In addition, a dividend of \$26,000 has been approved for distribution, which was paid out before year end.

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 \$43,872. The dividend has been presented through equity net of tax recoveries of \$5,629 resulting in a net charge of \$20,371.

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, 2010

11. 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, 2010 was \$52,393,050.

As at December 31, 2010 the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 7.65% (2009 - 7.11%), retained surplus ratio of 6.75% (2009 - 6.27%) and a risk-weighted asset ratio of 17.03% (2009 - 16.34%).

12. Income Taxes

	2010	2009
Components of provision for income taxes:		
Current income tax expense	\$ 229,871	\$ 44,462
Future income tax expense	(1,200)	2,900
	\$ 228,671	\$ 47,362

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:

	2010	2009
	%	%
Combined federal and provincial statutory income tax rates	30.00	32.00
Small business deduction	(8.08)	(20.00)
Other	(0.71)	(3.54)
	21.21	8.46

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 reserve for salary payable.

BELGIAN-ALLIANCE CREDIT UNION LTD. Notes to Financial Statements

For the year ended December 31, 2010

13. Commitments

Members' Loans

The Credit Union had made commitments to members for loans that had not been disbursed by the December 31, 2010 year end in the approximate amount of \$2,167,176. In addition, the unutilized portions of lines of credit extended to members as at December 31, 2010 were \$8,221,808. The Credit Union also had made commitments to members for unexpired letters of credit in the amount of \$90,000 as at December 31, 2010.

Lease Commitments

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

2011	\$	56,817
2012		56,817
2013		56,817
2014		56,817
2015		56,817

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

14. Transactions with Related Parties

The Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation is a deposit insurance corporation. By legal obligation under the Act, the Corporation protects the savings and deposits of all credit union members in every credit union within Manitoba. All transactions with the Credit Union Deposit Guarantee Corporation have been recorded at the exchange amount, which is the amount agreed by the two parties.

The payments made to the Corporation during the year ended December 31, 2010 represent the net statutory annual assessment in the amount of \$99,260 (2009 - \$47,671).

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. All transactions with Credit Union Central of Manitoba have been recorded at the exchange amount, which is the amount agreed by the two parties.

Details of investments in Credit Union Central of Manitoba are shown in Note 2. Interest earned on investments during the year amounted to \$308,491 (2009 - \$448,854).

Details of approved lines of credit with Credit Union Central of Manitoba are shown in Note 7. Interest paid on borrowings during the year amounts to \$NIL (2009 - \$NIL).

Payments made to Credit Union Central of Manitoba during the year ended December 31, 2010 for affiliation dues, assessments and cheque clearing fees totalled \$128,127 (2009 - \$120,980).

BELGIAN-ALLIANCE CREDIT UNION LTD.

Notes to Financial Statements

For the year ended December 31, 2010

14. 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:

	2010	2009
Per diems	\$ 19,990	\$ 16,463
Training and conferences	765	515
	\$ 20,755	\$ 16,978

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, 2010, outstanding loans to directors, committee members, management and staff totalled 1.50% (2009 - 1.94%), in aggregate, of the assets of the Credit Union.

15. 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	\$ 3,330,586	\$ -	\$ -	\$ -
Investments				
Liquidity deposits	-	9,566,483	-	-
Shares	-	-	1,098,498	-
Loans to members	-	100,524,958	-	-
Accounts receivable	-	12,432	-	-
Member deposits	-	-	-	106,472,248
Accounts payable	-	-	-	1,032,770

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.

BELGIAN-ALLIANCE CREDIT UNION LTD.

Notes to Financial Statements

For the year ended December 31, 2010

15. 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, 2010

15. 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 Value	2010 Maximum exposure	2009 Maximum exposure
Credit Union Central of Manitoba deposits	\$ 9,500,000	\$ 9,500,000	\$ 5,300,000
Member loans	100,524,958	100,524,958	92,811,423
Undisbursed loans	-	2,167,176	2,442,222
Unutilized lines of credit	-	8,221,808	6,735,152
Unexpired letters of credit	-	90,000	90,000
	\$110,024,958	\$120,503,942	\$107,378,797

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Note 3.

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, 2010, the position of the Credit Union is as follows:

Qualifying liquid assets on hand	\$ 12,311,825
Total liquidity requirement	8,517,780
Excess of liquidity requirement	\$ 3,794,045

BELGIAN-ALLIANCE CREDIT UNION LTD. Notes to Financial Statements

For the year ended December 31, 2010

15. Financial Instrument Risk Exposure and Management (continued)

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

December 31, 2010

	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 month	1 - 3 months	3 - 12 months	Greater than 1 year
<i>(in thousands of dollars)</i>						
Deposits	\$ 106,472	\$ (107,796)	\$ (42,267)	\$ (9,447)	\$ (25,178)	\$ (30,904)
Payables	1,033	(1,033)	(1,033)	-	-	-
Undisbursed loans	-	(2,167)	(2,167)	-	-	-
	\$ 107,505	\$ (110,996)	\$ (45,467)	\$ (9,447)	\$ (25,178)	\$ (30,904)

December 31, 2009

	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 month	1 - 3 months	3 - 12 months	Greater than 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)	-	-	-
	\$ 104,336	\$ (112,167)	\$ (44,358)	\$ (12,767)	\$ (25,335)	\$ (29,706)

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, 2010

15. 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 2010, 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	Net		
	Assets	Liabilities	Asset/Liability Mis-match
Current	\$ 38,298,323	\$ 26,645,197	\$ 11,653,126
< 6 months	8,602,815	14,456,697	(5,853,882)
1 year	2,647,646	18,652,145	(16,004,499)
2 years	12,054,889	15,427,120	(3,372,231)
3 years	17,905,729	7,784,932	10,120,797
4 years	20,148,914	5,675,433	14,473,481
5 years	11,859,438	4,971,775	6,887,663
> 5 years	3,080,856	202,443	2,878,413
	114,598,610	93,815,742	20,782,868
Non-interest sensitive items	2,012,608	22,795,476	(20,782,868)
	<u>\$ 116,611,218</u>	<u>\$ 116,611,218</u>	<u>\$ -</u>

As at December 31, 2010, the weighted average rate for interest-bearing assets is 4.30% and for interest-bearing liabilities is 2.20%.

BELGIAN-ALLIANCE CREDIT UNION LTD.

Notes to Financial Statements

For the year ended December 31, 2010

15. 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 Increase (decrease) in Net Income</u>
Increase in interest rates of 1%	\$ (48,000)
Decrease in interest rates of 1%	48,000

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, 2010, the Credit Union's exposure to foreign exchange risk was not material.

16. 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, 2010

16. 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)	2010			2009		
	Book Value	Fair Value	Excess over Book Value	Book Value	Fair Value	Excess over Book Value
Assets						
Funds on deposit	\$ 3,331	\$ 3,331	\$ -	\$ 10,930	\$ 10,930	\$ -
Investments	10,665	10,676	11	6,397	6,432	35
Loans to members	100,525	103,483	2,958	92,811	95,180	2,369
Other	12	12	-	12	12	-
	\$ 114,533	\$ 117,502	\$ 2,969	\$ 110,150	\$ 112,554	\$ 2,404
Liabilities						
Members' deposits	\$ 106,472	\$ 109,834	\$ 3,362	\$ 103,397	\$ 104,765	\$ 1,368
Accounts payable	1,033	1,033	-	939	939	-
	\$ 107,505	\$ 110,867	\$ 3,362	\$ 104,336	\$ 105,704	\$ 1,368

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.

BELGIAN-ALLIANCE CREDIT UNION LTD.
Notes to Financial Statements

For the year ended December 31, 2010

16. Fair Value of Financial Assets and Liabilities (continued)

	Level 1	Level 2	Level 3
Funds on deposit	\$ 3,330,586	\$ -	\$ -
Investments			
Liquidity deposits	-	-	9,566,483
Shares	-	-	1,098,498
Accounts receivable	-	12,432	-
Loans to members	-	-	100,524,958
Member deposits	-	-	106,472,248
Accounts payable	-	1,032,770	-
	<u>\$ 3,330,586</u>	<u>\$ 1,045,202</u>	<u>\$208,095,704</u>

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

17. Pension Plan

The Credit Union has a defined contribution pension plan for full-time employees. The contributions are held in trust by the CUMIS Group Limited and are not recorded in these financial statements. The Credit Union matches employee contributions at rates ranging from 6% to 10% of salary. The expense and payments for the year ended December 31, 2010 was \$32,958 (2009 - \$33,725). 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.