This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchasing member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 16 and, further, may wish to consult a financial or tax advisor about this investment.

Your Credit Union Limited

OFFERING STATEMENT

dated August 29, 2013

MINIMUM $2,000,000 -- MAXIMUM $10,000,000
CLASS B SPECIAL SHARES, SERIES 2
(NON-CUMULATIVE, NON-VOTING,
NON-PARTICIPATING SPECIAL SHARES)

("Class B Investment Shares, Series 2")

The subscription price for each Class B Investment Share, Series 2 will be $1.00 per share, with a minimum of 5,000 shares per member which may be subscribed for $5,000.00, to a maximum of 250,000 shares per member which may be subscribed for $250,000.00. No member, however, may purchase more than five percent (5%) of the Class B Investment Shares, Series 2, sold hereunder (the "Maximum Permissible Holding").

There is no market through which these securities may be sold.

The purchaser of these securities may reverse his/her decision to purchase the securities if he/she provides notice in writing, or by facsimile, or by e-mail in combination with a telephone call, to the person from whom the purchaser purchases the security, within two days, excluding weekends and holidays, of having signed a subscription form.

The Class B Investment Shares, Series 2 are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 and the restrictions under this offering statement as set out on pages 14 and 15.

THE SECURITIES OFFERED ARE NOT DEPOSITS. THE SECURITIES OFFERED ARE NOT INSURED. THE DIVIDENDS ON THE SECURITIES ARE NOT GUARANTEED.

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OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. A "Glossary of Terms" can be found at the end of this summary, prior to the detailed offering statement.

Your Credit Union Limited

Your Credit Union Limited (the "Credit Union") was created as Ottawa Carleton Credit Union Limited ("Ottawa Carleton CU") on February 2, 2004, as a result of the amalgamation of Ottawa Carleton Credit Union Limited ("Old Ottawa Carleton CU") and Howard Smith (Cornwall) Credit Union Limited ("Howard Smith"). Old Ottawa Carleton CU was itself the result of an amalgamation on October 1, 1999 of Ottawa Carleton Credit Union Limited and Ottawa Citizen Employees Credit Union Limited. Howard Smith was incorporated on July 19, 1956 to serve the employees of a particular paper mill in Cornwall, and had, by the time of the amalgamation with Old Ottawa Carleton CU, expanded its bond of association to include anyone who lived or worked in Cornwall and its surrounding area. The Credit Union adopted its current name on April 2, 2004.

The Credit Union's head office is located at 14 Chamberlain Avenue, Ottawa, Ontario K1S 1V9.

The Credit Union provides a full range of financial services and products to 12,821 members (as of May 31, 2013) through three offices, located in Ottawa and Cornwall, Ontario, and its Internet and telephone banking systems. The Credit Union provides a full range of retail and commercial credit and non-credit financial services and products. See also "Business of the Credit Union", on pages 1 to 8.

The Offering

The Credit Union offers for sale to its members, at $1.00 per share, Class B Non-Cumulative, Non-Voting, Non-Participating, Redeemable Special Shares, Series 2 ("Class B Investment Shares, Series 2"), in the capital of the Credit Union. Class B Investment Shares, Series 2, are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of the Credit Union for a minimum of 5,000 Class B Investment Shares, Series 2, and a maximum of 250,000 Class B Investment Shares, Series 2. No member, however, may purchase more than five percent (5%) of the Class B Investment Shares, Series 2, sold hereunder (the "Maximum Permissible Holding"). If a member subscribes for more than the Maximum Permissible Holding, the Credit Union will honour that subscription for the Maximum Permissible Holding, and return all excess funds, with applicable interest, to the member. Class B Investment Shares, Series 2, are not redeemable for five years following their issuance, except when the shareholder dies or is expelled from membership in the Credit Union. All redemptions are also subject to a limit (of 10% of the number of the Class B Investment Shares, Series 2, issued and outstanding at the end of the prior fiscal year) on the maximum number of shares that can be redeemed in any fiscal year. Purchasers of Class B Investment Shares, Series 2, who are intending to include such shares in an RRSP contract should carefully review the redemption restrictions on pages 14 and 15 before proceeding. Transfer of such shares will only be effected through the Credit Union, and transfers are generally restricted to other members of the Credit Union. The Credit Union, at its option, may acquire the Class B Investment Shares, Series 2, at the Redemption Amount, for cancellation after a period of five years following the issuance of the shares. See "Description of Securities Being Offered" on pages 12 to 15.

Subscriptions for the Class B Investment Shares, Series 2, shall be accepted as of the date of this offering statement, and for a period of six months thereafter, or until the date on which subscriptions have been received for the maximum 10,000,000 Class B Investment Shares, Series 2, or until the date on which the Board of Directors ("Board"), having received subscriptions for at least the minimum 2,000,000 Class B Investment Shares, Series 2, but not for the maximum 10,000,000 Class B Investment Shares, Series 2, and noting that six months has not yet passed since the date of this offering statement, resolves to close the offering, whichever shall occur first (the "Closing Date"). The shares so subscribed shall be issued within sixty days after the Closing Date (the "Issue Date").

The securities to be issued under this offering statement are not secured by any assets of the Credit Union, and are not covered by deposit insurance or any other form of guarantee as to repayment of the principal amount or dividends. The Class B Investment Shares, Series 2, will qualify as Regulatory Capital, to the extent permitted and as defined in the Act.

Use of Proceeds

If fully subscribed, the gross proceeds of this issue will be $10,000,000. The costs of issuing these securities are not expected to exceed $120,000, and these costs, approximating $96,000 after applicable tax savings, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering are $9,904,000. The principal use of the net proceeds, and the purpose of this offering, is to add to the Credit Union's Regulatory Capital in order to provide for the future growth, development and stability of the Credit Union, including through mergers, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

Based on the total assets and regulatory capital at May 31, 2013, the Credit Union's Leverage Ratio would increase to 6.56% if this offering is minimally subscribed and to 10.29% if fully subscribed. Based upon the Credit Union's condensed statement of financial position at May 31, 2013, this offering would support additional growth of $137,238,187 if minimally subscribed, and $337,238,187 if fully subscribed, without contravening the regulatory minimum requirement of 4%.

Risk Factors

Investments in the Class B Investment Shares, Series 2, are subject to a number of risks, including regulatory redemption restrictions, the continuous need to maintain minimum Regulatory Capital levels, the uncertainty of payment of dividends, credit risk, market risk, liquidity risk, structural risk, operational risk, potential regulatory actions, reliance on key management, economic risk, and competitive risk. See "Risk Factors" on pages 16 to 21.

Dividend Policy

The dividend policy of the Credit Union's Board, as it relates to Class B Investment Shares, Series 2, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations, and, in particular, on the Credit Union's earnings. The Board shall consider whether or not a dividend shall be declared, the rate of that dividend and the manner in which it is paid, including whether in the form of additional Class B Investment Shares, Series 2, in cash, or partly in shares and partly in cash. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid in each year. The Board has defined a target minimum rate to be the greater of 3.75% and the rate which exceeds by 100 Basis Points the simple average of the Credit Union's posted 5-year non-redeemable term deposit rate as at the end of each month in its fiscal year. This dividend policy is subject to change or exception at any time, at the Board's discretion.

Dividends paid on Class B Investment Shares, Series 2, will be deemed to be interest and not dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

Summary Financial Information

This summary financial information should be read in conjunction with the more detailed financial statements attached hereto as Schedules A and B, including the notes to those financial statements, and Management's Discussion and Analysis beginning at page 30.

SUMMARY STATEMENT OF FINANCIAL POSITION (in thousands)

	May 31, 2013 (under IFRS[1])	September 30, 2012 (under IFRS [1])	September 30, 2011 (under IFRS [1])	September 30, 2010 (under CGAAP[2])
ASSETS				
Cash and cash equivalents	$11,950	$4,250	$8,471	$23,300
Investments	15,559	16,596	20,688	20,371
Loans and advances to members	180,086	177,033	161,803	158,253
Other assets	1,197	1,089	1,186	1,623
Property and equipment	5,673	5,154	5,229	5,382
Total assets	$214,465	$204,122	$197,377	$208,929
LIABILITIES				
Deposits from members	$200,911	$183,108	$181,556	$196,328
Borrowings	0	8,000	3,000	0
Other liabilities	1,562	1,344	1,533	1,760
Current tax liabilities	2	16	105	41
Deferred income tax liabilities	28	28	28	28
Class B Shares, Series 1	2,922	2,835	2,747	0
	205,425	195,331	188,969	198,157
LIABILITIES QUALIFYING AS REGULATORY CAPITAL				
Issued capital	0	0	0	3,440
MEMBERS' EQUITY				
Membership shares	659	642	652	0
Retained earnings	8,381	8,149	7,756	7,332
Accumulated other comprehensive income	0	0	0	0
	9,040	8,791	8,408	7,332
Total liabilities and members' equity	$214,465	$204,122	$197,377	$208,929

[1] International Financial Reporting Standards
[2] Canadian generally – accepted accounting principles

SUMMARY STATEMENT OF COMPREHENSIVE INCOME (in thousands)

	Eight Months Ended May 31, 2013 (under IFRS)	Year Ended September 30, 2012 (under IFRS)	Year Ended September 30, 2011 (under IFRS)	Year Ended September 30, 2010 (under CGAAP)
Interest income	$5,468	$8,209	$8,136	$7,692
Investment income	264	452	739	537
	5,732	8,661	8,875	8,229
Interest expense	1,825	2,775	2,900	2,924
Net interest income	3,907	5,886	5,975	5,305
Provision for credit losses	79	102	183	157
Net interest margin	3,828	5,784	5,792	5,148
Other operating income	911	1,493	1,468	1,584
Total operating income	4,739	7,277	7,260	6,732
Total operating expenses	4,385	6,698	6,642	6,475
Dividends on investment shares	64	88	88	97
Income before income taxes	290	491	530	160
Income tax expense	58	98	106	52
Net income	232	393	424	108
Other comprehensive income	0	0	0	0
Total comprehensive income	$232	$393	$424	$108

GLOSSARY OF TERMS

"Act" - the *Credit Unions and Caisses Populaires Act, 1994,* as now enacted or as the same may from time to time be amended, re-enacted or replaced.

"Agricultural Loan" - a loan to finance the production of cultivated or uncultivated field-grown crops; the production of horticultural crops, the raising of livestock, fish, poultry and fur-bearing animals; or the production of eggs, milk, honey, maple syrup, tobacco, wood from woodlots, and fibre and fodder crops.

"Administration" - a legal status ordered by the Deposit Insurance Corporation of Ontario ("DICO") in any of the following circumstances: (1) DICO, on reasonable grounds, believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against the deposit insurer, but that Supervision by DICO as stabilization authority would, in this case, not be appropriate; (2) A credit union has failed to comply with an order of DICO made while the Credit Union was subject to Supervision; (3) DICO is of the opinion that the assets of a credit union are not sufficient to give adequate protection to its depositors; (4) A credit union has failed to pay any liability that is due or, in the opinion of DICO, will not be able to pay its liabilities as they become due; (5) after a general meeting and any adjournment of no more than two weeks, the members of a credit union have failed to elect the minimum number of directors required under the Act (currently five); (6) if a vacancy occurs in the board of a credit union resulting in there not being a quorum of directors in office, and a general meeting is not called promptly to reconstitute the board; or (7) DICO has received a report from the Superintendent of Financial Services that the Superintendent has ordered a credit union to cease operations; under which DICO has the power to: (a) Carry on, manage and conduct the operations of that credit union; (b) Preserve, maintain, realize, dispose of and add to the property of that credit union; (c) Receive the income and revenues of that credit union; (d) Exercise the powers of that credit union and of its directors, officers, and committees; (e) Exclude the directors of that credit union and its officers, committee members, employees and agents from its property and business; and (f) Require that credit union, with or without obtaining member and shareholder consent, to, (i) amalgamate with another credit union, (ii) dispose of its assets and liabilities, or (iii) be wound up.

"Basis Point" - one-hundredth of one percent (0.01%).

"Bridge Loan" - a loan to an individual made under the following circumstances:

1. The loan is for the purchase of residential property in which the purchaser will reside. The property must consist of four units or less.
2. The term of the loan is not greater than 120 days.
3. The funds from the sale of another residential property owned by the individual will be used to repay the loan.
4. The credit union must receive a copy of the executed purchase and sale agreement for both properties before the loan is made.
5. The conditions of each of the purchase and sale agreements must be satisfied before the loan is made.
6. The loan is fully secured by a mortgage on the residential property being sold or, before the loan is made, the borrower's solicitor has given the credit union an irrevocable letter of direction from the borrower stating that the funds from the sale of the residential property being sold will be remitted to the credit union.

"Class 1 Credit Union" - a credit union which is not a Class 2 credit union.

"Class 2 Credit Union" - a credit union which, at any time after January 31, 2007, has total assets equal to or exceeding $50,000,000, or has made (or is deemed to have made) a Commercial Loan. A credit union may also apply to the Superintendent to be classified as a Class 2 Credit Union, and the Superintendent can make that classification.

"Commercial Loan" - a loan, other than any of the following types of loans, made for any purpose: an Agricultural Loan; a Bridge Loan; an Institutional Loan; a Personal Loan; a Mortgage Loan; an Unincorporated Association Loan; a loan that consists of deposits made by the credit union with a financial institution, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada; a loan fully secured by a deposit with a financial institution (including the credit union making the loan), Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada; a loan fully secured by debt obligations guaranteed by a financial institution other than the credit union making the loan, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada; a loan that is fully secured by a guarantee of a financial institution other than the credit union making the loan, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada; an investment in a debt obligation that is fully guaranteed by a financial institution other than the credit union making the loan, fully secured by deposits with a financial institution (including the credit union making the loan), or fully secured by debt obligations that are fully guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation issued by the federal government, a provincial or territorial government, a municipality, or any agency of such a government or municipality; an investment in a debt obligation guaranteed by, or fully secured by securities issued by, the federal government, a provincial or territorial government, a municipality, or by an agency of such a government or municipality; an investment in a debt obligation issued by a league, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, or La Caisse centrale Desjardins du Québec; an investment in a debt obligation that is widely-distributed; an investment in shares or ownership interests that are widely-distributed; an investment in a participating share; or an investment in shares of a league, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, or La Caisse centrale Desjardins du Québec. A Commercial Loan includes the supply of funds for use in automated bank machines not owned and operated by the credit union supplying the funds.

"Escrow" - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.

"Institutional Loan" - a loan given to the federal government or a federal government agency, a provincial or territorial government or an agency of one, a municipality or an agency of one, a school board or college funded primarily by the federal or a provincial or territorial government, or an entity primarily funded by the federal government, a provincial or territorial government, or a municipality.

"Leverage Ratio" - total Regulatory Capital divided by total assets.

"Membership Shares" - shares required, according to a credit union's by-laws, to maintain a membership in the credit union.

"Mortgage Loan" – a loan that is secured by a mortgage on an individual condominium unit or a building with one to four units where at least one half of the floor area of the building is utilized as one or more private residential dwellings, occupied by the borrower, and to which any of the following apply:

1. The amount of the loan, together with the amount then outstanding of any mortgage having an equal or prior claim against the mortgaged property, does not exceed 80% of the value of the property when the loan is made.
2. The loan is insured under the *National Housing Act* (Canada), or guaranteed or insured by a government agency.
3. The loan is insured by an insurer licensed to undertake mortgage insurance.

"Non-Cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.

"Non-Participating" - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.

"Non-Voting" - holders vote only at special meetings as required by the Act.

"Personal Loan" - loan given to an individual for personal, family or household use; or to an individual or entity for any other use if the loan, and all other loans outstanding to that individual or entity, does not exceed $25,000.

"Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares ($1 per share) plus any dividends which have been declared but not yet paid.

"Regulatory Capital" - Membership Shares, Class A Shares (no Class A Shares, however, are currently issued and outstanding), Class B Investment Shares, retained earnings, and the Credit Union's collective allowance for impaired loans.

"Risk-Weighted Assets" – the absolute value of assets in specified categories is multiplied by a percentage, varying between 0% and 100% depending on the risk attributed to each category. The sum of all the categories is the Credit Union's Risk-Weighted Assets.

"Risk-Weighted Assets Ratio" – total Regulatory Capital divided by Risk-Weighted Assets.

"Schedule I Banks" - Schedule I banks are domestic banks and are authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit Insurance Corporation.

"Schedule II Banks" - Schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

"Special Resolution" - a resolution passed by two-thirds or more of the votes cast by or on behalf of the persons who voted in respect of that resolution.

"Substantial Portion" - assets having an aggregate value equal to or greater than 15 per cent of a credit union's assets at the end of its previous fiscal year.

"Supervision" - a legal status ordered by DICO when: (1) A credit union asks, in writing, that it be subject to supervision; (2) A credit union is not in compliance with prescribed Regulatory Capital or liquidity requirements; (3) DICO has reasonable grounds for believing that a credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims against DICO; (4) A credit union or an officer or director of it does not file, submit or deliver a report or document required to be filed, submitted or delivered under this Act within the time limits outlined under this Act; (5) A credit union did not comply with an order of the Superintendent and the Superintendent has requested, in writing, that the credit union be subject to supervision; or (6) A credit union has failed to comply with an order of DICO; under which DICO, acting as stabilization authority, can: (a) order that credit union to correct any practices that the authority feels are contributing to the problem or situation that caused it to be ordered subject to DICO's supervision; (b) order that credit union and its directors, committee members, officers and employees not to exercise any powers of that credit union or of its directors, committee members, officers and employees; (c) establish guidelines for the operation of that credit union; (d) order that credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by DICO; (e) attend meetings of that credit union's board and its credit and audit committees; and (f) propose bylaws for that credit union and amendments to its articles of incorporation.

"Syndicated Loans" – loan, including any related credit facilities made under a syndicated loan agreement by a credit union, a league, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada acting as the syndicating credit union where:

1. The parties to the syndicated loan agreement are the borrower, the syndicating credit union and one or more of the following:
    i. Another credit union or its subsidiary or affiliate.

ii. A league, Central 1 Credit Union, La Fédération des caisses Desjardins du Québec, La Caisse centrale Desjardins du Québec or Credit Union Central of Canada.

iii. A financial institution other than a securities dealer.

2. Each of the parties to the syndicated loan agreement, other than the borrower, agrees to contribute a specified portion of the loan and to be bound by the terms and conditions of the syndicated loan agreement.

3. The syndicating credit union contributes at least 10 per cent of the loans, including any related credit facilities, and underwrites, disburses and administers them on behalf of the parties to the syndicated loan agreement.

"Unincorporated Association Loan" - loan to an unincorporated association or organization that is not a partnership registered under the *Business Names Act*, and that is operated on a non-profit basis for educational, benevolent, fraternal, charitable, religious or recreational purposes.

DETAILED OFFERING STATEMENT

The Credit Union

The Credit Union was created as Ottawa Carleton Credit Union Limited ("Ottawa Carleton CU") on February 2, 2004, as a result of the amalgamation of Ottawa Carleton Credit Union Limited ("Old Ottawa Carleton CU") and Howard Smith (Cornwall) Credit Union Limited ("Howard Smith"). Old Ottawa Carleton CU was itself the result of an amalgamation on October 1, 1999 of Ottawa Carleton Credit Union Limited and Ottawa Citizen Employees Credit Union Limited. Howard Smith was incorporated on July 19, 1956 to serve the employees of a particular paper mill in Cornwall, and had, by the time of the amalgamation with Old Ottawa Carleton CU, expanded its bond of association to include anyone who lived or worked in Cornwall and its surrounding area. The Credit Union adopted its current name on April 2, 2004.

The Credit Union's head office is located at 14 Chamberlain Avenue, Ottawa, Ontario.

The Credit Union owns its head office/Chamberlain branch and its Cornwall branch, and leases its Centrepointe branch.

The Credit Union provides a full range of financial services and products to 12,821 members (as of May 31, 2013) through three offices, located in Ottawa and Cornwall, Ontario, and its Internet and telephone banking systems, including its Interac e-Transfer functionality permitting its members to send or receive funds electronically to or from another person with Internet banking access at any participating financial institution. The Credit Union provides a full range of retail and commercial credit and non-credit financial services and products. See also "Business of the Credit Union", below to page 8.

BUSINESS OF THE CREDIT UNION

General Description of the Business

An overview of the products and services offered by the Credit Union follows:

Personal Financial Services

The Credit Union provides a broad range of personal financial products and services to its members. Retail financial products for individuals include Canadian-dollar savings and chequing accounts, U.S.-dollar savings accounts, and an extensive variety of Canadian-dollar term deposit products in terms of one to five years. The Credit Union also offers a variety of business accounts to serve the needs of its small business members. Registered investment options include registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), tax-free savings accounts ("TFSAs"), and registered education savings plans ("RESPs"). Investment services also include mutual funds offered through an arrangement with Credential Asset Management Inc. outlined at page 29. As at May 31, 2013, members of the Credit Union had $21,692,999 invested through the Credit Union in various mutual funds. All registered plans are trusteed by Concentra Financial, formerly Co-operative Trust Company of Canada ("Concentra").

The Credit Union owns and operates four Automated Banking Machines ("ABMs") located in all three of its branches and at Algonquin College. The Credit Union is also linked to the Interac, Cirrus System and Plus networks and is a member of The Exchange® Network, giving members access to their accounts at point of sale terminals and ABMs well beyond its own branch network and throughout Ontario, Canada, and internationally.

The Credit Union offers a MasterCard credit card through an arrangement with a third party. The Credit Union does not hold the accounts receivable owing from its credit card holders.

Lending Services

The Credit Union, as a Class 2 Credit Union, is permitted to offer Personal Loans, Mortgage Loans, Bridge Loans, Commercial Loans, Agricultural Loans, Institutional Loans, Syndicated Loans and Unincorporated Association Loans, up to limits defined in its lending policies, which are required by regulation to meet a "prudent person" standard. The Credit Union is also subject to a limit on loans to any one person and their "connected persons", as that phrase is defined in a regulation passed pursuant to the Act, of 25% of its Regulatory Capital. The Board has approved, and management follows, its lending policies in all areas to minimize the risk of loan losses. A variety of loan-related group insurance products are also available to members for personal loans and mortgages.

Personal Loans

Personal Loans consist of instalment loans, demand loans, and lines of credit. According to the Credit Union's structural interest rate risk management policy, personal loans and lines of credit are not to exceed 20% of the Credit Union's total assets. Personal loans fully secured by funds on deposit or by real property are limited to $700,000, and other Personal Loans are limited to $150,000, by the Credit Union's credit risk management policy. The Credit Union's unsecured lending limit is $100,000 pursuant to the Credit Union's credit risk management policy. As at May 31, 2013, the Credit Union's Personal Loan portfolio totalled $8,368,446.

Residential Mortgages

The Credit Union offers Mortgage Loans and Bridge Loans to its members. It grants Mortgage Loans to individuals according to conventional mortgage lending standards for residential property. As of May 31, 2013, approximately 82% of the Credit Union's portfolio of Mortgage Loans consists of conventional mortgages; the remainder are high-ratio mortgages insured by the Canada Mortgage and Housing Corporation. According to the Credit Union's structural interest rate risk management policy, Mortgage Loans and Bridge Loans are not to exceed 70% of the Credit Union's total assets. The Credit Union's credit risk management policy limits any Mortgage Loan to $700,000, and any Bridge Loan to $500,000. As at May 31, 2013, the Credit Union's portfolio of Mortgage Loans and Bridge Loans totalled $125,120,320.

Commercial Loans

Commercial Loans consist of mortgages, term loans and operating lines of credit to small and medium-sized businesses, and mortgages that do not meet the definition of a Mortgage Loan because the property is non-owner-occupied, multi-unit residential or non-residential property. According to the Credit Union's structural interest rate risk management policy, Commercial Loans are not to exceed 30% of the Credit Union's total assets. The Credit Union's credit risk management policy limits any Commercial Loan to $2,800,000. As at May 31, 2013, the Credit Union's Commercial Loan portfolio totalled $47,155,203.

Institutional Loans
Institutional Loans are loans to the federal or a provincial, territorial or municipal government or governmental agency, a school board or college funded primarily by the federal or a provincial or territorial government, or an entity funded primarily by the federal or a provincial or municipal government. According to the Credit Union's credit risk management policy, any Institutional Loan is to be limited to $1,000,000. As at May 31, 2013, the Credit Union's Institutional Loan portfolio totalled $45,596.

Agricultural Loans
Agricultural Loans consist of mortgages, term loans and operating lines of credit to all types of agricultural businesses. According to the Credit Union's credit risk management policy, any Agricultural Loan is limited to $2,800,000 and, according to the Credit Union's structural interest rate risk management policy, Agricultural Loans are limited to 10% of the Credit Union's total assets. As at May 31, 2013, the Credit Union's Agricultural Loan portfolio totalled $167,613.

Unincorporated Association Loans
Unincorporated Association Loans consist of any loan made to an unincorporated association or organization that is not a partnership, and that is operated on a non-profit basis for educational, benevolent, fraternal, charitable, religious or recreational purposes. As at May 31, 2013, the Credit Union has no Unincorporated Association Loans outstanding.

Syndicated Loans
Syndicated Loans are loans made by a syndicating credit union and other financial institutions pursuant to a syndicated loan agreement, enabling several lenders to cooperate in making a larger loan than any one of them would have been able or willing to offer to the borrower individually. As at May 31, 2013, the Credit Union's Syndicated Loan portfolio totalled $19,299,973; all of these loans are included in the Credit Union's Commercial Loan portfolio, since they meet the definition of Commercial Loans.

Summary Lending Comments
The Credit Union's credit risk management policy limits the percentage of the Personal Loan and Mortgage Loan portfolio which can be referred to the Credit Union from outside sources, and the percentage of those referrals which can come from any single source. That policy also limits the percentage of Commercial Loans, Unincorporated Association Loans, and Institutional Loans by loan type and industry concentration.

For further information regarding any of these loan portfolios, see the "Loan Composition" heading in the table presented in the "Management's Discussion and Analysis" section, on page 33, note 9 in the Credit Union's condensed interim financial statements, on pages 11 and 12 of Schedule A hereto, and note 9 in the Credit Union's audited financial statements, on pages 24 and 25 of Schedule B hereto.

Mission Statement
The Credit Union's mission is to serve its members as a proud and socially responsible financial services co-operative. Its vision is to achieve growth, attract youth, and reward its members with shared profits. Its values are people, integrity, innovation, commitment, performance and co-operation. The Credit Union is currently focusing on member satisfaction, employee and director engagement, productivity and performance, co-operative commitment and identity.

Bond of Association and Membership

The Act requires that a bond of association exist among members of a credit union. Typically, such bonds of association may be community-based, employer-based, or otherwise based on a group of members with a form of common association. The Credit Union's bond of association is as fully described in section 2.01 of its by-laws, and as summarized below:

- Persons who reside or who work in the Province of Ontario;
- Employees of the Credit Union; and
- The related persons or entities of any person qualifying for membership under the above provisions.

The Credit Union's by-laws also permit those not otherwise qualifying for membership under its bond of association to become members, but only if the aggregate number of such members does not exceed 3% of the membership of the Credit Union.

Certain entities (*i.e.*, corporations, partnerships, and government ministries and agencies) may also become members.

Membership in the Credit Union is granted to applicants who are within the bond of association by enabling them to purchase and hold the required number of Membership Shares as specified in paragraphs 2.03 of the by-laws of the Credit Union. In summary, this section requires those members who are individuals under the age of 18 years to be members of the Credit Union without holding any Membership Shares in the Credit Union, and those members who are entities or who are individuals over the age of 18 years to hold ten five-dollar Membership Shares of the Credit Union.

The Credit Union's by-laws also permit members of the Credit Union to hold, if those members choose to do so, up to two hundred (200) additional Membership Shares in the Credit Union.

Corporate Governance

The business of the Credit Union is directed and governed by its Board, a group of nine individuals who are elected at the annual general meeting of the Credit Union pursuant to a procedure outlined in the Credit Union's by-laws, by the members of the Credit Union in full compliance with the Credit Union's Membership Share requirement who have attained the age of 18 years as of the date of the annual general meeting. Each director is elected for a three-year term on a staggered basis to provide for continuity of Board members. No class or series of shares, other than Membership Shares, carries the right to vote for the Credit Union's Board.

No person may serve as a director of the Credit Union for more than three consecutive three-year terms since the annual general meeting of the Credit Union held in November, 2008.

The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. An Audit Committee has been formed and is composed of at least three members of the Board. Its mandate and duties are set out in the Regulations to the Act. The Audit Committee is responsible for, among other things, reviewing any financial statements which are presented to the members, either at an annual general meeting or within an offering statement, and making recommendations to the Board as to the approval of such financial statements.

The Board shall also appoint a nominating committee of at least three directors, who shall not seek election to the Board while they remain members of the nominating committee. The responsibilities of this committee are to solicit and receive nominations for election to the Board at the next annual general meeting of the Credit Union, and to make recommendations to the membership regarding candidates that are qualified, as determined through a fair, open and transparent process. The by-laws set out a procedure whereby members of the Credit Union may nominate persons for election to the Board.

The Board shall also appoint an executive committee of at least three directors, one of which shall be the Chair of the Board and another of which shall be the Vice Chair of the Board. The committee shall perform such duties as may be delegated to it by the Board.

The Board shall also appoint a President and Chief Executive Officer evaluation committee of at least three directors, which shall perform such duties as may be delegated to it by the Board.

Other Board committees formed from time to time are *ad hoc*, informal and advisory in nature.

The Board has overall responsibility for and authority within the Credit Union, and directs the activities of the President and Chief Executive Officer, to whom it has delegated certain responsibilities according to Board policies. The Credit Union has senior management as outlined on page 26 of the offering statement. The Credit Union's President and Chief Executive Officer has announced his intention to retire from the Credit Union in the fall of 2013, and the Board is now involved in the process of selecting a new President and Chief Executive Officer. The Credit Union has 45 employees, consisting of 41 full-time and 4 part-time employees, the part-time employees equating to approximately 2.9 full-time positions. For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the directors and senior managers of the Credit Union as of the date of this offering statement, see "Directors and Senior Management", beginning on page 25 of the offering statement.

The duties, powers and standards of care and performance for boards of directors, officers and committee members of credit unions are specified in the Act and the regulations passed pursuant to it, and include a duty to act honestly, in good faith, and with a view to the best interest of the credit union, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Business Strategy

The Credit Union has identified the following strategic objectives for its 2012 – 2013 fiscal year:

1. Improved communications with and accessibility to its members.
2. Greater employee engagement through caring and listening.
3. Improving productivity and performance.
4. Forming stronger partnerships with local co-operatives.

The Credit Union is open and responsive to potential purchase/sale or amalgamation opportunities.

The Regulatory Framework

The Credit Unions and Caisses Populaires Act, 1994 (See also "Capital Adequacy", on page 8)

Credit unions and caisses populaires in Ontario are governed by the *Credit Unions and Caisses Populaires*

Act, 1994, with its accompanying regulations and guidelines (collectively referred to as the "Act"). The Deposit Insurance Corporation of Ontario ("DICO") is charged with the responsibility of exercising certain powers and performing certain duties that are conferred or imposed by the Act. Among these duties is monitoring compliance with section 84 of the Act, which requires that adequate and appropriate forms of Regulatory Capital and liquidity be maintained by credit unions and caisses populaires. Credit unions and caisses populaires which do not meet the minimum Regulatory Capital levels required may be granted a variation of the Regulatory Capital requirements by DICO, subject to such terms and conditions as it may impose.

DICO is an Ontario Provincial Agency under the Act. DICO's role is to protect depositors in Ontario credit unions and caisses populaires from loss of their deposits. Deposit insurance is part of a comprehensive depositor protection program for all Ontario credit unions and caisses populaires which is backed by provincial legislation. DICO is able to impose certain requirements as a condition of continuing its deposit insurance coverage and, in the event that a credit union or caisse populaire fails to comply and is believed to represent a threat to the deposit insurance fund, has broader power to take corrective action, which may include placing the credit union under Supervision or Administration, should circumstances so warrant. DICO has rated the Credit Union on its differential premium system, enabling calculation of the Credit Union's deposit insurance premium for its fiscal year ending September 30, 2013, and its insurance is in place and in good standing regarding that fiscal year. The Credit Union is required to report to DICO immediately any actual or anticipated event which is likely to have a material impact on the Credit Union's financial position and increase DICO's insurance risk. In that event, DICO reserves the right to impose other terms, conditions, or requirements as DICO deems appropriate.

Credit Union Central of Ontario, Central 1 Credit Union and Credit Union Central of Canada

Each province in Canada has one or more central credit unions that serve their member credit unions in the province and in Ontario, one of these bodies is Central 1 Credit Union ("Central 1"). Central 1 was formed through a merger of Credit Union Central of British Columbia ("CUCBC") and Credit Union Central of Ontario ("CUCO") on July 1, 2008. As an incorporated association owned by its approximately 145 member credit unions in Ontario (101 credit unions) and British Columbia (44 credit unions), Central 1 provides liquidity management, payments, Internet and trade association services to its member credit unions.

As the central banker for its member credit unions, Central 1 provides, through an arrangement with a third party, centralized cheque clearing, and itself provides lending services to member credit unions. Lending services include overdraft facilities, demand loans, and term loans at fixed and variable rates.

Central 1 also undertakes government relations, economic forecasting, and market research and planning.

As a member of Credit Union Central of Canada ("CUCC"), Central 1 and its member credit unions enjoy access to national government relations efforts, national marketing and research, and a voice in the World Council of Credit Unions, a world-wide association of national credit union associations of which CUCC is a member.

To become a member of Central 1, the Credit Union must purchase membership shares calculated based on the percentage of its total assets were of the system's total assets as of the preceding calendar year end. The Credit Union must also maintain a liquidity reserve deposit at Central 1 equal to 6% of its total assets, and pay membership dues which are calculated using a formula which is based on the Credit Union's membership.

As at May 31, 2013, the Credit Union's membership in Central 1 is in good standing.

As a pre-condition of the merger to form Central 1, CUCO was required to divest itself of investments in certain third party asset-backed commercial paper ("ABCP"). The resolution approved the creation of a limited partnership (the "Partnership") to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. As a result, on July 1, 2008, immediately prior to the merger of CUCO and CUCBC, the excluded ABCP with a total par value of $186,916,000 was acquired by the Partnership at its estimated fair value of $133,564,000, including accrued interest, net of expenses, and other assets. As there was no liquid market in these ABCP investments, the fair values used to determine the acquisition price were provided by Edenbrook Hill Capital Ltd., a firm engaged by CUCO to provide an independent valuation of these assets underlying the ABCP investments.

Members of CUCO were required to purchase units in the Partnership based on their proportionate share ownership in CUCO prior to the date of the merger. As a result, the Credit Union was required to purchase units in the Partnership with a total fair value of $1,307,000 on the acquisition date.

In January 2009, the restructuring of the ABCP investments took place as part of the Pan Canadian Investors Committee's restructuring. The Partnership's ABCP investments were exchanged for Restructured Asset Backed Notes (RABN).

On August 17, 2011 CUCO discontinued as a regulated financial institution and continued as a co-operative known as CUCO Cooperative Association ("CUCO Co-op"). On August 31, 2011 CUCO Co-op purchased the investment portfolio of long term notes from the Partnership in exchange for Class B investment shares which were distributed to the Partnership's unit holders. This combination of steps restructured the Credit Union's holding in the assets, created a new investment and unlocked a potential tax shelter on any future gains in value. On October 24, 2011, the Board of the Partnership approved a resolution to dissolve the limited partnership as it had ceased operations and disposed of all assets. As the investment in CUCO Co-op Class B investment shares represented a new investment, the Credit Union elected to classify it as "Fair Value through Profit or Loss", requiring the investment to be carried at fair value with all gains and losses in value to be recorded in income. At May 31, 2013 CUCO Co-op provided the Credit Union with an estimate of fair value of its investment of $1,073,809.

Tier I and Tier II Regulatory Capital

Capital is defined in the general regulation passed pursuant to the Act as the Credit Union's Tier 1 capital and Tier 2 capital. Tier 1 capital, regarded as the most permanent form of capital, includes the Credit Union's Membership Shares, retained earnings, and Class B Investment Shares, Series 1 and Series 2, which are not eligible to be redeemed in the twelve months following the date of the determination, and would include some portion of the Credit Union's Class A Shares, if any were issued and outstanding. The Credit Union's Tier 2 capital includes that portion of the Class B Investment Shares, Series 1 and Series 2, which can be redeemed in the next twelve months, and a portion of the Credit Union's collective loan provision, and would include the portion of the Credit Union's Class A Shares which did not qualify as Tier I capital, if any were issued and outstanding. A credit union, to the extent that its Tier II capital exceeds its Tier I capital, may not include the excess Tier II capital as Regulatory Capital. Since the Credit Union's Tier I capital at all times exceeds its Tier II capital, both its Tier I capital and also its Tier II capital are included in Regulatory Capital.

Capital Adequacy
As at May 31, 2013, and as at September 30, 2012, 2011 and 2010, the Credit Union was in compliance with the Regulatory Capital adequacy requirements of the Act, as indicated under the "Compliance with Capital Requirements" heading of the table at page 33 of the offering statement.

Based on the total assets and Regulatory Capital at May 31, 2013, the Credit Union's Leverage Ratio would increase to 6.56% if this offering is minimally subscribed and to 10.29% if fully subscribed. Based upon the Credit Union's condensed statement of financial position at May 31, 2013, this offering would support additional growth of $137,238,187 if minimally subscribed, and $337,238,187 if fully subscribed, while still maintaining the Leverage Ratio at no less than the regulatory minimum requirement of 4%.

The growth possible for the Credit Union, if this offering is fully or minimally subscribed, is calculated as follows. If this offering is fully subscribed, the Credit Union will have Regulatory Capital of $22,068,161. Dividing this amount of Regulatory Capital by the required Leverage Ratio of 4.00% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of $551,704,025. Subtracting from this level of assets the Credit Union's total assets as reported on its condensed statement of financial position at May 31, 2013 indicates that the Credit Union could grow by $337,238,187 if this offering is fully subscribed. The Credit Union's Leverage Ratio in this case will be 10.29%, assuming no growth from the assets disclosed on the Credit Union's condensed interim financial statements as at May 31, 2013.

If this offering is only minimally subscribed, however, the Credit Union will have Regulatory Capital of $14,068,161. Dividing this level of Regulatory Capital by the required Leverage Ratio of 4.00% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of $351,704,025. Subtracting from this level of assets the Credit Union's total assets as reported on its condensed statement of financial position at May 31, 2013 indicates that the Credit Union could grow by $137,238,187 if this offering is minimally subscribed. The Credit Union's Leverage Ratio in this case would be 6.56%, assuming no growth from the assets disclosed on the Credit Union's condensed interim financial statements as at May 31, 2013.

Additional Information
For more information regarding the Credit Union's operations, see "Management's Discussion and Analysis" beginning on page 30, the condensed interim financial statements as of May 31, 2013 attached hereto as Schedule A, and the audited financial statements as at September 30, 2012 attached hereto as Schedule B.

CAPITAL STRUCTURE OF THE CREDIT UNION

The Credit Union has three classes of shares in its capital structure: Membership Shares, Class A Special Shares (the "Class A Shares"), and Class B Special Shares (the "Class B Shares"), of which both Class A Shares and Class B Shares are issuable in series. The Credit Union has not created any series of Class A Shares, and there are currently no Class A Shares of the Credit Union issued and outstanding. The Credit Union has created and authorized two series of Class B Shares (the "Class B Investment Shares, Series 1" and the "Class B Investment Shares, Series 2").

The following represents a summary of the rights of the Membership Shares, the Class A Shares, and the Class B Investment Shares, Series 1, in the capital structure of the Credit Union regarding dividends, return of capital on dissolution, redeemability at the holder's initiative, redeemability at the Credit Union's initiative, voting, and treatment of shares as Regulatory Capital: The rights of the Class B Investment Shares, Series 2, are discussed under the heading "Description of Securities Being Offered", beginning at page 12 hereof.

	Membership Shares	**Class A Shares**	**Class B Investment Shares, Series 1**
Right			
Dividends	The holders of the Membership Shares are entitled, after payment of dividends to holders of the Class B Investment Shares, Series 1 and Series 2, and of the Class A Shares, of the Credit Union, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Dividends may be paid in the form of cash or Class A Shares. Dividends are taxed as interest income and not as dividends.	The holders of Class A Shares are entitled, in preference to the holders of the Membership Shares and of any other class of shares ranking junior to the Class A Shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class A Shares, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.	The holders of Class B Investment Shares, Series 1, are entitled, in preference to the holders of the Class A Shares, of the Membership Shares and of any other class of shares ranking junior to the Class B Investment Shares, Series 1, but equally with the Class B Investment Shares, Series 2, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class B Investment Shares, Series 1, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of capital on dissolution	The holders of the Membership Shares are entitled, on dissolution of the Credit Union, to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all the Credit Union's debts and obligations, including redemption of the Class B Investment Shares, Series 1 and Series 2, and the Class A Shares.	The holders of Class A Shares are entitled, in preference to the holders of the Membership Shares, and of any other class of shares ranking junior to the Class A Shares, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.	The holders of Class B Investment Shares, Series 1, are entitled, in preference to the holders of the Class A Shares, of the Membership Shares and of any other class of shares ranking junior to the Class B Investment Shares, Series 1, but rateably with the Class B Investment Shares, Series 2, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.
Redeemability at the holder's initiative	The holders of Membership Shares have no ability to	The redeemability of the Class A Shares at the holder's initiative has not yet been determined, and will	Holders of the Class B Investment Shares, Series 1, may request retraction five years or more after

	Membership Shares	Class A Shares	Class B Investment Shares, Series 1
Right			
(Retraction)	redeem his or her Membership Shares held. See, however, the Credit Union's ability to redeem Membership Shares at its initiative, as outlined under the heading "Redeemability at the Credit Union's initiative", below.	be outlined in the resolution creating any series of Class A Shares which the Credit Union intends to issue.	the shares were issued, and at any time after the death or expulsion from membership in the Credit Union of the shareholder. Retractions are at the sole and absolute discretion of the Board. In no case shall the total number of Class B Investment Shares, Series 1, redeemed in any fiscal year exceed 10% of the issued and outstanding Class B Investment Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.
Redeemability at the Credit Union's initiative	Upon a member's death or withdrawal or expulsion from membership in the Credit Union, the Credit Union must redeem, and, when the Credit Union reduces its Membership Share requirement, the Credit Union may redeem, the Membership Shares held at the amount paid up for each such Membership Share, plus any declared but unpaid dividends thereon, unless such redemption would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	The redeemability of the Class A Shares at the Credit Union's initiative has not yet been determined, and will be outlined in the resolution creating any series of Class A Shares which the Credit Union intends to issue.	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 1, outstanding at any time five years or more after the shares are issued.
Voting	Each member of the Credit Union in full compliance with the Credit Union's Membership Share	Class A Shares do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares have voting rights	Class B Investment Shares, Series 1, do not carry any voting rights, except when the Act requires that these shares carry voting rights. The Act requires that these shares

	Membership Shares	Class A Shares	Class B Investment Shares, Series 1
Right			
	requirement and over the age of 18 years has one vote on any matter considered by a membership meeting of the Credit Union, regardless of the number of Membership Shares held.	at a meeting of the holders of the Class A Shares, when the Credit Union is seeking the approval of those shareholders for a fundamental change (*i.e.*, the sale of more than 15% of the Credit Union's assets, the purchase of assets valued at more than 15% of the Credit Union's assets, the amalgamation of the Credit Union, the dissolution of the Credit Union, an amendment to its articles of incorporation that directly affect the terms and conditions of the Class A Shares, Series 1, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class A Share has one vote in these circumstances.	have voting rights at a meeting of the holders of the Class B Investment Shares, Series 1, when the Credit Union is seeking the approval of those shareholders for a fundamental change (*i.e.*, the sale of more than 15% of the Credit Union's assets, the purchase of assets valued at more than 15% of the Credit Union's assets, the amalgamation of the Credit Union, the dissolution of the Credit Union, an amendment to its articles of incorporation that directly affect the terms and conditions of the Class B Investment Shares, Series 1, or the continuance of the Credit Union under the laws of another jurisdiction or under another Ontario statute). Each Class B Investment Share, Series 1, has one vote in those circumstances.
Treatment as Regulatory Capital	The Credit Union includes all of its Membership Shares as Tier I Regulatory Capital.	Since the redeemability of the Class A Shares at the holder's option and at the Credit Union's option has not yet been determined, the treatment of the Class A Shares as regulatory capital cannot be determined at this time.	The Credit Union includes the Class B Investment Shares, Series 1, for the first five years after issuance, as Tier I Regulatory Capital, and thereafter includes 90% of those shares as Tier I Regulatory Capital. The Credit Union includes the remaining Class B Investment Shares, Series 1, as Tier II Regulatory Capital.

Capital is defined by its relative permanence (*i.e.*, inability to be redeemed quickly), freedom from mandatory fixed charges against the earnings of the Credit Union *(e.g.*, cumulative dividends), and subordinate position to the rights of depositors and other creditors of the Credit Union, who are paid the sums they are due before the holders of capital receive any funds. Tier 1 capital qualifies as capital under all three definitions. Tier 2 capital, in general, meets only two of the three definitions. A credit union, to the extent that its Tier 2 capital exceeds its Tier 1 capital, may not include the excess Tier 2 capital as Regulatory Capital. A credit union's Membership Shares and retained earnings qualify as Tier 1 capital. Since the Credit Union's Tier 1 capital at all times exceeds its Tier 2 capital, both its Tier 1 capital and also its Tier 2 capital are included in Regulatory Capital. Information on the Class B Investment Shares, Series 2 follows below under the heading "Description of Securities Being Offered".

DESCRIPTION OF SECURITIES BEING OFFERED

Class B Investment Shares, Series 2

Issue

Class B Investment Shares, Series 2, issuable at $1.00 each, will only be issued to members of the Credit Union. If the purchaser is a natural person (*i.e.*, an individual), he or she must be at least 18 years of age to purchase Class B Investment Shares, Series 2. Legal persons (*e.g.*, corporations, partnerships, and trusts) may purchase Class B Investment Shares, Series 2.

Dividends

The holders of Class B Investment Shares, Series 2, are entitled, in preference to holders of the Class A Shares (if there were any issued and outstanding), and of the Membership Shares, to receive dividends if, as and when declared by the Board. Holders of the Class B Investment Shares, Series 2, may, however, by majority vote at a special meeting, consent to the prior payment of dividends to holders of a junior class of shares.

The payment of such dividends will be in cash, in additional Class B Investment Shares, Series 2, or in a combination of both, and on such terms as may be determined from time to time by the Board.

For a discussion of the Credit Union's dividend policy regarding Class B Investment Shares, Series 2, see pages 21 to 23.

Canadian Federal Income Tax Considerations

The following summary has been prepared by management, of the principal Canadian federal income tax consequences applicable to a holder of a Class B Investment Share, Series 2, who acquires the share pursuant to this offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Act"), is resident in Canada and holds the share as capital property.

This summary is based on the facts contained in this offering statement and based upon management's understanding of the provisions of the Act and the regulations thereunder as they currently exist and current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account specific proposals to amend the Act and the regulations thereunder that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof. There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. This summary does not also take into account provincial, territorial or foreign tax legislation or considerations. No advance income tax ruling has been requested or obtained in connection with this offering statement, and there is a risk that the CRA may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN TAX ADVISORS.

Dividends
A holder of a Class B Investment Share, Series 2, will be required to include in computing income the dividends paid on the shares, whether paid in cash or in the form of additional shares. Dividends paid to a holder of a Class B Investment Share, Series 2, are deemed to be interest for Canadian income tax purposes. This income will be subject to income tax in the same manner as other interest income.

Redemption
On a redemption of a Class B Investment Share, Series 2, to the extent that the redemption proceeds exceed the paid-up capital of the share, the excess is deemed to be interest received by the holder of the Class B Investment Share, Series 2. This interest must be included in computing the income of the holder in the year of redemption. The proceeds of disposition under these circumstances are reduced by the amount of deemed interest. To the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base and reasonable disposition costs, a capital gain (or capital loss) may be realized and taxed as described below.

Other Dispositions
The disposition of a Class B Investment Share, Series 2, to another member may give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Class B Investment Share, Series 2, and reasonable disposition costs. One-half of the capital gain is included in computing the income of the holder of the Class B Investment Share, Series 2, and one-half of any capital loss may be deducted but only against capital gains of the holder. Unused capital losses may be carried back to the three preceding taxation years to offset capital gains in those years, and they may be carried forward indefinitely. Under certain specific circumstances, the capital loss may be denied and therefore not available to offset capital gains of the holder. In addition, if certain criteria are met, an allowable capital loss may be considered a business investment loss and may be applied to reduce other income of the holder. This loss or a portion thereof may be carried back to the three preceding taxation years to reduce income in those years and may be carried forward for 10 taxation years before reverting to a regular capital loss.

Eligibility for Deferred Income Plans
The Class B Investment Shares, Series 2, will be a qualified investment for registered plans (*i.e.*, RRSP, TFSA). The transfer of any shares by a holder to a registered plan constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive the proceeds of disposition for the shares equal to their fair market value at that time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder until the share is disposed to an arm's length person. Interest expense related to shares transferred to an RRSP is not deductible for income tax purposes.

RRSP and TFSA-Eligible
Concentra Trust will accept Class B Investment Shares, Series 2, purchased in this offering to be contributed to a member's RRSP or TFSA. The proceeds of redemption or transfer of Class B Investment Shares, Series 2, held in a RRSP will remain inside that RRSP unless the annuitant specifically requests otherwise in writing.

Note, however, that the Credit Union will permit purchasers to hold Class B Investment Shares, Series 2, inside a RRSP only if they have not yet attained the age of sixty-six years as of the Issue Date. Members intending to hold Class B Investment Shares, Series 2, in a RRSP should carefully review the transfer and redemption restrictions of these shares, since the Credit Union will not permit the Class B Investment Shares, Series 2, to be held in a RRIF.

Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Investment Shares, Series 2, will be paid the Redemption Amount for each such share held, in priority to holders of the Class A Shares (if any are then issued) and of the Membership Shares and rateably with holders of other series of Class B Shares, including Class B Investment Shares, Series 1, but after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Investment Shares, shall not thereafter be entitled, as holders of Class B Investment Shares, Series 2, to participate in the distribution of the Credit Union's assets then remaining, but will retain any rights they may have to such a distribution as holders of Class A Shares or of Membership Shares. Distributions regarding Class B Investment Shares, Series 2, held in an RRSP will remain in that RRSP unless the annuitant specifically requests otherwise in writing.

Voting Rights

The Class B Investment Shares, Series 2, are Non-Voting for the purposes of annual or special meetings of the members of the Credit Union. In the event of a proposed dissolution, amalgamation, continuance, purchase of assets representing a Substantial Portion of the Credit Union's assets, the sale, lease or transfer of a Substantial Portion of its assets, or a proposed resolution which affects the rights attaching to the Class B Investment Shares, Series 2, it shall hold a special meeting of the holders of Class B Investment Shares, Series 2, which may be held separately from the special meeting of the holders of any other series of Class B Shares, including the Class B Investment Shares, Series 1, if their rights are affected differently from those of the holders of any other series of Class B Shares. The holders of Class B Investment Shares, Series 2, shall have one vote per Class B Investment Share, Series 2, held at such meetings to consider such an event or resolution, which requires approval by Special Resolution. Approval at a meeting of the members of the Credit Union, and at meetings of the holders of all other classes of shares in its capital structure, including the Class A Shares if there are any such shares then issued and outstanding, will also be required.

Redemption Provisions and Restrictions

Holders of Class B Investment Shares, Series 2, may not request that the Credit Union redeem the shares they hold until five years after the issuance of those shares, except where the holder dies or is expelled from membership in the Credit Union. Redemptions are subject to the aggregate limits detailed below.

Approval of any redemption request is in the sole and absolute discretion of the Board. The Board may not approve a request if, in the opinion of the Board, honouring such redemption request will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act.

In no case shall total redemptions approved for holders of Class B Investment Shares, Series 2, in any fiscal year exceed an amount equal to 10% of the total Class B Investment Shares, Series 2, outstanding at the end of the previous fiscal year. The Board will approve redemption requests quarterly, on a first come, first served basis, as evidenced by the time and date to be marked on each request when received by the Credit Union. Redemption requests not fulfilled during one fiscal year will be carried forward and considered at the first meeting of the Board in the following fiscal year.

The Credit Union has the option of redeeming, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 2, then outstanding, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after the fifth anniversary of the Issue Date. If the Credit Union redeems only a portion of the Class B Investment Shares, Series 2, then outstanding, the Credit Union must redeem such Class B Investment Shares, Series 2, *pro rata* from all holders of such shares at that time. The proceeds of any redemption of Class B Investment Shares, Series 2, held inside an RRSP will remain inside the RRSP unless the annuitant specifically requests otherwise in writing.

Purchasers of Class B Investment Shares, Series 2, who are intending to include such shares in an RRSP contract should carefully review the above redemption provisions and restrictions before proceeding. The Credit Union will only permit shareholders who purchase Class B Investment Shares, Series 2, in this offering to hold those shares in an RRSP contract if the purchaser/annuitant has not attained the age of sixty-six years as of the Issue Date, and will not permit Class B Investment Shares, Series 2, to be held in a RRIF contract.

<u>Restrictions on Transfer</u>
Class B Investment Shares, Series 2, may not be transferred except to another member of the Credit Union. Transfers will be subject to the approval of the Board. Transfer requests must be in writing, using a form approved by the Board. Transfer requests will be tendered to the registered office of the Credit Union. Class B Investment Shares, Series 2, will be transferred to other members at a price equal to the current Redemption Amount. The proceeds of disposition of Class B Investment Shares, Series 2, held inside an RRSP will remain inside that RRSP unless the annuitant specifically requests otherwise in writing.

No member, through transfers of Class B Investment Shares, Series 2, from other members, will be allowed to hold more Class B Investment Shares, Series 2, than the member would otherwise have been able to subscribe for in this initial offering (250,000 shares or the Maximum Permissible Holding, whichever is lesser). **There is no market for the Class B Investment Shares, Series 2, issued by the Credit Union.** The Credit Union may, however, choose to maintain a list of willing buyers, and attempt to facilitate a transfer to a willing buyer rather than process a redemption when a holder of Class B Investment Shares, Series 2, requests redemption; this procedure will not apply when a holder of Class B Investment Shares, Series 2, or his or her estate, is required by law to transfer the shares to another member of the Credit Union (*e.g.*, by the Will of a deceased shareholder), or has already located a purchaser for his or her Class B Investment Shares, Series 2.

<u>Articles of Amalgamation; Articles of Amendment</u>
Prospective purchasers of Class B Investment Shares, Series 2, may obtain, on request at the registered office of the Credit Union, a copy of the articles of amalgamation creating the Credit Union, and the articles of amendment creating the Class B Investment Shares, Series 2. This document defines its share capital structure, including the full terms and conditions of the Class B Investment Shares, Series 2.

RISK FACTORS

The Credit Union's enterprise risk management policy requires the Credit Union to optimize the trade-off of risk and return across all of its business activities, to ensure the Credit Union accepts an appropriate level of risk to meet its business objectives. The Credit Union is required to conduct risk assessments no less frequently than annually. The Credit Union's Board reviews quarterly the Credit Union's risk profile, risk appetite, philosophy and risk management policies and accountabilities. The Credit Union's audit committee makes recommendations to the Board regarding appropriate levels of risk and the effectiveness of the Credit Union's risk management strategies.

The following risk factors should be considered in making a decision to purchase Class B Investment Shares, Series 2.

Transfer and Redemption Restrictions

There is no market through which the Class B Investment Shares, Series 2 may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union. Note that such a transfer is not treated as redemption, and is therefore not limited as outlined below. See "Restrictions on Transfer", on page 15, for a further discussion of transfers of Class B Investment Shares, Series 2.

The Act prohibits redemption of shares if the Board of the Credit Union has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and Regulatory Capital adequacy tests for credit unions.

Redemptions of Class B Investment Shares, Series 2, are permitted at the sole and absolute discretion of the Board, and are not permitted during the five years following their issuance except when a shareholder dies or is expelled from membership in the Credit Union. Redemptions are limited in any fiscal year to 10% of the Class B Investment Shares, Series 2, outstanding at the end of the previous fiscal year. Consequently, holders of Class B Investment Shares, Series 2, may not be able to sell or redeem their securities when they wish to do so.

Members who intend to hold Class B Investment Shares, Series 2, within an RRSP contract should carefully review this risk factor before proceeding. The Credit Union will only permit shareholders who purchase Class B Investment Shares, Series 2, in this offering to hold those shares in an RRSP contract if the purchaser/annuitant has not attained the age of sixty-six years as of the Issue Date, and will not permit Class B Investment Shares, Series 2, to be held in a RRIF contract.

Capital Adequacy

The Act requires the Credit Union to maintain a Risk-Weighted Assets Ratio and a Leverage Ratio equal to or greater than a percentage stated in the Regulations passed pursuant to the Act. The Credit Union is required to maintain a Leverage Ratio of 4.00% and a Risk-Weighted Assets Ratio of 8.00%. The Credit Union complies with both of these requirements as of the date hereof, and in its capital management policy has set a minimum Leverage Ratio of 5.00% and a minimum Risk-Weighted Assets Ratio of 9.00%.

For further information regarding the Credit Union's Regulatory Capital adequacy, see "Capital Adequacy" on page 8.

Payment of Dividends

The Credit Union has established a record for the payment of dividends on its Membership Shares and its Class B Investment Shares, Series 1, in its last five fiscal years, detailed on pages 21 and 22, but has no history of dividend payments on the Class B Investment Shares, Series 2.

Past payment of dividends or other distributions in no way indicates the likelihood of future payments of dividends. The payment of dividends to the holders of Class B Investment Shares, Series 2, is dependent on the ability of the Credit Union to meet the Regulatory Capital requirements of the Act, and on the availability of earnings; the Credit Union's capital management policy prohibits dividends, interest rebates and patronage dividends which exceed annual profitability or would cause the Credit Union to fall below the minimum Leverage Ratio and Risk-Weighted Assets Ratio required by that policy.

Dividends on Class B Investment Shares, Series 2, are taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The Board has stated a dividend policy for Class B Investment Shares, Series 2, as outlined on pages 21 to 23 hereof; this policy may be changed at any time, at the discretion of the Board, and the Board may at any time approve exceptions to this policy. Dividends paid may therefore not be in accordance with this policy.

Credit Risk

The major activity of the Credit Union is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such applications, will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Class B Investment Shares, Series 2, when the members wish it to do so.

A discussion of the Credit Union's accounting policies regarding its loans to its members is found in note 3 to the audited financial statements included in this offering statement, under the heading "Loans to members", at page 15 of Schedule B hereto.

Further discussion of the composition of the Credit Union's loan portfolio, and its allowance and provision for impaired loans, appears in note 9 to the condensed interim financial statements included in this offering statement, beginning at page 11 of Schedule A hereto, and in note 9 to the audited financial statements included in this offering statement, beginning at page 24 of Schedule B hereto, and in the table of financial performance indicators on page 33.

Market Risk

The Credit Union is also exposed to risk in respect of its investments. The investment risk management policy of the Credit Union, approved by its Board, requires the Credit Union's investments to reflect, in order of priority, safety of principal, liquidity, income, the needs of the credit union system, and the social, economic and ethical wellbeing of the community. Eligible liquid investments are the following:

- Central 1 deposits up to 5 years up to 100% of liquid assets in US$ and C$;
- Concentra Financial investments up to 1 year up to $2 million;
- Government of Canada treasury bills and bonds to 5 years term to maturity up to 100% of liquid assets;
- Schedule I or "A" bank deposit notes or bonds with two credit ratings of AA-low or higher for terms up to 1 year up to 100% of liquid assets; and
- Demand Savings accounts with two credit ratings of A-high or higher up to 50% of liquid assets.

Eligible non-liquid assets and other investments are:

- Concentra Financial investments beyond 1 year up to $2 million.
- CUCO Co-operative Association Investment Shares up to $2 million.
- Central 1 and other affiliate capital shares up to $2 million.

As of May 31, 2013, the Credit Union complied with this investment policy.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. Since the Credit Union is a Class 2 Credit Union, it is simply required to establish and maintain prudent levels and forms of liquidity that are sufficient to meet its cash flow needs.

The Credit Union's liquidity management policy provides that it should maintain liquidity between 6% and 16% of assets, with a prudent risk tolerance level of 10% of assets. The policy also sets out permitted levels for two liquidity stress tests measuring liquidity against anticipated outflows. Funds are invested as permitted by its investment policy.

The policy prohibits deposits from a single depositor or connected persons which in the aggregate exceed 3% of the Credit Union's total assets. The Credit Union maintained an average liquidity position of 11.5% in its fiscal year ended September 30, 2012, and of 10.8% in the eight months ended May 31, 2013.

The Credit Union has access to a CDN $10.4 million credit facility from Central 1, which is available to cover shortfalls in cash resources and for liquidity purposes if warranted. For further information, see "Senior Debt" at page 25.

Structural Risk

Structural risk comprises exposure to interest rate movements (basis risk, mismatch risk, yield curve risk and option risk), and exposure to foreign exchange rate movements.

- Basis risk is the risk to income from variable rate deposits funding variable rate loans that change at different speeds.

- Mismatch risk is the risk to income from variable rate deposits funding fixed rate loans or variable rate loans funded by fixed rate deposits.

- Yield curve risk is the risk to income from fixed rate deposits funding fixed rate loans of a different term.

- Option risk is the risk to income from options embedded in many deposit or loan products.

There are two levels of interest rate risk that the credit union measures and monitors to meet regulatory requirements. Specifically, the credit union must measure interest rate risk as it relates to earnings at risk and as it relates to equity (duration of capital). Earnings at risk measure the impact that short term interest rates have on 12 month net interest income. Duration of capital measures the impact that the mismatch between the maturities of assets and liabilities has on the equity of the credit union. To measure all structural risks properly, an earnings at risk and duration of capital test must be performed.

Regarding interest rate risk, it is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set out in that policy. To monitor its interest rate risk, the Credit Union uses a comprehensive set of financial reporting systems, including computerized modelling techniques, evaluates stress tests which measure the estimated reduction in forecasted net income margin for the current fiscal year-end and for the next 12, 24 and 36 months under a series of rate shock scenarios defined by management and approved by the Board, associated with all on- and off-balance sheet activity. Using an income simulation model, the allowable exposure of the Credit Union's current forecasted interest margin to a 100 Basis Point upward or downward shock to interest rates shall be determined and measured against a limit established by management and approved by the Board (currently $150,000). Using duration analysis, the duration of capital (the difference in the duration, i.e., term to maturity, of assets and liabilities expressed over capital) shall be determined and measured against a limit established by the Board (currently +5 to -7 years). The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary, to correct a potential mismatch, although such adjustments may not succeed in fully eliminating the mismatch; the Credit Union may also use derivatives to reduce interest rate risk to an acceptable level.

The Credit Union is permitted to, and does, use derivative instruments to manage and control interest rate risk, and foreign exchange derivatives may be used to manage foreign currency interest rate risk. See page 29 for further information.

The policy also imposes ranges, expressed as percentages of total assets, in which major asset and liability classes must be maintained.

As at May 31, 2013, the Credit Union's earnings risk was -$122,000 for a 50 Basis Points downward shock in interest rates (which would decrease the Credit Union's Regulatory Capital by 0.057%), and $699,000 for a 100 Basis Points upward shock in interest rates. The duration of capital was -5.58 years. These exposures are in compliance with the Board's policy in this regard.

In the event that the Credit Union's exposure to interest rate risk was to exceed the policy limits described above, future profitability could become seriously eroded should interest rates move in the direction where the Credit Union has an exposure, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares. Management, however, could employ one or more of several techniques to mitigate the potential risk.

Operational Risk

Operational risk is the risk that, in any operational area of the Credit Union (*i.e.*, capital, credit, market, structural, and liquidity management), a financial loss will result from fraud, human error, or bad judgement. The Credit Union's internal control policy requires appropriate and effective internal control policies, segregation of duties, information systems, accounting and record-keeping, safeguarding of physical assets from loss or misappropriation, a list of designated counterparties for material transactions, insurance, duplicates or back-ups of records, and business continuity and disaster recovery plans (reviewed by the audit committee and periodically tested). The policy also requires management to develop and maintain requirements relating to the selection and monitoring of outside service providers, and to provide to the audit committee annually a report on activity, risk, philosophy, materiality criteria, and approval limits with a list of outstanding contracts.

The Credit Union is open and responsive to potential purchase/sale or amalgamation opportunities. Any such transaction may increase the complexity of the Credit Union's operations.

Regulatory Action

Under the Act, DICO has the authority to place a credit union under Supervision or Administration should it believe that there is a potential for that credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by that credit union or caisse populaire against the deposit insurance fund.

Reliance on Key Management

The success of the Credit Union's business strategy is dependent on the ability of the Credit Union to retain its senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance.

The Credit Union does not have employment contracts with any of its senior managers that require such persons to provide the Credit Union with notice, longer than that which would be ordinarily required by law, of the termination of his or her employment relationship with the Credit Union.

The Credit Union also does not carry key person life insurance on any of its senior managers.

The Credit Union has a succession plan in place for the President and Chief Executive Officer, upon which the Board is now acting given the announcement of the planned retirement of the President and Chief Executive Officer in the fall of 2013.

Geographic, Economic and Competitive Risk

Like every other financial institution, the Credit Union is affected by periods of economic downturn that result in a lack of consumer confidence, a drop in demand for loans and mortgages, or a reduction in the level of savings. The Credit Union, as a community-bond credit union, is dependent to a significant degree on the economic performance of the communities that it serves.

The financial services industry continues to be extremely competitive. The major banks have expanded their traditional core banking business into other financial services, where they now dominate the brokerage and trust industries. As a result, the sheer size and increasing scope of their diversified operations represent both a challenge and an opportunity to credit unions. The success of credit unions depends largely on their ability to differentiate themselves from large banks, and on their ability to provide personal service while supplying new products and services to meet their members' needs, thereby ensuring that they earn sufficient profits to continue to grow and prosper. The Credit Union offers a full range of products and services.

It is the opinion of the management of the Credit Union that it has a demographically-diverse membership, and is not dependent on the performance of any particular employer of its members. The Credit Union estimates that approximately 50% of its membership is employed in the education sector, 25% of its membership is employed in the municipal sector, and 25% of its membership is employed in other sectors and/or retired.

The Credit Union's membership is divided amongst two different communities with one third in the Cornwall region and two thirds in the Ottawa region.

According to Central 1's publication "Ontario Regional Economic Review – Summer 2013", employment in the Ottawa economic region in the first quarter of 2013 declined following a rebound in the final quarter of 2012, to remain below the average 2012 level. This is consistent with an expected slowdown in the growth of public sector spending. Unemployment, however, fell to 6.2% in the first quarter of 2013, and has fluctuated between 6% and 6.6% since 2011. MLS® sales in the Ottawa economic region have fallen to the lowest level since mid-2010 due to weaker employment trends and tighter lending standards. Despite this decline, however, pricing was stable; the average MLS® price in the region is now $335,700, and has been steady since 2012.

DIVIDEND RECORD AND POLICY

The Credit Union has paid the following dividends with regard to its last five fiscal years:

	Membership Shares		Class B Investment Shares, Series 1	
Fiscal Year Ended	% on Outstanding Shares	Amount Paid	% on Outstanding Shares	Amount Paid
September 30, 2012	0.0%	0	3.10%	$88,500
September 30, 2011	0.0%	0	3.20%	$87,500
September 30, 2010	0.0%	0	3.54%	$97,000
September 30, 2009	0.0%	0	3.39%	$94,000
September 30, 2008	0.0%	0	4.84%	$149,000

Although Class A Shares are authorized for issue, there have been no Class A Shares issued during the Credit Union's last five fiscal years of operation.

Please note that all dividends paid on Class B Investment Shares, Series 1, were paid in the form of additional Class B Investment Shares, Series 1.

Past payment of dividends is in no way an indicator of the likelihood of payment of future dividends.

For a discussion of the priority of the various classes of shares in the payment of dividends, and the restrictions placed on the Board in the declaration of dividends, see pages 9, 12, 13, and 17.

The dividend policy of the Credit Union's Board for Class B Investment Shares, Series 2, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, including whether in the form of additional Class B Investment Shares, Series 2, in cash, or partly in shares and partly in cash. Fractional shares will not be issued; dividends paid in the form of shares will be rounded to the closest whole dollar amount before payment, with 0.50 rounded down. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid each year. The Board has defined a target minimum rate to be the greater of 3.75% and the rate which exceeds by 100 Basis Points the simple average of the Credit Union's posted 5-year non-redeemable term deposit rate as at the end of each month in its fiscal year. The dividend, in the fiscal year Class B Investment Shares, Series 2, sold pursuant to this offering statement are issued, shall be pro-rated for the number of days the Class B Investment Shares, Series 2, were issued and outstanding in that fiscal year.

Dividends paid on Class B Investment Shares, Series 2, will be taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends received from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The dividend policy followed by the Credit Union is at the discretion of the Board, and is subject to change or exception at any time. Dividends paid may therefore not be in accordance with the policy outlined above.

Following consideration and payment of a dividend on the Class B Investment Shares, Series 2, the Board may decide to pay a dividend on shares ranking junior to the Class B Investment Shares, Series 2, including the Membership Shares.

USE OF PROCEEDS FROM SALE OF SECURITIES

The principal uses of the net proceeds and purpose of this offering will be to enable the Credit Union to add to its Regulatory Capital to provide for the Credit Union's future growth, development and stability, including through mergers, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

PLAN OF DISTRIBUTION

1. The price to members for each Class B Investment Share, Series 2, will be $1.00.
2. There will be no discounts or commissions paid to anyone for the sale of these securities.
3. One hundred per cent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this offering statement.

Subscriptions for the Class B Investment Shares, Series 2, shall be accepted as of the date hereof, and for a period of six months thereafter, or until the date on which subscriptions have been received for the maximum 10,000,000 Class B Investment Shares, Series 2, or until a date, after the Credit Union has received subscriptions for the minimum 2,000,000 Class B Investment Shares, Series 2, but before the Credit Union has received subscriptions for the maximum 10,000,000 Class B Investment Shares, Series 2, and before six months have passed from the date hereof, on which the Board in its sole and absolute discretion shall determine to close the offering, whichever shall occur first (the "Closing Date"). Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place these funds "on hold" to guarantee payment of these shares. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this offering statement), the hold on the funds will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in Escrow, in accounts to be trusteed by Concentra, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this offering statement). If the offering is completed, the proceeds will be released from Escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy,

the proceeds will be refunded in full, plus interest calculated at a rate equal to the Credit Union's 30-day term deposit rate, pro-rated for the number of days the funds were in Escrow, to those who subscribed.

The above-noted terms and conditions regarding holds on subscribers' deposit accounts and regarding Escrow accounts are detailed on the Credit Union's subscription form for Class B Investment Shares, Series 2, and on separate agreements, to be signed by subscribers, authorizing transfers and holds on deposit accounts and/or placement of proceeds in Escrow accounts. Copies of the subscription form and the forms for authorization of a hold on funds in deposit accounts and/or placement of funds in Escrow accounts are printed on pages 38, 39 and 40.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Class B Investment Shares, Series 2, shall be $10,000,000. The costs of issuing these securities are not expected to exceed $120,000, and these costs, approximating $96,000 after applicable tax savings, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities are $9,904,000.

If, after six months from the date of this offering statement, subscriptions received for the Class B Investment Shares, Series 2, amount to less than $2,000,000 in the aggregate, this offering for Class B Investment Shares, Series 2, will either be renewed with the approval of the Superintendent of Financial Services, or be cancelled and withdrawn, and all funds "frozen" or held in Escrow to support subscriptions will be returned to the respective members within 30 days thereof, with applicable interest, without shares being issued. If at that time, however, sales amount to at least $2,000,000 but do not amount to $10,000,000, the Credit Union may proceed to close the offering, or apply to the Superintendent of Financial Services for a renewal of the offering for a period not exceeding six months. If at that time subscriptions for the Class B Investment Shares, Series 2, amounting to $10,000,000 have been received, such shares for which subscriptions have been received will be issued within sixty business days after the Closing Date (the "Issue Date").

The Class B Investment Shares, Series 2, will not be sold by underwriters or other dealers in securities. The minimum subscription per member shall be $5,000 for 5,000 Class B Investment Shares, Series 2. The maximum subscription per member shall be $250,000 for 250,000 Class B Investment Shares, Series 2; however, if any subscription exceeds the Maximum Permissible Holding, the Credit Union will regard the subscriber as having subscribed for the Maximum Permissible Holding, and return any excess funds to the subscriber. Shares will only be issued subject to the full price of such securities being paid.

MARKET FOR THE SECURITIES

There is no market for the Class B Investment Shares, Series 2. <u>These securities may only be transferred to another member of the Credit Union</u>.

SENIOR DEBT (RANKING AHEAD OF CLASS B INVESTMENT SHARES, SERIES 2)

The Credit Union has arranged a credit facility, totalling CDN $10,400,000, at Central 1. That amount is available to cover fluctuations in daily clearing volume on the Canadian-dollar chequing accounts of the members of the Credit Union, and to provide liquidity if warranted. As security for these credit facilities, the Credit Union has given Central 1 a general security agreement. The line of credit will next be reviewed in January, 2014.

The balance outstanding on the credit facilities of the Credit Union during the eight months ended May 31, 2013, and in its fiscal years ended September 30, 2012, 2011 and 2010 is outlined below.

	Canadian-Dollar Operating Line		Term Loan		
Fiscal Period Ended	High Balance	Low Balance	Period Ending Balance	High Balance	Low Balance
May 31, 2013	$3,715,515	$0	$0	$8,000,000	$0
September 30, 2012	$6,537,581	$0	$8,000,000	$8,000,000	$3,000,000
September 30, 2011	$ 89,416	$0	$3,000,000	$3,000,000	$0
September 30, 2010	$1,838,419	$0	$0	$0	$0

Members' deposits in the Credit Union, as well as its other liabilities, including unsecured creditors, rank prior to the Credit Union's obligations to the holders of any class or series of its shares, including the Class B Investment Shares, Series 2.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Credit Union are Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants, 100 Queen Street, Suite 800, Ottawa, Ontario K1P 5T8 (phone (613) 236-2442, fax: (613) 236-2195, website www.deloitte.ca). Deloitte LLP is independent with respect to the Credit Union within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The registrars and transfer agents for the Class B Investment Shares, Series 2 are designated staff of the Credit Union.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth the board of directors of the Credit Union:

Name Municipality of Residence	**Principal Occupation**	**Position / Office**
Michael Bradley Long Sault, Ontario	Retired elementary school principal	Chair of the Board
Céline Carrière Ottawa, Ontario	Executive Director Co-operative Housing Association of Eastern Ontario (CHASEO)	Director
Sonja Carrière Ottawa, Ontario	Teacher Gloucester High School	Director
Michael Clarke Stittsville, Ontario	Superintendent of Facilities Ottawa Carleton District School Board	Board Treasurer Member of the Audit Committee
Michael Galvin Cornwall, Ontario	Owner – Director of Sales Computer Sense	Director
Tanya Gracie Ottawa, Ontario	Manager, Member Engagement Canadian Co-operative Association	Corporate Secretary Member of the Audit Committee
Kelly Storie Ottawa, Ontario	Finance Manager La Siembra Co-operative, Inc.	Director Member of the Audit Committee
Rob Vye Navan, Ontario	Operator OC Transpo	Vice Chair of the Board, Chair of the Audit Committee

There is currently one vacancy on the Credit Union's Board, which arose in the ordinary course of the Credit Union's business.

Senior Management

The following table sets forth the senior management of the Credit Union:

Name/Municipality of Residence	**Position/Title**
Denis Laframboise Vanier, Ontario	President & Chief Executive Officer
Joel Lalonde Orleans, Ontario	Executive Vice President
Melissa MacKenzie Ottawa, Ontario	Chief Financial Officer
Sandy Tuepah Almonte, Ontario	Director, Human Resources

All of the senior managers have been employed by the Credit Union for at least the three years preceding the date hereof.

The President and Chief Executive Officer has announced his intention to retire from the Credit Union in the fall of 2013. The Board is currently involved in the process of selecting a new President and Chief Executive Officer.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

As at May 31, 2013, except for actions that may be used to recover delinquent loans where the Credit Union is the plaintiff, the Credit Union is not aware of any material pending or contemplated legal proceedings to which it is a party.

The Credit Union is not aware of any regulatory actions pending or contemplated against the Credit Union.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, officers and employees of the Credit Union and their spouses and immediate dependent family members are made in the normal course of business, using standard credit granting criteria. With the exception of pricing, the loans are made to these individuals on the same terms and conditions as loans are made to the general membership. Regular full-time or part-time employees who have completed their probationary period are eligible for Personal Loans and Mortgage Loans at preferential interest rates.

The aggregate value of loans in all categories to restricted parties of the Credit Union, as of May 31, 2013, amounted to $561,649. No allowance was required in respect of these loans.

As members of the Credit Union, directors, officers and employees of the Credit Union each hold Membership Shares in the number required to maintain membership in the Credit Union. Accordingly, each director, officer and employee may subscribe for the Class B Investment Shares, Series 2, should any of such persons wish to do so.

MATERIAL CONTRACTS

The following material contracts have been entered into by, or have bound, the Credit Union during the last three years.

CUSA Master Participant Technology Services Agreement (Bundled), effective January 1, 2004, amended with effect from May 1, 2009, and further amended with effect from January 1, 2010

This agreement obliges CDSL Canada Limited to provide the Credit Union with an array of information systems services. The Credit Union pays CDSL Canada Limited for services rendered. The agreement continues until December 31, 2016, with the option of renewal for an additional one-year term. The Credit Union may terminate the contract for any material breach by CGI that is not remedied within 60 days of the

Credit Union providing to CDSL Canada Limited written notice of the breach. The Credit Union may also terminate the agreement without cause with not less than 365 days prior written notice to CDSL Canada Limited. This notice could not have been given prior to January 1, 2012. The Credit Union may also terminate the agreement with not less than 30 days prior written notice to CDSL Canada Limited in the event CDSL Canada Limited, for a specified period of time, fails to meet agreed-upon service levels. CDSL Canada Limited may terminate the agreement if the Credit Union fails to pay any fees for which they have been invoiced, and this failure is not remedied within 15 days of CDSL Canada Limited providing written notice to the Credit Union of this failure. CDSL Canada Limited may terminate the agreement if the Credit Union fails to perform or observe any material obligation under the agreement, and such failure is not remedied within 60 days of CDSL Canada Limited providing to the Credit Union written notice of such failure. CDSL Canada Limited may terminate this agreement if it no longer wishes to provide the services agreed upon, upon 24 months prior written notice to the Credit Union.

Service Schedule 4 – MemberDirect Integrated Services Schedule with Central 1 Credit Union, dated August 20, 2010

This agreement provides the Credit Union with a license to use, and for its members to use, its Internet banking platform. The initial term of this agreement expired December 31, 2010, but the term of the agreement is automatically extended for a further one-year term at each expiry unless the agreement is terminated in accordance with its terms. Central 1 may terminate this agreement immediately as a result of a material default by the Credit Union which it does not cure within 60 days following notice of the default.

Participant Agreement (Interac E-Mail Money Transfer) with Central 1 Credit Union, dated August 12, 2010

This agreement provides the Credit Union's members with access to the Interac e-mail money transfer service. The agreement continues in force for as long as the Credit Union continues to use the service; Central 1, however, can terminate the agreement immediately as a result of a material default by the Credit Union that is not cured within 30 days after notice of the default is given to the Credit Union by Central 1. Central 1 also has the right to suspend or terminate access to this service if it is notified that the Credit Union has defaulted.

Deposit Agency Agreement with Concentra Financial Services Association, dated February 2, 2009

This agreement provides the Credit Union with the right to sell, as an agent of Concentra Financial, guaranteed investment certificates, RRSPs (including locked-in products), RRIFs (including locked-in products), RESPs and TFSAs offered by Concentra Financial. In return, Concentra Financial pays the Credit Union a commission. This agreement may be terminated by either party on 30 days' prior written notice.

Lease for the Credit Union's Centrepointe Branch with 994106 Ontario Inc., dated July 21, 1994; 1st Amendment dated June 2, 2004; 2nd Amendment dated March 31, 2009; 3rd Amendment dated November 4, 2011

This agreement provides the Credit Union with the use of its Centrepointe branch. The most recent amendment extended the term of the lease for an additional term of 2 years, beginning October 1, 2012 and ending September 30, 2014. The most recent amendment creates no further option to renew. The Credit Union does, however, have a one-time option to terminate the lease on September 30, 2013, by giving the landlord at least 6 months prior written notice of that termination. The Credit Union pays annual rent on these premises of $42,025.

Project Development Agreement with 1st Financial Building Corporation of Canada, dated March 21, 2011; Supplement dated June 15, 2011

This agreement provided the Credit Union with architectural and construction management services, as well as construction services, regarding the recent substantial renovations of its Cornwall branch. This project had a budget of approximately $1 million, exclusive of HST.

Collective Agreement with United Steelworkers, expiring December 31, 2013

This collective agreement with the Credit Union's unionized employees defines the bargaining unit as all employees of the Credit Union in the City of Ottawa, the County of Stormont, Dundas and Glengarry, and the County of Leeds and Grenville, save and except managers, those above the rank of manager, the Secretary to the CEO, the Trainer, and those employees already covered by a collective agreement. The agreement contains no unusual provisions, and is similar, although not identical, to the Credit Union's other collective agreement.

Collective Agreement with United Steelworkers (Cornwall and Long Sault), expiring December 31, 2013

This collective agreement with the Credit Union's unionized employees defines the bargaining unit as the employees of the Credit Union in Cornwall and Long Sault, save and except the manager, persons above the rank of manager (which specifically includes the controller), and the secretary to the general manager. The agreement contains no unusual provisions, and is similar, although not identical, to the Credit Union's other collective agreement.

ISDA Master Agreement with Central 1 Credit Union, dated February 8, 2002

This agreement enables the Credit Union to enter into derivative contracts with Central 1.

The Credit Union has not entered into any interest rate swaps which remain in force as of the date hereof.

The Credit Union has entered into equity-linked purchase option agreements to eliminate the risk involved in its equity-linked term deposit products. The Credit Union pays a fixed amount based on the notional amount at the inception of the equity-linked purchase option contract. At the end of the term the Credit Union receives, from the counterparties, payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

Credential Asset Management Participation Agreement with Credential Asset Management Inc., dated April 23, 2004

This agreement enables the Credit Union to offer mutual funds to its members. Registered representatives dually employed by the Credit Union and Credential operate out of premises provided by the Credit Union to offer these products to the members of the Credit Union. The Credit Union is compensated through the payment of commissions to it by Credential. The agreement is perpetual until terminated on 90 days' prior notice. The agreement can be terminated immediately on certain breaches. If Credential provides the Credit Union with a proposed amendment to the agreement and the Credit Union does not reject it within 60 days, the amendment is deemed to have been approved by the Credit Union.

Ficanex Canadian Exchange Licensee Membership Agreement with Ficanex Services Limited Partnership dated July 18, 2002

This agreement provides the Credit Union with its membership in the Exchange Network, an ABM network. The Credit Union pays to the limited partnership royalty and transaction fees. The agreement continues for five years; the parties can, if the Credit Union is not in default, renew the agreement for additional terms of five years, and this occurred on July 17, 2012 for a term expiring July 17, 2017. Ficanex can terminate the agreement immediately if the Credit Union has not corrected a breach of the agreement within 30 days after being notified of the breach. Ficanex and the Credit Union can terminate the agreement immediately for certain breaches. Particular rules apply in mergers, depending on the membership status in the network of the entity with which the Credit Union is merging. The agreement is governed by the laws of British Columbia.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eight Months Ended May 31, 2013

Significant growth in member deposits has paved the way to higher liquidity, and has supported loan growth to the credit union's membership.

Annualized deposit growth of 14.5% and asset growth of 7.6%, primarily in mortgages and personal loans, best describe the statement of financial position after eight months of the current fiscal year.

The statement of comprehensive income for the eight-month period ended May 31, 2013 indicates continued improvement to overall profitability as total revenues have increased as a result of growth in member retail and commercial loans. As interest rates remain low, the credit union focuses on improvements to overall efficiency, and on increasing other sources of income.

Information related to the Credit Union's critical accounting estimates, financial instruments and other instruments and transactions with related parties are disclosed in the Credit Union's condensed interim financial statements in note 2 beginning on page 7, in note 21 on page 20, and note 18 beginning on page 18, respectively of Schedule A hereto.

Fiscal Year Ended September 30, 2012

The fiscal period ending September 30, 2012 can be described as one of growth and continued profitability.

The Credit Union's total assets increased by $6.7M or 3.4% with growth of over 9.4% or $15.2M in its credit portfolios. Solid growth was experienced in both its retail lending, primarily in the form of residential mortgages with an increase of $9.7M, as well as in the commercial credit book of business which grew by $5.2M. Increased borrowings and member deposits allowed the Credit Union to fund its loan growth although its cash and cash equivalents decreased by $4.2M. Total member deposits increased by $1.6M while the Credit Union's borrowings from Central 1 increased by $5M.

Historical low interest rates persisted during this timeframe which translated into lower yields on the mortgages and loans. The Credit Union's overall profitability stood at $393,000, net income after tax, which is a similar result to the previous year's profits. Total income over the last four years has increased by $1.0M while the Credit Union's operating expenses have remained consistent at $6.7M.

The Credit Union adopted IFRS effective October 1, 2011 and the audited financial statements for the year ended September 30, 2012 are the first annual financial statements that comply with IFRS. Prior to the adoption of IFRS, the Credit Union prepared its financial statements in accordance with CGAAP. The Credit Union's transition date is October 1, 2010 and the Credit Union has prepared its opening IFRS statement of financial position at that date. For more information related to the transition of IFRS, see additional disclosure in the audited financial statements in note 27 beginning on page 41 of Schedule B hereto.

Information related to the Credit Union's critical accounting estimates, financial instruments and other instruments and transactions with related parties are disclosed in the Credit Union's audited financial statements in note 2 beginning on page 7, notes 3 and 25 beginning on pages 10 and 34, and in notes 21 and 22 on pages 33 and 34, respectively of Schedule B hereto.

Fiscal Year Ended September 30, 2011

Increased profits and member loans along with a sharp decrease in the Credit Union's member deposits are highlighted in this period's Annual Report. The closing of the Credit Union's Williamsburg and Cardinal branches, effective September 30, 2011 was a result of an in-depth analysis of the Credit Union's results in those communities and an overall market survey.

Profits stood at $424,000 after tax, an increase of $316,000 from the previous year. A much stronger financial margin (interest revenue – interest expense) at $5.8M, an increase of $679,000, paved the way for an improved bottom line. Overall operating expenses increased by only $193,000 or 3% for the same time period. Much of this improved financial margin can be accredited to the Credit Union's growth in its commercial portfolio.

The Credit Union's commercial book of business increased by $8.0M for the period while providing a yield of approximately 6.0%. This growth is primarily in commercial mortgages and as such, offers a relatively low level of risk. During this same period however, the Credit Union's residential mortgages decreased by $3.3M.

Member deposits decreased by $14.8M, which is completely attributed to the loss of a very large institutional deposit.

The Credit Union adopted IFRS effective October 1, 2011 and the audited financial statements for the year ended September 30, 2012 are the first annual financial statements that comply with IFRS. Prior to the adoption of IFRS, the Credit Union prepared its financial statements in accordance with CGAAP. The Credit Union's transition date is October 1, 2010 and the Credit Union has prepared its opening IFRS statement of financial position at that date. For more information related to the transition of IFRS, see additional disclosure in the audited financial statements in note 27 beginning on page 41 of Schedule B hereto.

Information related to the Credit Union's critical accounting estimates, financial instruments and other instruments and transactions with related parties are disclosed in the Credit Union's audited financial statements in note 2 beginning on page 7, notes 3 and 25 beginning on pages 10 and 34, and in notes 21 and 22 on pages 33 and 34, respectively of Schedule B hereto.

<u>Fiscal Year Ended September 30, 2010</u>

Fiscal year ending September 30, 2010 was primarily focused on growth, management of the financial margin and overall cost controls. A return to profit after consecutive years of losses was the overall result along with $12.7M of growth in total assets.

The most significant area of growth occurred in member deposits leading to greater liquidity. The Credit Union's cash and cash equivalents increased by $13.8M which is net of overall growth of $3.0M in loans to members.

Total income for the period increased significantly from a net loss in September 2009 of $393,000 to net income of $108,000 resulting in an increase of $501,000. Operating expenses over the same period only increased by less than 1%.

The following table presents financial performance indicators for the eight months ended May 31, 2013, and for the fiscal years ended September 30, 2012, 2011 and 2010. These figures are based on the audited financial statements as at each fiscal year-end and for the condensed interim statements for the eight-month period. (Figures provided as Basis Points ("bp") are calculated on the basis of average assets held during the fiscal period, calculated using a simple average of the opening and closing total asset balance.)

Financial Performance Indicators	**Eight Months Ended May 31, 2013 (IFRS)**	**Year Ended September 30, 2012 (IFRS)**	**Year Ended September 30, 2011 (IFRS)**	**Year Ended September 30, 2010 (CGAAP)**
Profitability				
Total assets ($000's)	$214,465	$204,122	$197,377	$208,929
Net income ($000's)	$232	$393	$424	$108
Net income (bp)	11	20	21	5
Net interest margin (bp)	183	288	285	254
Other income (bp)	44	74	72	78
Operating expenses (bp)	210	334	327	320
Dividends on Investment Shares (bp)	3	4	4	5
Current income taxes (bp)	3	5	5	3
Compliance with Capital Requirements				
Risk-Weighted Assets Ratio requirement (% of risk-weighted Assets)	8.00%	8.00%	8.00%	8.00%
Risk-Weighted Assets Ratio (% of Risk-Weighted Assets)	10.79%	11.07%	11.59%	12.41%
Leverage Ratio requirement (% of total assets)	4.00%	4.00%	4.00%	4.00%
Leverage Ratio (% of total assets)	5.67%	6.02%	5.99%	5.46%
Loan Composition				
Total gross loans outstanding ($000's)	$180,856	$177,656	$162,445	$159,091
Personal Loans (% of gross loans outstanding)	4.63%	4.32%	4.47%	5.39%
Mortgage Loans (% of gross loans outstanding)	69.18%	67.90%	68.34%	71.87%
Commercial Loans (% of gross loans outstanding)	26.19%	27.78%	27.19%	22.74%
Loan Quality				
Allowance for impaired loans (% of gross loans outstanding)	0.58%	0.56%	0.55%	0.53%
Other Factors				
Total members' deposits ($000's)	$200,911	$183,108	$181,556	$196,328
Average liquidity (% of members' deposits)	10.81%	11.50%	19.74%	17.19%
Asset growth (% change)	5.07%	3.42%	(5.53%)	6.50%
Total Regulatory Capital ($000's)	$12,164	$12,278	$11,813	$11,406
Regulatory Capital growth (% change)	(0.93%)	3.94%	3.57%	1.11%

Further information is available in the condensed interim financial statements that are attached hereto as Schedule A, and the audited financial statements that are attached hereto as Schedule B.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the financial statements. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. The preparation of the financial statements necessarily involves the use of estimates and approximations which are made using careful judgment. Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure assets under the control of the Credit Union are safeguarded and accurate records are maintained.

The Audit Committee of the Board meets periodically with management and the external auditors to review the internal accounting controls and the quality of the financial reporting process. The committee reviews the financial statements and the management letter with management and the external auditors, and reports to the Board on its findings prior to the Board's approval of the audited financial statements. The committee then ensures that appropriate and timely action is taken to address any identified exposures in the management letter. The Audit Committee's role is discussed further at page 4.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and meets at least quarterly to review and approve management's financial reports.

The Deposit Insurance Corporation of Ontario conducts a periodic examination of the financial conditions and affairs of the Credit Union. The examination includes a review of the Credit Union's compliance with the provisions of the Act.

The members' external auditors conduct an independent examination of the financial statements and report on the fairness of the statements and the application of International Financial Reporting Standards in their preparation in all material respects. The auditors have free and independent access to the Audit Committee.

Denis Laframboise
President and Chief Executive Officer

Melissa MacKenzie
Chief Financial Officer

STATEMENT OF OTHER MATERIAL FACTS

There are no other material facts relating to the issues of securities in this offering statement which have not been suitably disclosed herein.

BOARD RESOLUTION

August 29, 2013

"The Board of Directors of Your Credit Union Limited approves the issue of Series 2, Class B Special Shares (Class B Investment Shares, Series 2), subject to the Articles of Amalgamation of Your Credit Union Limited, and as described in the Offering Statement to be dated August 29, 2013."

I certify the above to be a true copy of a resolution adopted by the Board of Directors of Your Credit Union Limited at their meeting of July 29, 2013.

Tanya Gracie, Corporate Secretary

CERTIFICATE

Form 1

Credit Unions and Caisses Populaires Act, 1994

CERTIFICATE OF DISCLOSURE

(Subsection 77 (4) of the Act)

The foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part V of the Credit Unions and Caisses Populaires Act, 1994, and the regulations thereunder.

Dated at Ottawa, Ontario, August 29, 2013

Denis Laframboise, President & Chief Executive Officer

MBradley

Michael Bradley, Chair

Subscription Form

Please accept my subscription for (_______) (number of shares)
Class B Investment Shares, Series 2 (at $ 1.00 per share)
of Your Credit Union Limited

Name (as it should appear on share certificate/shareholders' register)	Social Insurance Number
Joint Subscriber (if any)	Social Insurance Number
Street Address Apt. #	Account #
City Province Postal Code	

Source of Funds: (check as many as apply)

☐ $__________ is already on deposit at the Credit Union. I have signed a separate authorization form to put these funds on hold until this offering is completed or withdrawn.

☐ $__________ is coming from outside the Credit Union. I have signed a separate authorization form to place these funds in Escrow until this offering is completed or withdrawn.

Type of Share Ownership:

☐ $__________ of the shares being subscribed are to be put into my RRSP at the Credit Union.

☐ $__________ of the shares being subscribed are to be put into my TFSA at the Credit Union.

☐ $___________ of the shares are to be held by me outside any RRSP(s) or TFSAs I may have.

By signing this form, I/we hereby acknowledge that I am a member / we are members of the Credit Union, I/we have received and read in its entirety a copy of the offering statement dated August 29, 2013 for the Credit Union's Class B Investment Shares, Series 2, serial number ____________, including the reviewed and audited financial statements attached thereto as Schedules A and B respectively, and that I/we have noted in particular the Description of Securities Being Offered as set out on pages 11 to 15 and the Risk Factors starting on page 16. I/we also understand that the securities being purchased are NOT deposits, and are NOT insured by the Deposit Insurance Corporation of Ontario, and that dividends on these securities are NOT guaranteed. I/We have considered whether or not I/we should obtain independent advice on the suitability of this investment to my/our particular financial situation, and have either obtained such advice or determined that I/we do not require such advice.

____

Member's Signature Date Time (a.m./p.m.)

____

Joint Subscriber's Signature Date Time (a.m./p.m.)

FOR OFFICE USE ONLY

____

Date and Time

Accepted by: ____

Employee's Signature Branch #

AUTHORIZATION TO PLACE FUNDS ON HOLD

Name of Member: ______________________________

Date: ______________________________

I have subscribed today to buy a total of ____________ Class B Investment Shares, Series 2, of Your Credit Union Limited (the "Credit Union"). By signing this form below, I hereby authorize the Credit Union to place these funds on hold to guarantee payment for these shares.

This hold will be released only in one of the following three manners:

1. Upon the offering being closed, the Credit Union will release the hold and then debit the accounts to pay for the shares on the Issue Date. If I have subscribed for more than the Maximum Permissible Holding, I acknowledge that I will be issued, and will purchase, the Maximum Permissible Holding. All excess funds will be returned to me.
2. If the offering is withdrawn or cancelled for any reason, the Credit Union will release the hold immediately.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the offering statement, dated August 29, 2013, for the Class B Investment Shares, Series 2, the Credit Union will release the hold on funds immediately upon being informed of such reversal.

The Credit Union account(s) and dollar amounts(s) to be placed on hold under this agreement is (are):

Branch #	Acc't #	Type	Sub #	$
Branch #	Acc't #	Type	Sub #	$
Branch #	Acc't #	Type	Sub #	$
Branch #	Acc't #	Type	Sub #	$
Branch #	Acc't #	Type	Sub #	$
Branch #	Acc't #	Type	Sub #	$

______________________________ ______________________________
(Credit Union Witness) (Credit Union Member/Share Subscriber)

______________________________ ______________________________
(Credit Union Witness) (Joint Subscriber)

AUTHORIZATION TO PLACE FUNDS IN ESCROW

Name of Member: ____

Date: ___________

I have subscribed today to buy a total of ___________________ Class B Investment Shares, Series 2, of Your Credit Union Limited (the "Credit Union"). By signing this form below, I hereby authorize the Credit Union to place the funds specified below, as soon as such funds are made payable to the Credit Union, into an Escrow account, to be trusteed by Concentra Financial, to guarantee payment for these shares.

These funds will be released from Escrow only in one of the following four manners:

1. Upon the offering being closed, Concentra Financial will release the funds from Escrow to the Credit Union to pay for the shares on the Issue Date. If I have subscribed for more than the Maximum Permissible Holding, Concentra Trust will release to the Credit Union only, sufficient funds to pay for the Maximum Permissible Holding, and will deal with the excess funds as required by paragraph 3 or 4 hereof, as appropriate.
2. If the offering is withdrawn or cancelled for any reason, Concentra Financial will immediately release the non-RRSP funds from Escrow and pay them to me, together with interest calculated at the Credit Union's 30-day term deposit rate, prorated for the number of days such funds were in Escrow.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the offering statement, dated August 29, 2013, for the Class B Investment Shares, Series 2, Concentra Financial will immediately release the non-RRSP funds from Escrow and pay them to me, together with interest calculated at the Credit Union's 30-day term deposit rate, prorated for the number of days such funds were in Escrow.
4. If all or part of such funds which are used to purchase shares are identified as being part of a Registered Retirement Savings Plan (RRSP) contract, the RRSP funds will be transferred directly into an RRSP contract held in Escrow at the Credit Union under the control of Concentra Financial. If not used to pay for shares under the terms outlined above, the RRSP funds will stay in such RRSP contract until I have given Concentra Financial direction as to their disposition.

The source(s) of funds and dollar amount(s) to be placed in Escrow under this agreement is (are):

Source ____ $ __________

Source ____ $ __________

______________________________ ______________________________

(Credit Union Witness) (Credit Union Member/Share Subscriber)

______________________________ ______________________________

(Credit Union Witness) Joint Subscriber(if any)

SCHEDULE A

CONDENSED INTERIM FINANCIAL STATEMENTS

Condensed interim financial statements of

Your Credit Union Limited

May 31, 2013

Your Credit Union Limited

May 31, 2013

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Deloitte LLP
800-100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: 613-236-2442
Fax: 613-236-2195
www.deloitte.ca

Interim Review Report

To the Audit Committee of
Your Credit Union Limited

In accordance with our engagement letter dated June 18, 2013, we have reviewed the unaudited condensed interim financial statements of Your Credit Union Limited, consisting of:

- the condensed statements of financial position as at May 31, 2013 and September 30, 2012;
- the condensed statements of comprehensive income for the eight-month periods ended May 31, 2013 and 2012;
- the condensed statements of changes in members' equity for the eight-month periods ended May 31, 2013 and 2012; and
- the condensed statements of cash flows for the eight-month periods ended May 31, 2013 and 2012.

These unaudited condensed interim financial statements are the responsibility of the Credit Union's management.

We performed our reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor (an "interim review"). Such an interim review consists principally of applying analytical procedures to financial data, and making inquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our reviews, we are not aware of any material modification that needs to be made for these condensed interim financial statements to be in accordance with International Accounting Standard 34, Interim Financial Reporting.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the statements of financial position of Your Credit Union Limited as at September 30, 2012 and 2011, and the related statements of comprehensive income, changes in members' equity and cash flows for the years then ended (not presented herein). In our report dated December 14, 2012, we expressed an unmodified audit opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed interim statement of financial position as at September 30, 2012 is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

This report is solely for the use of the Audit Committee of Your Credit Union Limited to assist it in discharging its regulatory obligation to review these condensed financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
August 21, 2013

Your Credit Union Limited

Condensed statements of comprehensive income
for the eight-month periods ended May 31, 2013 and May 31, 2012

(Unaudited)
(CDN dollars in thousands)

	May 31, 2013	May 31, 2012
	$	$
Interest income (Note 4)	**5,468**	5,392
Investment income	**264**	274
	5,732	5,666
Interest expense (Note 5)	**1,825**	1,844
Net interest income	**3,907**	3,822
Provision for credit losses (Note 10)	**79**	105
Net interest margin	**3,828**	3,717
Other operating income (Note 6)	**911**	1,112
Total operating income	**4,739**	4,829
Deposit insurance premium	**148**	148
Depreciation and amortization	**274**	289
Administrative and technology	**1,657**	1,896
Personnel expenses	**2,306**	2,152
Total operating expenses	**4,385**	4,485
Dividends on investment shares	**64**	56
Income before income taxes	**290**	288
Income tax expense	**58**	57
Net income	**232**	231
Other comprehensive income for the period, net of income taxes	**-**	-
Total comprehensive income for the period, net of income taxes	**232**	231

Your Credit Union Limited

Condensed statement of changes in members' equity
for the eight-month periods ended May 31, 2013 and May 31, 2012

(Unaudited)
(CDN dollars in thousands)

	Member shares	Retained earnings	Accumulated other comprehensive income	Total
	$	$	$	$
As at September 30, 2011	652	7,756	-	8,408
Total comprehensive income	-	231	-	231
Net decrease in membership shares	(4)	-	-	(4)
As at May 31, 2012	648	7,987	-	8,635
As at September 30, 2012	**642**	**8,149**	**-**	**8,791**
Total comprehensive income	**-**	**232**	**-**	**232**
Net increase in membership shares	**17**	**-**	**-**	**17**
As at May 31, 2013	**659**	**8,381**	**-**	**9,040**

Your Credit Union Limited

Condensed statements of financial position
as at May 31, 2013 and September 30, 2012

(Unaudited)
(CDN dollars in thousands)

	May 31, 2013	September 30, 2012
	$	$
Assets		
Cash and cash equivalents (Note 7)	**11,950**	4,250
Investments (Note 8)	**15,559**	16,596
Loans and advances to members (Note 9)	**180,086**	177,033
Property and equipment	**5,673**	5,154
Other assets (Note 12)	**1,197**	1,089
	214,465	204,122
Liabilities		
Deposits from members (Note 13)	**200,911**	183,108
Other liabilities (Note 14)	**1,562**	1,344
Borrowings (Note 15)	**-**	8,000
Current tax liabilities	**2**	16
Deferred income tax liabilities	**28**	28
Investment shares (Note 16)	**2,922**	2,835
	205,425	195,331
Members' equity		
Memberhip shares (Note 16)	**659**	642
Retained earnings	**8,381**	8,149
Accumulated other comprehensive income	**-**	-
	9,040	8,791
	214,465	204,122

On behalf of the Board

Director

Director

Your Credit Union Limited

Condensed statements of cash flows
for the eight-month periods ended May 31, 2013 and May 31, 2012
(Unaudited)
(CDN dollars in thousands)

	May 31, 2013	May 31, 2012
	$	$
Operating activities		
Net income	**232**	231
Adjustments for:		
Provision for credit losses (Note 10)	**79**	105
Interest income	**(5,732)**	(5,666)
Interest expense	**1,825**	1,844
Depreciation and amortization	**274**	289
Dividends paid on Class B investment shares	**64**	56
Income tax expense	**58**	57
Changes in operating assets/liabilities:		
Change in loans and advances to members	**(3,216)**	(11,239)
Change in deposits from members	**17,881**	(1,532)
Change in other operating assets and liabilities	**110**	(63)
	11,575	(15,918)
Cash generated (used) from operating activities before interest and taxes:		
Interest received	**5,816**	5,596
Interest paid	**(1,903)**	(1,986)
Income taxes paid	**(72)**	(158)
	15,416	(12,466)
Investing activities		
Decrease in financial investments	**1,037**	3,503
Purchase of property and equipment	**(793)**	(126)
	244	3,377
Financing activities		
Net issuance (redemption) of membership share capital	**17**	(4)
Issuance of Class B investment shares	**23**	32
Repayment of borrowings	**(8,000)**	-
	(7,960)	28
Net change in cash and cash equivalents	**7,700**	(9,061)
Cash and cash equivalents, beginning of period	**4,250**	8,471
Cash and cash equivalents, end of period	**11,950**	(590)

1. Reporting entity

Your Credit Union Limited (the "Credit Union" or "YCU") is incorporated under the Credit Unions and Caisses Populaires Act, 1994 (Ontario), (the "Act") and is a member of the Deposit Insurance Corporation of Ontario ("DICO") and of Central 1 Credit Union ("Central 1").

The Credit Union provides financial services and products to its members through two branches in Ottawa and one in Cornwall. The Credit Union's head office is located at 14 Chamberlain Avenue, Ottawa, Ontario.

2. Basis of preparation

Statement of compliance

These unaudited condensed interim financial statements (the "interim financial statements") have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board ("IASB") and using the accounting policies and methods as were used for the Credit Union's annual financial statements for the year ended September 30, 2012 (the "annual financial statements"), except as noted below. The interim financial statements should be read in conjunction with the annual financial statements.

The interim financial statements for the eight-month period ended May 31, 2013 were authorized for issue by the Board of Directors on July 10, 2013.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Credit Union's functional currency, rounded to the nearest thousand except when otherwise indicated. They are prepared on the historical cost basis except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, and financial assets and liabilities designated at fair value through profit or loss ("FVTPL") which are stated at their fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements are described in Note 3 of the annual financial statements and in Notes 9 and 10 of these interim financial statements.

(CDN dollars in thousands)

2. Basis of preparation (continued)

New standards and interpretations adopted in the interim period

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB, and implemented in the interim period ended May 31, 2013, but have not impacted the presentation of these interim financial statements:

(a) *Presentation of financial statements*

In June 2011, the IASB amended IAS 1 - *Presentation of Financial Statements: Other Comprehensive Income* ("IAS 1"), which will be applied retrospectively for annual periods beginning on or after July 1, 2012. The amendments require additional disclosures on components of other comprehensive income ("OCI").

(b) *Deferred taxes - Recovery of underlying assets*

In December 2010, the IASB amended IAS 12 - *Income Taxes* ("IAS 12"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment became effective and was implemented for annual periods beginning on or after January 1, 2012. This amendment did not impact the Credit Union as its investment properties are not measured at fair value.

3. Significant accounting policies

Information about significant accounting policies are described in Note 3 of the annual financial statements.

4. Interest income

	May 31, 2013	May 31, 2012
	$	$
Personal loans	**371**	357
Residential mortgages	**3,189**	3,104
Commercial loans and mortgages	**1,908**	1,931
	5,468	5,392

Included within the various line items under interest income for the eight-month period ended May 31, 2013 is a total of $105 (2012 - $38) accrued on impaired financial assets.

Total interest income reported above is calculated using the effective interest method, and relates to financial assets not carried at FVTPL.

(CDN dollars in thousands)

5. Interest expense

	May 31, 2013	May 31, 2012
	$	$
Chequing and savings accounts	**284**	295
Term deposits	**596**	560
Registered plans	**884**	952
Funds borrowed from Central 1	**61**	37
	1,825	1,844

Total interest expense reported above is calculated using the effective interest method, and relates to financial liabilities not carried at FVTPL.

Fair value through profit or loss is defined as:

Financial assets and financial liabilities are classified as at FVTPL when the financial asset or financial liability is either held for trading or it is designated as at FVTPL.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Credit Union manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset and financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Credit Union’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned/paid on the financial asset/liability and is included in the ‘investment income’ line item in the combined statement of comprehensive income.

(CDN dollars in thousands)

6. Other operating income

	May 31, 2013	May 31, 2012
	$	$
Commissions and fees	**312**	362
Administration charges	**84**	74
Rental income and other	**515**	676
	911	1,112

All other operating income and operating expenses items detailed above relate to financial assets and liabilities that are not at FVTPL and do not include any amounts used in determining the effective interest rate.

7. Cash and cash equivalents

	May 31, 2013	September 30, 2012
	$	$
Cash on hand, current accounts and items in transit	**11,950**	4,250

The average yield on the above accounts as at May 31, 2013 is 1.3% (September 30, 2012 - 1.2%).

8. Investments

The following tables provide information on the investments held by the Credit Union.

Debt securities

	May 31, 2013	September 30, 2012
	$	$
Loans and receivables		
Fixed income securities	**-**	1,274
Liquidity reserve deposits	**12,863**	12,602
Carrying value	**12,863**	13,876
Market value	**12,863**	13,876

(CDN dollars in thousands)

8. Investments (continued)

Equity instruments

	May 31, 2013	September 30, 2012
	$	$
Available-for-sale		
Central 1 Credit Union - Class A shares	**680**	690
Central 1 Credit Union - Class E shares	**936**	936
Fair value through profit or loss		
CUCO Co-operative Association - shares	**6**	6
CUCO Co-operative Association - Class B investment shares	**1,074**	1,088
Carrying value	**2,696**	2,720
Total carrying value	**15,559**	16,596

9. Loans and advances to members

	May 31, 2013	September 30, 2012
	$	$
Residential mortgages	**124,742**	120,263
Commercial loans and mortgages	**47,368**	49,357
Personal loans	**8,368**	7,681
Assets held for sale (residential mortgages)	**378**	355
	180,856	177,656
Less: allowance for impaired loans (Note 10)	**(1,051)**	(988)
	179,805	176,668
Accrued interest receivable	**281**	365
Net loans to members	**180,086**	177,033

The loan classifications set out above are as defined in the Regulations to the Act.

Mortgages are repayable in monthly blended principal and interest installments over a maximum term of five years based on a maximum amortization period of twenty-five years. Mortgages are secured by residential properties.

Commercial loans and personal loans, including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

(CDN dollars in thousands)

9. Loans and advances to members (continued)

Assets held for sale

Property acquired by foreclosure or forfeit and held for resale is recorded at the lower of the prior carrying amount and fair value less costs to sell. Such investments are intended to be sold as soon as practicable. Revenues and costs related to the investment are booked as an adjustment to the carrying value of the investment.

Credit quality of loans

A breakdown of the security held on a portfolio basis is as follows:

	May 31, 2013	September 30, 2012
	$	$
Unsecured loans	**8,368**	7,681
Mortgages secured by residential properties	**125,120**	120,618
Commercial loans secured by commercial properties	**47,368**	49,357
	180,856	177,656

Concentration of risk

The Credit Union has exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The maximum exposure to credit risk of loans to members at May 31 by loan type is as follows:

	May 31, 2013	September 30, 2012
	$	$
Unsecured loans	**8,368**	7,681
Residential mortgages - uninsured	**102,907**	96,736
Residential mortgages - insured through CMHC	**22,213**	23,882
Commercial loans secured by commercial properties	**47,368**	49,357
	180,856	177,656

Loan commitments

The Credit Union has authorized additional credit loans, which are unutilized at May 31, 2013 for a sum of $44,256 (September 30, 2012, for a sum of $43,844).

As at May 31, 2013, the Credit Union was committed to the issuance of new personal loans, residential mortgages and commercial loans and mortgages to members of $8,527 (September 30, 2012 - $7,842).

(CDN dollars in thousands)

10. Allowance for impaired loans

The activity in the allowance for impaired loans is summarized as follows:

	Personal	Mortgages	Commercial	May 31, 2013 Total	September 30, 2012 Total
	$	$	$	$	$
Balance, beginning of period	218	95	675	988	901
Collection of loans previously written-off	12	-	-	12	30
Loans written-off as uncollectible	(28)	-	-	(28)	(45)
Provision for impaired loans	(152)	69	162	79	102
Balance, end of period	50	164	837	1,051	988
Aggregate impaired loans, end of year	48	963	2,747	3,758	3,114

Credit quality of member loans is summarized as follows:

	Personal	Mortgages	Commercial	Total May 31, 2013
	$	$	$	$
Neither past due [1] nor impaired	8,249	123,400	43,860	175,509
Past due but not impaired	71	756	760	1,587
Impaired	48	964	2,748	3,760
	8,368	125,120	47,368	180,856
Less: specific allowances	47	164	638	849
	8,321	124,956	46,730	180,007
Less: collective allowance	3	-	199	202
	8,318	124,956	46,531	179,805

[1] A loan is considered to be past due when the counterparty has not made a payment the day of the contractual payment date.

(CDN dollars in thousands)

10. Allowance for impaired loans (continued)

	Personal	Mortgages	Commercial	Total September 30, 2012
	$	$	$	$
Neither past due [1] nor impaired	7,532	115,757	47,151	170,440
Past due but not impaired	91	3,910	101	4,102
Impaired	58	951	2,105	3,114
	7,681	120,618	49,357	177,656
Less: specific allowances	58	75	202	335
	7,623	120,543	49,155	177,321
Less: collective allowance	160	20	473	653
	7,463	120,523	48,682	176,668

Member loans past due but not impaired:

	Personal	**Mortgages**	**Commercial**	**Total May 31, 2013**
	$	**$**	**$**	**$**
Past due but not impaired				
Under 30 days	**57**	**739**	**760**	**1,556**
30 to 89 days	**14**	**17**	**-**	**31**
Total	**71**	**756**	**760**	**1,587**

Note: Includes fully secured loans for which, in the opinion of management, there is no reasonable doubt as to ultimate collectability of the principal or interest.

	Personal	Mortgages	Commercial	Total September 30, 2012
	$	$	$	$
Past due but not impaired				
Under 30 days	60	3,789	101	3,950
30 to 89 days	31	121	-	152
Total	91	3,910	101	4,102

(CDN dollars in thousands)

11. Derivative financial instruments

Indexed linked term deposits

At May 31, 2013, the Credit Union has issued $6,078 (September 30, 2012 - $7,028) of index-linked term deposits (registered and non-registered deposits) to its members. These term deposits have maturities of 3 and 5 years and pay interest to the depositors at the end of the term, based on the performance of various Toronto Stock Exchange (“TSX”) indices. The embedded derivative associated with these deposits are presented in liabilities and have a fair value of $337 (September 30, 2012 - $335).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with these products. The Credit Union pays Central 1 a fixed amount on the face value of these term deposit products. At the end of the respective terms, the Credit Union receives payments from Central 1 equal to the amount required to be paid to the depositors based on the performance of the specified TSX indices. As at May 31, 2013, the Credit Union entered into such contracts on indexed linked term deposits for a total of $6,078 (September 30, 2012 - $7,028).

12. Other assets

	May 31, 2013	September 30, 2012
	$	$
Accounts receivable	**68**	75
Derivative financial instrument assets (Note 11)	**337**	335
Prepaid expenses	**792**	679
	1,197	1,089

13. Deposits from members

	May 31, 2013	September 30, 2012
	$	$
Savings and chequing accounts	**89,047**	84,937
Term deposits	**43,682**	29,653
Registered plans	**67,131**	67,389
	199,860	181,979
Accrued interest	**1,051**	1,129
	200,911	183,108

Term deposits

Term deposits 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.

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

(CDN dollars in thousands)

13. Deposits from members (continued)

Registered retirement plans

The Credit Union is the self-trustee for the registered retirement plans offered to members. Members' contributions to these 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 members, or the parties designated by them, by the Credit Union.

14. Other liabilities

	May 31, 2013	September 30, 2012
	$	$
Accounts payable and accrued liabilities	**1,225**	1,009
Derivative financial instrument liabilities (Note 11)	**337**	335
	1,562	1,344

15. Borrowings

	May 31, 2013	September 30, 2012
	$	$
Central1 term loans, interest at 1.75%, repaid in 2013	**-**	8,000

The Board of Directors has set an overall borrowing limit of $10,400. The Credit Union has available credit facilities with Central 1 in the amount of $10,400 to cover shortfalls in cash resources. These credit facilities are secured by an assignment of book debts and a general security agreement covering all assets of the Credit Union.

16. Members' shares

		May 31, 2013		September 30, 2012	
	Authorized	**Liability**	**Equity**	Liability	Equity
		$	**$**	$	$
Membership shares	unlimited	**-**	**659**	-	642
Investment shares	unlimited	**2,922**	**-**	2,835	-
		2,922	**659**	2,835	642

16. Members' shares (continued)

The authorized share capital of the Credit Union consists of the following:

(i) An unlimited number of Class B non-cumulative, non-voting, non-participating, special shares ("Class B investment shares").

(ii) In addition to these shares, the Credit Union is authorized to issue an unlimited number of membership shares, subject to its by-laws, which prescribe a minimum of ten membership shares to be owned by each member. Membership shares rank junior to Class B shares for priority in the declaration and payment of dividends and in the event of the liquidation, dissolution or winding up of the Credit Union. All classes of shares are redeemable at the amounts paid thereon, plus declared and unpaid dividends, under various conditions and in accordance with the terms set out in the articles of the Credit Union, and subject to certain restrictions which are set out in governing legislation.

Membership and investment shares are recognized as a liability, equity or compound instrument based on their terms and conditions in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments. If the shares are classified as equity, they are recorded at cost. If the shares are recognized as a liability, they are initially measured at fair value and subsequently recorded at amortized cost using the effective interest method.

Membership shares

Membership shares along with retained earnings represent the members' residual interest in the Credit Union's net assets and are included in regulatory capital. The shares are redeemable at their paid-up amount when the member withdraws from membership in the Credit Union. As a condition of membership, each member is required under the by-laws to maintain a minimum of 10 shares of the Credit Union, at a value of $5 per share. Members under the age of 18 are not required to purchase membership shares. Dividends are at the discretion of the Board of Directors. As at May 31, 2013, there were 12,821 (September 30, 2012 - 12,476) members of the Credit Union.

These shares are classified as equity on the statement of financial position since they have all the features and meet all of the conditions set out in the applicable paragraphs of IAS 32 and IFRIC 2 regarding liquidation and redemption.

Class B investment shares

Investment share capital qualifies as capital for regulatory purposes

The holders of the Class B investment shares are entitled to receive non-cumulative dividends which will be declared by the Board of Directors and paid annually provided the Credit Union complies with all capital adequacy and liquidity requirements. The Board of Directors has defined an appropriate dividend rate to be a rate which exceeds the Credit Union's 5-year term deposit rate by 1.0% and it has also indicated that its intention is to pay these dividends in the form of additional Class B investment shares. The $64 (2012 - $56) of dividends accrued on Class B investment shares are presented separately in the statement of comprehensive income for the periods ended May 31, 2013 and 2012.

Class B investment shares were not redeemable for five years after their issuance on September 30, 2000. Since September 30, 2005, holders of these shares could request redemption of some or all of their shares and the Credit Union could redeem the shares to a maximum of 10% of the total Class B investment shares outstanding at the previous year-end. Effective September 30, 2005, the Credit Union has the option of redeeming all or any portion of these shares, subject to the capital and liquidity requirements of the Act. During the period ended May 31, 2013, the Board of Directors approved redemptions of nil (2012 - nil).

(CDN dollars in thousands)

17. Capital adequacy

Capital management

The Board approves annually the capital management policy and the annual business plan. This policy outlines the Credit Union's overall objectives and guidelines to ensure that the Credit Union has the required quantity, quality and appropriate composition of capital needed to address the inherent risks of the Credit Union and to support the current and future operating plans.

The Act requires credit unions to maintain regulatory capital of at least 4% of total assets and 8% of risk-weighted assets. The risk weighting of assets is specified in the Regulations to the Act. The Credit Union is in compliance with its policies and the Act regarding regulatory capital as at May 31 as outlined in the table below.

	May 31, 2013	September 30, 2012
	$	$
Tier 1 capital		
Retained earnings	**8,381**	8,149
Membership shares	**659**	642
Investment shares, not redeemable within 1 year	**2,630**	2,551
Total Tier 1 capital	**11,670**	11,342
Tier 2 capital		
Investment shares, redeemable within 1 year	**292**	283
Collective loan provision	**202**	653
Total Tier 2 capital	**494**	936
Total capital	**12,164**	12,278
	%	%
Leverage ratio	**5.67**	6.02
Risk weighted assets ratio	**10.79**	11.07

18. Related party transactions

Key management personnel, directors and their related parties have transacted with the Credit Union during the year as follows:

	May 31, 2013		September 30, 2012	
	Maximum balance	**Closing balance**	Maximum balance	Closing balance
	$	**$**	$	$
Loans to members	**562**	**503**	680	680
Member deposits	**n/a**	**192**	n/a	366
Membership and investment shares	**n/a**	**29**	n/a	79
	562	**724**	680	1,125

(CDN dollars in thousands)

18. Related party transactions (continued)

The interest rates charged on balances outstanding from key management personnel, directors and their related parties are according to policy, which is discounted from those charged in an arm's length transaction. Loan and mortgages balances are secured as per the Credit Union lending policies.

There was no allowance for impaired loans required in respect of these loans as at May 31, 2013 and September 30, 2012.

Key management personnel and their related parties received compensation in the period which comprised of:

	May 31, 2013	May 31, 2012
	$	$
Salaries and other short-term employee benefits	**440**	409
Post-employment benefits	**-**	-
Other long-term benefits	**14**	14
	454	423

In addition to key management personnel's salaries, these employees participate in the Credit Union's RRSP matching plan.

Directors received the following amounts for serving the Credit Union:

	May 31, 2013	May 31, 2012
	$	$
Directors' expenses	**35**	23
Directors' remuneration	**-**	-
	35	23

19. Commitments

Lease commitments

The minimum annual payments under an operating lease are $42 per year to September 30, 2014.

Service agreements

The Credit Union is committed to the use of an outside data processing service until fiscal 2016. Charges for these services are based on usage.

Letters of credit

Outstanding letters of credit at May 31, 2013 amounted to $312 (September 30, 2012 - $72).

20. Contingencies

During the normal course of business, there are various claims and proceedings which have been or may be instituted against the Credit Union. Management believes the disposition of the matters that are pending or asserted is not expected to have a material adverse effect on the financial position or the results of operations of the Credit Union.

(CDN dollars in thousands)

21. Selected disclosures

a) Fair value of financial instruments

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaids, capital assets, investments in associates, intangible assets, future income taxes payable and accrued employment contract benefits.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

			May 31, 2013
	Fair value	**Carrying value**	**Fair value over (under) carrying value**
	$	**$**	**$**
Assets			
Cash and cash equivalents	**11,950**	**11,950**	**-**
Investments	**15,559**	**15,559**	**-**
Loans to members	**180,898**	**180,086**	**812**
Other assets	**405**	**405**	**-**
Liabilities			
Deposits from members	**201,961**	**200,911**	**1,050**
Other liabilities	**1,562**	**1,562**	**-**
Borrowings	**-**	**-**	**-**
Investment shares	**2,922**	**2,922**	**-**

(CDN dollars in thousands)

21. Selected disclosures (continued)

			September 30, 2012
	Fair value	Carrying value	Fair value over (under) carrying value
	$	$	$
Assets			
Cash and cash equivalents	4,250	4,250	-
Investments	16,596	16,596	-
Loans to members	177,628	177,033	595
Other assets	410	410	-
Liabilities			
Deposits from members	184,178	183,108	1,070
Other liabilities	1,344	1,344	-
Borrowings	8,005	8,000	5
Investment shares	2,835	2,835	-

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

(a) The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.

(b) The fair value of investments is based on quoted market values where available (see Note 8).

(c) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

(d) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

(CDN dollars in thousands)

21. Selected disclosures (continued)

b) Interest rate risk by maturity of financial instruments

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates and effective interest rates for the following on statement of financial position financial instruments:

May 31, 2013

	On demand	Less than 3 months	3 months to one year	One to five years	Non-rate sensitive	Total	Effective interest rate
	$	$	$	$	$	$	%
Cash and cash equivalents	8,610	-	-	-	3,340	11,950	1.40
Investments	-	-	9,844	3,018	2,697	15,559	1.30
Loans to members	40,469	4,752	13,236	122,399	(770)	180,086	4.43
Other assets	-	-	-	-	6,870	6,870	-
	49,079	4,752	23,080	125,417	12,137	214,465	
Deposits from members	98,743	8,255	25,277	68,636	-	200,911	1.33
Other liabilities	-	-	-	-	1,592	1,592	-
Investment shares	2,922	-	-	-	-	2,922	3.30
Membership shares	659	-	-	-	-	659	-
Retained earnings	-	-	-	-	8,381	8,381	-
	102,324	8,255	25,277	68,636	9,973	214,465	
On-balance sheet gap	(53,245)	(3,503)	(2,197)	56,781	2,164	-	

September 30, 2012

	On demand	Less than 3 months	3 months to one year	One to five years	Non-rate sensitive	Total	Effective interest rate
	$	$	$	$	$	$	%
Cash and cash equivalents	2,235	-	-	-	2,015	4,250	0.40
Investments	-	4,527	8,305	1,044	2,720	16,596	1.53
Loans to members	2,450	2,734	12,079	160,392	(622)	177,033	4.73
Other assets	-	-	-	-	6,243	6,243	-
	4,685	7,261	20,384	161,436	10,356	204,122	
Deposits from members	96,033	8,848	26,752	51,475	-	183,108	1.47
Borrowings	-	8,000	-	-	-	8,000	1.75
Other liabilities	-	-	-	-	1,388	1,388	-
Investment shares	2,835	-	-	-	-	2,835	3.10
Membership shares	642	-	-	-	-	642	-
Retained earnings	-	-	-	-	8,149	8,149	-
	99,510	16,848	26,752	51,475	9,537	204,122	
On-balance sheet gap	(94,825)	(9,587)	(6,368)	109,961	819	-	

SCHEDULE B

AUDITED FINANCIAL STATEMENTS

Financial statements of

Your Credit Union Limited

September 30, 2012 and September 30, 2011

Your Credit Union Limited

September 30, 2012 September 30, 2011

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Deloitte & Touche LLP
800-100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: 613-236-2442
Fax: 613-236-2195
www.deloitte.ca

Independent Auditor's Report

To the Members of
Your Credit Union Limited

We have audited the accompanying financial statements of Your Credit Union Limited, which comprise the statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years ended September 30, 2012 and September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 Your Credit Union Limited as at September 30, 2012, September 30, 2011 and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
December 14, 2012

Your Credit Union Limited

Statements of comprehensive income
years ended September 30, 2012 and September 30, 2011

(CDN dollars in thousands)

	2012	2011 (Note 27)
	$	$
Interest income (Note 4)	**8,209**	8,136
Investment income	**452**	739
	8,661	8,875
Interest expense (Note 5)	**2,775**	2,900
Net interest income	**5,886**	5,975
Provision for credit losses (Note 10)	**102**	183
Net interest margin	**5,784**	5,792
Other operating income (Note 6)	**1,493**	1,468
Total operating income	**7,277**	7,260
Deposit insurance premium	**215**	226
Depreciation and amortization	**426**	439
Administrative and technology	**2,755**	2,579
Personnel expenses	**3,302**	3,398
Total operating expenses	**6,698**	6,642
Dividends on investment shares (Note 19)	**88**	88
Income before income taxes	**491**	530
Income tax expense (Note 18)	**98**	106
Net income	**393**	424
Other comprehensive income for the year, net of income taxes	**-**	-
Total comprehensive income for the year, net of income taxes	**393**	424

Your Credit Union Limited

Statements of changes in members' equity
years ended September 30, 2012 September 30, 2011
(CDN dollars in thousands)

	Member shares	Retained earnings	Accumulated other comprehensive income	Total
	$	$	$	$
As at October 1, 2010 (Note 27)	703	7,332	-	8,035
Total comprehensive income	-	424	-	424
Net decrease in membership shares	(51)	-	-	(51)
As at September 30, 2011 (Note 27)	652	7,756	-	8,408
Total comprehensive income	-	393	-	393
Net decrease in membership shares	(10)	-	-	(10)
As at September 30, 2012	**642**	**8,149**	**-**	**8,791**

Your Credit Union Limited

Statements of financial position
as at September 30, 2012, September 30, 2011 and October 1, 2010

(CDN dollars in thousands)

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Assets			
Cash and cash equivalents (Note 7)	**4,250**	8,471	23,300
Investments (Note 8)	**16,596**	20,688	20,371
Loans and advances to members (Note 9)	**177,033**	161,803	158,477
Property and equipment (Note 12)	**5,154**	5,229	5,382
Other assets (Note 13)	**1,089**	1,186	1,399
	204,122	197,377	208,929
Liabilities			
Deposits from members (Note 14)	**183,108**	181,556	196,328
Other liabilities (Note 15)	**1,344**	1,533	1,760
Borrowings (Note 16)	**8,000**	3,000	-
Current tax liabilities (Note 18)	**16**	105	41
Deferred income tax liabilities (Note 18)	**28**	28	28
Investment shares (Note 19)	**2,835**	2,747	2,737
	195,331	188,969	200,894
Members' equity			
Membership shares (Note 19)	**642**	652	703
Retained earnings	**8,149**	7,756	7,332
Accumulated other comprehensive income	**-**	-	-
	8,791	8,408	8,035
	204,122	197,377	208,929

On behalf of the Board

David Leach Director

MBradley Director

Your Credit Union Limited

Statements of cash flows

years ended September 30, 2012 and September 30, 2011

(CDN dollars in thousands)

	2012	2011 (Note 27)
	$	$
Operating activities		
Net income	**393**	424
Adjustments for:		
Provision for credit losses (Note 10)	**102**	183
Impairment of property and equipment (Note 12)	**20**	-
Loss on disposal of property and equipment	**35**	-
Interest income	**(8,661)**	(8,875)
Interest expense	**2,775**	2,900
Depreciation and amortization	**426**	439
Dividends paid on Class B investment shares	**88**	88
Income tax expense	**98**	106
Changes in operating assets/liabilities:		
Change in loans and advances to members	**(15,226)**	(3,474)
Change in deposits from members	**1,582**	(14,809)
Change in other operating assets and liabilities	**(92)**	(14)
	(18,460)	(23,032)
Cash generated (used) from operating activities before interest and taxes:		
Interest received	**8,555**	8,840
Interest paid	**(2,805)**	(2,863)
Income taxes paid	**(187)**	(42)
	(12,897)	(17,097)
Investing activities		
Purchase of financial investments	**4,092**	(317)
Purchase of property and equipment	**(492)**	(286)
Disposal of property and equipment	**86**	-
	3,686	(603)
Financing activities		
Net redemption of membership share capital	**(10)**	(51)
Redemption of Class B investment shares	**-**	(78)
Proceeds from borrowings	**8,000**	3,000
Repayment of borrowings	**(3,000)**	-
	4,990	2,871
Net change in cash and cash equivalents	**(4,221)**	(14,829)
Cash and cash equivalents, beginning of year	**8,471**	23,300
Cash and cash equivalents, end of year	**4,250**	8,471

1. Reporting entity

Your Credit Union Limited (the “Credit Union” or “YCU”) is incorporated under the Credit Unions and Caisses Populaires Act, 1994 (Ontario), (the “Act”) and is a member of the Deposit Insurance Corporation of Ontario (“DICO”) and of Central 1 Credit Union (“Central 1”).

The Credit Union provides financial services and products to its members through two branches in Ottawa and one in Cornwall. The Credit Union’s head office is located at 14 Chamberlain Avenue, Ottawa, Ontario.

2. Basis of preparation

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

These are the Credit Union’s first financial statements to be prepared in accordance with IFRS, and *IFRS 1 First-Time Adoption of International Financial Reporting Standards* (“IFRS 1”) has been applied. The preparation of these financial statements in accordance with IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous Canadian generally accepted accounting principles (“Canadian GAAP”). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Credit Union is provided in Note 27.

The financial statements for the years ended September 30, 2012 and 2011 were authorized for issue by the Board of Directors on December 12, 2012.

Basis of preparation

These financial statements are presented in Canadian dollars which is the Credit Union’s functional currency, rounded to the nearest thousand except when otherwise indicated. They are prepared on the historical cost basis except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, and financial assets and liabilities designated at fair value through profit or loss (“FVTPL”) which are stated at their fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Use of significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

Judgments made by management in the application of IFRS that have a significant effect on these financial statements and estimates with a significant risk of material adjustment in the next year are discussed below. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Credit Union's financial statements such as:

(a) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from observable markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 25.

(b) *Impairment losses on loans and advances*

The Credit Union reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors such as historical recovery rates, bankruptcy indicators and credit ratings and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of arrears, historical write off rates and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 9 and Note 10.

(c) *Impairment of available-for-sale investments*

The Credit Union reviews its securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Credit Union also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

(d) *Deferred tax assets*

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these financial statements are reasonable. Actual results in the future may differ from those reported.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB, but are not yet effective for the year ended September 30, 2012, and have not been applied in preparing these financial statements:

(a) *Presentation of financial statements*

In June 2011, the IASB amended IAS 1 - *Presentation of Financial Statements: Other Comprehensive Income* ("IAS 1"), which will be applied retrospectively for annual periods beginning on or after July 1, 2012. The amendments require additional disclosures on components of other comprehensive income ("OCI"). The Credit Union is assessing the potential impact of these amendments.

(b) *Post-employment benefits - defined benefit plans*

In June 2011, the IASB amended IAS 19 - *Post-employment Benefits* ("IAS 19"), which will be applied prospectively for annual periods beginning on or after July 1, 2013. The amendments eliminate the option to defer the recognition of actuarial gains and losses, require the remeasurements be presented in OCI, and enhance the disclosure requirements for defined benefit plans. The Credit Union does not have any such plans.

(c) *Financial instruments*

In November 2009 and October 2010, the IASB issued IFRS 9 - *Financial instruments* ("IFRS 9"), *Classification and Measurement of Financial Assets and Financial Liabilities*. IFRS 9 will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Credit Union's credit risk are presented in other comprehensive income ("OCI") unless this would create an accounting mismatch. All other changes in fair value are recorded in net income each period. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Credit Union is assessing the potential impact of this standard.

(d) *Financial instruments: disclosures*

In October 2010, the IASB amended IFRS 7 - *Financial instruments: Disclosures*, which will be applied prospectively for annual periods beginning on or after July 1, 2011. The amendments require additional disclosures on transferred financial assets. The Credit Union is assessing the potential impact of these amendments.

2. Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

(e) Deferred taxes - Recovery of underlying assets

In December 2010, the IASB amended IAS 12 - *Income Taxes* (“IAS 12”), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. This amendment is not expected to impact the Credit Union as its investment properties are not measured at fair value.

(f) Consolidated financial statements

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* (“IFRS 10”). IFRS 10 replaces the consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation - Special Purpose Entities*. IFRS 10 provides a revised definition of control and related application guidance so that a single control model can be applied to all entities. Control is determined based on whether the reporting entity is exposed to the variable returns of the other entity. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Credit Union is assessing the potential impact of this new standard.

(g) Joint arrangements

In May 2011, the IASB issued IFRS 11 - *Joint Arrangements* (“IFRS 11”). IFRS 11 replaces the consolidation requirements in IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturer*. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Credit Union is assessing the potential impact of this new standard.

(h) Interests in other entities

In May 2011, the IASB issued IFRS 12 - *Disclosure of Interests in Other Entities* (“IFRS 12”). IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Credit Union is assessing the potential impact of this new standard.

(i) Fair Value Measurement

In May 2011, the IASB issued IFRS 13 - *Fair Value Measurement* (“IFRS 13”). IFRS 13 defines fair value and sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Credit Union is assessing the potential impact of this new standard.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these financial statements and in preparing an opening IFRS statement of financial position at October 1, 2010 for the purposes of the transition to IFRS as required by IFRS 1, without exception.

Business combinations and goodwill

The Credit Union accounts for acquisitions using the acquisition method as at the acquisition date, which is the date on which control is acquired by the Credit Union. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Credit Union takes into consideration potential voting rights that are currently exercisable or de facto control which is the ability to control because no other party has the power to govern.

3. Significant accounting policies (continued)

Business combinations and goodwill (continued)

The Credit Union measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of identifiable assets acquired and liabilities assumed at fair value at the acquisition date. When negative goodwill arises, the amount is recognized in the statement of comprehensive income immediately.

The Credit Union elects for each acquisition whether to measure non-controlling interest at fair value or at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date.

Transaction costs incurred with the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union’s designation of such instruments. Settlement date accounting is used.

The Credit Union is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables and, financial liabilities are classified as either fair value through profit or loss, or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

(a) Classification

Financial Asset / Liability	Classification
Cash and cash equivalents	Loans and receivables
Investments	
Fixed income securities	Loans and receivables
Liquidity reserve deposits	Loans and receivables
Central 1 Credit Union shares	Available-for-sale
CUCO Co-op shares – Membership shares	Available-for-sale
CUCO Co-op shares – Class B shares	Fair value through profit and loss
Loans to members	Loans and receivables
Derivative financial asset	Fair value through profit and loss
Other assets	Loans and receivables
Deposits from members	Other liabilities
Other liabilities	Other liabilities
Derivative financial liability	Fair value through profit and loss
Investment shares	Other liabilities
Membership shares	Other liabilities

3. Significant accounting policies (continued)

Financial instruments (continued)

(b) Fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities are classified as at FVTPL when the financial asset or financial liability is either held for trading or it is designated as at FVTPL.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Credit Union manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset and financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Credit Union's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned/paid on the financial asset/liability and is included in the 'investment income' line item in the statement of comprehensive income.

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the entity upon initial recognition designates as at fair value through profit or loss as available for sale.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividend income is recognized in profit or loss when the Credit Union's right to receive the dividends is established. Interest income is recognized in income using the effective interest method.

Central1 Credit Union shares held by the Credit Union that are not traded in an active market are classified as available-for-sale. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and the gains and losses on such assets are recorded in other comprehensive income until the investment is derecognized or until the investment is identified as being subject to impairment.

3. Significant accounting policies (continued)

Financial instruments (continued)

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. Loans and receivables including liquidity deposits held with Central 1, loans to members, accrued interest on loans, accrued interest on investments, and accounts receivable, are measured at amortized cost using the effective interest method, net of impairment losses.

Interest income is recognized by applying the effective interest rate.

(f) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income/ expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset / liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(g) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost and available-for-sale debt securities, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced through the use of an allowance account. When a loan to a member is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The impairment loss on financial assets is based on a review of all outstanding amounts at period end. The Credit Union has established percentages for the allowance for doubtful accounts which are based on historical collection trends for each payer type and age of the receivables. Accounts that are considered to be uncollectible are reserved for in the allowance until they are written off or collected.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets other than available-for-sale equity securities, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Significant accounting policies (continued)

Financial instruments (continued)

(h) Derecognition of financial assets

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Credit Union continues to recognize the transferred asset to the extent of the Credit Union's continuing involvement in that asset. If the Credit Union retains substantially all the risks and rewards of ownership of a transferred financial asset, the Credit Union continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received / receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Credit Union retains an option to repurchase part of a transferred asset or retains a residual interest that neither results in the retention nor transfer of substantially all the risks and rewards of ownership), the Credit Union allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

(i) Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

(j) Derecognition of financial liabilities

The Credit Union derecognises financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

(k) Transaction costs

Transaction costs related to financial assets and liabilities at fair value through profit and loss are expensed as incurred. Transaction costs include fees and commissions paid to agents, advisors, broker and dealers, levies by regulatory agencies and transfer taxes and duties related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative costs.

3. Significant accounting policies (continued)

Financial instruments (continued)

(l) *Derivative instruments*

The Credit Union enters into a variety of derivative financial instruments to manage its exposure to market risk, including interest rate, foreign currencies and equity indices related to their Index-Linked Term Deposit portfolio. Further details of derivative financial instruments are disclosed in Note 11.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a cash flow hedging instrument, in which event the effective portion of the gain or loss is recognized in other comprehensive income while the ineffective portion is recognized in profit or loss.

A derivative with a positive fair value is recognized as a financial asset. A derivative with a negative fair value is recognized as a financial liability

(m) *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The Credit Union's derivatives are outlined in Note 11.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with Central 1 and other highly liquid investments with original maturities of three months or less with the exception of short-term investments that are part of the liquidity reserve deposits with Central 1. Cash and cash equivalents are used by the Credit Union in the management of its short term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due the short term nature of these assets.

Loans to members

Loans to members include personal loans, mortgages and commercial loans, are recognized when the cash is advanced to the borrower. All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb incurred losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

3. Significant accounting policies (continued)

Allowance for impaired loans (continued)

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed regularly (i.e. back tested).

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation methods are reviewed each year end and changed if necessary. Cost includes expenditures that are directly attributable to bring the asset into working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation of property, plant and equipment for the current and comparative periods is based on their estimated useful life using the following terms:

Buildings	20-40 years
Furniture and equipment	5-15 years
Computer equipment, software	3-5 years
Automated Teller Machines (ATMs)	10 years
Leasehold improvements	lesser of useful life and term of lease

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating.

(a) *<u>The Credit Union as Lessor</u>*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

(b) *<u>The Credit Union as Lessee</u>*

Assets held under finance leases are initially recognized as assets of the Credit Union at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3. Significant accounting policies (continued)

Leases (continued)

(b) The Credit Union as Lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Credit Union's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreclosed and forfeited assets - assets available for sale

Foreclosed and forfeited assets represent assets which have been repossessed on delinquent member mortgages or forfeited by the member to the Credit Union. Foreclosed and forfeited assets are recorded at the lower of their prior carrying value and fair value less costs to sell.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or assets within a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or assets within a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant accounting policies (continued)

Deposits from members

Deposits from members include chequing and savings accounts, term deposits and registered savings plans and are the Credit Union's main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Provisions, Contingent Liabilities and Contingent Assets

(a) *Provisions*

Provisions are recognized when the Credit Union has a present obligation (legal or constructive) as a result of a past event, it is probable that the Credit Union will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(b) *Onerous Contracts*

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Credit Union has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(c) *Restructurings*

A restructuring provision is recognized when the Credit Union has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(d) *Contingent liabilities acquired in a business combination*

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 *Revenue*.

Employee benefits

(a) *Short term employee benefits*

Short term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short term employee benefits are expensed as the related service is provided.

(b) *Post-employment benefits*

The Credit Union operates a defined contribution pension plan for employees of the Cornwall branch and matches RRSP contributions for employees of the Ottawa area branches. The Credit Union's contributions are in proportion to the services rendered to the Credit Union by the employees and are recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

3. Significant accounting policies (continued)

Employee benefits (continued)

(c) Termination benefits

Termination benefits are recognized as an expense when the Credit Union is committed without realistic probability of withdrawal to a formal detailed plan either to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntarily redundancies are recognized if the Credit Union has made an offer of voluntarily redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated. If benefits are payable more than 12 months after the reporting period, they are recorded at their discounted present value.

Members' shares

Member shares issued by the Credit Union are only classified as equity to the extent that they meet the definition of a financial liability.

Type of shares	Classification
Membership shares	Equity
Investment shares	Liability

The Credit Union's shares are presented in the statement of financial position as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on member shares presented as a financial liability are recognized as a distribution of profit or loss. Payments of dividends on member shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the Board of Directors.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in interest income on the statement of comprehensive income.

Other fees and commission income include account service fees, investment management fees, and insurance fees which are recognized over the period the services are performed.

Rental income is recognized over the period as it is contractually due.

Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Significant accounting policies (continued)

Income taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The financial statements are presented in Canadian dollars ($).

Transactions in foreign currencies are initially translated into Canadian dollars at the rate of exchange in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Canadian dollars at the rate of exchange at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation gains and losses are recognized immediately in profit or loss and are included in the ‘other operating income’ line item in the statement of comprehensive income.

(CDN dollars in thousands)

4. Interest income

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Personal loans	**541**	539
Residential mortgages	**4,695**	5,015
Commercial loans and mortgages	**2,973**	2,582
	8,209	8,136

Included within the various line items under interest income for the year ended September 30, 2012 is a total of $67 (2011 - $19) accrued on impaired financial assets.

Total interest income reported above is calculated using the effective interest method, and relates to financial assets not carried at FVTPL.

5. Interest expense

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Chequing and savings accounts	**443**	876
Term deposits	**840**	645
Registered plans	**1,406**	1,375
Funds borrowed from Central 1	**86**	4
	2,775	2,900

Total interest expense reported above is calculated using the effective interest method, and relates to financial liabilities not carried at FVTPL.

6. Other operating income

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Commissions and fees	**466**	357
Administration charges	**127**	178
Rental income and other	**900**	933
	1,493	1,468

All other operating income and operating expenses items detailed above relate to financial assets and liabilities that are not at FVTPL and do not include any amounts used in determining the effective interest rate.

(CDN dollars in thousands)

7. Cash and cash equivalents

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Cash on hand, current accounts and items in transit	**4,250**	7,466	8,936
Short-term deposits	**-**	1,005	14,364
	4,250	8,471	23,300

The average yield on the above accounts as at September 30, 2012 is 1.2% (September 30, 2011 - 1.2%; October 1, 2011 - 1.3%).

8. Investments

The following tables provide information on the investments held by the Credit Union.

Debt securities

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Loans and receivables			
Fixed income securities	**1,274**	5,396	3,079
Liquidity reserve deposits	**12,602**	12,867	15,004
Carrying value	**13,876**	18,263	18,083
Market value	**13,876**	18,263	18,083

Equity instruments

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Available-for-sale			
Central 1 Credit Union - Class A shares	**690**	496	455
Central 1 Credit Union - Class E shares	**936**	936	936
Credit Union Central of Ontario - shares	**-**	-	6
Fair value through profit or loss			
CUCO Co-operative Association - shares	**6**	6	-
CUCO Co-operative Association - Class B investment shares	**1,088**	987	-
Asset-backed commercial paper - LP	**-**	-	891
Carrying value	**2,720**	2,425	2,288
Total carrying value	**16,596**	20,688	20,371

8. Investments (continued)

Central 1 Credit Union - liquidity reserve deposit

As a condition of maintaining membership in Central 1 in good standing, the Credit Union is required to maintain on deposit in Central 1 an amount equal to 6% of the total assets as at each month end. At maturity, these deposits are reinvested at market rates for various terms as determined by management. The deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1.

Shares in Central 1 Credit Union

As a condition of maintaining membership in Central 1, the Credit Union is required to maintain an investment in shares of Central 1. These shares are dividend bearing. No market exists for shares of Central 1 except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with Central 1 by-law providing for the redemption of its share capital. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

In addition to the above, Central 1 Class A shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value.

The Credit Union classified these shares as available-for-sale. As no market exists for shares of Central 1 and the fair value of these shares cannot be reliably measured, the Credit Union holds these shares at cost, subject to a review for impairment. The Credit Union has no intention of withdrawing from membership in Central 1.

Credit Union Central of Ontario Co-operative Association ("CUCO Co-op")

In June 2011, credit unions approved the restructuring of Credit Union Central of Ontario Limited ("CUCO") to discontinue as a regulated financial institution under the Act; to continue as a cooperative under the Canada Cooperatives Act; and to purchase the investment portfolio and certain other assets and liabilities of ABCP 2008 Limited Partnership ("LP"). CUCO officially became CUCO Co-op on August 17, 2011. The transaction that occurred was treated as an exchange of instruments whereby the LP transferred its assets to CUCO Co-op in exchange for Investment Shares which the LP then distributed to its unit holders. CUCO Co-op Membership Shares and Investment Shares will be held in virtually the same proportion by each credit union unit holder. The Membership Shares and Investment Shares will rank pari-passu on liquidation of CUCO Co-op. Distributions and dividends on the Membership Shares and Investment Shares will be at the discretion of the CUCO Co-op Board of Directors. Neither class of share can be redeemed or transferred without Co-op Board approval. The LP was subsequently dissolved and LP units were cancelled.

(a) *Shares in Credit Union Central of Ontario Co-operative Association ("CUCO Co-op")*

As a result of the restructuring noted above, the Credit Union's CUCO shares were continued as CUCO Co-op shares. The Credit Union classified these shares as available-for-sale. As no market exists for shares of CUCO Co-op and the fair value of these shares cannot be reliably measured the Credit Union holds these shares at cost, subject to review for impairment. The Credit Union does not have the discretion to sell or otherwise dispose of these shares.

(b) *Class B Investment Shares in Credit Union Central of Ontario Co-operative Association ("CUCO Co-op")*

As a result of the restructuring noted above, in September 2011, the LP distributed to the Credit Union its proportionate share of LP units as CUCO Co-op Class B Investment Shares. The Credit Union classified these investment shares as fair value through profit and loss (held for trading). The Credit Union continues to monitor the investment on a go forward basis. Possible changes that could have a material impact on the future value of the assets held by CUCO Co-op include the following: (i) current economic conditions; and (ii) future developments related to the liquidity of the underlying assets. Included in income is $187 (2011 - $144) related to fair value remeasurements related to these shares.

(CDN dollars in thousands)

9. Loans to members

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Residential mortgages	**120,263**	110,549	114,343
Commercial loans and mortgages	**49,357**	44,169	36,170
Personal loans	**7,681**	7,263	8,578
Assets held for sale (residential mortgages)	**355**	464	-
	177,656	162,445	159,091
Less: allowance for impaired loans (Note 10)	**(988)**	(901)	(838)
	176,668	161,544	158,253
Accrued interest receivable	**365**	259	224
Net loans to members	**177,033**	161,803	158,477

The loan classifications set out above are as defined in the Regulations to the Act.

Mortgages are repayable in monthly blended principal and interest installments over a maximum term of five years based on a maximum amortization period of twenty-five years. Mortgages are secured by residential properties.

Commercial loans and personal loans, including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

Assets held for sale

Property acquired by foreclosure or forfeit and held for resale is recorded at the lower of the prior carrying amount and fair value less costs to sell. Such investments are intended to be sold as soon as practicable. Revenues and costs related to the investment are booked as an adjustment to the carrying value of the investment.

Credit quality of loans

A breakdown of the security held on a portfolio basis is as follows:

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Unsecured loans	**7,681**	7,263
Mortgages secured by residential properties	**120,618**	111,013
Commercial loans secured by commercial properties	**49,357**	44,169
	177,656	162,445

(CDN dollars in thousands)

9. Loans to members

Concentration of risk

The Credit Union has exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The maximum exposure to credit risk of loans to members at September 30 by loan type is as follows:

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Unsecured loans	**7,681**	7,263
Residential mortgages - uninsured	**96,736**	85,484
Residential mortgages - insured through CMHC	**23,882**	25,529
Commercial loans secured by commercial properties	**49,357**	44,169
	177,656	162,445

Loan commitments

The Credit Union has authorized additional credit loans, which are unutilized at September 30, 2012, for a sum of $43,844 (September 30, 2011 - $41,495; October 1, 2010 - $40,465). See Note 26 for additional disclosures related to management's policies and procedures to manage its credit risk.

As at September 30, 2012, the Credit Union was committed to the issuance of new personal loans, residential mortgages and commercial loans and mortgages to members of $7,842 (September 30, 2011 - $10,539; October 1, 2010 - $10,979).

The activity in the allowance for impaired loans is summarized as follows:

				September 30, 2012	September 30, 2011 (Note 27)
	Personal	**Mortgages**	**Commercial**	**Total**	Total
	$	**$**	**$**	**$**	$
Balance, beginning of year	**292**	**15**	**594**	**901**	838
Collection of loans previously written-off	**30**	**-**	**-**	**30**	25
Loans written-off as uncollectible	**(40)**	**(5)**	**-**	**(45)**	(145)
Provision for impaired loans	**(64)**	**85**	**81**	**102**	183
Balance, end of year	**218**	**95**	**675**	**988**	901
Aggregate impaired loans, end of year	**58**	**951**	**2,105**	**3,114**	1,218

(CDN dollars in thousands)

10. Allowance for impaired loans

Credit quality of member loans is summarized as follows:

	Personal	**Mortgages**	**Commercial**	**Total 2012**
	$	**$**	**$**	**$**
Neither past due [1] nor impaired	**7,532**	**115,757**	**47,151**	**170,440**
Past due but not impaired	**91**	**3,910**	**101**	**4,102**
Impaired	**58**	**951**	**2,105**	**3,114**
	7,681	**120,618**	**49,357**	**177,656**
Less: specific allowances	**58**	**75**	**202**	**335**
	7,623	**120,543**	**49,155**	**177,321**
Less: collective allowance	**160**	**20**	**473**	**653**
	7,463	**120,523**	**48,682**	**176,668**

[1] A loan is considered to be past due when the counterparty has not made a payment the day of the contractual payment date.

	Personal	Mortgages	Commercial	Total 2011
	$	$	$	$
Neither past due [1] nor impaired	7,111	107,946	43,999	159,056
Past due but not impaired	64	2,092	15	2,171
Impaired	84	980	154	1,218
	7,259	111,018	44,168	162,445
Less: specific allowances	84	5	154	243
	7,175	111,013	44,014	162,202
Less: collective allowance	208	10	440	658
	6,967	111,003	43,574	161,544

Member loans past due but not impaired:

	Personal	**Mortgages**	**Commercial**	**Total 2012**
	$	**$**	**$**	**$**
Past due but not impaired				
Under 30 days	**60**	**3,789**	**101**	**3,950**
30 to 89 days	**31**	**121**	**-**	**152**
Total	**91**	**3,910**	**101**	**4,102**

Note: Includes fully secured loans for which, in the opinion of management, there is no reasonable doubt as to ultimate collectability of the principal or interest.

	Personal	Mortgages	Commercial	Total 2011
	$	$	$	$
Past due but not impaired				
Under 30 days	15	1,584	15	1,614
30 to 89 days	49	508	-	557
Total	64	2,092	15	2,171

(CDN dollars in thousands)

11. Derivative financial instruments

Indexed linked term deposits

At September 30, 2012, the Credit Union has issued $7,028 (September 30, 2011 - $7,452; October 1, 2010 - $7,458) of index-linked term deposits (registered and non-registered deposits) to its members. These term deposits have maturities of 3 and 5 years and pay interest to the depositors at the end of the term, based on the performance of various Toronto Stock Exchange ("TSX") indices. The embedded derivative associated with these deposits are presented in liabilities and have a fair value of $335 (September 30, 2011 - $470; October 1, 2010 - $592).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with these products. The Credit Union pays Central 1 a fixed amount on the face value of these term deposit products. At the end of the respective terms, the Credit Union receives payments from Central 1 equal to the amount required to be paid to the depositors based on the performance of the specified TSX indices. As at September 30, 2012, the Credit Union entered into such contracts on indexed linked term deposits for a total of $7,028 (September 30, 2011 - $7,452; October 1, 2010 - $7,458).

12. Property and equipment

	Land	**Buildings**	**Furniture and Equipment**	**Computer equipment and ATMs**	**Leasehold Improvements**	**Total 2012**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance, beginning of year	**456**	**5,115**	**880**	**1,429**	**31**	**7,911**
Additions	**-**	**386**	**-**	**106**	**-**	**492**
Disposals	**(25)**	**(111)**	**(18)**	**(184)**	**-**	**(338)**
Balance, end of year	**431**	**5,390**	**862**	**1,351**	**31**	**8,065**
Accumulated depreciation						
Balance, beginning of year	**-**	**1,246**	**549**	**874**	**14**	**2,683**
Depreciation expense	**-**	**131**	**72**	**220**	**3**	**426**
Impairments	**-**	**20**	**-**	**-**	**-**	**20**
Disposals	**-**	**(32)**	**(12)**	**(174)**	**-**	**(218)**
Balance, end of year	**-**	**1,365**	**609**	**920**	**17**	**2,911**
Net book value	**431**	**4,025**	**253**	**431**	**14**	**5,154**

	Land	Buildings	Furniture and Equipment	Computer equipment and ATMs	Leasehold Improvements	Total 2011 (Note 27)
	$	$	$	$	$	$
Cost						
Balance, beginning of year	456	5,100	902	1,203	31	7,692
Additions	-	15	17	354	-	386
Disposals	-	-	(39)	(128)	-	(167)
Balance, end of year	456	5,115	880	1,429	31	7,911
Accumulated depreciation						
Balance, beginning of year	-	1,098	492	710	10	2,310
Depreciation expense	-	148	74	214	3	439
Impairments	-	-	-	-	-	-
Disposals	-	-	(17)	(50)	-	(67)
Balance, end of year	-	1,246	549	874	13	2,682
Net book value	456	3,869	331	555	18	5,229

(CDN dollars in thousands)

12. Property and equipment (continued)

As the result of an extensive market condition and branch review process, the Credit Union's Chamberlain Avenue property in Ottawa was listed for sale in November 2012. The Credit Union is considering a number of options for the operation and accommodation of its corporate operations and Chamberlain Branch retail space. The land and building housing the former Cardinal branch is also available for sale.

13. Other assets

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Accounts receivable	**75**	57	66
Derivative financial instrument assets (Note 11)	**335**	470	592
Prepaid expenses	**679**	659	741
	1,089	1,186	1,399

14. Deposits from members

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Savings and chequing accounts	**84,937**	86,449	99,838
Term deposits	**29,653**	27,459	28,216
Registered plans	**67,389**	66,489	67,152
	181,979	180,397	195,206
Accrued interest	**1,129**	1,159	1,122
	183,108	181,556	196,328

Term deposits

Term deposits 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.

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

Registered retirement plans

The Credit Union is the self-trustee for the registered retirement plans offered to members. Members' contributions to these 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 members, or the parties designated by them, by the Credit Union.

(CDN dollars in thousands)

15. Other liabilities

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Accounts payable and accrued liabilities	**1,009**	1,063	1,168
Derivative financial instrument liabilities (Note 11)	**335**	470	592
	1,344	1,533	1,760

16. Borrowings

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Central1 term loans, interest at 1.75%, maturing October 4 - 26, 2012	**8,000**	-	-
Central1 term loan, interest at 1.5%, maturing November 21, 2011	**-**	3,000	-
	8,000	3,000	-

The Credit Union has available credit facilities with Central 1 in the amount of $9,815 and a contingent term loan with Central 1 in the amount of $1,250 to cover shortfalls in cash resources.

The Board of Directors has set an overall borrowing limit of $11,065.

These credit facilities are secured by an assignment of book debts and a general security agreement covering all assets of the Credit Union. The contingent term loan is secured by an assignment of $1,250 of investments of the Credit Union.

17. Pension plan

The Credit Union maintains a defined contribution pension plan for employees of the Cornwall branch and matches RRSP contributions for employees of the Ottawa area branches and corporate departments. The total expense recognized in the statement of comprehensive income for the defined contribution plan and RRSP matching program is $130 (2011 - $112), which represents the total cash amount paid or payable by the Credit Union during the year.

(CDN dollars in thousands)

18. Income taxes

The following are major components of the income tax expense:

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Current tax		
Current tax expense in respect of the current year	**98**	106
Deferred tax		
Deferred tax expense in the current year	**-**	-
Total income tax expense	**98**	106

The provision for income taxes reported for the year ended September 30 differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	September 30, 2012	September 30, 2011 (Note 27)
	$	$
Net income before tax	**491**	530
Income tax expense based on statutory rate of 15.5% (2011 - 15.5%)	**76**	82
Effect of non-deductible and non-taxable expenses	**6**	7
Other	**16**	17
Total income tax expense (recovery)	**98**	106

Temporary differences which give rise to the following deferred income tax asset (liability) as at September 30 are as follows:

	September 30, 2012	September 30, 2011 (Note 27)	October 1, 2010 (Note 27)
	$	$	$
Deferred income tax assets (liabilities)			
Allowance for impaired loans	**153**	106	121
Capital assets	**(106)**	(90)	(120)
Other	**(75)**	(44)	(29)
Deferred income tax asset (liability), net	**(28)**	(28)	(28)

(CDN dollars in thousands)

19. Members' shares

		September 30, 2012		September 30, 2011 (Note 27)		October 1, 2010 (Note 27)	
	Authorized	**Liability**	**Equity**	Liability	Equity	Liability	Equity
		$	**$**	$	$	$	$
Membership shares	unlimited	**-**	**642**	-	652	-	703
Investment shares	unlimited	**2,835**	**-**	2,747	-	2,737	-
		2,835	**642**	2,747	652	2,737	703

The authorized share capital of the Credit Union consists of the following:

(i) An unlimited number of Class B non-cumulative, non-voting, non-participating, special shares ("Class B investment shares").

(ii) In addition to these shares, the Credit Union is authorized to issue an unlimited number of membership shares, subject to its by-laws, which prescribe a minimum of ten membership shares to be owned by each member. Membership shares rank junior to Class B shares for priority in the declaration and payment of dividends and in the event of the liquidation, dissolution or winding up of the Credit Union. All classes of shares are redeemable at the amounts paid thereon, plus declared and unpaid dividends, under various conditions and in accordance with the terms set out in the articles of the Credit Union, and subject to certain restrictions which are set out in governing legislation.

Membership and investment shares are recognized as a liability, equity or compound instrument based on their terms and conditions in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments. If the shares are classified as equity, they are recorded at cost. If the shares are recognized as a liability, they are initially measured at fair value and subsequently recorded at amortized cost using the effective interest method.

Membership shares

Membership shares along with retained earnings represent the members' residual interest in the Credit Union's net assets and are included in regulatory capital. The shares are redeemable at their paid-up amount when the member withdraws from membership in the Credit Union. As a condition of membership, each member is required under the by-laws to maintain a minimum of 10 shares of the Credit Union, at a value of $5 per share. Members under the age of 18 are not required to purchase membership shares. Dividends are at the discretion of the Board of Directors. As at September 30, 2012, there were 12,476 (2011 - 12,542; October 1, 2010 – 13,332) members of the Credit Union.

These shares are classified as equity on the statement of financial position since they have all the features and meet all of the conditions set out in the applicable paragraphs of IAS 32 and IFRIC 2 regarding liquidation and redemption.

Class B investment shares

Investment share capital qualifies as capital for regulatory purposes

The holders of the Class B investment shares are entitled to receive non-cumulative dividends which will be declared by the Board of Directors and paid annually provided the Credit Union complies with all capital adequacy and liquidity requirements. The Board of Directors has defined an appropriate dividend rate to be a rate which exceeds the Credit Union's 5-year term deposite rate by 1.0% and it has also indicated that its intention is to pay these dividends in the form of additional Class B investment shares. The $88 (2011 - $88) of dividends declared on Class B investment shares are presented separately in the statement of comprehensive income for the years ended September 30, 2012 and 2011.

(CDN dollars in thousands)

19. Members' shares (continued)

Class B investment shares (continued)

Class B investment shares were not redeemable for five years after their issuance on September 30, 2000. Since September 30, 2005, holders of these shares could request redemption of some or all of their shares and the Credit Union could redeem the shares to a maximum of 10% of the total Class B investment shares outstanding at the previous year-end. Effective September 30, 2005, the Credit Union has the option of redeeming all or any portion of these shares, subject to the capital and liquidity requirements of the Act. During the fiscal year 2012, the Board of Directors approved redemptions of nil (2011 - $87).

20. Capital adequacy

Capital management

The Board approves annually the capital management policy and the annual business plan. This policy outlines the Credit Union's overall objectives and guidelines to ensure that the Credit Union has the required quantity, quality and appropriate composition of capital needed to address the inherent risks of the Credit Union and to support the current and future operating plans.

The Act requires credit unions to maintain regulatory capital of at least 4% of total assets and 8% of risk-weighted assets. The risk weighting of assets is specified in the Regulations to the Act. The Credit Union is in compliance with its policies and the Act regarding regulatory capital as at September 30 as outlined in the table below.

	2012	2011
	$	$
Tier 1 capital		
Retained earnings	**8,149**	7,756
Membership shares	**642**	652
Investment shares, not redeemable within 1 year	**2,551**	2,464
Total Tier 1 capital	**11,342**	10,872
Tier 2 capital		
Investment shares, redeemable within 1 year	**283**	283
Collective loan provision	**653**	658
Total Tier 2 capital	**936**	941
Total capital	**12,278**	11,813
	%	%
Leverage ratio	**6.02**	5.99
Risk weighted assets ratio	**11.07**	11.59

(CDN dollars in thousands)

21. Related party transactions

Key management personnel, directors and their related parties have transacted with the Credit Union during the year as follows:

	September 30, 2012		September 30, 2011 (Note 27)	
	Maximum balance	**Closing balance**	Maximum balance	Closing balance
	$	**$**	$	$
Loans to members	**680**	**680**	1,034	1,034
Member deposits	**n/a**	**366**	n/a	516
Membership and investment shares	**n/a**	**79**	n/a	76
	680	**1,125**	1,034	1,626

The interest rates charged on balances outstanding from key management personnel, directors and their related parties are according to policy, which is discounted from those charged in an arm's length transaction. Loan and mortgages balances are secured as per the Credit Union lending policies.

There was no allowance for impaired loans required in respect of these loans as at September 30, 2012, and September 30, 2011.

Key management personnel and their related parties received compensation in the year which comprised of:

	2012	2011 (Note 27)
	$	$
Salaries and other short-term employee benefits	**592**	558
Post-employment benefits	**-**	-
Other long-term benefits	**21**	20
	613	578

In addition to key management personnel's salaries, these employees participate in the Credit Union's RRSP matching plan. See note 17 for further details on the Credit Union's pension plan.

Directors received the following amounts for serving the Credit Union:

	2012	2011 (Note 27)
	$	$
Directors' expenses	**32**	23
Directors' remuneration	**-**	-
	32	23

(CDN dollars in thousands)

22. Remuneration of officers and employees

In accordance with the requirements of the Act and accompanying Regulations the remuneration of the specified officers and employees, is set out below:

		Salary and variable compensation	Benefits	Total
		$	$	$
Mr. Denis Laframboise	President and Chief Executive Officer	210	-	210
Mr. Joel Lalonde	Executive Vice President	149	7	156

23. Commitments

Lease commitments

The minimum annual payments under an operating lease are $42 per year to September 30, 2014.

Service agreements

The Credit Union is committed to the use of an outside data processing service until fiscal 2016. Charges for these services are based on usage.

Letters of credit

Outstanding letters of credit at September 30, 2012 amounted to $72 (2011 - $111; October 1, 2010 - $259).

24. Contingencies

During the normal course of business, there are various claims and proceedings which have been or may be instituted against the Credit Union. Management believes the disposition of the matters that are pending or asserted is not expected to have a material adverse effect on the financial position or the results of operations of the Credit Union.

25. Fair value of financial instruments

Fair value

The amounts set out below represent the fair values of the Credit Union’s financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaids, capital assets, investments in associates, intangible assets, future income taxes payable and accrued employment contract benefits.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

(CDN dollars in thousands)

25. Fair value of financial instruments (continued)

Fair value (continued)

			2012	2011
	Fair value	**Carrying value**	**Fair value over (under) carrying value**	Fair value over (under) carrying value
	$	**$**	**$**	$
Assets				
Cash and cash equivalents	**4,250**	**4,250**	**-**	-
Investments	**16,596**	**16,596**	**-**	222
Loans to members	**177,628**	**177,033**	**595**	9,731
Other assets	**410**	**410**	**-**	-
Liabilities				
Deposits from members	**184,178**	**183,108**	**1,070**	1,962
Other liabilities	**1,344**	**1,344**	**-**	-
Borrowings	**8,005**	**8,000**	**5**	-
Investment shares	**2,835**	**2,835**	**-**	-

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

(a) The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.

(b) The fair value of investments is based on quoted market values where available (see Note 8).

(c) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

(d) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(CDN dollars in thousands)

25. Fair value of financial instruments (continued)

Fair value (continued)

Fair value hierarchy (continued)

The table below analyzes financial instruments carried at fair value, by valuation method:

				September 30, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
CUCO Co-operative Association -				
Class B Investment Shares	**-**	**1,088**	**-**	**1,088**
Derivative financial instruments	**-**	**335**	**-**	**335**
	-	**1,423**	**-**	**1,423**
Financial liabilities				
Derivative financial instruments	**-**	**335**	**-**	**335**
	-	**335**	**-**	**335**

				September 30, 2011 (Note 27)
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
CUCO Co-operative Association -	-	-	-	-
Class B Investment Shares	-	987	-	987
Derivative financial instruments	-	470	-	470
	-	1,457	-	1,457
Financial liabilities				
Derivative financial instruments	-	470	-	470
	-	470	-	470

				October 1, 2010 (Note 27)
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Asset-backed commercial	-	-	-	-
paper - LP	-	891	-	891
Derivative financial instruments	-	592	-	592
	-	1,483	-	1,483
Financial liabilities				
Derivative financial instruments	-	592	-	592
	-	592	-	592

25. Fair value of financial instruments (continued)

Fair value (continued)

<u>*Fair value hierarchy (continued)*</u>

There has been no significant transfer of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ending September 30, 2012 and 2011. Additionally, there are no financial instruments classified in Level 3.

26. Nature and extent of risks arising from financial instruments

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to these risks.

Credit risk

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations.

The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans. These parameters are used to assist the Credit Union in implementing a prudent and effective process to assess the borrower’s ability to repay.

The Credit Union mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an on-going basis. The Credit Union’s internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member’s personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

In addition, the Credit Union monitors its loan concentration to ensure that it is in compliance with its policies.

Liquidity risk

The business of the Credit Union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

The Credit Union’s objective is to implement a policy that addresses limits on the sources, quality and amount of the assets to meet normal operational, contingency funding for significant deposit withdrawals and regulatory requirements.

The Board of Directors is ultimately responsible for the liquidity risk management policy. Management reports at each meeting, to the Board, the Credit Union’s compliance with the policy and regulatory requirements; concentration of large deposits of single/connected depositors as a percentage of total deposits; and reports borrowings for liquidity purposes, the level of borrowings and the liquidity less borrowings in relation to the statutory minimum.

(CDN dollars in thousands)

26. Nature and extent of risks arising from financial instruments (continued)

Liquidity risk (continued)

The Act requires credit unions to maintain eligible assets for adequate liquidity. Assets held by the Credit Union for such purposes are outlined in the table below.

	2012	2011 (Note 27)
	$	$
Cash and cash equivalents	**4,250**	8,471
Investments - fixed income securities	**1,274**	5,396
Liquidity reserve deposit	**12,602**	12,867
Total assets held for liquidity	**18,126**	26,734

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Credit Union is exposed to this market risk in its investing and asset/liability management activities.

Senior management is responsible for managing market risk in accordance with the Credit Union's internal policy. Senior management reports monthly to the Board its compliance with the policy and regulatory requirements; dollar volume and yields of all investments by investment category; and the particulars of all investment transactions entered into by the Credit Union. All exceptions noted are to be reported to the Board.

The Board is responsible for monitoring significant variances and to ensure that corrective measures are implemented.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

The Credit Union manages its interest rate risk through measurement and monitoring of basis risk, mismatch risk, yield curve risk and options risk, and by maintaining a statement of financial position structure and appropriate diversification of products and maturities of assets and deposits to assist in minimizing the risks.

(CDN dollars in thousands)

26. Nature and extent of risks arising from financial instruments (continued)

Interest rate risk (continued)

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates and effective interest rates for the following on statement of financial position financial instruments:

	On Demand	Less than 3 months	3 months to one year	One to five years	Non-rate sensitive	Total	2012 Effective interest rate
	$	$	$	$	$	$	%
Cash and cash equivalents	2,235	-	-	-	2,015	4,250	0.40
Investments	-	4,527	8,305	1,044	2,720	16,596	1.53
Loans to members	2,450	2,734	12,079	160,392	(622)	177,033	4.73
Other assets	-	-	-	-	6,243	6,243	-
	4,685	7,261	20,384	161,436	10,356	204,122	
Deposits from members	96,033	8,848	26,752	51,475	-	183,108	1.47
Borrowings	-	8,000	-	-	-	8,000	1.75
Other liabilities	-	-	-	-	1,388	1,388	-
Investment shares	2,835	-	-	-	-	2,835	3.10
Membership shares	642	-	-	-	-	642	-
Retained earnings	-	-	-	-	8,149	8,149	-
	99,510	16,848	26,752	51,475	9,537	204,122	
On-balance sheet gap	(94,825)	(9,587)	(6,368)	109,961	819	-	

(CDN dollars in thousands)

26. Nature and extent of risks arising from financial instruments (continued)

Interest rate risk (continued)

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates and effective interest rates for the following on statement of financial position financial instruments:

							2011
	On Demand	Less than 3 months	3 months to one year	One to five years	Non-rate sensitive	Total	Effective interest rate
	$	$	$	$	$	$	%
Cash and cash equivalents	8,471	-	-	-	-	8,471	0.40
Investments	-	2,159	10,604	5,500	2,425	20,688	1.90
Loans to members	517	1,753	6,011	154,164	(642)	161,803	4.44
Other assets	-	-	-	-	6,415	6,415	-
	8,988	3,912	16,615	159,664	8,198	197,377	
Deposits from members	96,816	8,972	32,480	43,288	-	181,556	1.61
Borrowings	-	3,000	-	-		3,000	1.50
Other liabilities	-	-	-	-	1,666	1,666	-
Investment shares	2,747	-	-	-	-	2,747	3.20
Membership shares	652	-	-	-	-	652	-
Retained earnings		-	-	-	7,756	7,756	-
	100,215	11,972	32,480	43,288	9,422	197,377	
On-balance sheet gap	(91,227)	(8,060)	(15,865)	116,376	(1,224)	-	

An analysis of the Credit Union's risk due to changes in interest rates determined that a 100bp increase in interest rates, with all other variables held constant, would result in an increase in net income of $673 while a 50bp decrease in interest rates, with all other variables held constant, would result in a decrease in net income of $134.

Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances or currencies of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets.

Net foreign exchange gains of $52 (2011 – loss of $32) have been included in other income on the statement of income and comprehensive income for the year ended September 30, 2012.

27. Explanation of transition to International Financial Reporting Standards (IFRS)

Foreign currency exchange risk (continued)

The Credit Union has adopted IFRS effective October 1, 2011 and the financial statements for the year ended September 30, 2012 are the first annual financial statements that comply with IFRS. Prior to the adoption of IFRS, the Credit Union prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Credit Union's transition date is October 1, 2010 (the "transition date") and the Credit Union has prepared its opening IFRS statement of financial position at that date. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended September 30, 2012, the comparative information presented in these financial statements for the year ended September 30, 2011 and in the preparation of the opening IFRS statement of financial position as at October 1, 2010. The Credit Union has applied IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1") in preparing these first IFRS financial statements. In preparing the opening IFRS statement of financial position, the Credit Union has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. This note explains the principal adjustments made by the Credit Union in restating its Canadian GAAP balance as at October 1, 2010 and its previously issued Canadian GAAP financial statements for the year ended September 30, 2011.

Elected exemptions from full retrospective application

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS which are effective for September 2012 year ends retrospectively. IFRS 1 also includes mandatory exceptions to the retrospective application of IFRSs.

The Credit Union has applied the following exemptions:

Business combinations

IFRS 1 allows a first-time adopter to elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Credit Union has taken advantage of this election and has not applied IFRS 3 to business combinations that occurred prior to October 1, 2010.

Leases

This exemption applies to first-time adopters who have made a determination of whether an arrangement contained a lease in accordance with a Canadian GAAP. If the determination made under the entity's Canadian GAAP would have given the same outcome as that resulting from applying IAS 17 - Leases and IFRIC 4 - Determining whether an Arrangement contains a Lease, then the first-time adopter need not reassess that determination when it adopts IFRS. The Credit Union has elected to apply this exemption, and as a result has not reassessed its arrangements.

Designation of Previously Recognized Financial Instruments

This exemption permits an entity to designate any fi nancial asset that qualifi es as available-for-sale at the transition date. Additionally, at the date of transition to IFRS, the Credit Union is permitted to designate any fi nancial instrument that qualifi es as FVTPL. The Credit Union has applied this exemption to certain of its financial instruments.

27. Explanation of transition to International Financial Reporting Standards (IFRS) (continued)

Mandatory exceptions to retrospective application

In preparing these financial statements in accordance with IFRS 1 the Credit Union has applied the following mandatory exceptions from full retrospective application of IFRS:

Hedging

As required by IAS 39 - Financial Instruments: Recognition and Measurement, the Credit Union has measured all derivatives at fair value and eliminated all deferred gains and losses arising on derivatives that were reported in accordance with Canadian GAAP as if they were assets or liabilities. Only hedging relationships that satisfied the hedge accounting criteria as of October 1, 2010 are reflected as hedges in the IFRS financial statements.

Estimates

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Credit Union under Canadian GAAP are consistent with their application under IFRS.

Derecognition of financial assets and financial liabilities

The Credit Union has early adopted the amendment to IFRS 1, which is effective for years commencing on or after July 1, 2011 and has applied the derecognition requirements required by IAS 39 - Financial Instruments: Recognition and Measurement, prospectively for transactions that occurred on or after the date of transition to IFRS. Any non-derivative financial assets and liabilities derecognized prior to the date of transition to IFRS in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39 derecognition requirements.

(CDN dollars in thousands)

27. Explanation of transition to International Financial Reporting Standards (IFRS) (continued)

Effect of transition

The following tables set out the impact of adoption of IFRS on the opening statement of financial position as at October 1, 2010 and the statement of financial position as at September 30, 2011:

				October 1, 2010
	Previous Canadian GAAP	Effect of transition to IFRS	Re-classifications	IFRS
	$	$	$	$
Assets				
Cash and cash equivalents	23,300	-	-	23,300
Investments (Note b)	20,371	-	-	20,371
Loans to members (Notes a and b)	158,253	-	224	158,477
Property and equipment	5,382	-	-	5,382
Other assets (Note b)	1,623	-	(224)	1,399
	208,929	-	-	208,929
Liabilities				
Deposits from members	196,328	-	-	196,328
Other liabilities	1,760	-	-	1,760
Current tax liabilities	41	-	-	41
Deferred income tax liabilities	28	-	-	28
Investment shares (Note c)	-	-	2,737	2,737
	198,157	-	2,737	200,894
Liabilities qualifying as regulatory capital				
Issued capital (Note c)	3,440	-	(3,440)	-
	201,597	-	(703)	200,894
Members' equity				
Membership shares (Note c)	-	-	703	703
Retained earnings	7,332	-	-	7,332
Accumulated other comprehensive income	-	-	-	-
	7,332	-	703	8,035
	208,929	-	-	208,929

(CDN dollars in thousands)

27. Explanation of transition to International Financial Reporting Standards (IFRS) (continued)

Effect of transition (continued)

			September 30, 2011	
	Previous Canadian GAAP	Effect of transition to IFRS	Re-classifications	IFRS
	$	$	$	$
Assets				
Cash and cash equivalents	8,471	-	-	8,471
Investments (note b)	21,152	-	(464)	20,688
Loans to members (Notes a and b)	161,080	-	723	161,803
Property and equipment	5,229	-	-	5,229
Other assets (Note b)	1,445	-	(259)	1,186
	197,377	-	-	197,377
Liabilities				
Deposits from members	181,556	-	-	181,556
Other liabilities	1,533	-	-	1,533
Current tax liabilities	105	-	-	105
Deferred income tax liabilities	28	-	-	28
Borrowings	3,000	-	-	3,000
Investment shares (Note c)	-	-	2,747	2,747
	186,222	-	2,747	188,969
Liabilities qualifying as regulatory capital				
Issued capital (Note c)	3,399	-	(3,399)	-
	189,621	-	(652)	188,969
Members' equity				
Membership shares (Note c)	-	-	652	652
Retained earnings	7,756	-	-	7,756
Accumulated other comprehensive income	-	-	-	-
	7,756	-	652	8,408
	197,377	-	-	197,377

(CDN dollars in thousands)

27. Explanation of transition to International Financial Reporting Standards (IFRS) (continued)

Effect of transition (continued)

The following table sets out a reconciliation of total equity under Canadian GAAP as at October 1, 2010 and September 30, 2011 to total equity under IFRS:

	October 1, 2010	September 30, 2011
	$	$
Total members' equity under Canadian GAAP	7,332	7,756
Transitional adjustments		
Reclass membership shares (Note c)	703	652
	703	652
Tax effect of the above	-	-
Total adjustment to members' equity	703	652
Total members' equity under IFRSs	8,035	8,408

Notes to the reconciliations of the statement of financial position and the reconciliations of total equity:

(a) Under both Canadian GAAP and IFRS, the Credit Union determines its allowance for impaired loans using an incurred loss model. IFRS requires objective evidence of a loss having occurred prior to recording impairment on a financial asset. IFRS also provides more detailed guidance on loss events, impairment analysis, and when an impairment is permitted. This increased guidance did not result in a change to the Credit Union's impairment allowance.

(b) The Credit Union reclassed various items as follows:

(i) Reclassification of accrued interest from "other assets" to "loans to members" of $224 as at October 1, 2010 ($259 - September 30, 2011) to ensure proper presentation of the effective interest method.

(ii) Reclassification of foreclosed / forefeited assets from "investments" to "loans to members" of $nil as at October 1, 2010 ($464 - September 30, 2011) to align with the presentation selected at September 30, 2012.

(c) Under IFRS, membership shares are classified as equity, not liabilities, due to their liquidation and redemption features set out in IAS 32 and IFRIC 2. The effect is to reclass $703 at October 1, 2010 and $652 at September 30, 2011 from liabilities to equity.

Material adjustments to the statement of comprehensive income for the year ended September 30, 2011:

There are no significant adjustments to the Credit Union's statement of comprehensive income reported in accordance with IFRS.

Certain expenses were reclassed to follow the presentation requirements under IFRS.

27. Explanation of transition to International Financial Reporting Standards (IFRS) (continued)

Effect of transition (continued)

<u>*Material adjustments to the statement of cash flows for the year ended September 30, 2011:*</u>

There are no significant adjustments to the Credit Union's statement of cash flows reported in accordance with IFRS.

The Credit Union has modified the classification of certain items within the statement of cash flows in accordance with IFRS. Certain previous investing and financing activities presented under Canadian GAAP are now presented as operating activities, including the change in loans to members and change in deposits from members.

In addition, interest paid, interest received, income taxes paid and income taxes received were previously recorded as supplemental information to the statement of cash flow under Canadian GAAP. Under IFRS, these items are now included under operating activities in the statement of cash flows.

SCHEDULE C

INDEPENDENT AUDITOR'S CONSENT

INDEPENDENT AUDITOR'S CONSENT

We consent to the use of our auditor's report to the Members of Your Credit Union Limited (the "Credit Union") on the statements of financial position of the Credit Union as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statements of comprehensive income, changes in members' equity and cash flows for each of the years in the two-year period ended September 30, 2012, and a summary of significant accounting policies and other explanatory information in the offering statement of the Credit Union dated August 29, 2013 relating to the offering of Class B Special Shares, Series 2 of the Credit Union. Our report is dated December 14, 2012.

We consent to the use of our interim review report to the Audit Committee of Your Credit Union Limited on the condensed statements of financial position of the Credit Union as at May 31, 2013 and September 30, 2012, and the condensed statements of comprehensive income, changes in members' equity and cash flows for each of the eight-month periods ended May 31, 2013 and 2012 in the offering statement of the Credit Union dated August 29, 2013 relating to the offering of Class B Special Shares, Series 2 of the Credit Union. Our report is dated August 21, 2013.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Ottawa, Ontario
August 29, 2013