Copperfin Credit Union Limited

Financial Statements
December 31, 2012

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Independent Auditor's Report

To the Members of
Copperfin Credit Union Limited

We have audited the accompanying financial statements of Copperfin Credit Union Limited, which comprise the statement of financial position as at December 31, 2012 and 2011 and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year ended December 31, 2012 and 2011 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 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 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 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 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 Copperfin Credit Union Limited as at December 31, 2012 and 2011 and its financial performance and its cash flows for the year ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Kenora, Ontario
March 5, 2013

Copperfin Credit Union Limited
Statement of Financial Position
As At December 31, 2012

	2012	2011
Assets		
Cash and cash equivalents (Note 3)	$ 7,305,592	$ 13,257,016
Income taxes recoverable	-	13,302
Investments (Note 4)	21,405,172	17,666,286
Derivative financial instruments (Note 5)	428,979	397,032
Member loans (Note 6 and Note 7)	156,400,271	143,800,647
Property, plant and equipment (Note 8)	3,947,663	4,533,347
Intangible assets (Note 8)	7,667	21,552
Deferred income tax asset (Note 13)	460,300	358,148
Other assets (Note 9)	308,180	430,756
	$ 190,263,824	$ 180,478,086
Liabilities		
Income taxes payable	$ 112,049	$ -
Member deposits (Note 10)	174,400,049	165,130,502
Derivative financial instruments (Note 5)	408,762	389,973
Other liabilities (Note 11)	1,176,689	1,852,743
Total Liabilities	176,097,549	167,373,218
Members' Equity		
Members' shares (Note 14)	4,988,116	5,181,991
Retained earnings	8,811,050	7,700,783
Accumulated other comprehensive income	367,109	222,094
Total Members' Equity	14,166,275	13,104,868
	$ 190,263,824	$ 180,478,086

Signed on behalf of the Board of Directors by:

S. Tarrant Director

S. Kember Director

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

Copperfin Credit Union Limited
Statement of Comprehensive Income
For the Year Ended December 31, 2012

	2012	2011
Interest revenue		
Interest on member loans	$ 7,738,069	$ 7,741,325
Other interest revenue	392,605	369,856
	8,130,674	8,111,181
Interest and loan related expenses		
Interest on member deposits	1,848,121	1,894,298
Impairment on member loans (Note 7)	346,867	217,907
	2,194,988	2,112,205
Financial margin	5,935,686	5,998,976
Other income (Note 15)	2,212,927	2,333,967
	8,148,613	8,332,943
Operating expenses		
Deposit insurance	143,397	137,690
Depreciation and amortization	512,410	395,204
Director and committee expense	56,578	63,378
Distributions to members (Note 14)	-	266,341
Employee salaries and benefits	3,694,212	3,761,184
Other operating and administrative (Note 16)	1,853,238	1,901,950
Occupancy	553,944	402,756
Total non-interest expenses	6,813,779	6,928,503
Income before income taxes	1,334,834	1,404,440
Provision (recovery) for income taxes (Note 13)		
Current income tax	287,456	173,212
Deferred income tax (recovery)	(154,436)	63,003
	133,020	236,215
Net income for the year	$ 1,201,814	$1,168,225
Other comprehensive income (net of tax)		
Change in unrealized gains on available-for-sale investments	145,015	-
Total comprehensive income for the year	$ 1,346,829	$ 1,168,225

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

Copperfin Credit Union Limited
Statement of Changes in Members' Equity
For the Year Ended December 31, 2012

	Accumulated Other Comprehensive Income	Members' Shares	Retained Earnings	Total
Balance on December 31, 2010	**$ 222,094**	**$ 5,364,769**	**$ 6,639,718**	**$ 12,226,581**
Net income	-	-	1,168,225	1,168,225
Distributions to members (Note 14)	-	-	(107,160)	(107,160)
Issue of members' shares (patronage)	-	160,155	-	160,155
Net redemption of members' shares	-	(342,933)	-	(342,933)
Balance on December 31, 2011	**$ 222,094**	**$ 5,181,991**	**$ 7,700,783**	**$ 13,104,868**
Net income	-	-	1,201,814	1,201,814
Distributions to members (Note 14)	-	-	(91,547)	(91,547)
Issue of members' shares (patronage)	-	194,121	-	194,121
Net redemption of members' shares	-	(387,996)	-	(387,996)
Change in unrealized gains on available-for sale investments	145,015	-	-	145,015
Balance on December 31, 2012	**$ 367,109**	**$ 4,988,116**	**$ 8,811,050**	**$ 14,166,275**

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

Copperfin Credit Union Limited

Statement of Cash Flows

For the Year Ended December 31, 2012

	2012	2011
Operating Activities		
Net income for the year	**$ 1,201,814**	$ 1,168,225
Adjustments for:		
Interest revenue	**(8,130,674)**	(8,111,181)
Interest expense	**1,848,122**	1,894,298
Other non-cash revenue items	**-**	(53,176)
Depreciation and amortization	**512,410**	395,204
Provision for income taxes	**133,020**	236,215
Provision for impairment (losses) on loans	**346,867**	217,907
Write-off of member loans	**(414,846)**	(414,586)
Holding (gain) loss on derivative financial instruments	**(19,932)**	132,102
Issue of patronage shares	**194,121**	160,155
Realized (gain) loss from disposal of property, plant and equipment	**162,090**	(650)
	(4,167,008)	(4,375,487)
Change in other assets	**89,606**	(135,949)
Change in other liabilities	**(384,259)**	(162,737)
Change in dividends	**(294,571)**	19,078
	(589,224)	(279,608)
Changes in member activities (net)		
Change in member loans	**(12,543,151)**	(1,827,035)
Change in member deposits	**9,359,243**	7,671,165
	(3,183,908)	5,844,130
Cash flows related to interest, dividends and income taxes		
Interest received on member loans	**7,816,245**	7,740,556
Interest received on investments	**370,287**	361,062
Interest paid on member deposits	**(1,937,822)**	(1,883,565)
Dividends paid on investment shares	**(113,399)**	(126,817)
Income taxes (paid) recovered	**(140,253)**	(207,353)
	5,995,058	5,883,883
Total cash inflows (outflows) from operating activities	**$ (1,945,082)**	$ 7,072,918

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

Copperfin Credit Union Limited
Statement of Cash Flows
For the Year Ended December 31, 2012

	2012	2011
Investing Activities		
Return of capital on investment in CUCO Co-operative Association	**91,637**	33,975
Purchase of investments	**(3,633,224)**	(77,617)
Proceeds from sale of property, plant and equipment	**457,392**	650
Purchase of property, plant and equipment	**(534,151)**	(1,718,196)
Total cash inflows (outflows) from investing activities	**(3,618,346)**	(1,761,188)
Financing Activities		
Net redemptions of membership shares	**(5,300)**	(8,470)
Redemptions of patronage shares	**(94,624)**	(78,091)
Redemptions of investment shares	**(288,072)**	(256,372)
Total cash inflows (outflows) from financing activities	**(387,996)**	(342,933)
Net increase (decrease) in cash and cash equivalents	**(5,951,424)**	4,968,797
Cash and cash equivalents beginning of year	**13,257,016**	8,288,219
Cash, and cash equivalents end of year (Note 3)	**$ 7,305,592**	$ 13,257,016

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Copperfin Credit Union (the Credit Union) is incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario and is a member of Central 1 Credit Union Limited (Central 1). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages, personal, and commercial loans, chequing and savings accounts, term deposits, RRSPs, RRIFs, TFSAs, mutual funds, automated banking machines ("ABMs"), debit and credit cards and internet banking. The Credit Union's head office is located at 346 Second Street South Kenora, Ontario.

These financial statements have been authorized for issue by the Board of Directors on March 4, 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 financial statements are presented in Canadian dollars.

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

Cash and cash equivalents include cash on hand, and current accounts with Central 1.

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

Investments

Central 1 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity Instruments

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.

Derivative Financial Instruments

Hedges

The Credit Union, in accordance with its risk management strategies, enters into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the Statement of Financial Position.

Non-Hedge Derivatives

The Credit Union designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Member Loans

All member loans 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.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Member loans 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 member loans 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 or a designated committee of the Board 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

Property, plant 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	20 and 40 years
Building improvements	10 and 20 years
Computer hardware	3 years
Furniture and fixtures	5 and 10 years
Vehicles	5 years

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

Intangible Assets

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Credit Union, and a customer portfolio list. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 5 years. The customer portfolio list is amortized on a straight-line basis over its estimated useful life of 10 years.

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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred 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.

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

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred 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 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).

Member Deposits

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

Member deposits are subsequently measured at amortized cost, using the effective interest rate method and are classified as other liabilities.

Pension Plan

The Credit Union participates in a single-employer defined contribution plan, recognizing contributions as an expense in the year to which they relate.

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.

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 or financial asset.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Distributions to Members

Distributions to members for patronage are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation or when the distribution is not tied to an equity holding.

Revenue Recognition

Interest on loans is recorded using the effective interest method.

Investment income is recorded using the effective interest method.

Revenue from the provision of services to members (commissions, fees, services charges) is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Sundry revenues are recognized upon completion of the transaction.

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.

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.

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, 2013 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ii. IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, special purpose vehicles and other off balance sheet vehicles. The Credit Union is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

iii. 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 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.

iv. IAS 1 Presentation of Financial Statements was amended to change the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. 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, 2013.

v. IAS 19 Employee Benefits was amended to remove the use of the corridor approach for defined benefit plans and for enhanced disclosures for defined benefit plans. Revisions were also made to the recognition of termination benefits and the distinction between short-term and long-term employee benefits. The Credit Union is yet to assess the full impact of this amended to IAS and will adopt the standard for the annual period beginning on January 1, 2013.

vi. 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.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact 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. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

Judgments

Member Loan Loss Provision

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 member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

Estimates

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 amount of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

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.

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 for financial instruments that are not quoted in an active market are disclosed in Note 18.

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 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Property, plant 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 and other estimates. These estimates also consider the period and distribution of future cash inflows.

Member Loan Loss Provision

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.

3. CASH AND CASH EQUIVALENTS

The Credit Union's cash and current accounts are held with Central 1 Credit Union (Central 1). The Canadian current account has a yield of 1.40% on the first $10 million on deposit, and 0.50% on balances in excess of $10 million (2011 -1.40%). The US current account has a yield of 0.20% (2011 - 0.25%).

Included in cash and cash equivalents is $674,988 (December 31, 2011 - $779,572) denominated in US dollars.

4. INVESTMENTS

The following tables provide information on the investments by type of security and issuer.

	2012	2011
Deposits		
Liquidity reserve deposit - Central 1	$ 11,685,533	$ 10,940,926
Term deposit - Central 1	2,500,000	-
Discount deposits - Canadian - Central 1	-	2,500,000
Discount deposits - US - Central 1	1,000,000	1,900,000
Term deposits - Concentra Financial	3,800,000	-
Dynamic Dundee Investment Account - Worldsource	-	1,643
Total Deposits	$ 18,985,533	$ 15,342,569
Equity Instruments		
Central 1 Credit Union - Class A	$ 638,051	$ 647,791
Central 1 Credit Union - Class E	812,100	812,100
ABCP 2008 LP/CUCO Co-operative Association	961,242	855,580
Other investments	8,246	8,246
Total Equity instruments	$ 2,419,639	$ 2,323,717
Total Investments	$ 21,405,172	$ 17,666,286

4. INVESTMENTS (CONT'D)

The Credit Union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 6% of total assets, and the reserve balance is updated monthly to reflect prior month total assets. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Central 1. The liquidity reserves have term lengths of up to three years. At maturity, these deposits are reinvested at market rates for various terms.

Discount deposits at Central 1 are due within one year. The carrying amounts for deposits at Central 1 approximate fair value due to having similar characteristics as cash and cash equivalents.

The deposits bear interest at rates ranging from 0.32% to 2.81% and have original maturity dates from 7 months to 3 years.

Term deposits at Concentra Financial bear interest at 2.03% to 2.14% and mature in 2014.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Class A Central 1 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 transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value of $0.01 however are redeemable at $100 per share at the option of Central 1. There is no separately quoted market value for these shares and a fair value cannot be measured reliably as the timing of redemption of these shares cannot be determined, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably determined. Therefore, the Class E shares are recorded at cost.

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 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 Central 1.

As a condition of the sale of assets of CUCO to CUCBC, CUCO was required to divest itself of investments in certain non-bank sponsored asset-backed commercial paper (ABCP). A resolution was approved to facilitate the sale, which created a limited partnership (ABCP 2008 LP) to acquire these investments funded by member credit unions in proportion to their share investments in CUCO.

In August 2011, the ABCP LP was dissolved and assets moved to the CUCO Cooperative Association. At December 31, 2012 and December 31, 2011 an independent valuation was completed on the underlying investments of the CUCO Cooperative Association utilizing valuation techniques based on discounting expected future cash flows. The valuation was based on conditions existing at the statement of financial position date. (In 2008, as a result of this valuation, the credit union recorded a write-down to net income of $ 265,254.) During the year the Credit Union received $91,637 which has been recorded as a return of the initial capital invested. In addition, as these investments are classified as available-for-sale instruments a fair value adjustment of $197,299 has been recorded to other comprehensive income.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Credit Union has outstanding $ 3,274,251 (2011 - $ 3,213,400) in Index linked term deposits to its members. The Index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. The embedded derivative associated with these deposits are presented in liabilities and have a fair value of $ 408,762 (2011 - $ 389,973).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each Index linked term deposits on the face value of the deposits sold. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at December 31, 2012, the Credit Union had entered into such contracts on index-linked term deposits for a total of $ 3,294,345. The agreements are secured by a general security agreement covering all assets of the Credit Union.

The Credit Union has entered into collar contracts with Central 1 to hedge the Credit Union's exposure to interest rate risks. As at December 31, 2012 the Credit Union had entered into Collar contracts for a total of $32,000,000 of notional principal whereby it has agreed to pay if the 3 month CDOR rates exceed a specified level ranging from 1.90% to 2.00%, and receive if the 3 month CDOR rates are below 1.25%. The CDOR rate resets on a quarterly basis, and the contracts are in effect for the period January 15, 2013 to January 15, 2014. The agreements are secured by a general security agreement covering all assets of the Credit Union.

The derivative instruments recorded on the statement of financial position related to the above were as follows:

Fair value of derivatives	2012	2011
Assets		
Swap/collar contracts	$ 20,217	$ 7,059
Index-linked term deposits - hedge agreements	408,762	389,973
	$ 428,979	$ 397,032
Liabilities		
Index-linked term deposits - hedge agreements	$ 408,762	$ 389 973

6. MEMBER LOANS

	2012	2011
Residential mortgages	$ 88,832,394	$ 81,841,228
Personal loans	23,292,664	24,146,951
Commercial loans	44,524,518	38,118,246
	$ 156,649,576	$ 144,106,425
Accrued interest receivable	282,523	294,029
	156,932,099	144,400,454
Allowance for impaired loans (Note 7)	(531,828)	(599,807)
Net loans to members	$ 156,400,271	$ 143,800,647

6. MEMBER LOANS (CONT'D)

Terms and Conditions

Member loans 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 minus 0.5% to prime plus 9.0%. 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 3.10% to 12.0%. The rate offered to a member varies with the type of security offered and the member's credit worthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignments only.

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.

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	Principal	2012 Yield	Principal	2011 Yield
Variable rate	$ 69,801,694	5.80%	$ 66,196,863	6.41%
Fixed rate due less than one year	10,348,482	5.24%	14,492,968	5.61%
Fixed rate due between one and five years	76,499,400	4.46%	63,416,594	4.72%
	$ 156,649,576	5.11%	$ 144,106,425	5.59%

Credit Quality of Loans

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

	2012	2011
Unsecured loans	$ 33,543,412	$ 35,546,600
Loans secured by cash, member deposits	532	17,544
Loans guaranteed by government	510,381	954,559
Commercial mortgages	33,762,857	25,746,494
Uninsured residential mortgages	64,193,765	57,494,754
Residential mortgages insured by government	24,638,629	24,346,474
	$ 156,649,576	$ 144,106,425

6. MEMBER LOANS (CONT'D)

Concentration of Risk

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

Individual or related groups of members loan which exceed $1,000,000:

	2012	2011
Residential mortgages	$ -	$ -
Personal loans	-	-
Commercial loans	14,840,858	7,729,109
	$ 14,840,858	$ 7,729,109

All member loans are with members located in and around the Kenora and surrounding area.

A sizeable portion of the loan portfolio is secured by residential and commercial property in Northwestern Ontario. The Credit Union is exposed to risks should the property market decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

Included in the $44,524,518 (December 31, 2011 - $38,118,246) of commercial loans was $16,372,917 (December 31, 2011 - $12,023,025) relating to the commercial real estate industry and $14,017,359 (December 31, 2011- $11,290,976) relating to the hospitality industry.

7. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision comprises:

	2012	2011
Collective provision	$ 329,300	$ 276,100
Individual specific provision	202,528	323,707
Total provision	$ 531,828	$ 599,807

7. ALLOWANCE FOR IMPAIRED LOANS (CONT'D)

Movement in individual specific provision and collective provision for impairment:

2012	Residential Mortgage	Personal	Commercial	Total
Balance at January 1, 2012	**$ 2,500**	**$ 395,470**	**$ 201,837**	**$ 599,807**
Recoveries of loans previously written off	**-**	**13,214**	**42,694**	**55,908**
Provision charged to net income	**86,265**	**56,003**	**204,599**	**346,867**
	88,765	**464,687**	**449,130**	**1,002,582**
Loans written off	**(49,065)**	**(197,836)**	**(223,853)**	**(470,754)**
Balance at December 31, 2012	**$ 39,700**	**$ 266,851**	**$ 225,277**	**$ 531,828**
Gross principal balance of individually impaired loans in individual specific provision	**$ -**	**$ 220,658**	**$ 59,879**	**$ 280,537**

2011	Residential Mortgage	Personal	Commercial	Total
Balance at January 1, 2011	$ 143,521	$ 298,482	$ 354,483	$ 796,486
Recoveries of loans previously written off	-	15,469	-	15,469
Provision charged to net income	58,816	135,722	23,369	217,907
	202,337	449,673	377,852	1,029,862
Loans written off	(199,837)	(54,203)	(176,015)	(430,055)
Balance at December 31, 2011	$ 2,500	$ 395,470	$ 201,837	$ 599,807
Gross principal balance of individually impaired loans in individual specific provision	$ 193,459	$ 367,866	$ 84,669	$ 645,994

7. ALLOWANCE FOR IMPAIRED LOANS (CONT'D)

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding.

	December 31, 2012		December 31, 2011	
	Carrying Value	Individual Specific Provision	Carrying Value	Individual Specific Provision
Period of delinquency				
Less than 30 days	$ 6,926,486	$ 30,708	$ 5,844,723	$ 5,061
30 to 90 days	424,993	117	2,153,217	29,020
Over 90 days	333,534	171,703	802,009	239,079
Total loans in arrears	7,685,013	202,528	8,799,949	273,160
Total loans not in arrears	148,964,563	-	135,306,476	50,547
Total loans	$ 156,649,576	$ 202,528	$ 144,106,425	$ 323,707

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

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 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 provision is based on historical write-offs.

For purposes of the collective provision 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 provision:

2012	Residential Mortgage	Personal	Commercial	Total
1-29 days	$ 2,826,516	$ 869,924	$ 3,199,676	$6,896,116
30 to 89 days	246,558	168,116	10,202	424,876
Over 90 days	-	-	-	-
Balance at December 31, 2012	$ 3,073,074	$ 1,038,040	$ 3,209,878	$ 7,320,992

7. ALLOWANCE FOR IMPAIRED LOANS (CONT'D)

2011	Residential Mortgage	Personal	Commercial	Total
1-29 days	$ 2,446,770	$ 1,103,945	$ 2,288,947	$5,839,662
30 to 89 days	308,255	160,879	1,655,153	2,124,287
Over 90 days	-	-	-	-
Balance at December 31, 2011	$ 2,755,025	$ 1,264,824	$ 3,944,100	$ 7,963,949

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment							
	Land	Buildings	Building Improvements	Computer Hardware	Furniture and Fixtures	Vehicles	Total	Intangible Assets
Cost								
Balance on December 31, 2011	$ 514,379	$ 3,222,035	$ 3,313,787	$ 420,147	$ 1,569,503	$ 33,475	$ 9,073,326	$ 148,036
Additions	-	-	489,400	2,108	42,643	-	534,151	-
Disposals	(251,958)	(944,726)	(107,872)	(109,197)	(29,022)	-	(1,442,775)	-
Balance on December 31, 2012	$ 262,421	$ 2,277,309	$ 3,695,315	$ 313,058	$ 1,583,124	$ 33,475	$ 8,164,702	$ 148,036
Accumulated depreciation								
Balance on December 31, 2011	$ -	$ 2,243,538	$ 983,171	$ 404,664	$ 875,131	$ 33,475	$ 4,539,979	$ 126,484
Depreciation expense	-	89,443	227,619	10,715	170,748	-	498,525	13,885
Disposals	-	(655,467)	(39,609)	(109,197)	(17,192)	-	(821,465)	-
Balance on December 31, 2012	$ -	$ 1,677,514	$ 1,171,181	$ 306,182	$ 1,028,687	$ 33,475	$ 4,217,039	$ 140,369
Net book value								
December 31, 2011	$ 514,379	$ 978,497	$ 2,330,616	$ 15,483	$ 694,372	$ -	$ 4,533,347	$ 21,552
December 31, 2012	$ 262,421	$ 599,795	$ 2,524,134	$ 6,876	$ 554,437	$ -	$ 3,947,663	$ 7,667

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9. OTHER

	2012	2011
Prepaid expenses	$ 59,132	$ 46,757
CUMIS claims reserve	40,692	58,972
Accrued interest receivable on investments	164,020	201,375
Other accounts receivable	44,336	123,652
	$ 308,180	$ 430,756

10. MEMBER DEPOSITS

	2012	2011
Chequing	$ 38,990,703	$ 39,133,164
Demand	60,477,345	53,450,447
Term deposits	34,384,927	35,412,352
Registered education savings plans	7,290	-
Registered retirement savings plans	24,679,853	23,891,729
Registered retirement income funds	8,185,801	7,405,675
Tax free savings account	7,160,738	5,234,047
	173,886,657	164,527,414
Accrued interest payable	513,392	603,088
	$ 174,400,049	$ 165,130,502

Terms and Conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 1.00% at December 31, 2012.

Demand deposits are due on demand and bear interest at a variable rate up to 1.20% 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 0.05% to 5.00%.

The registered retirement savings plans (RRSPs) 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 1.20% at December 31, 2012.

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. Members 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 can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

10. MEMBER DEPOSITS (CONT'D)

Included in chequing and demand deposits is an amount of $ 3,396,387 (December 31, 2011 - $2,762,703) denominated in US dollars.

The Credit Union is an agent of CMG Worldsource Financial Services for the purpose of selling mutual fund investments. The Credit Union receives annual trailer fees based on assets under administration at rates ranging from 0% to 1.0% of assets. In addition, the Credit Union receives commissions based on sales, ranging from 0% to 4.0% of sales. As at December 31, 2012, $ 31,543,447 (December 31, 2011 - $28,830,804) of mutual funds were under administration by the Credit Union.

Average Yields to Maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields at:

	Principal	**2012 Yield**	Principal	2011 Yield
Variable rate	**$ 111,865,671**	**0.59%**	$ 101,007,394	0.55%
Fixed rate due less than one year	**39,531,886**	**1.69%**	42,671,670	1.96%
Fixed rate due between one and five years	**22,489,100**	**2.32%**	20,848,350	2.65%
	$ 173,886,657	**1.06%**	$ 164,527,414	1.18%

Concentration of Risk

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

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

The majority of member deposits are with members located in and around Kenora and surrounding area.

11. OTHER LIABILITIES

	2012	2012
Balance, beginning of the year	**$ 1,852,743**	$ 1,996,402
Incurred during the year	**670,394**	1,279,790
Other increases	**256**	19,009
Released during the year	**(1,346,704)**	(1,442,458)
Balance, end of the year	**$ 1,176,689**	$ 1,852,743

At December 31, the balance consists of:	2012	2011
Trade and other accounts payable	**$ 412,316**	$ 741,515
Dividends payable	**113,399**	407,970
Accrued severance	**224,569**	315,648
Accrued sick leave	**215,572**	195,572
Accrued salaries and employee benefits	**210,833**	192,038
Balance, end of the year	**$ 1,176,689**	$ 1,852,743

12. PENSION PLAN

The Credit Union makes contributions to a pension plan on behalf of members of its staff. The plan is a money purchase plan. Funds are held in trust by CUMIS Life Insurance Company and are not recorded in the financial statements. The plan is accounted for as a defined contribution plan.

The amount contributed to the plan for 2012 was $ 150,497 (2011 - $ 145,113). The contributions were made for current service and these have been recognized as an expense in net income.

13. INCOME TAXES

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

	2012	2011
Current tax expense		
Based on current year taxable income	**$ 287,456**	$ 173,212
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(154,436)**	63,003
Total income tax expense	**$ 133,020**	$ 236,215

13. INCOME TAXES (CONT'D)

The significant components of the tax effect of the amounts recognized in other comprehensive income are composed of:

	2012	2011
Deferred tax expense		
Change in unrealized gain on available-for-sale investments	$ 52,284	$ -

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2011 - 28.5%) are as follows:

	2012	2011
Income before income taxes	$ 1,334,834	$ 1,404,440
Statutory tax rates	26.5%	28.5%
Computed tax expense	353,731	400,265
Increase (decrease) resulting from:		
Lower rate on preferred rate amount	(99,603)	(182,577)
Non deductible portion of expenses	4,193	2,358
Change in tax rates	(118,738)	14,779
Other	(6,563)	1,390
Total income tax expense	$ 133,020	$ 236,215

The movement in 2012 deferred tax liabilities and assets are:

	Opening Balance at Jan 1, 2012	Recognize in OCI	Recognize in Net Income	Closing Balance at Dec 31, 2012
2012				
Deferred tax liabilities				
Mark to market investments	$ -	$ (52,284)	$ -	$ (52,284)
Deferred tax assets				
Property, plant and equipment	118,058	-	$ 112,924	$ 230,982
Intangible assets	4,593	-	1,410	6,003
Derivative financial instruments	78,970	-	29,352	108,322
Allowance for impaired loans	62,465	-	(69)	62,396
Non-deductible severance	54,459	-	(6,705)	47,754
Non-deductible sick leave	39,603	-	17,524	57,127
2012 net deferred tax asset	**$ 358,148**	**$ (52,284)**	**$ 154,436**	**$460,300**

13. INCOME TAXES (CONT'D)

The movement in 2011 deferred tax liabilities and assets are:

	Opening Balance at Jan 1, 2011	Recognize in Net Income	Closing Balance at Dec 31, 2011
2011			
Deferred tax assets			
Property, plant and equipment	$110,773	$ 7,285	$118,058
Intangible assets	3,606	987	4,593
Derivative financial instruments	121,905	(42,935)	78,970
Allowance for impaired loans	67,122	(4,657)	62,465
Non-deductible severance	79,457	(24,998)	54,459
Non-deductible sick leave	38,288	1,315	39,603
2011 net deferred tax asset	$421,151	$ (63,003)	$358,148

	2012	2011
Net deferred tax assets		
Deferred tax assets to be recovered within 12 months	**$ 8,293**	$ 7,997
Deferred tax assets to be recovered after more than 12 months	**452,007**	350,151
Net deferred tax assets	**$ 460,300**	$ 358,148

14. MEMBERS' SHARES

	Authorized	2012 Equity	2011 Equity
Membership shares	**Unlimited**	**$ 334,271**	$ 339,571
Patronage shares	**Unlimited**	**1,318,576**	1,219,079
Investment shares	**Unlimited**	**3,335,269**	3,623,341
		$ 4,988,116	$ 5,181,991

Patronage or Investment shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with IAS 32, Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments. If they are classified as equity, they are recognized at cost. If they are recognized as liability, they are initially recognized 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. Since the redemption of shares is at the sole and absolute discretion of the Credit Union, all shares are classified as equity.

14. MEMBERS' SHARES (CONT'D)

Terms and Conditions

Membership Shares

As a condition of membership, each member is required to hold $ 25 in membership shares. 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 DICO. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 20), as is the payment of any dividends on these shares.

Patronage Shares

Patronage shares are issued as part of patronage rebates. They are non-voting, can be issued only to members of the Credit Union, and are redeemable at par only when a membership is withdrawn. There is no limit on the number of shares which can be held by a member. The withdrawal of patronage shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 20), as is the payment of any distributions on these shares. Patronage rebates are at the discretion of the Directors.

Investment Shares

Investment shares are non-voting and can be issued only to members of the Credit Union. Dividends are paid at the discretion of the directors in the form of cash or additional shares. They are redeemable subject to the Credit Union maintaining adequate regulatory capital (see Note 20). As the redemption of the investment shares is at the sole and absolute discretion of the Credit Union, the shares are classified as equity.

Distributions to Members	2012		2011	
	Net Income	Equity	Net Income	Equity
Patronage distributions	$ -	$ -	$ 266,341	$ -
Dividends on investment shares	-	113,399	-	126,817
Less related income taxes	-	(21,852)	-	(19,657)
	$ -	$ 91,547	$ 266,341	$ 107,160

Dividends payable to members were declared by the Board of Directors as follows:

- $113,399 (2011 - $126,817) cash dividend on investment shares (2012 - 3.4%, 2011- 3.5%)
- $0 (2011 - $266,341) patronage dividend paid to members based on loan and deposit balances during the year. All members were paid in cash.

15. OTHER INCOME

	2012	2011
Investment income	$ 35,677	$ 72,273
Commissions, service charges and fees	1,769,039	1,801,897
Foreign exchange revenue	340,527	381,278
Miscellaneous revenue	7,741	7,533
Realized gain from disposal of property, plant and equipment	-	650
Rental income	59,943	70,336
	$ 2,212,927	$ 2,333,967

16. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2012	2011
Banking and data processing charges	$ 778,334	$ 803,215
Computer, office and other equipment	81,554	55,888
Licenses, fees and dues	246,481	297,690
Training, meetings and conferences	146,845	156,218
Advertising and communications	281,962	305,508
Office and supplies	80,786	84,320
Professional fees	100,327	89,380
Other	136,949	109,731
	$ 1,853,238	$ 1,901,950

17. RELATED AND RESTRICTED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

	2012	2011
Compensation		
Salaries and other short-term employee benefits	**$ 445,600**	$ 433,694
Total pension and other post-employment benefits	**29,694**	28,562
	$ 475,294	$ 462,256
Loans to key management personnel		
Aggregate value of loans	**$ 1,484,866**	$ 1,278,022
Interest received on loans to	**38,085**	34,415
Aggregate value of unadvanced loans	**114,903**	138,750
Total value of lines of credit advanced	**179,227**	140,486
Interest received on lines of credit advanced	**4,597**	3,783
Unused value of lines of credit	**129,973**	165,217
Letters of credit	**-**	-
Deposits from key management personnel		
Aggregate value of term and savings deposits	**$ 367,980**	$ 297,862
Total interest paid on term and saving deposits	**4,612**	5,946

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 or close family members, except for a 0.50% bonus on posted term deposit rates.

Restricted parties include all directors, officers, members of committees, as well as their spouses and immediate dependent family members. Loans to these restricted parties are advanced under the same terms and conditions as loans to other members except that preferred rates may apply. At December 31, 2012 there was $3,090,591 (2011 - $2,399,994) in loans outstanding to restricted parties with $1,113,941 (2011 - $178,182) advanced in the current year. None of the loans to restricted parties were impaired as at December 31, 2012.

Included in compensation above are payment of $14,765 for the year ended December 31, 2012 (December 31, 2011 - $19,035) for director remuneration.

Disclosures required by Ontario regulation 237/09 paragraph 28(1) of the Credit Unions and Caisses Populaires Act, 1994

Included in compensation above is salary of $161,975 (2011 - $157,073), taxable benefits of $1,164 (2011 - $1,124) and pension contributions of $11,277 (2011 - $10,932) paid to Dennis Alvestad, Chief Executive Officer of the Credit Union.

18. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The following table represents the carrying amount by classification.

	Available-for-Sale	Fair Value through Profit or Loss	Loans and Receivables	Other Financial Liabilities
December 31, 2012				
Cash and cash equivalents	$ -	$ -	$ 7,305,592	$ -
Investments	2,419,639	-	18,985,533	-
Derivative financial instruments	-	428,979	-	-
Member loans	-	-	156,400,271	-
Other assets	-	-	249,048	-
Member deposits	-	-	-	(174,400,049)
Derivative financial instruments	-	(408,762)	-	-
Other liabilities	-	-	-	(1,176,689)
	$ 2,419,639	$ 20,217	$ 182,940,444	$ (175,576,738)
December 31, 2011				
Cash and cash equivalents	$ -	$ -	$ 13,257,016	$ -
Investments	2,323,717	-	15,342,569	-
Derivative financial instruments	-	397,032	-	-
Member loans	-	-	143,800,647	-
Other assets	-	-	430,756	-
Member deposits	-	-	-	(165,130,502)
Derivative financial instruments	-	(389,973)	-	-
Other liabilities	-	-	-	(1,852,743)
	$ 2,323,717	$ 7,059	$ 172,830,988	$ (166,983,245)

The following table provides an analysis of investments and derivative financial instruments 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).

18. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (CONT'D)

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				
Index linked term deposits	$ -	$ 408,761	$ -	$ 408,761
Central 1 Credit Union interest rate collar contracts		20,218	-	20,218
Central 1 Credit Union - Class A	-	638,051	-	638,051
Central 1 Credit Union - Class E	-	-	812,100	812,100
CUCO Co-operative Association	-	-	961,242	961,242
Other equity investments	-	-	8,246	8,246
	$ -	$ 1,067,030	$ 1,781,588	$ 2,848,618
December 31, 2011				
Index linked term deposits	$ -	$ 389,974	$ -	$ 389,974
Central 1 Credit Union interest rate swap contracts		7,058	-	7,058
Central 1 Credit Union - Class A	-	647,791	-	647,791
Central 1 Credit Union - Class E	-	-	812,100	812,100
ABCP 2008 LP / CUCO Co-operative Association	-	-	855,580	855,580
Other equity investments	-	-	8,246	8,246
	$ -	$ 1,044,823	$ 1,675,926	$ 2,720,749

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

The following table presents a reconciliation of equities which are the Level 3 investments:

	2012	2011
Balance, beginning of the year	$ 1,675,926	$ 1,656,237
Unrealized gains recognized in other comprehensive income	197,299	-
Share of income recognized in net income	-	53,176
Return of capital	(91,637)	(33,487)
Balance, end of the year	$ 1,781,588	$ 1,675,926

The Credit Union has determined that certain investments have incurred a significant or prolonged decline in their fair value, which constitutes objective evidence of impairment. To date, impairment losses of $75,902 have been recorded (no impairment loss has been recognized in net income for the years ended December 31, 2012 or December 31, 2011).

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18. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (CONT'D)

The following represents the fair values of financial instruments of the Credit Union. The fair values disclosed exclude the value of assets and liabilities that are not considered to be 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 fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

December 31, 2012	Book Value	Fair Value	Excess (Deficiency)
Financial Assets			
Cash and cash equivalents	$ 7,305,592	$ 7,305,592	$ -
Investments	21,405,172	21,624,208	219,036
Derivative financial instruments	428,979	428,979	-
Member loans	156,400,271	157,547,112	1,146,841
	$ 185,540,014	$186,905,891	$ 1,365,877

	Book Value	Fair Value	(Excess) Deficiency
Financial Liabilities			
Member deposits	$ 174,400,049	$ 174,580,484	$ (180,435)
Derivative financial instruments	408,762	408,762	-
Other liabilities	1,176,689	1,176,689	-
	$ 175,985,500	$ 176,165,935	$ (180,435)

December 31, 2011	Book Value	Fair Value	Excess (Deficiency)
Financial Assets			
Cash and cash equivalents	$ 13,257,016	$ 13,257,016	$ -
Investments	17,666,286	17,906,044	239,758
Derivative financial instruments	397,032	397,032	-
Member loans	143,800,647	144,161,483	360,836
	$ 175,120,981	$175,721,575	$ 600,594

18. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (CONT'D)

December 31, 2011	Book Value	Fair Value	(Excess) Deficiency
Financial Liabilities			
Member deposits	$ 165,130,502	$ 165,415,870	$ (285,368)
Derivative financial instruments	389,973	389,973	-
Other liabilities	1,852,743	1,852,743	-
	$ 167,373,218	$ 167,658,586	$ (285,368)

The following methods and assumptions were used to estimate the fair value of financial instruments:

a) The fair value of cash resources, accrued interest and other receivables, accrued interest on deposits, accounts payable and accrued liabilities and dividends payable are assumed to approximate their book values, due to their short-term nature.

b) The estimated fair value of floating rate loans, demand deposits and floating rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis.

c) The estimated fair value of fixed rate instruments, fixed rate loans and fixed rate deposits is determined by discounting the expected future cash flows of these investments, loans, deposits and borrowings at current market rates for products with similar terms and credit risks.

d) The estimated fair values of investments that do not have quote market prices in an active market are determined using valuation techniques, less any provision for impairment.

19. 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 Financial 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.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

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, 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; 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 doubtful loans quarterly.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $0.

A sizeable portfolio of the loan book is secured by residential property in Northwestern Ontario and the Kenora region. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) 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.

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. See Note 6 for concentration of credit risk.

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:

December 31, 2012	Carrying Value	Maximum Exposure
Investments	$ 21,405,172	$ 21,405,172
Member loans	156,400,271	156,400,271
Undisbursed loans	-	9,124,814
Unutilized lines of credit	-	18,623,155
Unexpired letters of credit	-	681,869
	$ 177,805,443	$ 206,235,281

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

December 31, 2011	Carrying Value	Maximum Exposure
Investments	$ 17,666,286	$ 17,666,286
Member loans	143,800,647	143,800,647
Undisbursed loans	-	5,218,131
Unutilized lines of credit	-	15,550,123
Unexpired letters of credit	-	270,708
	$ 161,466,933	$ 182,505,895

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 behavior 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 Credit Unions and Caisse Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The credit union has set a minimum liquidity ratio of 10%.

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.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

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

	Maximum exposure
Qualifying liquid assets on hand	
Cash and cash equivalents	$ 7,305,592
Liquidity reserve deposit	11,685,533
Discount deposits and term deposits	1,000,000
	19,991,125
Total liquidity requirement	17,440,005
Excess liquidity requirement	$ 2,551,120

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

December 31, 2012	**Carrying Amount**	**Gross Cash Outflow**	**Nominal Less than 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Greater than 1 year**
Member deposits	**$174,400,049**	**$(175,838,087)**	**$(117,632,522)**	**$(10,092,523)**	**$(25,103,542)**	**$(23,009,500)**
Other liabilities	**1,176,689**	**(1,176,689)**	**(498,730)**	**(122,434)**	**(73,354)**	**(482,171)**
	$175,576,738	**$(177,014,776)**	**$(118,131,252)**	**$(10,214,957)**	**$(25,176,896)**	**$(23,491,671)**

December 31, 2011	Carrying Amount	Gross Cash Outflow	Nominal Less than 1 Month	1 to 3 Months	3 to 12 Months	Greater than 1 year
Member deposits	$165,130,502	$(166,697,137)	$(107,852,268)	$(9,817,002)	$(27,627,773)	$(21,400,094)
Other liabilities	1,852,743	(1,852,743)	(1,444,773)	(407,970)	-	-
	$166,983,245	$(168,549,880)	$(109,297,041)	$(10,224,972)	$(27,627,773)	$(21,400,094)

The maturities of liabilities are shown below under interest risk. 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.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

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.

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 and on its investment in ABCP LP.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position 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 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 Deposit Insurance Corporation of Ontario in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of Ontario as required by Credit Union regulations. For the year-ended 2012, the Credit Union was in compliance with this policy.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

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 three 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.

December 31, 2012

Maturity dates	Assets	Yield (%)	Liabilities/ Members' Equity	Cost (%)	Net
Interest sensitive					
0 - 3 months	$ 79,312,861	5.43%	$ 126,886,433	0.66%	$(47,573,572)
4 - 12 months	14,754,179	3.25%	24,671,488	1.76%	(9,917,309)
1 - 2 years	19,726,043	3.52%	10,476,891	2.27%	9,249,152
2 - 5 years	67,057,190	4.34%	12,012,209	2.36%	55,044,981
Interest sensitive	$ 180,850,273		$ 174,047,021		$ 6,803,252
Non-interest sensitive	$ 9,413,551		$ 16,216,803		(6,803,252)
Total	$ 190,263,824		$ 190,263,824		$ -

December 31, 2011

Maturity dates	Assets	Yield (%)	Liabilities/ Members' Equity	Cost (%)	Net
Interest sensitive					
0 - 3 months	$ 82,087,744	5.44%	$ 116,829,456	0.71%	$(34,741,712)
4 - 12 months	20,304,929	3.85%	27,077,094	2.03%	(6,772,165)
1 - 2 years	14,118,790	4.22%	9,432,966	2.65%	4,685,824
2 - 5 years	53,918,670	4.63%	11,415,385	2.65%	42,503,285
Interest sensitive	$ 170,430,133		$ 164,754,901		$ 5,675,232
Non-interest sensitive	$ 10,047,953		$ 15,723,185		(5,675,232)
Total	$ 180,478,086		$ 180,478,086		$ -

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONT'D)

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net income of $ 267,000 while a decrease in interest rates of 1% could result in an increase to net income of $ 107,000.

The exposure to short-term interest rate risk has been significantly reduced from the previous year. This resulted from the increase in long-term, fixed-rate loans relative to variable rate loans. As well, an interest rate collar contract with a notional value of $32 million was entered into to protect against a decline in interest rates. There have been no significant changes from the previous year in the policies, procedures and methods used to measure the risk.

Currency Risk

Currency 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 United States dollar deposits and loans denominated in United States dollars. Foreign currency holdings are continually monitored and are adjusted when offside of either the liquidity or structural risk policies.

Risk Measurement

The Credit Union's position is measured and reported monthly to the Board.

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 5.0% of the liquidity portfolio in accordance with its liquidity policy, and to 0.50% of total assets in accordance with its structural risk policy.

For the year-ended December 31, 2012, 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.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The Credit Unions portfolio includes unlisted Canadian stocks of nominal value.

The Credit Unions investment policy limits the total investment in preferred and common shares to a maximum of capital and deposits.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

20. 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 to the Credit Unions and Caisses Populaires Act ("The Act") require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- Regulatory capital shall not be less than 4% of total assets; and
- Regulatory capital shall not be less than 8% of the risk weighted value of its assets calculated in accordance with the Act.

The Credit Union maintains an internal policy that total members' capital as shown on the statement of financial position shall not be less than 6.5% of total assets.

The Credit Union considers its capital to include membership shares (member shares, patronage shares, investment shares), and undivided earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of Credit Unions and Caisses Populaires Act of 1994 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 was $ 107,792,863.

As at December 31, 2012, the Credit Union met the capital requirements of the Act with a calculated regulatory capital ratio of 7.62% and a risk weighted asset ratio of 13.45%.

Regulatory capital consists of the following:

	2012	2011
Tier I capital		
Membership shares	**$ 334,271**	$ 339,571
Other member shares - non-redeemable portion	**4,188,459**	4,358,178
Retained earnings	**8,811,050**	7,700,783
	13,333,780	12,398,532
Tier II capital		
Redeemable portion of other member shares	**$ 465,384**	$ 484,242
Collective loan provision	**329,300**	276,100
Accumulated other comprehensive income	**367,109**	222,094
	1,161,793	982,436
Total regulatory capital	**$ 14,495,573**	$ 13,380,968

21. COMMITMENTS

Credit Facilities

As disclosed in Note 3, the Credit Union has authorized lines of credit with Central 1 totaling $ 8,925,000, with $ 500,000 held as security for derivative products and $325,000 for secured letters of credit. Of the line of credit, $ 100,000 is denominated in U.S. dollars. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

Member Loans

As disclosed in Note 19, 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:

Unadvanced loans	$ 9,124,814
Unused lines of credit	$ 18,623,155
Letters of credit	$ 681,869

Contractual Obligations

The Credit Union has an agreement with CDSL Canada Limited which provides the Credit Union with data processing services and access to various automated banking machines and electronic funds transfer at point of sale networks. The agreement expires December 31, 2016. Annual operating fees are determined each year based on a prescribed formula and are expected to approximate $400,000.