

**BELGIAN-ALLIANCE CREDIT  
UNION LTD.**

**Financial Statements**  
For the year ended December 31, 2012

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Financial Statements

For the year ended December 31, 2012

### Contents

---

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Balance Sheet	<b>3</b>
Statement of Comprehensive Income	<b>4</b>
Statement of Changes in Members' Equity	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	
1. Nature of Operations and Summary of Significant Accounting Policies	<b>7</b>
2. Critical Accounting Estimates and Judgments	<b>14</b>
3. Funds on Hand and on Deposit	<b>15</b>
4. Other Assets	<b>15</b>
5. Investments	<b>16</b>
6. Loans to Members	<b>17</b>
7. Allowance for Impaired Loans	<b>19</b>
8. Property and Equipment	<b>21</b>
9. Borrowings	<b>22</b>
10. Other Liabilities	<b>22</b>
11. Deposits Payable	<b>22</b>
12. Pension Plan	<b>23</b>
13. Income Taxes	<b>24</b>
14. Members' Shares	<b>25</b>
15. Provision for Issues of Common Shares	<b>26</b>
16. Other Income	<b>26</b>
17. Personnel Expenses	<b>26</b>
18. Administrative Expenses	<b>26</b>
19. Related Party Transactions	<b>27</b>
20. Financial Instrument Classification and Fair Value	<b>28</b>
21. Financial Instrument Risk Management	<b>30</b>
22. Capital Management	<b>36</b>
23. Commitments	<b>37</b>



Tel: 204 956 7200  
Fax: 204 926 7201  
Toll-free: 800 268 3337  
www.bdo.ca

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

---

## 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, 2012 and the statements of comprehensive income, changes in members' equity, 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

The Credit Union's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 of 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 Credit Union'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 Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
March 19, 2013

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

**December 31** **2012** **2011**

**Assets**

<b>Funds on hand and on deposit</b> (Note 3)	<b>\$ 2,524,012</b>	<b>\$ 8,203,914</b>
<b>Income taxes recoverable</b>	<b>33,740</b>	<b>-</b>
<b>Other assets</b> (Note 4)	<b>117,200</b>	<b>160,853</b>
<b>Investments</b> (Note 5)	<b>12,425,838</b>	<b>30,677,567</b>
<b>Loans to members</b> (Notes 6 and 7)	<b>149,674,782</b>	<b>127,746,604</b>
<b>Property and equipment</b> (Note 8)	<b>1,722,423</b>	<b>1,798,630</b>
	<b>\$ 166,497,995</b>	<b>\$ 168,587,568</b>

**Liabilities and Members' Equity**

<b>Borrowings</b> (Note 9)	<b>\$ 2,111,096</b>	<b>\$ -</b>
<b>Income taxes payable</b>	<b>-</b>	<b>72,972</b>
<b>Other liabilities</b> (Note 10)	<b>705,060</b>	<b>632,985</b>
<b>Deposits payable</b> (Note 11)	<b>153,523,449</b>	<b>158,211,154</b>
<b>Deferred income tax liability</b> (Note 13)	<b>48,000</b>	<b>44,000</b>
	<b>156,387,605</b>	<b>158,961,111</b>
<b>Commitments</b> (Note 23)		
<b>Members' Equity</b> (Note 22)		
Members' shares (Note 14)	<b>1,002,631</b>	<b>901,921</b>
Provision for issue of common shares (Note 15)	<b>150,000</b>	<b>150,000</b>
Retained earnings	<b>8,957,759</b>	<b>8,574,536</b>
	<b>10,110,390</b>	<b>9,626,457</b>
	<b>\$ 166,497,995</b>	<b>\$ 168,587,568</b>

Approved on behalf of the Board of Directors:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
<b>Revenue</b>		
Interest on loans to members	\$ 6,029,471	\$ 5,253,192
Investment income		
Liquidity deposits	442,256	414,639
CUCM shares	123,656	45,625
	<u>6,595,383</u>	<u>5,713,456</u>
<b>Cost of Funds</b>		
Interest paid to members	2,312,916	2,329,951
Interest paid to associates	1,454,604	641,457
	<u>3,767,520</u>	<u>2,971,408</u>
<b>Gross financial margin</b>	<u>2,827,863</u>	<u>2,742,048</u>
<b>Operating Expenses</b>		
Personnel (Note 17)	1,258,524	1,108,217
Administrative (Note 18)	872,748	678,258
Occupancy	390,507	400,601
Members' security	164,352	118,374
Organizational	102,635	129,089
Distributions to members (Note 15)	150,000	150,000
	<u>2,938,766</u>	<u>2,584,539</u>
<b>Gross operating expenses</b>	<u>2,938,766</u>	<u>2,584,539</u>
<b>Less other income (Note 16)</b>	<u>685,430</u>	<u>661,177</u>
	<u>2,253,336</u>	<u>1,923,362</u>
<b>Gross operating income</b>	<u>574,527</u>	<u>818,686</u>
<b>Provision for impaired loans (Note 7)</b>	<u>106,131</u>	<u>(58,179)</u>
<b>Income before income taxes</b>	<u>468,396</u>	<u>876,865</u>
<b>Provision for income taxes (Note 13)</b>		
Current	55,640	80,262
Deferred	4,000	20,000
	<u>59,640</u>	<u>100,262</u>
<b>Net and comprehensive income for the year</b>	<u>\$ 408,756</u>	<u>\$ 776,603</u>

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

**For the year ended December 31**

**2012**

	<b>Provision for Issue of Common Shares</b>	<b>Members' Shares</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at December 31, 2010	\$ 199,206	\$ 851,005	\$ 7,819,442	\$ 8,869,653
Net income for the year	-	-	776,603	776,603
Distributions to members (Note 14)	150,000	-	(21,509)	128,491
Issue of members' shares	(199,206)	200,571	-	1,365
Redemption of members' shares	-	(124,786)	-	(124,786)
Transfer (to) from registered deposits	-	(24,869)	-	(24,869)
<b>Balance on December 31, 2011</b>	<b>\$ 150,000</b>	<b>\$ 901,921</b>	<b>\$ 8,574,536</b>	<b>\$ 9,626,457</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>408,756</b>	<b>408,756</b>
<b>Distributions to members (Note 14)</b>	<b>150,000</b>	<b>-</b>	<b>(25,533)</b>	<b>124,467</b>
<b>Issue of members' shares</b>	<b>(150,000)</b>	<b>178,468</b>	<b>-</b>	<b>28,468</b>
<b>Redemption of members' shares</b>	<b>-</b>	<b>(61,784)</b>	<b>-</b>	<b>(61,784)</b>
<b>Transfer (to) from registered deposits</b>	<b>-</b>	<b>(15,974)</b>	<b>-</b>	<b>(15,974)</b>
<b>Balance on December 31, 2012</b>	<b>\$ 150,000</b>	<b>\$ 1,002,631</b>	<b>\$ 8,957,759</b>	<b>\$ 10,110,390</b>

## BELGIAN-ALLIANCE CREDIT UNION LTD.

### Statement of Cash Flows

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

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Reporting Entity

Belgian-Alliance Credit Union (the "Credit Union") is incorporated under the Credit Unions and Caisses Populaires Act of the Province of Manitoba ("The Act") and is a member of Credit Union Central of Manitoba ("CUCM"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Manitoba. Products and services offered to its members include consumer and commercial loans and mortgages, chequing and savings accounts, term deposits, registered deposits, automated banking machines ("ABMs"), debit and credit cards, Internet banking and sale of mutual funds. The Credit Union has three branches located in Winnipeg with the head office being located at 1177 Portage Avenue, Winnipeg, Manitoba.

These financial statements have been authorized for issue by the Board of Directors on March 19, 2013.

#### Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

These financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

#### Significant Accounting Policies

##### Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and current accounts with CUCM and term deposits held with CUCM for liquidity purposes less borrowings that are repayable on demand.



---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents (continued)

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

#### Investments

##### *CUCM - Liquidity Deposits*

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

##### *CUCM - Shares*

These instruments are classified as available-for-sale and are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

#### Loans to Members

All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Loans to members are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Loans to members are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Loans to Members (continued)

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on loans receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

#### Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

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

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

#### Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

#### Income Taxes

Income tax expense comprises current and deferred income tax. Current and deferred income tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Income Taxes (continued)

Deferred income tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred income tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those income instances where it is probable that future taxable profit will be available which allow the deferred income tax asset to be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred income tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the liabilities/assets are settled/recovered.

#### Deposits Payable

All deposits payable are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Deposits payable are subsequently measured at amortized cost, using the effective interest rate method.

#### Pension Plan

The Credit Union participates in a multi-employer defined contribution pension plan recognizing contributions as an expense in the year to which they relate as disclosed in Note 12.

#### Other Liabilities

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

#### Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

#### 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 impaired loans as an adjustment to 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, service charges and other revenue are recognized as income when the related service is provided or entitlement to receive income is earned.

#### Leased Assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Credit Union (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Credit Union (a "finance lease"), the asset is treated as if it had been purchased outright.

#### Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Foreign Currency Translation (continued)

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

#### Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2012 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

- i. IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union is in the process of evaluating the impact of the new standard.
- ii. IFRS 13 Fair Value Measurement defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS standard requires or permits the item to be measured at fair value (with limited exceptions). The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union is in the process of evaluating the impact of the new standard.
- iii. IAS 32 'Financial Instruments: Presentation' was amended to clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The Credit Union is yet to assess the full impact of this amendment to IAS 1 and will adopt the standard for the annual period beginning on January 1, 2014.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### Standards, Amendments and Interpretations Not Yet Effective (continued)

None of the other new standards, interpretations and amendments, which are effective for the Credit Union's accounting periods beginning after January 1, 2012 and which have not been adopted early, are expected to have a material effect on the Credit Union's future financial statements.

### **2. Critical Accounting Estimates and Judgments**

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, are disclosed in Note 20.

#### Provision for Impaired Loans

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group loans receivable with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 7.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### 2. Critical Accounting Estimates and Judgments (continued)

#### Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the income tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

#### Property and Equipment

The estimated useful life, residual value and depreciation method chosen are the Credit Union's best estimate of such and are based on industry norms, historical experience of management and other estimates. These estimates also consider the period and distribution of future cash inflows.

Readers are cautioned that this list is not exhaustive and other items may also be affected by estimates and judgments.

### 3. Funds on Hand and on Deposit

The Credit Union's cash and current accounts are held with CUCM. The average yield on the accounts at December 31, 2012 is 0.10% (2011 - 0.86%).

Included in the balance of funds on hand and on deposit is \$1,294,388 (2011 - \$1,364,815) denominated in US dollars.

### 4. Other Assets

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ -	\$ 28,321
Prepaid expenses	<u>117,200</u>	<u>132,532</u>
	<u>\$ 117,200</u>	<u>\$ 160,853</u>



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

**For the year ended December 31, 2012**

**5. Investments**

Credit Union Central of Manitoba

*Liquidity Deposits*

	2012	2011
Term deposits	\$ 10,000,000	\$ 29,500,000
Accrued interest receivable	26,698	91,693
	\$ 10,026,698	\$ 29,591,693

The term deposits with CUCM bear interest at rates ranging from 1.11% to 2.84% and mature between 2013 and 2016.

*Shares*

	2012	2011
CUCM - Class 1 shares	\$ 836,135	\$ 505,543
CUCM - Class 2 shares	1,562,715	580,041
Concentra Financial Services Association Common shares	290	290
	\$ 2,399,140	\$ 1,085,874

The shares in CUCM are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of CUCM. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of CUCM.

Class 1 and 2 CUCM shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

The Credit Union is not intending to dispose of any CUCM shares as the services supplied by CUCM are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of CUCM.

The shares of Concentra Financial Services Association are required as a condition of membership and are redeemable upon withdrawal of membership subject to the approval of the Board of Directors of the Association.

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

**For the year ended December 31, 2012**

**6. Loans to Members**

	<u>2012</u>	<u>2011</u>
Consumer		
Non-real estate	\$ 8,553,759	\$ 9,414,683
Real estate	115,516,618	94,279,338
Lines of credit	8,650,494	6,531,514
Commercial		
Non-real estate	4,194,398	3,962,124
Real estate	7,633,670	8,088,302
Lines of credit	683,146	757,450
Syndicated loans		
Real estate	<u>4,181,033</u>	<u>4,431,412</u>
	<b>149,413,118</b>	127,464,823
Deferred transaction costs	<u>366,123</u>	371,697
	<b>149,779,241</b>	127,836,520
Accrued interest receivable	<u>236,820</u>	214,902
	<b>150,016,061</b>	128,051,422
Less: allowance for impaired loans	<u>341,279</u>	304,818
Net loans to members	<u><b>\$ 149,674,782</b></u>	<u>\$ 127,746,604</u>

Terms and Conditions

Loans to members can have either a variable or fixed rate of interest and they mature within five years.

Variable rate loans are based on a "prime rate" formula, ranging from prime to prime plus 10.5%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2012 was 3%.

The interest rate offered on fixed rate loans being advanced at December 31, 2012 ranges from 3% to 14%. The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Consumer real estate loans are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Consumer non-real estate loans and lines of credit are non-real estate secured and, as such, have various repayment terms. They are secured by various types of collateral, including charges on specific equipment or personal property, investments, and personal guarantees.

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

**For the year ended December 31, 2012**

**6. Loans to Members (continued)**

Terms and Conditions (continued)

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments, and personal guarantees.

Credit Quality of Loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	<b>2012</b>	2011
Unsecured loans	<b>\$ 6,781,352</b>	\$ 5,605,525
Loans secured by real property	<b>70,433,526</b>	64,919,617
Loans secured by chattels	<b>15,823,156</b>	13,094,269
Commercial loans insured by government	<b>123,096</b>	143,737
Residential mortgages insured by government	<b>56,251,988</b>	43,701,675
	<b>\$ 149,413,118</b>	\$ 127,464,823

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments.

No individual or related groups of loans to members exceed 5% of deposits payable and capital as at December 31, 2012 or December 31, 2011.

As at December 31, 2012, the Credit Union held \$7,064,889 (2011 - \$5,672,952) in outstanding commercial loans relating to the real estate, rental, and leasing industry, and \$4,148,151 (2011 - \$Nil) relating to the hotel and motel industry

The majority of loans to members are with members located in and around Winnipeg, Manitoba. A sizeable portfolio of the Credit Union's loan portfolio is secured by residential property in Winnipeg, Manitoba. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio cover should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

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

**For the year ended December 31, 2012**

**7. Allowance for Impaired Loans**

Total allowance for impaired loans is comprised of:

	<b>2012</b>	2011
Collective allowance	<b>\$ 197,664</b>	\$ 156,899
Individual specific allowance	<b>143,615</b>	147,919
Total allowance	<b><u>\$ 341,279</u></b>	<u>\$ 304,818</u>

During the year ended December 31, 2012, the Credit Union did not acquire any assets in respect of problem loans.

Movement in individual specific and collective allowance for impairment is as follows:

	<b>Consumer</b>	<b>Commercial</b>	<b>2012 Total</b>
Balance at December 31, 2011	<b>\$ 265,239</b>	<b>\$ 39,579</b>	<b>\$ 304,818</b>
Provision for impaired loans	<b>106,775</b>	<b>(644)</b>	<b>106,131</b>
	<b><u>372,014</u></b>	<b><u>38,935</u></b>	<b><u>410,949</u></b>
Loans written off	<b><u>(69,671)</u></b>	<b><u>-</u></b>	<b><u>(69,671)</u></b>
Balance at December 31, 2012	<b><u>\$ 302,343</u></b>	<b><u>\$ 38,935</u></b>	<b><u>\$ 341,278</u></b>
Gross principal balance of individually impaired loans	<b><u>\$ 529,283</u></b>	<b><u>\$ 185,391</u></b>	<b><u>\$ 714,674</u></b>
	<b>Consumer</b>	<b>Commercial</b>	<b>2011 Total</b>
Balance at December 31, 2010	<b>\$ 419,489</b>	<b>\$ 28,155</b>	<b>\$ 447,644</b>
Recoveries of loans previously written off	<b>-</b>	<b>-</b>	<b>-</b>
Provision for impaired loans	<b>(69,603)</b>	<b>11,424</b>	<b>(58,179)</b>
	<b><u>349,886</u></b>	<b><u>39,579</u></b>	<b><u>389,465</u></b>
Loans written off	<b><u>(84,647)</u></b>	<b><u>-</u></b>	<b><u>(84,647)</u></b>
Balance at December 31, 2011	<b><u>\$ 265,239</u></b>	<b><u>\$ 39,579</u></b>	<b><u>\$ 304,818</u></b>
Gross principal balance of individually impaired loans	<b><u>\$ 870,175</u></b>	<b><u>\$ 162,871</u></b>	<b><u>\$ 1,033,046</u></b>

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

### 7. Allowance for Impaired Loans (continued)

An analysis of individual loans that are impaired or potentially impaired based on age of repayment outstanding is as follows:

	2012		2011	
	Carrying Value	Individual Specific Allowance	Carrying Value	Individual Specific Allowance
Period of delinquency				
Less than 30 days	\$ -	\$ -	\$ 13,670	\$ 13,670
31 to 90 days	244,936	28,952	36,176	36,176
Greater than 90 days	288,900	84,368	684,589	79,539
Total loans in arrears	533,836	113,320	734,435	129,385
Total loans not in arrears	180,838	30,295	298,611	18,534
Total loans	\$ 714,674	\$ 143,615	\$ 1,033,046	\$ 147,919

#### Key Assumptions in Determining the Allowance for Impaired Loans Collective Allowance

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

An estimate of the collective allowance is based on the period of repayments that are past due.

For purposes of the collective allowance loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Loans with repayments past due but not regarded as individually impaired and considered in determining the collective allowance are as follows:

	2012		
	Consumer	Commercial	Total
Less than 30 days	\$ 3,430,767	\$ 25,267	\$ 3,456,034
31 to 90 days	282,621	-	282,621
Greater than 90 days	-	-	-
Balance at December 31, 2012	\$ 3,713,388	\$ 25,267	\$ 3,738,655
	2011		
	Consumer	Commercial	Total
Less than 30 days	\$ 2,306,461	\$ 99,684	\$ 2,406,145
31 to 90 days	-	-	-
Greater than 90 days	-	-	-
Balance at December 31, 2011	\$ 2,306,461	\$ 99,684	\$ 2,406,145

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

**For the year ended December 31, 2012**

**8. Property and Equipment**

	Land	Buildings	Furniture and Equipment	Computer Equipment	Security Equipment	Signage	Building Improvements	Total
<u>Cost</u>								
Balance at December 31, 2010	\$ 541,267	\$ 1,347,174	\$ 321,915	\$ 292,285	\$ 164,861	\$ 15,792	\$ 203,042	\$ 2,886,336
Additions	-	-	5,845	4,650	-	-	-	10,495
Balance at December 31, 2011	541,267	1,347,174	327,760	296,935	164,861	15,792	203,042	2,896,831
Additions	-	-	-	12,679	926	19,549	4,185	37,339
Balance at December 31, 2012	<b>\$ 541,267</b>	<b>\$ 1,347,174</b>	<b>\$ 327,760</b>	<b>\$ 309,614</b>	<b>\$ 165,787</b>	<b>\$ 35,341</b>	<b>\$ 207,227</b>	<b>\$ 2,934,170</b>
<u>Accumulated Depreciation</u>								
Balance at December 31, 2010	\$ -	\$ 293,899	\$ 213,499	\$ 186,795	\$ 66,388	\$ 15,792	\$ 188,265	\$ 964,638
Depreciation expense	-	33,679	37,369	45,353	7,728	-	9,434	133,563
Balance at December 31, 2011	-	327,578	250,868	232,148	74,116	15,792	197,699	1,098,201
Depreciation expense	-	33,680	23,874	41,018	8,266	1,086	5,622	113,546
Balance at December 31, 2012	<b>\$ -</b>	<b>\$ 361,258</b>	<b>\$ 274,742</b>	<b>\$ 273,166</b>	<b>\$ 82,382</b>	<b>\$ 16,878</b>	<b>\$ 203,321</b>	<b>\$ 1,211,747</b>
<u>Net Book Value</u>								
December 31, 2011	\$ 541,267	\$ 1,019,596	\$ 76,892	\$ 64,787	\$ 90,745	\$ -	\$ 5,343	\$ 1,798,630
December 31, 2012	<b>\$ 541,267</b>	<b>\$ 985,916</b>	<b>\$ 53,018</b>	<b>\$ 36,448</b>	<b>\$ 83,405</b>	<b>\$ 18,463</b>	<b>\$ 3,906</b>	<b>\$ 1,722,423</b>

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

### 9. Borrowings

The Credit Union has approved lines of credit with Credit Union Central of Manitoba equal to 10% of its members' deposits with an annual interest rate based on chartered banks overnight funds rate with no fixed repayment. 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 balance outstanding at December 31, 2012 was \$2,111,096 (2011 - \$Nil).

### 10. Other Liabilities

	2012	2011
Accrued expenses and trade accounts	\$ 305,550	\$ 213,448
Certified cheques, money orders and travellers cheques outstanding	363,130	393,823
Deposit Guarantee Corporation of Manitoba assessment	34,833	-
Dividends payable	1,547	25,714
	<b>\$ 705,060</b>	<b>\$ 632,985</b>

### 11. Deposits Payable

	2012	2011
Chequing	\$ 13,877,892	\$ 11,222,108
Savings	20,393,807	21,324,895
Term deposits	80,575,170	86,346,281
Registered retirement savings plans and Locked-in retirement accounts	28,380,787	28,628,691
Registered retirement income funds and Locked-in retirement income funds	8,875,839	9,155,421
Unclaimed and inactive accounts	35,889	25,965
	<b>152,139,384</b>	<b>156,703,361</b>
Accrued interest payable	<b>1,384,065</b>	<b>1,507,793</b>
	<b>\$ 153,523,449</b>	<b>\$ 158,211,154</b>

#### Terms and Conditions

Chequing accounts are due on demand and bear interest at a variable rate up to 0.15% at December 31, 2012.

Savings accounts are due on demand and bear interest at a variable rate up to 1.25% at December 31, 2012. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2012 range from 2.00% to 2.90%.

The registered retirement savings plans (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 1.25% at December 31, 2012.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### 11. Deposits Payable (continued)

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Individuals may make withdrawals from a RRIF account on a monthly, semiannual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts have been included in savings accounts above.

Included in chequing deposits is an amount of \$1,352,473 to be settled in US dollars (2011 - \$1,393,883).

#### Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

Geographically, deposits payable are concentrated as follows:

	<u>2012</u>	<u>2011</u>
British Columbia	\$ 12,055,553	\$ 13,240,330
Ontario	18,706,480	20,575,913
Manitoba and other	122,761,416	124,394,911
	<u>\$ 153,523,449</u>	<u>\$ 158,211,154</u>

The majority of deposits payable in Manitoba are with members and non-members in and around Winnipeg, Manitoba.

### 12. Pension Plan

The Credit Union has a multi-employer 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 employee salary. The expense and payments for the year ended December 31, 2012 were \$51,113 (2011 - \$42,960). 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.



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

**For the year ended December 31, 2012**

**13. Income Taxes**

The significant components of income tax expense included in net income are composed of:

	<b>2012</b>	2011
Current Income Tax Expense		
Based on current year taxable income	<b>\$ 55,640</b>	\$ 80,262
Deferred Income Tax Expense		
Origination and reversal of temporary differences	<b>4,000</b>	20,000
Total income tax expense	<b>\$ 59,640</b>	\$ 100,262

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

	<b>2012</b>	2011
	%	%
Combined federal and provincial statutory income tax rates	<b>27.0</b>	28.5
Small business deduction	<b>(15.5)</b>	(17.5)
Non-deductible and other items	<b>1.2</b>	0.4
	<b>12.7</b>	11.4

Changes to the federal and provincial tax rates were announced in 2011 which resulted in an adjustment to the opening carrying value of temporary differences. The reduction in deferred income tax payable is reflected in deferred income taxes.

The movement in deferred income tax liabilities and assets are as follows:

	<b>2012</b>				
	Balance at December 31 2011	Recognize in Net Income	Recognize Directly in Equity	Reclassify from Equity to Net Income	Balance at December 31 2012
Deferred income tax liabilities					
Property and equipment	<b>\$ 47,390</b>	<b>\$ 4,401</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,791</b>
Deferred income tax assets					
Allowance for impaired loans	<b>3,390</b>	<b>401</b>	<b>-</b>	<b>-</b>	<b>3,791</b>
Net deferred income tax liability	<b>\$ 44,000</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,000</b>

	<b>2011</b>				
	Balance at December 31 2011	Recognize in Net Income	Recognize Directly in Equity	Reclassify from Equity to Net Income	Balance at December 31 2011
Deferred income tax liabilities					
Property and equipment	<b>\$ 45,444</b>	<b>\$ 1,946</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 47,390</b>
Other	<b>(9,045)</b>	<b>9,045</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>36,399</b>	<b>10,991</b>	<b>-</b>	<b>-</b>	<b>47,390</b>
Deferred income tax assets					
Allowance for impaired loans	<b>12,399</b>	<b>(9,009)</b>	<b>-</b>	<b>-</b>	<b>3,390</b>
Net deferred income tax liability	<b>\$ 24,000</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,000</b>

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

**For the year ended December 31, 2012**

**14. Members' Shares**

Shares	Authorized	2012	2011
Common	Unlimited	<b>\$ 1,002,631</b>	\$ 901,921

Terms and Conditions

Common Shares:

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold a \$5 membership share. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by Deposit Guarantee Corporation of Manitoba. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital. 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 (\$5 each) in addition to their initial share (to a maximum of \$1,000).

The Board of Directors approved the payment of a 3% dividend on common shares.

Surplus Shares:

Surplus shares are issued as part of patronage rebates. They are non-voting, can be issued only to members of the Credit Union with an issue price of \$1, and are redeemable at par at the option of the Credit Union. There is no limit on the number of shares which can be held by a member. The withdrawal of surplus shares is subject to the Credit Union maintaining adequate regulatory capital, as is the payment of any distributions on these shares. 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.

Distributions to members:

	2012		2011	
	Net Income	Equity	Net Income	Equity
Patronage distributions	\$ 150,000	\$ -	\$ 150,000	\$ -
Dividends on common shares (net of taxes)	-	25,533	-	21,509
	<b>\$ 150,000</b>	<b>\$ 25,533</b>	<b>\$ 150,000</b>	<b>\$ 21,509</b>

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

**For the year ended December 31, 2012**

**15. Provision for Issue of Common Shares**

The Board of Directors has approved that the payment of a patronage refund of \$150,000 (2011 - \$150,000) be allocated to the members net income for the year. This patronage refund has been reflected in these financial statements as an expense in the current year.

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".

**16. Other Income**

	<u>2012</u>	<u>2011</u>
Commissions	\$ 137,966	\$ 138,971
Foreign exchange	75,844	47,272
Other	62,059	79,644
Safety deposit rent (net)	10,628	18,186
Service charges and safekeeping	<u>398,933</u>	<u>377,104</u>
	<u>\$ 685,430</u>	<u>\$ 661,177</u>

**17. Personnel Expenses**

	<u>2012</u>	<u>2011</u>
Salaries and wages	\$ 1,081,942	\$ 932,256
Employee benefits	152,016	128,567
Other	<u>24,566</u>	<u>47,394</u>
	<u>\$ 1,258,524</u>	<u>\$ 1,108,217</u>

**18. Administrative Expenses**

	<u>2012</u>	<u>2011</u>
Advertising and promotion	\$ 53,997	\$ 54,066
Chattel registration and mortgage expense	56,279	68,779
Clearing and service charges	194,459	175,660
Repairs and maintenance	46,659	45,765
Printing, postage, supplies and stationery	159,316	107,605
Professional fees	58,492	51,786
Other	266,973	136,380
Telephone	<u>36,573</u>	<u>38,217</u>
	<u>\$ 872,748</u>	<u>\$ 678,258</u>

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

### 19. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly. Key management personnel comprises the eight directors and six members of management responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation of key management personnel during the year was as follows:

	<u>2012</u>	<u>2011</u>
Compensation		
Salaries, and other short-term employee benefits	\$ 412,899	\$ 368,453
Total pension and other post-employment benefits	49,643	35,593
Other long-term benefits	18,697	15,720
Termination benefits	103,634	148,194
	<u>\$ 584,873</u>	<u>\$ 567,960</u>

Included in compensation above are the following payments to the directors and officers of the Credit Union for expenses associated with the performance of their duties for the year ended December 31:

	<u>2012</u>	<u>2011</u>
Honouraria and per diems	\$ 21,710	\$ 27,287
Training and conference costs	575	150
	<u>\$ 22,285</u>	<u>\$ 27,437</u>

Details of loans to key management personnel are as follows as at December 31:

	<u>2012</u>	<u>2011</u>
Aggregate value of loans and lines of credit advanced	\$ 1,056,962	\$ 881,657
Interest received on loans and lines of credit advanced	21,261	21,933

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit. The staff of the Credit Union is eligible for reduced loan rates not below the prescribed rate as set by the Bank of Canada.

Deposits from key management personnel are as follows as at and for the year ended December 31:

	<u>2012</u>	<u>2011</u>
Aggregate value of term and savings accounts	\$ 856,594	\$ 883,128
Total interest paid on term and savings accounts	6,309	5,654

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel, staff or close family members.

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

**For the year ended December 31, 2012**

**20. Financial Instrument Classification and Fair Value**

The carrying amount of the Credit Union's financial instruments by classification is as follows:

	Available-for-Sale	Held for Trading	Loans and Receivables	Other Financial Liabilities	Total
December 31, 2012					
Funds on hand and on deposit	\$ -	-	\$ 2,524,012	-	\$ 2,524,012
Investments (Note 5)	2,399,140	-	10,026,698	-	12,425,838
Loans to members	-	-	149,674,782	-	149,674,782
Borrowings	-	-	-	(2,111,096)	(2,111,096)
Other liabilities	-	-	-	(703,513)	(703,513)
Deposits payable	-	-	-	(153,523,449)	(153,523,449)
	<b>\$ 2,399,140</b>	<b>\$ -</b>	<b>\$ 162,225,492</b>	<b>\$ (156,338,058)</b>	<b>\$ 8,286,574</b>
December 31, 2011					
Funds on hand and on deposit	\$ -	-	\$ 8,203,914	-	\$ 8,203,914
Other assets	-	-	28,321	-	28,321
Investments (Note 5)	1,085,874	-	29,591,693	-	30,677,567
Loans to members	-	-	127,746,604	-	127,746,604
Other liabilities	-	-	-	(607,271)	(607,271)
Deposits payable	-	-	-	(158,211,154)	(158,211,154)
	<b>\$ 1,085,874</b>	<b>\$ -</b>	<b>\$ 165,570,532</b>	<b>\$ (158,818,425)</b>	<b>\$ 7,837,981</b>

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.

Due to the judgment 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.

## BELGIAN-ALLIANCE CREDIT UNION LTD.

### Notes to Financial Statements

**For the year ended December 31, 2012**

#### 20. Financial Instrument Classification and Fair Value (continued)

<i>(in thousands)</i>	As at December 31, 2012			As at December 31, 2011		
	Book Value	Fair Value	Excess over Book Value	Book Value	Fair Value	Excess over Book Value
<b>Assets</b>						
Funds on hand and on deposit	\$ 2,524	\$ 2,524	\$ -	\$ 8,204	\$ 8,204	\$ -
Accounts receivable	-	-	-	28	28	-
Investments	12,426	12,808	382	30,678	30,810	132
Loans to members	149,309	151,314	2,005	127,375	129,619	2,244
	<b>\$ 164,259</b>	<b>\$ 166,646</b>	<b>\$ 2,387</b>	<b>\$ 166,285</b>	<b>\$ 168,661</b>	<b>\$ 2,376</b>
<b>Liabilities</b>						
Borrowings	\$ 2,111	\$ 2,111	\$ -	\$ -	\$ -	\$ -
Accounts payable	705	705	-	633	633	-
Members' deposits	153,523	154,677	1,154	158,211	161,291	3,080
	<b>\$ 156,339</b>	<b>\$ 157,493</b>	<b>\$ 1,154</b>	<b>\$ 158,844</b>	<b>\$ 161,924</b>	<b>\$ 3,080</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 following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

### 20. Financial Instrument Classification and Fair Value (continued)

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

	Level 1	Level 2	Level 3	Total
December 31, 2012				
CUCM - Class 1	\$ -	\$ 836,135	\$ -	\$ 836,135
CUCM - Class 2	-	1,562,715	-	1,562,715
	<b>\$ -</b>	<b>\$ 2,398,850</b>	<b>\$ -</b>	<b>\$ 2,398,850</b>
December 31, 2011				
CUCM - Class 1	\$ -	\$ 505,543	\$ -	\$ 505,543
CUCM - Class 2	-	580,041	-	580,041
	<b>\$ -</b>	<b>\$ 1,085,584</b>	<b>\$ -</b>	<b>\$ 1,085,584</b>

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2012 and 2011.

### 21. Financial Instrument Risk Management

#### General Objectives, Policies and Processes

The Board of Directors 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 of Directors receives quarterly 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 financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is 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.

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

### 21. Financial Instrument Risk Management (continued)

#### Objectives, Policies and Procedures

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, loan administration, credit concentration limits, and risk rating;
- Loan lending limits including Board of Directors limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and depreciation 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; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

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

#### 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 as at December 31:

	<b>2012</b>		2011
	<b>Carrying Value</b>	<b>Maximum Exposure</b>	Maximum Exposure
CUCM deposits	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	\$ 29,500,000
Loans to members	<b>149,674,782</b>	<b>149,674,782</b>	127,746,604
Undisbursed loans	-	<b>1,353,095</b>	5,746,891
Unutilized lines of credit	-	<b>9,929,268</b>	9,029,461
Unexpired letters of credit	-	<b>40,000</b>	90,000
	<b>\$ 159,674,782</b>	<b>\$ 170,997,145</b>	\$ 172,112,956

Details regarding concentration of credit risk, collateral and other credit enhancements held and loans past due but not impaired are disclosed in Notes 6 and 7.

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



---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### 21. Financial Instrument Risk Management (continued)

#### Maximum Exposure to Credit Risk (continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### **Liquidity Risk**

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall 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 Procedures

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 liquid assets of at least 8% of deposits payable and borrowings in order to meet member/associate withdrawals.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

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, except at December 31, 2012. The Credit Union was in compliance with the liquidity requirements at December 31, 2011.

As at December 31, 2012, the liquidity position of the Credit Union is as follows:

Qualifying liquid assets on hand	\$ 12,186,286
Total liquidity requirement	<u>12,308,255</u>
Deficiency of liquidity requirement	<u>\$ (121,969)</u>

The Credit Union has unutilized borrowing capacity available to cover the deficiency of liquidity requirement noted above at December 31, 2012 (Note 9).

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

**For the year ended December 31, 2012**

**21. Financial Instrument Risk Management (continued)**

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

December 31, 2012						
	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 month	1 - 3 months	3 - 12 months	Greater than 1 year
<i>(in thousands)</i>						
Accounts payable	\$ 705	\$ (705)	\$ (705)	\$ -	\$ -	\$ -
Deposits payable	153,523	(166,796)	(60,604)	(7,625)	(24,959)	(73,608)
Unadvanced loans	-	(1,353)	(1,353)	-	-	-
Unutilized lines of credit	-	(9,929)	(9,929)	-	-	-
	<b>\$ 156,339</b>	<b>\$ (180,894)</b>	<b>\$ (74,702)</b>	<b>\$ (7,625)</b>	<b>\$ (24,959)</b>	<b>\$ (73,608)</b>

December 31, 2011						
	Carrying Amount	Gross Nominal Cash Outflow	Less than 1 month	1 - 3 months	3 - 12 months	Greater than 1 year
<i>(in thousands)</i>						
Accounts payable	\$ 633	\$ (633)	\$ (633)	\$ -	\$ -	\$ -
Deposits payable	158,211	(160,522)	(40,757)	(10,116)	(40,260)	(69,389)
Unadvanced loans	-	(5,747)	(5,747)	-	-	-
Unutilized lines of credit	-	(9,029)	(9,029)	-	-	-
	<b>\$ 158,844</b>	<b>\$ (175,931)</b>	<b>\$ (56,166)</b>	<b>\$ (10,116)</b>	<b>\$ (40,260)</b>	<b>\$ (69,389)</b>

Timing of unutilized lines of credit and unadvanced loans payments are uncertain. Since these payouts are at the discretion of the members/associates the entire amount of potential payments has been included in less than one month.

The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

For the year ended December 31, 2012

---

### 21. Financial Instrument Risk Management (continued)

#### Market Risk (continued)

##### *Interest Rate Risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

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.

##### 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 loans to members and interest paid on deposits payable. 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 Deposit Guarantee Corporation of Manitoba in accordance with the Credit Union's matching policy. This policy has been approved by the Board of Directors as required by the Regulations to the Act. For the years ended December 31, 2012 and 2011, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes at December 31, 2012. 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.

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

**For the year ended December 31, 2012**

**21. Financial Instrument Risk Management (continued)**

<b>Maturity Dates</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Asset / Liability Gap</b>
Interest sensitive			
Variable	\$ 48,471,432	\$ 29,010,219	\$ 19,461,213
< 6 months	12,325,064	22,909,693	(10,584,629)
1 year	10,397,775	17,257,453	(6,859,678)
2 years	21,670,246	32,169,615	(10,499,369)
3 years	15,759,529	10,123,018	5,636,511
4 years	29,703,887	23,916,652	5,787,235
5 years	21,033,815	6,175,378	14,858,437
> 5 years	1,016,407	971,535	44,872
Interest sensitive	160,378,155	142,533,563	17,844,592
Non-interest sensitive	6,086,100	23,930,692	(17,844,592)
Total	\$ 166,464,255	\$ 166,464,255	\$ -

As at December 31, 2012, the weighted average rate for interest-bearing assets is 4.05% and for interest-bearing liabilities is 3.03%.

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.

An analysis of the Credit Union's risk due to changes in interest rates was calculated using financial modelling software and determined that an increase in interest rates of 1% could result in a decrease to net income of \$111,860 while a decrease in interest rates of 1% could result in an increase to net income of \$111,860.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

*Foreign Exchange Risk*

Foreign exchange risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union's foreign exchange risk is related to US dollar deposits denominated in US dollars. Foreign currency changes are continually monitored by the Investment Committee for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

---

# BELGIAN-ALLIANCE CREDIT UNION LTD.

## Notes to Financial Statements

**For the year ended December 31, 2012**

---

### 21. Financial Instrument Risk Management (continued)

#### Risk Measurement

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to members 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 \$40,000 in US funds.

For the years ended December 31, 2012 and 2011, the Credit Union's exposure to foreign exchange risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

### 22. Capital Management

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

Regulations under 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 earnings shall not be less than 3% of the book value of assets; and
- Capital 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 include membership shares (common shares and surplus shares), and retained earnings. 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, 2012 is \$55,906,535 (2011 - \$52,429,826).

As at December 31, 2012, the Credit Union met the capital requirements of The Act with a calculated members' capital ratio of 6.06% (2011 - 5.70%), a retained surplus ratio of 5.46% (2011 - 5.08%) and a risk weighted asset ratio of 18.59% (2011 - 18.67%).

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

**For the year ended December 31, 2012**

**22. Capital Management (continued)**

	2012	2011
Tier I Capital		
Members' shares	\$ 1,002,631	\$ 901,921
Provision for issue of common shares	150,000	150,000
Retained earnings	8,957,759	8,574,536
Non-taxable portion of loan provision	34,128	30,482
	\$ 10,144,518	\$ 9,656,939
Tier II Capital		
Members' shares	\$ 1,002,631	\$ 901,921

All members shares are included in the calculation of members' capital regardless of being classified as a liability or equity on the balance sheet.

**23. Commitments**

**Loans to Members**

The Credit Union has the following commitments to its members at the year end date on account of loans, unused lines of credit and letters of credit at December 31, 2012:

Unadvanced loans	\$	1,353,095
Unused lines of credit		9,929,268
Letters of credit		40,000

**Contractual Obligations**

Premises

The Credit Union has entered into operating leases for its premises. The following are the minimum lease payments for the next four years:

2013	\$	57,943
2014		57,943
2015		57,943
2016		2,251

---

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

**For the year ended December 31, 2012**

---

**23. Commitments** (continued)

Other

*Credit Union Central of Manitoba*

The Credit Union is a member of CUCM, which provides banking and other services to Credit Unions in Manitoba. By nature of membership in CUCM, the Credit Union is obligated to pay affiliation dues which are based on membership and assets.

*Deposit Guarantee Corporation of Manitoba*

The Deposit Guarantee Corporation of Manitoba (the "Corporation") is a deposit insurance corporation. By legal obligation under the Act, the Corporation guarantees the deposits of all Credit Union members in every credit union within Manitoba. By legislation, the Credit Union pays a quarterly levy to the Corporation based on a percentage of members' deposits.