MOMENTUM CREDIT UNION LIMITED

FINANCIAL STATEMENTS

For the year ended December 31, 2015

Millards
Chartered Accountants

MOMENTUM CREDIT UNION LIMITED

For the year ended December 31, 2015

INDEX

Millards
Chartered Accountants

P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Members of Momentum Credit Union Limited

We have audited the accompanying financial statements of Momentum 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 year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Momentum Credit Union Limited as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Millard, Rouse & Rosebrugh LLP

February 17, 2016
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31	2015	2014
ASSETS		
Cash and bank	14,912,892	13,009,253
Investments (Note 4)	19,301,225	19,811,953
Derivatives (Note 5)	18,121	77,470
Loans to members (Note 6)	125,726,938	126,810,943
Accounts receivable	164,015	14,168
Prepaid expenses	112,663	179,180
Income taxes recoverable	33,911	33,911
Property, plant and equipment (Note 8)	3,500,641	3,620,777
Intangible assets (Note 8)	506,580	379,348
Goodwill	996,473	996,473
Deferred income taxes (Note 16)	127,496	184,589
Deferred pension costs (Note 9)	14,100	-
	165,415,055	165,118,065
LIABILITIES		
Members' deposits (Note 10)	151,042,038	150,528,773
Accounts payable and accrued liabilities	378,079	394,510
Accrued dividends and rebates	27,221	38,239
Derivatives (Note 5)	18,121	77,470
Obligation for post-retirement benefits (Note 9)	1,246,000	1,390,500
Pension obligations (Note 9)	-	28,500
Members' share capital (Note 11)	4,179,745	4,405,968
	156,891,204	156,863,960
MEMBERS' EQUITY		
Undivided Earnings	(1,786)	(114,193)
Accumulated Other Comprehensive Income	(494,156)	(651,495)
Reserves (Note 12)	5,957,523	5,957,523
Contributed Surplus	3,062,270	3,062,270
	8,523,851	8,254,105
	165,415,055	165,118,065

Approved on behalf of the Board of Directors:

.... *Director*

.... *Director*

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2015	2014
Interest Revenue (Note 14)	5,676,989	5,688,358
Interest Expense (Note 15)	2,170,201	2,085,862
Interest Margin	3,506,788	3,602,496
Other income	899,691	863,332
Income Before Operating Expenses	4,406,479	4,465,828
Operating Expenses		
Employee salaries and benefits	2,466,405	2,617,148
Data processing	380,834	335,773
Administration	613,207	569,041
Insurance	234,095	243,930
Collection and bad debts	77,363	105,536
Occupancy	194,130	199,687
Staff and director expenses	92,831	67,179
Depreciation	179,766	132,606
	4,238,631	4,270,900
Operating Income	167,848	194,928
Dividends and rebates	(27,209)	(88,226)
Income Before Income Taxes	140,639	106,702
Income taxes - deferred (Note 16)	28,232	24,465
Net Income	112,407	82,237
Other Comprehensive Income (Loss), Net of Income Taxes		
Change in unrealized gains (loss) on derivative instruments designated as cash flow hedges	-	(44,031)
Tax effect of unrealized gains on cash flow hedges	-	6,825
Actuarial gains and losses on post-retirement benefits	186,200	(617,000)
Tax effect of actuarial gains and losses	(28,861)	95,635
Reclassification of realized gains	-	90,038
Tax effect of reclassification of realized gains	-	(13,956)
Other Comprehensive Income (Loss) for the Year	157,339	(482,489)
Comprehensive Income (Loss) for the Year	269,746	(400,252)

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Accumulated Other Comprehensive Income		Contributed		Undivided	
	Post-retirement benefits	Cash Flow Hedge	Surplus	Reserves	Earning	Total
Balance at January 1, 2014	(130,130)	(38,876)	3,062,270	5,957,523	(196,430)	8,654,357
Net Income	-	-			82,237	82,237
Actuarial gains (losses) on pension and other post-retirement benefits	(521,365)	-	-	-	-	(521,365)
Change in unrealized gains (losses) on cash flow hedges	-	(37,206)	-	-	-	(37,206)
Reclassification of realized gains (losses) on cash flow hedges	-	76,082	-	-	-	76,082
Balance at December 31, 2014	(651,495)	-	3,062,270	5,957,523	(114,193)	8,254,105
Net Income	-	-			112,407	112,407
Actuarial gains (losses) on pension and other post-retirement benefits	157,339	-	-	-	-	157,339
Balance at December 31, 2015	(494,156)	-	3,062,270	5,957,523	(1,786)	8,523,851

See accompanying notes

MOMENTUM CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31	2015	2014
Cash Flows From Operating Activities		
Net Income	112,407	82,237
Adjustments for:		
Interest revenue	(5,676,989)	(5,688,358)
Interest expense	2,170,201	2,085,862
Interest received on member loans	5,129,972	5,142,139
Interest received on investments	571,833	593,175
Interest paid on member deposits	(2,349,466)	(2,194,209)
Depreciation	179,766	132,606
Deferred income taxes	28,232	24,465
Net change in non-cash working capital balances related to operations	(111,679)	283,971
	54,277	461,888
Cash Flows From Financing Activities		
Member deposits and shares	466,307	4,993,634
Cash Flows From Investing Activities		
Purchase of property, plant and equipment and intangibles	(186,862)	(1,481,522)
Proceeds on disposal of property, plant and equipment	-	463,809
Loans and mortgages to members	1,126,910	(3,051,438)
Investments	443,007	3,570,817
	1,383,055	(498,334)
Net Increase in Cash and Cash Equivalents	1,903,639	4,957,188
Opening Cash and Cash Equivalents	13,009,253	8,052,065
Closing Cash and Cash Equivalents	14,912,892	13,009,253

1. NATURE OF OPERATIONS

Reporting Entity

Momentum Credit Union Limited (the "Credit Union") is a company incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario. The Credit Union offers retail banking services to its members. The head office is located at 698 King Street East, Hamilton, Ontario.

These financial statements have been authorized for issue by the Board of Directors on February 17, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Cash and Bank

Cash and bank includes cash on hand and deposits with banks. Cash and bank accounts are classified as available-for-sale and measured at fair value.

Central 1 Deposits and Concentra Financial Investments

Deposits with Central 1 and Concentra Financial are classified as loans and receivables and are initially measured at fair value plus transaction costs. Subsequently these deposits are measured at amortized cost which approximates fair value.

Central 1 Credit Union and Concentra Financial Equity Instruments

Equity instruments of Central 1 Credit Union and Concentra Financial are classified as available-for-sale and initially measured at fair value. Subsequently they are carried at fair value unless they are not quoted 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.

Other Debt and Equity Instruments

Other debt and equity instruments are designated as fair value through profit and loss and are measured at fair value. Changes in fair value are recorded as investment income included in net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedges
The Credit Union periodically enters into derivative contracts to manage financial risks associated with movements in interest rates. The Credit Union does not enter into derivative financial instruments for trading or speculative purposes.

When derivatives are used to manage exposures, the Credit Union determines, for each derivative, whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a cash flow hedge of a specifically identified group of assets or liabilities. The Credit Union formally assesses and documents whether these derivatives are effective in offsetting changes in cash flows of hedged assets or liabilities.

These derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Gains and losses resulting from changes in fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income. The ineffective portion is recognized immediately in income as other income.

Market Based Deposits
The Credit Union has various deposits from members, whereby, interest will be paid based on certain market indicators. To offset exposure to fluctuations in these indicators, the Credit Union has entered into derivative contracts with Central 1, whereby, Central 1 will pay the interest on these deposits. In return, the Credit Union will pay a fixed rate of interest to Central 1 on these deposits. These derivative contracts are designated as at fair value through profit or loss and are measured at fair value both initially and subsequently.

Loans to Members
All loans to members are 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. Loans are subsequently measured at amortized cost using the effective interest rate method, less any impairment. An allowance for doubtful loans is deducted from the total of the loans on the balance sheet.

This allowance is calculated at the greater of the amount determined by specific account or the minimum allowance prescribed by By-Law #6 of the Deposit Insurance Corporation of Ontario.

Property, Plant and Equipment and Depreciation
Property, plant and equipment assets are stated at cost. Depreciation is provided for in the accounts as follows:

Building	40 years straight line
Paved parking lots	4 years straight line
Furniture and fixtures	20% declining balance
Computer equipment	5 years straight line
ATM machine	10 years straight line

In the year of acquisition or disposal, depreciation is prorated based on the number of months in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill
Goodwill resulted from the amalgamation of Hamilton Community Credit Union and Twin Oak Credit Union. The carrying value of goodwill is valued annually to determine whether there has been a loss in value. This valuation is carried out by comparing the undiscounted existing and expected cash flows from operations with the unamortized balance of the excess at the valuation date.

Intangible Assets
Intangible assets consist of computer software, rights for the use of software, and costs incurred to acquire those rights. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment (losses). Amortization is provided using the straight-line basis over 10 years.

Accounts Payable
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 are carried at amortized cost using the effective interest rate method.

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 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 income will be available to 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenue Recognition
Interest on loans and investments is recognized as earned at the end of each month and when ultimate collection is reasonably assured. Other revenue consists of service charges and commissions, recognized as earned when the associated services are rendered.

Foreign Currency Translation
Foreign currency accounts are translated into Canadian dollars as follows:

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

Employee Benefits
The Credit Union's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Credit Union determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Credit Union's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Credit Union, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Credit Union recognizes them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard, 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, 2015 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* (2014) was released on July 24, 2014 as the final project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 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. IFRS 9 also introduces a new "expected loss" impairment model which replaces the "incurred loss" model in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Credit Union is in the process of evaluating the impact of the new standard and will continue to monitor developments that may impact its financial reporting.

None of the other new standards, interpretations or amendments, which are effective for the Credit Union's accounting periods beginning after January 1, 2015 and which have not been adopted early, are expected to impact on the Credit Union's future financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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.

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.

Employee Future Benefits
The Credit Union sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected rate of future compensation and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results will differ from results which are estimated based on assumptions. See Note 9 for further details.

4. INVESTMENTS

	2015	2014
Central 1 Liquidity reserve deposit	10,254,903	9,936,240
Concentra Financial mortgage investment pool	293,499	382,391
Other deposits	4,671,000	6,584,700
Accrued interest	263,480	331,201
	15,482,882	17,234,532
Equity Instruments		
Central 1 Credit Union - Class A	629,094	580,924
Central 1 Credit Union - Class E	748,000	748,000
Concentra Financial - Class D	1,000,000	-
CUCO Cooperative Association	459,080	431,540
Co-Operators Group	42,350	42,350
Other investments	939,819	774,607
Total Equity instruments	3,818,343	2,577,421
	19,301,225	19,811,953

As a condition of membership in Central 1, the Credit Union is required to maintain an interest bearing "liquidity reserve deposit" equal to 6% of its total assets at the end of each month. Except for possible refunds occasioned by future reductions in total assets, this deposit is refundable to the Credit Union only in the event of the Credit Union's dissolution or withdrawal from membership in Central 1.

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 Central 1's Board of Directors.

Central 1 Class A shares are subject to an annual rebalancing mechanism and are redeemable at the option of Central 1. There is no separately quoted market value for these shares, however fair value is determined to be equivalent to the par value.

Central 1 Class E shares are redeemable at $100 per share. There is no separately quoted market value for these shares. The fair value is determined to equal the redemption value.

Concentra Financial Class D shares are redeemable at $25 per share. There is no separately quoted market value for these shares. The fair value is determined to equal the redemption value.

4. INVESTMENTS (continued)

CUCO Cooperative Association

In 2008, as a condition of the formation of Central 1 Credit Union, the Credit Union was required to invest $1,045,119 in ABCP 2008 Limited Partnership units. On August 17, 2011, Credit Union Central of Ontario became CUCO Cooperative Association ("CUCO Co-op"). On August 31, 2011, CUCO Co-op purchased all of the assets of ABCP 2008 Limited Partnership in exchange for shares of CUCO Co-op. On September 2, 2011, ABCP 2008 Limited Partnership distributed to each credit union such credit union's proportionate share of CUCO Co-op Class B Investment Shares. The value previously held in the form of a credit union's LP units was effectively transferred to its new CUCO Co-op Class B Investment Shares and the LP units have no value. As of September 2, 2011, the Credit Union received 272,956,019 Class B Investment Shares, which was 0.7825% of the total Class B Investment Shares outstanding. The Credit Union has designated this investment as held-for-trading and adjustments to fair value are included in investment income. The fair value of the investment is determined by an independent valuation of the underlying investments of the CUCO Co-op using valuation techniques based on discounted expected future cash flows.

5. DERIVATIVES

The Credit Union has outstanding $192,850 (2014 - $958,138) 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 $18,121 (2014 - $77,470).

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, 2015, the Credit Union had entered into such contracts on index linked term deposits for a total of $192,850. The agreements are secured by a general security agreement covering all assets of the Credit Union.

From time to time, in the ordinary course of business, the Credit Union enters into interest rate swaps in order to hedge against exposure to interest rate fluctuations. At December 31, 2015, the Credit Union was not party to any such agreement with Central 1 Credit Union.

5. DERIVATIVES (continued)

	2015	2014
Derivative Assets		
Index linked hedge receivable from Central 1	18,121	77,470
Derivative Liabilities		
Index linked derivatives payable on member deposits	18,121	77,470

These derivatives have a fair value that varies based on the particular contract and changes in interest rates. The purpose of these derivatives is to provide a cash flow hedge against interest rate fluctuations by improving the Credit Union's matching of its asset and liability positions.

6. LOANS TO MEMBERS

	2015	2014
Personal loans	8,925,105	10,751,867
Residential mortgages	96,453,983	104,689,836
Commercial loans	3,205,098	2,853,917
Syndicated loans	17,108,016	8,513,081
Accrued interest	192,414	149,509
	125,884,616	126,958,210
Less: allowance for impaired loans (Note 7)	157,678	147,267
Total Loans Receivable	125,726,938	126,810,943

Personal loans consist of term loans and lines of credit that are not real estate secured and, as such, have various repayment terms. Some personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignment only. Personal loans have fixed or variable interest rates and a maximum term of 5 years with an average rate of 7.87% at December 31, 2015 (2014 - 7.77%).

6. LOANS TO MEMBERS (continued)

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with blended payments of principal and interest. Residential mortgages have fixed or variable interest rates with an average rate of 3.59% at December 31, 2015 (2014 - 3.69%).

Commercial and syndicated loans consist of commercial 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, and personal guarantees. These loans have fixed or variable interest rates with an average rate of 4.68% at December 31, 2015 (2014 - 4.69%).

Credit Quality of Loans

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

	2015	**2014**
Personal loans partially secured by property	8,925,105	10,751,867
Residential mortgages	88,043,568	94,432,375
Residential mortgages insured by government	2,928,947	4,727,826
Mortgages insured by other insurer	5,323,790	5,879,622
Loans secured by commercial property	20,313,114	11,017,011
	125,534,524	126,808,701

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:

As at December 31, 2015 there are 5 syndicated loans (2014 - 1 syndicated loan) that each individually exceed 10% of members' equity. The combined total of these loans is $12,098,839 (2014 - $1,909,235).

All member loans are with members located in Southern Ontario.

7. ALLOWANCE FOR IMPAIRED LOANS

Total allowance for impaired loan provision comprises:

	2015	2014
Collective provision	38,002	49,061
Individual specific provision	119,676	98,206
Total provision	157,678	147,267

The allowance for impaired loans is broken down as follows:

	Allowance for Impaired Loans		Aggregate Impaired Loans	
	2015	2014	2015	2014
Personal loans	68,511	90,423	69,357	103,965
Lines of credit	51,165	7,783	52,362	7,783
Non-specified loans	38,002	49,061	-	-
Mortgages	-	-	-	969,641
	157,678	147,267	121,719	1,081,389

Movement in individual specific provision and collective provision for impairment:

2015	Specific Provision	Collective Provision	Total
Balance at January 1, 2015	98,206	49,061	147,267
Recoveries of loans previously written off	41,881	-	41,881
Provision charged to net income	123,972	(11,059)	112,913
	264,059	38,002	302,061
Loans written off	(144,383)	-	(144,383)
Balance at December 31, 2015	119,676	38,002	157,678

7. ALLOWANCE FOR IMPAIRED LOANS (continued)

2014	**Specific Provision**	**Collective Provision**	**Total**
Balance at January 1, 2014	111,794	96,969	208,763
Recoveries of loans previously written off	54,136	-	54,136
Provision charged to net income	153,831	(47,908)	105,923
	319,761	49,061	368,822
Loans written off	(221,555)	-	(221,555)
Balance at December 31, 2014	98,206	49,061	147,267

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 industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

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.

MOMENTUM CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

8. PROPERTY, PLANT AND EQUIPMENT	Land	Building	Leasehold Improv.	Furnit.& Fixtures	Computer Equipment	ATM	Total	Intangibles
Cost								
Balance at January 1, 2014	1,044,882	1,650,615	109,138	567,365	752,764	102,919	4,227,683	612,671
Additions	-	1,065,854	-	19,373	16,947	-	1,102,174	379,348
Disposals	-	-	(109,138)	-	-	-	(109,138)	(612,671)
Balance at December 31, 2014	1,044,882	2,716,469	-	586,738	769,711	102,919	5,220,719	379,348
Additions	-	-	-	2,242	21,201	-	23,443	163,416
Balance at December 31, 2015	1,044,882	2,716,469	-	588,980	790,912	102,919	5,244,162	542,764
Accumulated Depreciation								
Balance at January 1, 2014	-	318,361	107,493	405,578	699,650	45,389	1,576,471	148,863
Depreciation	-	77,856	1,644	20,415	22,400	10,293	132,608	-
Disposals	-	-	(109,137)	-	-	-	(109,137)	(148,863)
Balance at December 31, 2014	-	396,217	-	425,993	722,050	55,682	1,599,942	-
Depreciation	-	94,130	-	18,678	20,480	10,291	143,579	36,184
Balance at December 31, 2015	-	490,347	-	444,671	742,530	65,973	1,743,521	36,184
Net Book Value								
December 31, 2014	1,044,882	2,320,252	-	160,745	47,661	47,237	3,620,777	379,348
December 31, 2015	1,044,882	2,226,122	-	144,309	48,382	36,946	3,500,641	506,580

9. EMPLOYEE BENEFITS

The Credit Union sponsors a registered pension plan that has a defined benefit component and a defined contribution component. The defined benefit component is non-contributory and was closed to new participants on January 1, 2009. The plan was closed to existing participants on March 31, 2014. The Credit Union makes contributions to the fund, based on periodic valuation reports prepared by an independent actuary, in accordance with regulatory requirements.

The Credit Union also pays certain medical and dental benefits on behalf of its eligible retired employees. Certain active employees prior to 2009 who retire from full-time employment after the attainment of age 55 years and completion of ten years of continuous service, will qualify for post-retirement medical and dental benefits under current provisions. Employees after 2009 who retire from full-time employment after the attainment of age 55 years and completion of 20 years of continuous service, will qualify for reimbursement of approved expenses to a maximum of $1,000 per year. The Credit Union recognizes these post-employment costs in the period in which employees' service was rendered. There are no assets in this plan and therefore this plan is unfunded.

The changes in these defined benefit plans during the year are as follows:

Reconciliation of Funded Status		**Pension Plans**	**Post Retirement Benefits**		**Total**	**Total**
As of December 31	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fair value of plan assets	2,507,100	2,478,600	-	-	2,507,100	2,478,600
Present value of plan obligations	(2,493,000)	(2,507,100)	(1,246,000)	(1,390,500)	(3,739,000)	(3,897,600)
Net plan obligations	14,100	(28,500)	(1,246,000)	(1,390,500)	(1,231,900)	(1,419,000)

Movement in the present value of defined benefit obligations

		Pension Plans	**Post Retirement Benefits**		**Total**	**Total**
Actuarial Plan Obligation	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Opening defined benefit obligation	2,507,100	2,180,500	1,390,500	1,030,500	3,897,600	3,211,000
Current service cost	-	10,100	6,300	6,900	6,300	17,000
Interest cost	98,000	99,100	54,600	49,400	152,600	148,500
Actuarial gain	-	493,400	(142,500)	254,000	(142,500)	747,400
Plan curtailment	-	(118,400)	-	108,900	-	(9,500)
Benefits paid	(112,100)	(157,600)	(62,900)	(59,200)	(175,000)	(216,800)
Closing defined benefit obligation	2,493,000	2,507,100	1,246,000	1,390,500	3,739,000	3,897,600

9. EMPLOYEE BENEFITS (continued)

Movement in the fair value of plan assets

Fair Value of Plan Assets	Pension Plans 2015	Pension Plans 2014	Post Retirement Benefits 2015	Post Retirement Benefits 2014	Total 2015	Total 2014
Opening fair value of plan assets	2,478,600	2,371,100	-	-	2,478,600	2,371,100
Expected return	96,900	112,900	-	-	96,900	112,900
Actuarial gains (losses)	43,700	130,400	-	-	43,700	130,400
Contributions by employer	-	21,800	-	-	-	21,800
Benefits paid	(112,100)	(157,600)	-	-	(112,100)	(157,600)
Closing fair value of plan assets	2,507,100	2,478,600	-	-	2,507,100	2,478,600

Assets of the defined benefit pension plan are held by CUMIS and invested in a Balanced Core Fund. This fund maintains investments in Canadian equities (27.4%), U.S. equities (22.3%), International equities (13.1%), bonds (33.9%), and cash equivalents (3.3%).

Expenses recognized in profit or loss	Pension Plans 2015	Pension Plans 2014	Post Retirement Benefits 2015	Post Retirement Benefits 2014	Total 2015	Total 2014
Current service cost	-	10,100	6,300	6,900	6,300	17,000
Interest cost	98,000	99,100	54,600	49,400	152,600	148,500
Past service costs (credit)	-	-	-	108,900	-	108,900
Defined benefit plan expense	98,000	109,200	60,900	165,200	158,900	274,400

These plans expose the Credit Union to actuarial risks, such as longevity risk, interest rate risk, an market (investment) risk.

Contributions

In 2016, the Credit Union expects to contribute $16,800 to the Defined Benefit Plan in accordance with normal funding policy. Additionally, the Credit Union does not anticipate having to make material special contributions to its pension plans in 2016.

9. EMPLOYEE BENEFITS (continued)

Actuarial Assumptions
The weighted average actuarial assumptions were as follows:

	Pension Plans 2015	Pension Plans 2014	Post Retirement Benefits 2015	Post Retirement Benefits 2014
Discount rate	4.00 %	4.00 %	4.00 %	4.00 %
Rate of increase in salaries	- %	- %	2.00 %	2.00 %
Rate of medical cost escalation	- %	- %	5.00 %	5.00 %
Rate of dental cost escalation	- %	- %	3.00 %	3.00 %
Expected rate of return on assets	4.00 %	4.00 %	- %	- %

Sensitivity Analysis
A 1% decrease in the discount rate would cause the pension benefit obligation to increase by $310,600, and the post-retirement benefits to increase by $162,900. Changes in the salary rate growth will not impact the pension benefit obligation as the pension has been closed.

Medical Cost Trend
The medical cost trend is based on the Credit Union's actuarial medical claims experience and future projections of medical costs. The average medical cost trend rate used was 5% in 2015. The dental cost is expected to stay static at 3%. A 1% increase or decrease in the trend rate would have resulted in an increase or decrease in the benefit obligation for post retirement benefits of approximately $126,200 and $114,600 respectively at December 31, 2015.

10. MEMBER DEPOSITS

	2015	2014
Chequing accounts	37,637,094	34,674,825
Savings accounts	20,995,988	21,019,949
Term deposits	31,670,376	38,086,405
Tax free savings accounts	8,932,025	6,592,639
Registered retirement savings plans	34,734,500	34,357,262
Registered retirement income funds	15,982,683	14,529,056
Accrued interest	1,089,372	1,268,637
	151,042,038	150,528,773

Chequing and savings accounts are due on demand.

Term deposits have fixed rates of interest for terms up to five years, or pay a return based on market indexes. Interest can be paid monthly, annually, or upon maturity. At December 31, 2015, the average interest rate on term deposits was 2.19% (2014 - 2.18%).

10. MEMBER DEPOSITS (continued)

Registered retirement savings plan accounts can be fixed or variable rate, or pay a return based on market indexes. Fixed rate deposits have similar terms and rates as the term deposits described above.

Registered retirement income fund accounts can be fixed or variable rate with terms similar to those of registered retirement savings plan accounts described above. Members may make withdrawals from RRIFs on a monthly or annual basis according to individual needs and statutory requirements.

Tax free savings accounts can be fixed or variable rate with terms and conditions similar to those of the registered retirement savings plan accounts described above.

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

The total value of individual or related groups of members deposits which exceed 1% of member deposits is $3,551,734 in 2015 (2014 - $3,026,334). All member deposits are with members located in and around Southern Ontario.

11. MEMBERS' SHARE CAPITAL

	2015	2014
Class A shares	1,501,863	1,490,787
Class B shares	2,627,999	2,865,759
Membership shares, voting	49,883	49,422
	4,179,745	4,405,968

Class A shares are non-cumulative, non-voting and non-participating and rank in priority to Class B shares and membership shares. Class A shares are redeemable in any fiscal year after the first five years subsequent to issuance, to the extent of 10% of the total Class A shares outstanding at the end of the previous fiscal year, or at any time after the death of the shareholder.

Class B shares are non-cumulative, non-voting shares ranking in priority to membership shares. Class B shares are redeemable at the issue price after the first five years subsequent to issuance. Redemption in any fiscal year may not exceed 10% of the Class B shares outstanding at the end of the previous fiscal year.

Members are required to own one membership share with a par value of $5 per share. Amounts paid for shares may be withdrawn upon termination of membership or after the death of the shareholder. As at December 31, 2015 the Credit Union had 11,837 members.

12. RESERVES

This amount is set aside in order to meet regulatory capital requirements (see Note 13) and to provide adequate operating capital.

13. CAPITAL MANAGEMENT

The Credit Union maintains policies and procedures relative to capital management so as to ensure that capital levels are sufficient to cover the risks inherent in the business. The Credit Union considers its capital to comprise cash resources, membership shares, undivided earnings, reserves, and the general allowance against doubtful loans.

The Credit Unions and Caisses Populaires Act, 1994 requires that the Credit Union maintain regulatory capital of 4% of total assets and 8% of a risk weighted equivalent value. The risk weighted equivalent value is calculated by applying risk weight percentages as prescribed by the Act to various assets, operational and interest rate risk criteria.

Regulatory Capital	**2015**	**2014**
Tier 1 Capital		
Membership shares	4,038,749	4,253,373
Undivided earnings	(1,786)	(114,193)
Reserves	5,957,523	5,957,523
Contributed surplus	3,062,270	3,062,270
Goodwill	(996,473)	(996,473)
Deferred pension costs	(14,100)	-
Tier 2 Capital		
Redeemable portion of membership shares	140,996	152,595
Actuarial losses in Accumulated Other Comprehensive Income	(494,156)	(651,495)
General allowance for doubtful loans	38,002	49,061
	11,731,025	11,712,661
Percentage of total assets	7.14%	7.14%
Risk weighted equivalent value	77,089,865	72,756,788
Percentage of risk weighted assets	15.22%	16.10%

13. CAPITAL MANAGEMENT (continued)

The Act also requires that the Credit Union maintain prudent levels of liquidity sufficient to meet its cash flow needs. Assets held for liquidity purposes include:

	2015	2014
Cash	14,912,892	13,009,253
Liquidity deposits with Central 1 Credit Union	10,254,903	9,936,240
	25,167,795	22,945,493
% of member deposits	16.78%	15.37%

14. INTEREST REVENUE

	2015	2014
Personal loans	779,844	954,046
Mortgages	3,683,093	3,743,995
Commercial and syndicated loans	709,940	448,487
Investments	504,112	541,830
	5,676,989	5,688,358

15. INTEREST EXPENSE

	2015	2014
Chequing and savings accounts	195,876	170,806
Term deposits	839,383	829,544
Tax free savings accounts	132,344	93,840
Registered retirement savings plans	667,066	644,248
Registered retirement income funds	335,532	347,424
	2,170,201	2,085,862

16. INCOME TAX

	2015	2014
The income tax provision was calculated as follows:		
Income per statement before income taxes	140,639	106,702
Capital cost allowance in excess of depreciation	(111,396)	452,694
Adjust allowance for doubtful loans to allowance for tax purposes	42,543	48,245
Pension and post-retirement benefits	(60,900)	202,100
Unrealized investment income	(27,540)	(35,528)
Other adjustments	(45,202)	(12,157)
Taxable income (loss)	(61,856)	762,056
Tax at prescribed rate of 15.50% (2014 - 15.50%)	-	118,118
Utilization of prior year losses	-	(118,118)
	-	-

Deferred Tax Expense	2015	2014
Origination and reversal of temporary differences	28,232	24,465

The movement in deferred tax liabilities and assets are:

2015	Opening Balance	Recognized in Income	Recognized in OCI	Closing Balance
Investments	51,018	4,269	-	55,287
Loans to members	(2,283)	(161)	-	(2,444)
Property, plant and equipment	68,708	17,267	-	85,975
Member deposits	(7,006)	7,006	-	-
Defined benefit plans	(257,144)	9,439	28,861	(218,844)
Tax losses available	(37,882)	(9,588)	-	(47,470)
	(184,589)	28,232	28,861	(127,496)

16. INCOME TAX (continued)

2014	Opening Balance	Recognized in Income	Recognized in OCI	Closing Balance
Investments	45,511	5,507	-	51,018
Derivatives	6,824	(13,955)	7,131	-
Loans to members	1,376	(3,659)	-	(2,283)
Property, plant and equipment	66,986	1,722	-	68,708
Intangible assets	71,890	(71,890)	-	-
Member deposits	(26,954)	19,948	-	(7,006)
Defined benefit plans	(130,184)	(31,325)	(95,635)	(257,144)
Tax losses available	(155,999)	118,117	-	(37,882)
	(120,550)	24,465	(88,504)	(184,589)

Expected settlement of deferred tax liabilities and assets are:

	2015	2014
Settled within 12 months	30,119	15,200
Settled after more than 12 months	(157,615)	(199,789)
	(127,496)	(184,589)

17. RELATED 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.

Compensation	**2015**	**2014**
Salaries and other short-term employee benefits	569,318	579,024
Total pension and other post-employment benefits	23,802	31,771
	593,120	610,795

Loans to Key Management Personnel and Directors	**2015**	**2014**
Aggregate value of loans advanced	1,656,440	914,724
Interest received on loans advanced	44,751	18,970
Total value of lines of credit advanced	593,353	682,873
Interest received on lines of credit advanced	16,703	14,103
Unused value of lines of credit	131,647	182,853

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit.

Deposits from Key Management Personnel and Directors	**2015**	**2014**
Aggregate value of term and savings deposits	201,672	331,077
Total interest paid on term and savings deposits	2,697	4,246

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.

Included in staff and director expenses are honoraria totaling $54,099 ($47,632 - 2014).

The Act requires the disclosure of remuneration paid to the five highest paid officers and/or employees whose total remuneration for the year exceeds $150,000.

	Salary	**Variable Compensation**	**Value of Benefits**
Malcolm Stoffman, CEO	160,650	18,675	11,137

18. FINANCIAL INSTRUMENTS

The following table represents the carrying amount by classification.

	2015	2014
Available-for-Sale:		
Cash	14,912,892	13,009,253
Investments	2,377,094	1,328,924
	17,289,986	14,338,177
Loans and Receivables:		
Investments	10,811,882	10,649,832
Loans	125,726,938	126,810,943
Accounts receivable (other)	164,015	14,168
	136,702,835	137,474,943
Fair Value Through Profit and Loss:		
Investments	6,112,249	7,833,197
Derivative assets	18,121	77,470
Derivative liabilities	(18,121)	(77,470)
	6,112,249	7,833,197
Other Liabilities:		
Member deposits	151,042,038	150,528,773
Member shares	4,179,745	4,405,968
Accounts payable	378,079	394,510
	155,599,862	155,329,251

The amounts set out below represent the fair values of the Credit Union's financial instruments where fair value differs from carrying cost. Assets that are not considered financial instruments, such as property, plant and equipment, prepaid expenses and deferred income taxes, are also excluded.

Fair value of variable rate loans and member deposits are assumed to equal the book value as the interest rates on these loans and deposits repriced to market on a periodic basis.

Fair value of fixed rate investments, fixed rate loans, and fixed rate member deposits is determined by discounting the expected future cash flows of these investments, loans, and deposits at current market rates for products with similar terms and credit risks. Contractual cash flows are assumed to represent expected cash flows.

18. FINANCIAL INSTRUMENTS (continued)

December 31, 2015	Fair Value	Book Value	Fair Value Over (Under) Book Value
Assets			
Central 1 liquidity reserve	10,328,356	10,254,903	73,453
Other investments	293,499	293,499	-
Loans and mortgages	126,482,220	125,884,616	597,604
Liabilities			
Member deposits	151,590,754	151,042,038	548,716

December 31, 2014	Fair Value	Book Value	Fair Value Over (Under) Book Value
Assets			
Central 1 liquidity reserve	9,983,217	9,936,240	46,977
Other investments	382,391	382,391	-
Loans and mortgages	127,202,640	126,958,210	244,430
Liabilities			
Member deposits	151,510,056	150,528,773	981,283

Financial Instruments Measured At Fair Value

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1

Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2

Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3

Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. FINANCIAL INSTRUMENTS (continued)

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Cash and bank	14,912,892	-	-	14,912,892
Marketable deposits	-	4,671,000	-	4,671,000
Equity investments	-	3,359,263	459,080	3,818,343
Total fair value investments	14,912,892	8,030,263	459,080	23,402,235

December 31, 2014	Level 1	Level 2	Level 3	Total
Cash and bank	13,009,253	-	-	13,009,253
Marketable deposits	-	6,584,700	-	6,584,700
Equity investments	-	2,145,881	431,540	2,577,421
Total fair value investments	13,009,253	8,730,581	431,540	22,171,374

Reconciliation of Level 3 financial instruments	2015	2014
Balance January 1	431,540	750,068
Gains (losses) included in the statement of income as investment income	27,540	35,528
Gains (losses) included in Other Comprehensive Income	-	(67,667)
Distributions received	-	(286,389)
Balance December 31	459,080	431,540

19. RISK MANAGEMENT

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 reports, at least quarterly, from senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk
The Credit Union is exposed to the risk of loss related to loans and mortgages receivable. The Credit Union invests in loans as its primary source of revenue. Credit is granted through consideration of the member's character, credit history, capacity for debt, and value of collateral available to secure the loan. The risk of credit loss is mitigated by requiring collateral security on loans in excess of $5,000. Mortgages are secured by real property. Term loans and lines of credit are secured by other assets equivalent to the approved balance on the loan.

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 monthly.

A sizeable portfolio of the loan book is secured by residential property in Hamilton, Oakville, and Brampton, Ontario. 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.

Liquidity Risk
Liquidity risk consists of the risk that the Credit Union is unable to generate sufficient cash to meet commitments as they come due. The Credit Union maintains a liquidity reserve with Central 1 Credit Union as described in Note 4. The Credit Union is also required by statute to maintain a prescribed amount of liquid assets to mitigate liquidity risk. Liquidity requirements based on expected maturity of member deposits, and the corresponding maturity of investments in loans, is described in the chart under Interest Rate Risk below. 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.

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.

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.

19. RISK MANAGEMENT (continued)

The Credit Union's foreign exchange risk is related to deposits and investments denominated in United States dollars. The Credit Union limits its holdings in foreign currency to a maximum net open position of $300,000 in that same currency in accordance with its investment policy. Foreign currency changes are continually monitored for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy.

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

The Credit Union is required to establish policies and procedures to limit its exposure to interest rate risk. These policies must ensure that the Credit Union's net earnings before income taxes are not impacted by an amount greater than 0.15% of the Credit Union's total assets based on interest rate fluctuations that may reasonably be expected to occur. Measurement and management of exposure of interest rate sensitivity is done through a combination of income simulation and maturity gap analysis. The Credit Union's interest rate risk results from the fact that the maturity or repricing dates for interest rate sensitive assets differs from that for the interest rate sensitive liabilities.

The Credit Union is exposed to interest rate price risk as a result of fixed rate financial instruments. The Credit Union is exposed to interest rate cash flow risk as a result of its variable rate financial instruments.

Fixed rate financial instruments maturity dates substantially coincide with interest adjustment dates.

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.

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 0.5% could result in a increase to net income of $176,000 while a decrease in interest rate of 0.5% could result in a decrease to net income of $30,000.

The tables below identifies the maturity dates of interest rate sensitive financial instruments, excluding accrued interest.

2015

	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	Total
Assets						
Cash and bank	13,439,457	-	-	-	1,473,435	14,912,892
effective rate %	0.90	-	-	-	-	
Loans	55,017,165	6,114,950	18,080,422	46,672,079	-	125,884,616
effective rate %	4.29	3.47	3.88	3.89	-	
Investments	6,300,000	1,500,000	2,728,053	4,691,349	3,818,343	19,037,745
effective rate %	0.86	1.87	1.75	1.81	-	
Liabilities						
Member deposits	67,523,892	14,226,128	34,071,054	35,220,964	-	151,042,038
effective rate %	0.52	1.70	1.93	2.23	-	

19. RISK MANAGEMENT (continued)

	2014					
	Variable	Within 3 months	4 to 12 months	Greater than 1 year	Not rate sensitive	Total
Assets						
Cash and bank	11,680,146	-	-	-	1,329,107	13,009,253
effective rate %	1.40	-	-	-	-	
Loans	49,613,508	3,703,207	22,897,844	50,743,651	-	126,958,210
effective rate %	4.42	3.05	3.46	3.42	-	
Investments	-	6,225,559	4,259,479	6,418,294	2,577,420	19,480,752
effective rate %	-	1.20	3.78	3.38	-	
Liabilities						
Member deposits	65,107,845	14,605,240	37,119,018	33,696,670	-	150,528,773
effective rate %	0.25	1.30	1.89	1.24	-	

20. COMMITMENTS

The Credit Union has an authorized line of credit with Central 1 Credit Union totaling $8,500,000. Security given is a general security agreement covering all assets of the Credit Union.

Mortgages
Outstanding commitments for future advances on mortgages are $250,312 (2014 - $3,257,275).

Credit Lines
Unused lines of credit available to members are $24,640,191 (2014 - $21,591,041).

The Credit Union's obligations under operating leases for its banking system and other contracts requires monthly minimum payments of $19,363.