2015 Annual Report

CREDIT UNION
MALPEQUE BAY

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Mission Statement

Malpeque Bay Credit Union exists because of and for its members and our mission is to provide quality financial services that our members require and to continually strive to help improve the communities we serve.

Values

Honest

Passionate

Holistic

Spiritual

Evolutionary

Simplistic

Inclusive

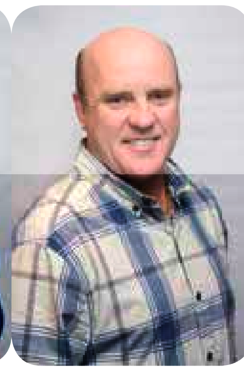
Board of Directors

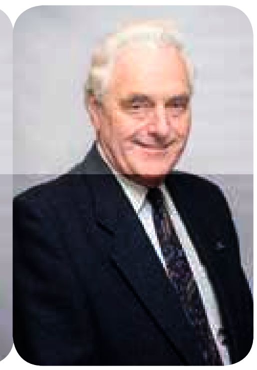

Kent Croken, President


Jean Ronahan


Barb Mayhew

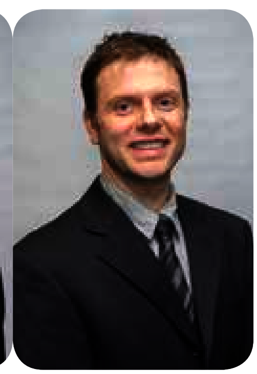

Naomi Howard


Bernard Jay


Jack Spencer


Helen Warren


Peter Pidgeon


Matthew Sharpe

Staff

President's Report

Historic low interest rates continue to put pressure on our margins although our revenue stream has remained steady and our equity is strong. We've reached slightly over 100 million in assets with increased member deposits and loans. In fact, our Credit Union has continued to be rated at the top of its peers in the Atlantic system, in efficiency ratio, income generation, growth and equity. As a result of this success, the Board is happy to announce that a member dividend of 1.25% has been distributed for the three months ending in December 2014 (due to our new year-end) as well as a dividend of 1.5% for January - December 2015.

We would like to thank members for taking the time to respond to our biennial membership survey and we are extremely pleased to announce that our Credit Union received a score of 91 for its overall quality of service. And again, credit unions in general across Canada are number one in customer service amongst all of the country's financial service providers. Congratulations to staff and management for a job well done.

Although this was a relatively good year for us, we realize that the future will present some challenges with a continuing downward trend in overall Atlantic Credit Union membership, efficiency and margins, new competition coming from every corner, extensive regulation requirements and expensive technology playing an increasingly greater role in the financial industry. Status quo will not be an option. We must continue to innovate and move forward in order to keep providing the types of services our members will want in the future. The Atlantic Credit Union System has been putting a great deal of time and resources into researching options going forward which will lead the Credit Union system into a bright future and ensure that whatever our members will want, we will have it to offer.

In March, our Board along with some staff members participated in a day long strategic planning session as a way to help chart our future. Past targets were reviewed and new targets were set in four key areas; financial success, customer value, internal business processes and learning and growth. A couple of the many action items included reviewing the member rebate program and to develop increased awareness of our community involvement. The Board has also received updates on anti-money laundering procedures and Credit Union inspection reports on a regular basis.

The Board would like to congratulate Marc LeClair and Susan Bourque on their 30th and 40th respective anniversaries with MBCU. The wisdom gained from their years of experience has served our Credit Union well.

2015 has marked my inaugural year as president and it has been a pleasure to work with such a dedicated team of Directors, Management and Staff. There continues to be many success stories and definitely a few challenges but as members, you can be confident that everyone at Malpeque Bay Credit Union continues to work towards solutions that will enable our Credit Union to remain strong into the future.

Kent Croken
President

Manager's Report

It has been a very successful year for Malpeque Bay Credit Union on many fronts. Financial performance was strong, customer service again exceeded member expectations, according to our survey results, and we introduced a number of new products designed to save members money and make access to their accounts more convenient

From a financial perspective we are reporting on a fifteen-month period ending December 31, 2015 as we have changed our year-end from September to December. We have hit a milestone this year with a growth rate of 6.4% hitting $100 million in assets. Total volume of loans and deposits under administration is now $168 million. On a side note, the PEI credit union system is approaching a milestone of its own by approaching $1 billion in assets. A strong indicator of how Islanders have embraced the Credit Union difference. Income was strong at slightly over $1 million for the 15-month period after paying a share dividend of 1.5%. This has brought our equity level to a very strong $10,480,197 or 10.47% of assets. Well above regulatory requirements and, going forward, will provide us the flexibility to be considering patronage rebates.

We have introduced a number of new products this year. A controlled roll out of our new Spending and Savings accounts began last year and continues into this year. Responding to our members' requests we now offer an unlimited Spending (chequing) account that will save folks money. Also included in the new suite of accounts is a free Spending account for youths aged 25 years and younger. This year we will be introducing a suite of new business chequing account packages.

We also introduced Debit Flash™ that will enable MemberCards to now be "tapped" at the merchant's terminal for transactions up to $100. Safe and secure it is a much more convenient way to pay.

One new service that was really well accepted and adopted was Deposit Anywhere™ that enables members to deposit cheques by using their smartphone or tablet by simply taking a picture of the cheque. Another new service, that is very new, will enable people to pay for goods and services over the Internet directly from their credit union account. A much more secure and convenient way to transact business over the Internet as you will no longer have to give out your credit card number.

We have seen some staffing changes over the year. Susan Bourque is retiring after 40 plus years of service. We are very sad to see her go and wish her the very best in her retirement years. We are excited to welcome Candace Champion to our team to replace Susan. Our staff are the very best as they continually look for ways to exceed member expectations.

Our members' financial well being is always top of mind and customer service is always the number one priority.

People often ask me what the difference is between a credit union and a bank. I tell them it is the ownership structure. Credit unions are owned by its customers (members). Banks are owned by a much broader range of shareholders, who may or may not be customers, and who are looking for high dividends that come from bank profits. It is the different ownership structures that drive the philosophies of the two organizations. Credit unions want to profit so they can invest more in their local communities. Banks want profit to satisfy their shareholders. Products, services and pricing is about the same between the two organizations. The main differentiating factor is the motivation for profit. The other factor that is driven by the ownership structure is that in a credit union its members control the organization which means that a credit union is working for its members. A bank's shareholders control that organization which means that it is responsible to them to drive profit.

Marc LeClair
General Manager

In our Community

Malpeque Bay Credit Union's reason for being is to provide top notch service to its members and to do everything it can to help improve the communities it serves. There is a unique value proposition offered to members of Malpeque Bay Credit Union in that any profits that are generated, are returned to their community in one form or another. The old slogan "people helping people" really does come true if you are a credit union member.

Just last year alone Malpeque Bay Credit Union invested $67,000 directly into the community. In addition to that, $20,000 was raised for the Kensington Fitplex through our 50/50 draw, over $15,000 was raised through our Christmas Tree of Hope campaign to help less fortunate families have a better Christmas, and throughout the year, our staff raised over $15,000 for various charities including Camp Triumph, Cancer Society (Relay for Life) and Big Brothers Big Sisters among others. In total, close to $120,000 was put back into our community last year. And that all comes from the people who do their banking with credit unions. Members should be proud of what

$119,000

was invested into our community in

2015

their credit union does in the community.

In addition to monetary support our staff volunteer many hours to the community. From working at Camp Triumph, to Harvest Festival activities, to the annual Kensington Fishing Derby, to the Christmas Parade to Relay for Life and more. Our staff also volunteer at virtually every community benefit for folks who are up against it in one way or another.

On the Health Care front we received recognition this year from Prince County Hospital as being a long time contributor. We are also involved with Ronald MacDonald House and the IWK by paying for room and board for any of our members who must take their children to Halifax for medical attention.

We also received recognition from the Kensington Scout Group this year for our many years of support through our total investment of over $15,000.

Our scholarship program's in KISH and KRHS continue to benefit our graduates. Each year we give out $7,500 in scholarships to deserving graduates who are moving on to college or university. We also contribute to other school programs like Safe Grad, breakfast programs, school trips, year book, etc.

We support community organizations like Kensington and Summerside Chambers of Commerce, Summerside Rotary Club, Kensington and Malpeque Bay Lions Clubs, Shriners and so on.

We are a big supporter of sports and sporting events as this benefits the youth in our community. We sponsor the Kensington Vipers and Kensington Wild hockey teams along with the Summerside Capitals. We sponsor various ball, soccer and basketball teams in the community because our youth are our most important resource and the character that they build from participating in sports is invaluable as they move through life's journey.

We are a regular supporter of organizations that make our community a better place to live like the Indian River Festival, New London Community Complex, Community Gardens, Stanley Bridge Center, Kensington and New London Fire Departments, Meals on Wheels, Kensington North Watershed Committee and our community churches.

Our communities benefit greatly by having a successful credit union. And since the credit union is really its clients/members it is really they who are to be congratulated for a community investment program that really works.

Scholarships

We are pleased to announce 5 Malpeque Bay Credit Union Scholarship Recipients for 2015. Each scholarship recipient received $1,500 towards furthering their education. In total, Malpeque Bay Credit Union distributed $7,500. We wish everyone all the best in their studies and future endeavors.

Kelsey Haslam | Cassandra Murray | Colton Profitt | Dylan MacIsaac | Brianna MacKay

Relay For Life

Over the last ten years as Provincial Sponsor, PEI Credit Unions has contributed over $463,000 to the Canadian Cancer Society, more impressively, over $283,000 of the total was raised by staff themselves.

While each credit union on PEI are individually committed to local initiatives, on occasion all credit unions will work together to sponsor larger scale events that affect all of PEI. For the last 10 years we have been the Provincial Sponsor for the Canadian Cancer Society's Relay For Life. Along with the sponsorship of the events themselves, our staff have been willfully involved in fundraising for the event as well as donating their time with numerous collected volunteer hours.

Focused on Youth

Appealing to the youth market has been of high priority to the credit union over the past year. While tailoring new Spending Accounts to their needs and greatly expanding our mobile and online availability, 2015 marked new territory for engaging our younger members.

The Cash Dash was created out of wanting a more creative way to attain and attract new youth members. Partnering with local radio station Hot 105.5, we created an amazing-race styled event that took place over the better part of the Island. Four teams of two raced across our different services areas completing tasks and different challenges. The prize? $5,000.00. We had an overwhelming response to the contest both in interest and online through our social pages.

Investing In People

As a cooperative financial institution, credit unions truly believe in empowering the community even in the smallest of actions. This past year marked the inception of Investing In People, a primarily social media based campaign. Investing In People aims to do exactly as you may assume – invest in the local community and more specifically, those who live there and support their own local economy.

Investing In People has been running since early 2015 and already over forty-five individuals and community groups have benefitted from our small purchase gestures. Whether we are surprising a family by purchasing their child a bike or covering the bill for a group of friends at lunch, Investing In People has shown many across the Island that credit unions understand the value of a dollar and realize even the smallest of gestures can mean the most.


#InvestingInPeople
/PEICreditUnions

Financial Statements

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS
Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants & Business Advisors
Prince Edward Place
18 Queen Street, Suite 100
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (902) 368-3100
Fax (902) 566-5074
www.acgca.ca

February 29, 2016

Independent Auditor's Report

To the Members of
Malpeque Bay Credit Union, Limited

We have audited the accompanying financial statements of **Malpeque Bay Credit Union, Limited**, which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, changes in members' equity and cash flows for the 15 month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit 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 **Malpeque Bay Credit Union, Limited** as at December 31, 2015, and the results of its operations and its cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Malpeque Bay Credit Union, Limited

Statement of Financial Position

As at December 31, 2015

	2015 $	September 30, 2014 $
Assets		
Cash and cash equivalents (note 17)	4,934,442	9,466,785
Loans and mortgages (notes 7, 16 and 17)	79,438,476	70,859,147
Accounts receivable	115,292	69,345
Prepaid expenses and other	129,723	98,170
Income taxes receivable	14,940	17,506
Property and equipment (note 8)	805,661	834,084
Investments (note 9)	14,412,696	12,464,012
Deferred income taxes (note 13)	248,514	245,855
	100,099,744	94,054,904
Liabilities		
Member deposits (notes 10 and 17)	88,367,466	83,163,630
Accrued interest payable	557,860	577,842
Other liabilities	694,231	880,209
	89,619,557	84,621,681
Members' Equity		
Undistributed income	10,480,187	9,433,223
	100,099,744	94,054,904

Approved by the Board of Directors

Kent Golan Director

Director

Malpeque Bay Credit Union, Limited

Statement of Changes in Members' Equity

For the 15 month period ended December 31, 2015

	(15 months) December 31, 2015 $	(12 months) September 30, 2014 $
Undistributed income - Beginning of period	9,433,223	8,868,438
Net earnings for the period	1,046,964	564,785
Undistributed income - End of period	10,480,187	9,433,223

Malpeque Bay Credit Union, Limited

Statement of Comprehensive Income

For the 15 month period ended December 31, 2015

	(15 months) December 31, 2015 $	(12 months) September 30, 2014 $
Revenue		
Loan interest (note 17)	4,271,650	3,385,626
Investments (note 17)	614,512	285,614
Service fees	546,260	444,544
Commissions	499,262	372,112
Other income	39,635	30,268
	5,971,319	4,518,164
Expenses		
Staff (notes 14 and 16)	1,693,821	1,379,312
Premises	104,556	80,890
Insurance	177,769	136,239
Office	64,509	54,360
Service fees	710,708	601,468
General	554,075	375,071
Cost of capital	1,017,527	855,404
Amortization	69,091	64,024
	4,392,056	3,546,768
Operating earnings	1,579,263	971,396
Other expense		
Share dividends	267,847	263,912
Provision for loan losses (note 7)	101,477	40,000
	369,324	303,912
	1,209,939	667,484
Provision for (recovery of) income taxes		
Current (note 13)	165,634	116,029
Deferred income taxes (note 13)	(2,659)	(13,330)
	162,975	102,699
Net earnings for the period	1,046,964	564,785

Malpeque Bay Credit Union, Limited

Statement of Cash Flows

For the 15 month ended December 31, 2015

	(15 months) December 31, 2015 $	(12 months) September 30, 2014 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	1,046,964	564,785
Items not affecting cash		
Amortization	69,091	64,024
Provision for loan losses	101,477	40,000
Deferred income taxes	(2,659)	(13,330)
	1,214,873	655,479
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(45,947)	64,600
Decrease (increase) in loans and mortgages	(8,680,806)	805,465
Increase in prepaid expenses and other	(31,553)	(14,205)
Decrease (increase) in income taxes receivable	2,566	(17,506)
Increase in member deposits	5,203,836	3,069,833
Increase (decrease) in accrued interest payable	(19,982)	80,841
Decrease in income taxes payable	-	(13,982)
Increase (decrease) in other liabilities	(185,978)	203,226
	(2,542,991)	4,833,751
Investing activities		
Purchase of property and equipment	(40,668)	(77,735)
Increase in investments	(1,948,684)	(2,754,084)
	(1,989,352)	(2,831,819)
Increase (decrease) in cash and cash equivalents	(4,532,343)	2,001,932
Cash and cash equivalents - Beginning of period	9,466,785	7,464,853
Cash and cash equivalents - End of period	4,934,442	9,466,785
Supplementary disclosure		
Interest paid	997,421	851,654
Interest received	4,586,633	3,851,707
Dividends paid	263,812	186,821
Dividends received	344,113	73,311
Income taxes paid	181,025	157,836
Income taxes received	17,506	-

Notes to the Financial Statements

1 General information

Malpeque Bay Credit Union, Limited (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

The Credit Union's head office is located in Kensington, Prince Edward Island.

2 Basis of presentation

(a) Statement of compliance

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

These financial statements have been approved for issue by the Board of Directors on February 29, 2016.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

3 Summary of significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union as stated in note 2(c), at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of comprehensive income.

(b) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the Credit Union classifies its financial instruments as follows:

- Financial assets at fair value through profit or loss ("FVTPL")

  Financial assets at FVTPL through the statement of comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and not effective as a hedging instrument.

  Financial assets carried at fair value through the statement of comprehensive income are initially recognized, and subsequently carried at fair value, with changes recognized in the statement of comprehensive income. Transaction costs are expensed.

  Assets in this category include cash and cash equivalents and investments in the liquidity reserve deposit.

- Held to maturity investments

  Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as at FVTPL or as available for sale.

  Held to maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Credit Union from classifying investment securities as held to maturity for the current and the following two financial years. However sales and reclassifications in any of the following circumstances would not trigger a reclassification:

  - Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value

  - Sales or reclassifications after the Credit Union has collected substantially all of the asset's original principal

  - Sales or reclassifications attributable to non-recurring isolated events beyond the Credit Union's control that could not have been reasonably anticipated.

  Assets in this category include investments in term deposits.

- Available for sale ("AFS")

  Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the Credit Union's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income.

  Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the Credit Union's right to receive payment is established.

  Assets in this category include investments in credit union and co-operative type shares.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category include accounts receivable and loans and mortgages.

- Other financial liabilities

  Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include member deposits, accrued interest payable, and other liabilities.

ii) Impairment of financial assets

The Credit Union assesses, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on non-market terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are categorized on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The Credit Union adjusts the inputs to its collective allowance methodology on an ongoing basis, taking into account factors such as historical loss experience and adjusting for current observable data that did not impact the period which the historical loss experience was based on. Estimates of changes in future cash flows from groups of assets reflects and are directionally consistent with changes in related observable data from period to period.

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. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. 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 by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income in provision for loan losses expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale (AFS)

  At each statement of financial position date, the Credit Union assesses if there is objective evidence that an AFS financial asset or a group of AFS financial assets may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the declining balance method at the following annual rates:

Buildings	5%, 10%
Furniture, equipment and computers	20%, 45%, 55%
Pavement	8%

Depreciation of some computer equipment is calculated using the straight-line method over 5 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at December 31, 2015.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

(e) Revenue recognition

i) Loan interest

Interest on loans and mortgages is recognized on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan and mortgage to the net carrying amount of the loan and mortgage. When estimating the future cash flows the Credit Union considers all contractual terms of the loan and mortgage excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Mortgage prepayment fees are recognized in income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are recognized over the expected remaining term of the original mortgage using the effective interest rate method. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

(f) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity.

i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

ii) Deferred income tax

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can 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.

(g) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

i) Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;

ii) Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

(h) Capital disclosures

The Credit Union considers its capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

(i) Standards issued but not yet effective

As at December 31, 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. These changes are not excepted to a have a material impact on the financial statements.

4 Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Provision for loan losses

The Credit Union regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union’s property and equipment in the future.

(c) Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. To the extent practical, models use only observable data.

For investments in co-operatives and credit unions, consideration is given as to whether or not par value was equal to redemption value and whether the co-operative or credit union had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. In certain cases, the fair value of co-operative or credit union investments exceeds par value when applying a discounted cash flow method of valuation and using market rates of return for similar investments available in public markets. Despite fair value exceeding par value, these investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

(d) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occurs subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

5 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who report to the Board.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the credit union holds as security for loans include (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and (iii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

The Credit Union's maximum exposure to credit risk at the reporting date was:

	December 31, 2015 $	**September 30, 2014 $**
Cash and cash equivalents	4,934,442	9,466,785
Accounts receivable	115,292	69,345
Loans and mortgages	79,438,476	70,859,147
Investments	14,412,696	12,464,012
	98,900,906	92,859,289

Cash and cash equivalents, accounts receivable and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

	December 31, 2015 **$**	**September 30, 2014** **$**
Cash and cash equivalents	4,934,442	9,466,785

The Credit Union is required to maintain 6% of the prior quarter's assets in liquid investments of which 100% must be held by Atlantic Central. The Credit Union was in compliance with this requirement at December 31, 2015.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year **$**	**Over 1 to 5 years** **$**	**Over 5 years** **$**	**December 31, 2015 Total** **$**
Member deposits	49,924,955	20,283,455	-	70,208,410
Share account	18,159,056	-	-	18,159,056
Accrued interest payable	557,860	-	-	557,860
Other liabilities	694,231	-	-	694,231
	69,336,102	20,283,455	-	89,619,557

	Under 1 year **$**	**Over 1 to 5 years** **$**	**Over 5 years** **$**	**September 30, 2014 Total** **$**
Member deposits	50,920,711	17,542,043	-	68,462,754
Share account	14,700,876	-	-	14,700,876
Accrued interest payable	577,842	-	-	577,842
Other liabilities	880,209	-	-	880,209
	67,079,638	17,542,043	-	84,621,681

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

	Net interest income change December 31, 2015 $	**Net interest income change September 30, 2014 $**
Before tax impact of		
1% increase in interest rates	287,600	355,900
1% decrease in interest rates	(73,800)	(135,000)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

The Credit Union has agreed to maintain an equity level at least equal to 5% of the total assets.

In accordance with the recommendations of the Canadian Public Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At December 31, 2015, the equity level for regulatory purposes is as follows:

	December 31, 2015 **$**	**September 30, 2014** **$**
Ownership shares (note 12)	25,200	25,445
Members' equity	10,480,187	9,433,223
Total regulatory equity	10,505,387	9,458,668
Total assets	100,099,744	94,054,904
Equity level	10.5%	10.1%

	#	**2015** **$**
Opening, October 1, 2014	5,089	25,445
Net change	(49)	(245)
Closing, December 31, 2015	5,040	25,200

6 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2015		September 30, 2014	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets carried at fair value				
Financial assets held for trading -				
Cash and cash equivalents	4,934,442	4,934,442	9,466,785	9,466,785
Liquidity reserve deposit (note 9)	6,224,403	6,224,403	5,771,054	5,771,054
	11,158,845	11,158,845	15,237,839	15,237,839
Assets carried at amortized cost				
Accounts receivable	115,292	115,292	69,345	69,345
Loans and mortgages	79,438,476	79,438,476	70,859,147	70,859,147
Investments - held to maturity (note 9)	6,500,000	6,500,000	5,500,000	5,500,000
Investments - available for sale (note 9)	1,688,293	1,688,293	1,192,958	1,192,958
	87,742,061	87,742,061	77,621,450	77,621,450
Liabilities carried at amortized cost				
Member deposits	88,367,466	88,367,466	83,163,630	83,163,630
Accrued interest payable	557,860	557,860	577,842	577,842
Other liabilities	694,231	694,231	880,209	880,209
	89,619,557	89,619,557	84,621,681	84,621,681

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

7 Loans and mortgages

(a) Summary

					December 31, 2015	September 30, 2014
	Total $	**Impaired Loans $ (included in total)**	**Specific Provision $**	**Collective Provision $**	**Net $**	**Net $**
Personal	27,485,626	1,683,440	61,335	51,100	27,373,191	24,120,540
Business (note 17)	35,083,255	2,180,101	316,772	84,403	34,682,080	29,025,430
Mortgages	6,594,162	-	-	-	6,594,162	7,566,392
Lines of credit and overdrafts	9,636,089	14,286	8,000	553	9,627,536	9,060,621
League Savings and Mortgage	852,235	-	-	-	852,235	894,421
Accrued loan interest	309,272	-	-	-	309,272	191,743
	79,960,639	3,877,827	386,107	136,056	79,438,476	70,859,147

Mortgages and loans

Mortgage loans are secured by realty mortgages with interest rates of 2.94% - 7.39% (2014 - 2.99% - 7.39%). Loans other than mortgages are priced at market rates unless circumstances warrant special considerations. The interest rates range from 1.25% - 18% (2014 - 1.25% - 24%). The loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

The Credit Union's prime lending rate

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of Canadian chartered banks. The rate as at December 31, 2015 was 3.25% (2014 - 3.25%).

(b) Continuity of allowance for impaired loans

	Specific $	**Collective $**	**Total $**
Balance - September 30, 2014	316,760	143,435	460,195
Increase (decrease) in allowance	127,379	(7,379)	120,000
Amounts written off during the year	(58,032)	-	(58,032)
Balance - December 31, 2015	386,107	136,056	522,163

(c) Provision for loan losses

	December 31, 2015 $	September 30, 2014 $
Increase in allowance	120,000	100,690
Recoveries of loans previously written off	(18,523)	(60,690)
	101,477	40,000

(d) Members' loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired according to the accounting policy in note 3(b)ii):

	$
December 31, 2015	2,634,312
September 30, 2014	2,129,956

8 Property and equipment

	Land $	Buildings $	Furniture, equipment and computers $	Pavement $	Total $
Cost					
Balance - Beginning of period	87,066	1,401,285	1,180,559	23,607	2,692,517
Additions	-	26,852	13,816	-	40,668
Balance - End of period	87,066	1,428,137	1,194,375	23,607	2,733,185
Accumulated amortization					
Balance - Beginning of period	-	745,738	1,100,208	12,487	1,858,433
Current period amortization	-	43,572	24,424	1,095	69,091
Balance - End of period	-	789,310	1,124,632	13,582	1,927,524
Carrying value					
September 30, 2014	87,066	655,547	80,351	11,120	834,084
December 31, 2015	87,066	638,827	69,743	10,025	805,661

9 Investments

	December 31, 2015 $	September 30, 2014 $
Financial assets		
Fair value through profit or loss:		
Liquidity reserve deposit	6,224,403	5,771,054
Held to maturity:		
Term deposits	6,500,000	5,500,000
Available for sale:		
Atlantic Central shares	1,108,380	1,113,070
Concentra shares	500,000	-
League Savings & Mortgage shares	26,865	26,865
League Data shares	27,060	27,060
Co-operative membership	25,000	25,000
CU PEI Investment Corp.	988	963
Total investments	14,412,696	12,464,012

Liquidity reserve deposit

In order to meet Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (see note 5b). The deposit bears interest at a variable rate.

Term deposits

Term deposits are invested with Atlantic Central and are carried at cost which approximates for value. These term deposits have the following maturity dates and rates of return:

	Amount $	Rate of Return	Maturity
	2,500,000	0.75%	January 12, 2016
	1,000,000	1.45%	April 5, 2016
	3,000,000	1.45%	July 5, 2016
Total	6,500,000		

Available for sale

No market exists for the available for sale share investments. Certain of the available for sale share investments may be surrendered on withdrawal from membership for proceeds equal to the paid-in value.

10 Member deposits

	December 31, 2015 $	September 30, 2014 $
Ownership shares and share accounts (note 12)	18,159,056	14,700,876
Savings and Plan 24	21,543,145	20,390,568
Chequing accounts (note 17)	17,610,957	18,103,405
Term deposits	12,860,520	12,116,863
RRSP and RRIF	18,193,788	17,851,918
	88,367,466	83,163,630

Share accounts include the $5 membership share plus individual members' deposits.

Share accounts pay members a dividend at the discretion of the Board. Privileges of the shares are under the authority of the Board. The members dividend rate declared and paid for 2015 was 1.5% (2014 - 2.00%) for the 15 month period (2014 - 12 month period) based on the average minimum monthly share account balance.

Savings and Plan 24 are deposits on a call basis that pay holders interest at various rates ranging from 0.10% - 1.80% (2014 - 0% - 1.75%).

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates, 0.00% - 0.33% (2014 - 0% - 0.88%).

Term deposits are for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed *term deposits* bear interest at various rates ranging from 0.75% - 3.00% (2014 - 1.0% - 4.655%) and extend for a term of up to 5 years.

RRSP and RRIF

Concentra Financial is the Trustee for the registered savings plans offered to members. Under an agreement with the trust company, members' contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to the member, or the parties designed by them, by the credit unions, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates ranging from 0.10% - 3.55% (2014 - 0.25% - 4.0%).

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to imposed a waiting period.

11 Contingent liability

In 2009, all student loans issued by the company were transferred to Consolidated Credit Union Ltd. However, the Credit Union remains as guarantor on these loans. The loan balance as at December 31, 2015 was $19,723 (2014 - $35,806).

Included in the loans and mortgages balance is a provision of $1,000 (2014 - $1,790) relating to the student loan guarantees.

12 Share accounts

An unlimited number of membership shares are available for issuance with a par value of $5 each. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemptions, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Insurance Corporation. Dividends on membership shares are payable at the discretion of the Board.

13 Income taxes

(a) Tax rate reconciliation

	December 31, 2015 $	September 30, 2014 $
Income before income taxes	1,209,939	667,484
Taxes at statutory rates - 31.00% (2014 - 31.00%)	375,081	206,920
Impact of the 15.5% (2014 - 15.5%) small business deduction	(97,034)	(77,500)
Permanent differences and other	(2,571)	9,341
Impact of non-taxable dividend of $371,029 (2014 - $73,330)	(115,018)	(22,732)
	160,458	116,029

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 31.00% (2014 - 31.00%) as follows:

	December 31, 2015 $	September 30, 2014 $
Balance, September 30, 2014	245,855	232,525
Comprehensive income recovery	2,659	13,330
Balance, December 31, 2015	248,514	245,855

Deferred income tax assets are attributable to the following items:

	December 31, 2015 $	September 30, 2014 $
Deferred income tax assets		
Property and equipment	38,537	39,005
Allowance for impaired loans	209,977	54,285
Retirement allowance	-	152,565
	248,514	245,855

14 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the period, the Credit Union expensed $76,468 (2014 - $63,199) in contributions to the plan. This expense is included with staff expenses on the Statement of Comprehensive Income.

15 Line of credit availability

In 2015, the Credit Union had an approved line of credit with Atlantic Central of $2,200,000. As of December 31, 2015, the line of credit was not being utilized.

16 Composition of key management

Key management includes the Board of Directors, manager, assistant manager, member service manager and financial services manager. Compensation awarded to key management included:

(a) Key management, excluding directors

	(15 months) December 31, 2015 $	(12 months) September 30, 2014 $
Salaries and short-term employee benefits	607,761	377,403
Retirement benefit obligations	26,971	10,382

(b) Directors' remuneration

	(15 months) December 31, 2015 $	(12 months) September 30, 2014 $
Honorariums	9,150	8,850
Payment for expenses while on credit union business	28,269	8,547

(c) Loans to directors and key management personnel

	(15 months) December 31, 2015 $	**(12 months) September 30, 2014 $**
Loans outstanding at beginning of period	421,572	500,437
Loans issued during the period	111,059	155,000
Loan repayments during the period	(99,135)	(281,065)
Net increase in lines of credit	293,760	47,200
Loans outstanding at end of period	727,256	421,572
Interest income earned	40,630	33,061

No provisions have been recognized in respect of loans to key management (2014 - nil). The loans to directors and key management personnel and close family members during the year of $111,059 (2014 - $155,000) are repayable over 1 - 12 years and have interest rates ranging from 1.25% - 6.25% (2014 - 1.25% to 6.25%).

17 Related party transactions

The Credit Union provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

The loans and mortgages balance includes $1,133,648 (2014 - $2,036,415) in loans to CU PEI Investment Corp. The loans to CU PEI Investment Corp. bear interest at 1% with no set terms of repayment. Included in cash and member deposits is $2,394,515 (2014 - $1,169,983) of cash deposits held for CU PEI Investment Corp.

Included in loan interest and investment revenue is $17,878 (2014 - $20,232) of interest income and $370,533 (2014 - $73,330) of dividend income, received from CU PEI Investment Corp.

The Credit Union is a shareholder in CU PEI Investment Corp.

18 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

					December 31, 2015
	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**Not interest rate sensitive $**	**Total $**
Assets					
Cash and cash equivalents	4,186,342	-	-	748,100	4,934,442
Investments	13,642,708	769,988	-	-	14,412,696
Effective interest rate	0.98%	2.99%			
Loans and mortgages	47,435,847	32,117,626	97,894	(212,891)	79,438,476
Effective interest rate	4.50%	4.43%	5.25%		
Accounts receivable	-	-	-	115,292	115,292
Income taxes receivable	-	-	-	14,940	14,940
Prepaid expenses and other	-	-	-	129,723	129,723
Property and equipment	-	-	-	805,661	805,661
Deferred income taxes	-	-	-	248,514	248,514
Total assets	65,264,897	32,887,614	97,894	1,849,339	100,099,744
Liabilities and surplus					
Member deposits	49,924,955	20,283,455	-	-	70,208,410
Effective interest rate	0.71%	2.09%			
Share deposits	18,159,056	-	-	-	18,159,056
Effective interest rate	1.50%				
Accrued interest payable	-	-	-	557,860	557,860
Other liabilities	-	-	-	694,231	694,231
Undistributed earnings	-	-	-	10,480,187	10,480,187
Total liabilities and surplus	68,084,011	20,283,455	-	11,732,278	100,099,744
Interest rate sensitivity gap	(2,819,114)	12,604,159	97,894	(9,882,939)	-

					September 30, 2014
	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**Not interest rate sensitive $**	**Total $**
Assets					
Cash and cash equivalents	8,753,258	-	-	713,527	9,466,785
Effective interest rate	0.91%				
Investments	12,194,049	269,963	-	-	12,464,012
Effective interest rate	1.42%	0.00%			
Loans and mortgages	48,364,794	22,204,334	558,471	(268,452)	70,859,147
Effective interest rate	4.52%	4.56%	5.56%		
Accounts receivable	-	-	-	69,345	69,345
Deferred income taxes	-	-	-	245,855	245,855
Income taxes receivable	-	-	-	17,506	17,506
Prepaid expenses and other	-	-	-	98,170	98,170
Property and equipment	-	-	-	834,084	834,084
Total assets	69,312,101	22,474,297	558,471	1,710,035	94,054,904
Liabilities and surplus					
Member deposits	50,920,711	17,542,043	-	-	68,462,754
Effective interest rate	0.98%	2.25%			
Share deposits	14,700,876	-	-	-	14,700,876
Effective interest rate	2.00%				
Accrued interest payable	-	-	-	577,842	577,842
Other liabilities	-	-	-	880,209	880,209
Undistributed earnings	-	-	-	9,433,223	9,433,223
Total liabilities and surplus	65,621,587	17,542,043	-	10,891,274	94,054,904
Interest rate sensitivity gap	3,690,514	4,932,254	558,471	(9,181,239)	-

As at December 31, 2015, the Credit Union's net interest spread was 3.53% (2014 - 2.99%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average period-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average period-end interest bearing liabilities.

19 Commitments

The Credit Union had lines of credit and loans and mortgages approved but not disbursed at December 31, 2015 amounting to $2,008,891.

20 Change in year end

Malpeque Bay Credit Union, Limited, in conjunction with the other Prince Edward Island member credit unions, changed its year end from September 30 to December 31 so that the members have the same year end in Atlantic Central Credit Union.

On the change in year end, Malpeque Bay Credit Union, Limited chose to report on a 15 month period from October 1, 2014, the date of the prior period end, to December 31, 2015. These financial statements include a statement of comprehensive income, change in members' equity and cash flows for a 15 month period. The corporation balances for September 30, 2014 include results for a 12 month period and are therefore not for the same reporting period.

The company applied for and received approval from Canada Revenue Agency to change its year end from September 30 to December 31, effective December 31, 2014. A corporate tax return was filed for the October 1, 2014 - December 31, 2014 period. A corporate tax return will be filed for the year ended December 31, 2015.

21 Comparative figures

Certain comparative figures presented for the 2014 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

CREDIT UNION
MALPEQUE BAY

1 Commercial Street
PO Box 428
Kensington PE
C0B 1M0