



Financial Statements

Tandem Financial Credit Union Limited

December 31, 2014

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Independent auditor's report

To the Members of
Tandem Financial Credit Union Limited (operating as Tandia Cooperative Banking):

We have audited the accompanying financial statements of Tandem Financial Credit Union Limited (operating as Tandia Cooperative Banking) (the "credit union"), which comprise the statement of financial position as at December 31, 2014, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tandem Financial Credit Union Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Burlington, Canada
February 25, 2015

Chartered Accountants
Licensed Public Accountants

Tandem Financial Credit Union Limited

Statement of Financial Position

December 31

2014

2013

(in thousands)

Assets

Cash and cash equivalents (Note 6)	\$ 7,457	\$ 15,054
Investments (Note 7)	56,023	41,873
Loans to members (Note 8)	753,173	472,045
Property and equipment (Note 10)	9,236	3,465
Other assets (Note 11)	3,417	2,603
Derivative financial instruments (Note 13)	868	478
Intangible asset (Note 12)	786	228
	<u>\$ 830,960</u>	<u>\$ 535,746</u>

Liabilities

External borrowings (Note 14)	\$ 10,000	\$ 17,500
Secured borrowings (Note 9)	82,194	70,321
Payables and accruals	4,462	2,416
Deferred income taxes (Note 18)	221	69
Deposits of members (Note 15)	690,371	415,837
Derivative financial instruments (Note 13)	1,352	554
Shares (Note 16)	1,510	977
	<u>790,110</u>	<u>507,674</u>

Equity

Shares (Note 16)	12,496	10,333
Retained earnings	15,262	15,470
Accumulated other comprehensive income	1,093	994
Contributed surplus	11,999	1,275
	<u>40,850</u>	<u>28,072</u>
	<u>\$ 830,960</u>	<u>\$ 535,746</u>

Commitments (Note 22)

On behalf of the board

Director

Director

See accompanying notes to the financial statements.

Tandem Financial Credit Union Limited

Statement of Comprehensive Income

Year Ended December 31	2014	2013
	(in thousands)	
Financial income		
Interest on member loans	\$ 27,089	\$ 16,579
Other interest revenue	<u>1,230</u>	<u>824</u>
	<u>28,319</u>	<u>17,403</u>
Financial expense		
Interest on member deposits	10,412	6,312
Other interest expense	<u>280</u>	<u>221</u>
	<u>10,692</u>	<u>6,533</u>
Financial margin	17,627	10,870
Other income (Note 19)	6,973	4,288
Provision for impaired loans (Note 8)	<u>1,548</u>	<u>100</u>
Operating margin	<u>23,052</u>	<u>15,058</u>
Operating expenses		
Salaries and benefits	12,234	7,471
Occupancy	1,809	1,074
Computer, office and other equipment	1,692	1,305
Advertising and communications	1,140	589
Member security	842	496
Administration	2,495	1,035
Other	<u>2,693</u>	<u>2,274</u>
	<u>22,905</u>	<u>14,244</u>
Net income before taxes	147	814
Income tax (recovery) expense (Note 18)	<u>(121)</u>	<u>56</u>
Net income for the year	<u>268</u>	<u>758</u>
Other comprehensive income (net of tax)		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gains on available-for-sale investments	<u>99</u>	<u>196</u>
Total other comprehensive income for the year	<u>99</u>	<u>196</u>
Total comprehensive income for the year	<u>\$ 367</u>	<u>\$ 954</u>

See accompanying notes to the financial statements

Tandem Financial Credit Union Limited

Statement of Changes in Members' Equity

Year Ended December 31

	(in thousands)				
	<u>Shares</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income</u>	<u>Contributed surplus</u>	<u>Total</u>
Balance at December 31, 2012	\$10,205	\$ 15,146	\$ 798	\$ -	\$ 26,149
Net income	-	758	-	-	758
Distributions to members (Note 17)	-	(434)	-	-	(434)
Issue of profit shares	57	-	-	-	57
Issue of investment shares	273	-	-	-	273
Redemption of profit shares	(193)	-	-	-	(193)
Redemption of investment shares	(9)	-	-	-	(9)
Change in unrealized gains on available-for-sale investments	-	-	196	-	196
Increase in contributed surplus from Business Combination	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,275</u>	<u>1,275</u>
Balance at December 31, 2013	10,333	15,470	994	1,275	28,072
Net income	-	268	-	-	268
Distributions to members (Note 17)	-	(476)	-	-	(476)
Acquisition of profit shares	519	-	-	-	519
Acquisition of investment shares	1,709	-	-	-	1,709
Issue of profit shares	37	-	-	-	37
Issue of investment shares	371	-	-	-	371
Redemption of profit shares	(310)	-	-	-	(310)
Redemption of investment shares	(163)	-	-	-	(163)
Change in unrealized gains on Available-for-sale investments	-	-	99	-	99
Increase in contributed surplus from Business Combination (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,724</u>	<u>10,724</u>
Balance at December 31, 2014	<u>\$12,496</u>	<u>\$ 15,262</u>	<u>\$ 1,093</u>	<u>\$ 11,999</u>	<u>\$ 40,850</u>

See accompanying notes to the financial statements

Tandem Financial Credit Union Limited

Statement of Cash Flows

Year Ended December 31 2014 2013
(in thousands)

Increase (decrease) in cash and cash equivalents		
Operating		
Net income	\$ 268	\$ 758
Provision for impaired loans	1,548	100
Depreciation and amortization	1,214	648
Deferred income taxes	(291)	-
Fair value of interest rate swap contracts	(80)	(295)
Distributions to members	(476)	(434)
Other non-cash items (Note 23)	<u>199</u>	<u>(1,445)</u>
	<u>2,382</u>	<u>(668)</u>
Financing		
(Repayment) advance of external borrowings (net)	(7,500)	13,000
Increase in secured borrowings	11,873	19,836
Increase in deposits of members (net)	47,188	35,131
Increase in shares (net)	<u>155</u>	<u>135</u>
	<u>51,716</u>	<u>68,102</u>
Investing		
Increase in loans to members (net)	(70,347)	(62,596)
Proceeds from (purchase of) investments (net)	2,746	(4,157)
Distributions received from CUCO Co-op investment	956	663
Purchase of property and equipment	(796)	(582)
Cash resources acquired upon business combination	<u>5,746</u>	<u>5,825</u>
	<u>(61,695)</u>	<u>(60,847)</u>
Net (decrease) increase in cash and cash equivalents	(7,597)	6,587
Cash and cash equivalents		
Beginning of year	<u>15,054</u>	<u>8,467</u>
End of year	<u>\$ 7,457</u>	<u>\$ 15,054</u>
<hr/>		
Interest received	<u>\$ 28,178</u>	<u>\$ 17,001</u>
Interest paid	<u>\$ 8,562</u>	<u>\$ 6,565</u>
Income taxes paid	<u>\$ 245</u>	<u>\$ 287</u>
Patronage dividends paid	<u>\$ 21</u>	<u>\$ 47</u>

See accompanying notes to the financial statements

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

1. Governing legislation and nature of operations

The credit union is incorporated under the Credit Unions and Caisses Populaires Act and its operations are subject to the Financial Institutions Act of Ontario. The credit union serves members in Hamilton, Burlington, Milton, Georgetown, Grand Erie, Toronto and the surrounding communities. The credit union's head office is located at 1100 Burloak Drive, Suite 300, Burlington, Ontario.

The credit union exists to help members meet their financial needs in their local communities. The credit union's principal activities are the provision of deposit-taking and other financial services on a co-operative basis.

These financial statements have been approved and authorized for issue by the Board of Directors on February 25, 2015.

2. Basis of presentation and compliance

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

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

The credit union's functional and presentation currency is the Canadian dollar. The financial statements are presented in thousands of Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the credit union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with Central 1 Credit Union (Central 1), net of bank indebtedness and short term deposits with original maturities of three months or less from the date of acquisition.

Financial instruments

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

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value. Subsequent measurement is as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

At least at each reporting date, all financial assets are subject to a review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'financial income' or 'financial expense'.

Financial assets at fair value through profit or loss

Portfolio investments are recorded at fair value through profit or loss. Investment income is recorded using the accrual method of accounting.

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 have been classified as loans and receivables. These include cash and cash equivalents, liquidity reserves and loans to members in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables.

Investments are classified as held-to-maturity if the credit union has the intention and ability to hold them until maturity. The credit union does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows.

Any change to the carrying amount of the investment, including impairment loss, is recognized in profit or loss.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The credit union's available-for-sale financial assets include the credit union's investments in Central 1 Credit Union shares and CUCO Co-op.

These investments are measured at cost less any impairment charges, when their fair value cannot currently be estimated reliably. Impairment charges are recognized in profit or loss.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the accumulated and other comprehensive income, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the members' equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'other income'.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

The credit union's financial liabilities include deposits of members, derivative financial instruments, external borrowings, secured borrowings, payables and accruals and shares classified as liabilities.

Financial liabilities are initially measured at fair value and are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'other interest revenue' or 'other interest expense'.

Loans to members

Loans are initially measured at fair value and subsequently re-measured at their amortized cost, net of allowance, using the effective interest rate method.

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

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Loan fees

The accounting treatment for loan fees varies depending on the transaction. Fees that are considered to be material and an adjustment to loan yield are deferred and amortized using the effective interest method. Mortgage prepayment fees are recognized in other interest income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the average remaining term of the original mortgages.

Allowances for impaired loans

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Discounting is omitted where the effect of discounting is immaterial.

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

Loans classified as impaired include loans for which interest or principal payments are 90 days past due, unless the loan is both well secured and in the process of collection, in which case they are only classified as impaired if the payments are 180 days past due. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, by estimating the fair value of security underlying the loans and deducting costs of realization, or by estimating market prices for the loans.

Specific allowances are established for individual loans identified as impaired. These allowances are supplemented by a collective allowance for losses on mortgage, personal and other loans established based on payment arrears, known risks in the portfolio, historical loan loss experience, current economic conditions, and management's judgement.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Bad debts written off

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

Mortgage securitization

For securitization transactions initiated prior to the date of transition to IFRS, in accordance with pre-changeover Canadian GAAP, loan securitizations were treated as a sale, provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. Gains on these transactions were reported as other income. The amount of these gains are based on the present value of expected future cash flows using management's best estimates and key assumptions such as prepayment rates, excess spread, credit (losses) and discount rates. The credit union has a contractual obligation to service the loans on behalf of the transferee.

For securitization transactions initiated after the date of transition to IFRS, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method.

Interest income and expense

Interest income and expense is recognized in the Statement of Income for all interest-bearing financial instruments classified as held to maturity, available for sale, loans and receivables and other financial liabilities using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of members' behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in income for the year.

Derivative financial instruments

Derivative financial instruments are financial contracts that require or provide an option to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. The credit union periodically enters into derivative contracts to manage financial risks associated with movements in interest rates and other financial indices. The credit union's policy is not to utilize derivative financial instruments for trading or speculative purposes.

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

Hedges

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

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

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the credit union's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The credit union has chosen to test the effectiveness of its hedges on a monthly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

For fair value hedges that meet the hedging documentation criteria, the hedged asset is adjusted for fair value changes attributable to the risk being hedged and the hedging instrument is measured at fair value. Gains and losses resulting from changes in the fair value are recorded in the statement of comprehensive income as other income.

If the credit union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the accumulated other comprehensive income to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

Other non-hedge derivatives

The credit union classifies certain financial assets upon initial recognition at fair value through profit or loss. Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits, foreign exchange forward contracts and interest rate swaps not designated as hedging instruments.

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

Foreign exchange contracts are used to hedge the credit union's net US dollar liability position.

Property and equipment

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

Buildings	20 to 40 years
Equipment and furniture	3 to 10 years
Electronic equipment	5 years
Capital and leasehold improvements	5 to 10 years
Vehicles	5 years

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

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'other income' or 'other expenses'.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets consist of the fair value of core deposit intangibles representing the cost savings inherent in acquiring a deposit portfolio with a lower cost of funding versus going into the market for the funds. Intangible assets with a limited life are amortized to income on a straight-line basis over the period which the assets are anticipated to provide economic benefit, which is currently 3 years. Residual values and useful lives are reviewed at each reporting date.

Leased assets

Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Deposits

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

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Members' shares

Membership shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the credit union board of directors, the shares are classified as equity, as per IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Distributions to members

Patronage distributions are recognized in net income or members' equity when circumstances indicate the credit union has a constructive obligation it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

Income taxes

The credit union follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

Income taxes (continued)

Deferred tax assets and liabilities are offset only when the credit union has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Standards, Amendments and Interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the credit union's accounting periods beginning on or after January 1, 2015 or later periods that the credit union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the credit union are:

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. IFRS 9 is required to be applied for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The credit union is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 *Revenue from Contracts with Customers* presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 15 establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. The credit union is currently evaluating the impact of IFRS 15 on its financial statements.

Standards, Amendments and Interpretations adopted in the current year

IFRIC 21 *Levies* was issued in May 2013 and is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. A levy is an outflow of resources embodying economic benefits that is imposed by the government on entities in accordance with legislation, other than income taxes within the scope of IAS 12 and fines or other penalties imposed for breaches of legislation. IFRIC 21 clarifies the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the liability. The adoption of the interpretation did not have any impact on the balances, transactions or disclosures of the credit union.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

3. Summary of significant accounting policies (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities was amended to clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the credit union does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

4. Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimates

Impairment

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

The actual results may vary, and may cause significant adjustments to the credit union's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2014, management assesses that the useful lives represent the expected utility of the assets to the credit union. The carrying amounts are analyzed in Note 10. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

4. Significant management judgment in applying accounting policies and estimation uncertainty (continued)

Business combinations

Management applies valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 5). Management's estimates were based on observable market data when available and its best estimate to determine the fair values of all assets acquired and liabilities assumed. Actual results may vary from management's estimate.

Impairment of intangible assets

The credit union performs an assessment of its core deposit intangible assets at each reporting date to determine whether an impairment loss should be recorded in the statement of comprehensive income. The carrying value of the core deposit intangible is significantly impacted by estimates about the future runoff pattern for the portfolio to which the intangible asset relates as well as estimates used in determining the net cost of servicing the deposits compared to the alternative cost of borrowing. Management assesses actual runoff patterns on a regular basis to determine the impact of the remaining runoff estimates.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Member loan loss provision

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 8.

Judgments

Member loan loss provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the credit union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant.

Where this does not exist the credit union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

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5. Business Combination

On October 24, 2013, the members of Hamilton Teachers' Credit Union and Prosperity ONE Credit Union Limited voted in favour of amalgamating the credit unions. On January 1, 2014, the credit union purchased the assets and assumed the liabilities of Prosperity ONE Credit Union Limited located in Milton, Ontario. Both organizations have a long history and were born out a vision to deliver a more positive, inclusive banking experience than that of traditional banks.

The amalgamated credit union was named Tandem Financial Credit Union Limited (operating as Tandia Co-operative Banking). There was no cash consideration exchanged in this transaction. The transaction was accounted for in accordance with the prescribed requirements for business combinations of cooperative enterprises. Under these requirements, the credit union was identified as the "purchaser" and the net assets of the acquired enterprise were recorded at fair value. The fair value of the assets and liabilities acquired were determined with reference to current market interest rates for similar financial instruments, third party appraisals for certain capital assets, and valuation techniques that follow international financial reporting standards for intangibles such as core deposits and wealth management assets.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed:

	<u>Fair Value</u>
Cash resources and investments	\$ 23,372
Loans to members	212,242
Property and equipment	5,960
Other assets	969
Intangible asset – core deposits	<u>978</u>
Total assets acquired	<u>243,521</u>
Deposits of members	227,346
Liabilities to non-members	2,388
Income taxes payable	36
Future income tax liability	486
Members' share capital	<u>2,541</u>
Total liabilities assumed	<u>232,797</u>
Fair value of net assets acquired	<u>\$ 10,724</u>

The fair value of the net assets has been recorded as contributed surplus in members' equity.

Impact of acquisition on the results of the Credit Union

Included in the revenue for the year of acquisition is \$ 9,502,000 attributable to the additional business generated by the Prosperity ONE branches. Revenue is comprised of net interest income and non-interest income. Total interest expense attributable to the Prosperity ONE branches is \$3,280,000 for a net interest margin of \$6,222,000 for the year of acquisition in respect of the acquired business.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

	(in thousands)	
6. Cash and cash equivalents	<u>2014</u>	<u>2013</u>
Cash, current accounts, items in transit net of bank indebtedness	\$ 7,451	\$ 15,052
Net term deposits callable or maturing in three months or less	<u>6</u>	<u>2</u>
	<u>\$ 7,457</u>	<u>\$ 15,054</u>

The credit union maintains its current accounts and term deposits with Central 1.

	(in thousands)	
7. Investments	<u>2014</u>	<u>2013</u>
Liquidity reserves	\$ 49,325	\$ 31,949
Portfolio investments	-	5,217
Central 1 Credit Union shares	5,257	3,241
CUCO Co-op Class B investment shares	<u>1,441</u>	<u>1,466</u>
	<u>\$ 56,023</u>	<u>\$ 41,873</u>

The credit union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 6% of total assets as at the conclusion of each month. The deposits can be withdrawn only if there is a sufficient reduction in the credit union's total assets or upon withdrawal of membership from Central 1. The liquidity reserves are due within three years. At maturity, these deposits are reinvested at market rates for various terms.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. The credit union's allocation of Class A Central 1 shares is based on the assets of each credit union in proportion to the combined assets of the British Columbia credit union system and the assets of Central 1's member credit unions in Ontario. This allocation is adjusted each June 30th to reflect changes in credit union assets. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

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

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

7. Investments (continued)

The credit union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day to day activities of the credit union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

The portfolio investments were included in the net assets acquired in the Toronto Catholic School Board Employees Credit Union business acquisition. The investments were classified as fair value through profit or loss and were comprised of corporate bonds and securities with varying maturity dates. The investments were sold during 2014.

On June 18, 2011, credit unions voted on the purchase of the investment portfolio and certain other assets and liabilities of the ABCP LP by CUCO Co-op, and the subsequent dissolution of the ABCP LP (the "LP"). The first step was fulfilled when CUCO officially become the CUCO Co-operative Association ("CUCU Co-op") on August 17, 2011 on the authority of approvals received from the Financial Services Commission of Ontario and from Industry Canada. The second step was completed on August 31, 2011, CUCO Co-op and the LP fulfilled the terms of the purchase agreement whereby the LP assets were sold to CUCO Co-op in exchange for Class B Investment Shares. On September 2, 2011, the LP distributed to each credit union such credit union's proportionate share of CUCO Co-op Class B Investment Shares. The value previously held in the form of a credit union's LP units has effectively transferred to its new CUCO Co-op Class B Investment Shares and the LP units have no value. As of September 2, 2011, the credit union received 542,618,918 Class B Investment Shares, which is 1.55553% of the total Class B Investment Shares outstanding. As of December 31, 2014, the credit union holds 911,440,540 Class B Investment Shares, which is 2.6128% of the total Class B Investment Shares outstanding.

The credit union received distributions of \$ 956,000 (2013 - \$ 663,000) which were recorded directly as a reduction to the cost of the investment. In addition, as these investments are classified as available-for-sale instruments, a fair value adjustment net of taxes of \$ 99,000 (2013- \$ 196,000) has been recorded in other comprehensive income.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

(in thousands)

8. Loans to members 2014 2013

Residential mortgage loans bear interest at an average annual rate of 3.49% and are receivable in blended principal and interest instalments for a maximum amortization period of 35 years. Some mortgages are open and at the option of the borrower may be paid off at any time without notice or penalty. Principal amount due within one year is estimated at \$ 210,786.

\$532,104 \$ 324,346

Personal loans and lines of credit bear interest at an average annual rate of 6.09% and are receivable in blended principal and interest instalments for a maximum amortization period of 15 years. Principal amount due within one year is estimated at \$ 20,136.

56,736 41,981

Commercial mortgage loans bear interest at an average annual rate of 4.77% and are receivable in blended principal and interest instalments for a maximum amortization period of 20 years. Principal amount due within one year is estimated at \$ 63,210.

165,103 106,068

Accrued interest receivable

953 882

754,896 473,277

Less: allowance for impaired loans

1,723 1,232

\$ 753,173 **\$ 472,045**

Concentration of risk

The credit union has an exposure to groupings of individual loans or related groups of member loans which exceed 10% of members' equity. There are 7 loan connections with balances outstanding greater than 10% of members' equity ranging from \$ 4,520,000 to \$ 7,251,000.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

8. Loans to members (continued)

The credit union's allowance for impaired loans was calculated in accordance with By-Law No. 6 of the Deposit Insurance Corporation of Ontario (DICO).

Total allowance for impaired loan provision:

	<u>2014</u>	<u>2013</u>
Individual specific provision	\$ 560	\$ 417
Collective provision	<u>1,163</u>	<u>815</u>
Total provision	<u>\$ 1,723</u>	<u>\$ 1,232</u>

					(in thousands)	
Allowance for impaired loans					<u>2014</u>	<u>2013</u>
	Beginning Balance	Provision	Write-offs Less Recoveries	Ending Balance	Ending Balance	
Specific	\$ 417	\$ 1,662	\$ (1,519)	\$ 560	\$ 417	
Collective	<u>815</u>	<u>348</u>	<u>-</u>	<u>1,163</u>	<u>815</u>	
	<u>\$ 1,232</u>	<u>\$ 2,010</u>	<u>\$ (1,519)</u>	<u>\$ 1,723</u>	<u>\$ 1,232</u>	
Percentage of total loans and accrued interest					<u>.23%</u>	<u>.26%</u>

					(in thousands)	
Allowance for impaired loans					<u>2014</u>	<u>2013</u>
	Beginning Balance	Provision	Write-offs Less Recoveries	Ending Balance	Ending Balance	
Personal	\$ 551	\$ 260	\$ (140)	\$ 671	\$ 551	
Commercial	<u>681</u>	<u>1,750</u>	<u>(1,379)</u>	<u>1,052</u>	<u>681</u>	
	<u>\$ 1,232</u>	<u>\$ 2,010</u>	<u>\$ (1,519)</u>	<u>\$ 1,723</u>	<u>\$ 1,232</u>	

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

8. Loans to members (continued)

Key Assumptions in determining the allowance for impaired loans collective provision

A collective provision is established to cover estimated loan losses which have not yet been specifically identified as impaired. In determining the allowance for impaired loans, management considers factors such as the composition and credit quality of the portfolio, current economic conditions and trends and historical loss experience.

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

At December 31st, the balances of loans in arrears within the portfolio (excluding accrued interest) were as follows:

2014

(thousands of dollars)

	Residential <u>Mortgages</u>	Personal <u>Loans</u>	Commercial <u>Mortgages</u>	<u>Total</u>
Current	\$ 526,373	\$ 55,688	\$ 164,769	\$ \$ 746,830
Days in arrears:				
Less than 30 days	3,712	553	104	4,369
30-89 days	1,358	115	-	1,473
90-179 days	339	57	-	396
More than 180 days	322	323	230	875
Total	<u>\$ 532,104</u>	<u>\$ 56,736</u>	<u>\$ 165,103</u>	<u>\$ \$ 753,943</u>

2013

(thousands of dollars)

	Residential <u>Mortgages</u>	Personal <u>Loans</u>	Commercial <u>Mortgages</u>	<u>Total</u>
Current	\$ 319,392	\$ 41,376	\$ 100,348	\$ 461,116
Days in arrears:				
Less than 30 days	4,610	382	1,109	6,101
30-89 days	149	94	2,000	2,243
90-179 days	195	90	-	285
More than 180 days	-	39	2,611	2,650
Total	<u>\$ 324,346</u>	<u>\$ 41,981</u>	<u>\$ 106,068</u>	<u>\$ 472,395</u>

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

9. Mortgage securitizations

The credit union enters into loan securitization transactions. In accordance with the credit union's accounting policy, the transferred financial assets continue either to be recognized in their entirety or to the extent of the continuing involvement, are derecognized in their entirety.

Transferred financial assets that are not derecognized in their entirety

The table below sets out the carrying amounts and fair values related to transferred loans to members that are not derecognized in their entirety and any associated liabilities. All loans to members are classified as loans and receivables and are measured at amortized cost in the Statement of Financial Position.

	<u>2014</u>	<u>2013</u>
Carrying amounts of assets, included in loans to members	\$ 81,014	\$ 68,632
Carrying amount of associated liabilities, recognized as secured borrowings	82,194	70,321

The credit union does not have the ability to use the transferred assets during the term of the arrangement.

At December 31, 2014, the aggregate value of securitized loans outstanding that have been derecognized amounted to \$ Nil (2013 - \$ 2,456,000). The net gain on the sale of mortgages resulting from these securitizations was immediately recognized in the statement of income as "Other income" in the years that the securitizations occurred. In addition, there were no credit losses incurred during the year on the mortgages transferred. Since these mortgages are sold on a serviced basis, the credit union has a servicing liability of \$ Nil (2013 - \$ 3,000) included on its statement of financial position. No new securitizations of this type took place in 2013 or 2014.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

10. Property and equipment

	Land	Buildings	Equipment & Furniture	Electronic Equipment	Leasehold Improvements	Vehicles	Total
Cost							
Balance at December 31, 2012	\$ 920	\$ 888	\$ 2,281	\$ 2,347	\$ 2,276	\$ -	\$ 8,712
Additions	-	-	198	231	153	-	582
Balance on December 31, 2013	920	888	2,479	2,578	2,429	-	9,294
Additions	1,650	3,470	347	555	677	57	6,756
Disposals	-	-	-	(45)	(70)	-	(115)
Balance on December 31, 2014	<u>\$ 2,570</u>	<u>\$ 4,358</u>	<u>\$ 2,826</u>	<u>\$ 3,088</u>	<u>\$ 3,036</u>	<u>57</u>	<u>\$ 15,935</u>
Accumulated depreciation							
Balance at December 31, 2012	\$ -	\$ 562	\$ 1,547	\$ 1,473	\$ 1,631	-	\$ 5,213
Depreciation expense	-	35	165	277	139	-	616
Balance on December 31, 2013	-	597	1,712	1,750	1,770	-	5,829
Depreciation expense	-	121	221	373	239	5	959
Disposals	-	-	-	(15)	(74)	-	(89)
Balance on December 31, 2014	<u>\$ -</u>	<u>\$ 718</u>	<u>\$ 1,933</u>	<u>\$ 2,108</u>	<u>\$ 1,935</u>	<u>\$ 5</u>	<u>\$ 6,699</u>
Net book value							
December 31, 2012	\$ 920	\$ 326	\$ 734	\$ 874	\$ 645	\$ -	\$ 3,499
December 31, 2013	\$ 920	\$ 291	\$ 767	\$ 828	\$ 659	\$ -	\$ 3,465
December 31, 2014	\$ 2,570	\$ 3,640	\$ 893	\$ 980	\$ 1,101	\$ 52	\$ 9,236

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

11. Other assets

	<u>2014</u>	<u>2013</u>
Prepaid expenses	\$ 3,016	\$ 2,309
Other accounts receivable	<u>401</u>	<u>294</u>
	<u>\$ 3,417</u>	<u>\$ 2,603</u>

12. Intangible asset

The credit union has recorded an intangible asset for the core deposits obtained from the acquisitions of Toronto Catholic School Board Employees Credit Union in 2013 and Prosperity ONE Credit Union in 2014.

	<u>Core Deposits</u>
Cost	
Balance at December 31, 2012	\$ -
Additions	<u>283</u>
Balance on December 31, 2013	283
Additions	<u>978</u>
Balance on December 31, 2014	<u>\$ 1,261</u>
Accumulated depreciation	
Balance at December 31, 2012	\$ -
Depreciation expense	<u>55</u>
Balance on December 31, 2013	55
Depreciation expense	<u>420</u>
Balance on December 31, 2014	<u>\$ 475</u>
Net book value	
December 31, 2013	\$ 228
December 31, 2014	\$ 786

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

13. Derivative financial instruments

Interest rate contracts

As part of its interest rate risk management process, the credit union utilizes interest rate contracts in the form of interest rate swaps to maintain its interest rate exposure within the preset limits defined within the Board approved policy.

Under the terms of pay fixed swap agreements, the credit union is obligated to pay the counterparty to the swap a fixed rate and the counterparty is obligated to pay the credit union a variable rate, with both payments based upon the notional value of the underlying swap. The variable rate paid by the counterparty is equivalent to the one month Canadian Deposit Offering Rate (CDOR rate).

As at December 31, 2014, the credit union has contracted for the following receive variable rate swap agreements:

	<u>Effective Date</u>	<u>Maturity Date</u>	(in thousands) <u>Notional Principal</u>	<u>Paying Rate</u>	<u>Receiving Rate</u>
Swap	04 May 2011	03 May 2021	2,299	3.39%	CAD-BA-CDOR
Swap	05 Oct 2014	05 Sep 2020	1,388	2.57%	CAD-BA-CDOR
Swap	01 Oct 2014	01 Sep 2023	1,066	2.92%	CAD-BA-CDOR
Swap	15 Jan 2014	15 Jan 2015	10,000	CAD-BA-CDOR	1.43%
Swap	6 Jan 2011	6 Jan 2015	5,000	2.66%	CAD- BA-CDOR

Under the terms of the receive fixed swap agreements, the credit union is obligated to pay the counterparty to the swap a variable rate equivalent to the one month CDOR rate and the counterparty is obligated to pay the credit union a fixed rate, with both payments based upon the notional value of the underlying swap.

As at December 31, 2014, the credit union has contracted for the following receive fixed swap agreements:

	<u>Effective Date</u>	<u>Maturity Date</u>	(in thousands) <u>Notional Principal</u>	<u>Paying Rate</u>	<u>Receiving Rate</u>
Swap	15 Jan 2015	15 Jan 2016	10,000	CAD-BA-CDOR	1.71%

As at December 31, 2014, the swap contracts had a fair value of (\$ 369,000) (2013 – (\$ 138,000)), which has been recorded as a liability on the statement of financial position.

Foreign exchange contracts

The credit union offers deposit products denominated in US dollars. In order to meet liquidity reserve requirements, the credit union sells US dollars and purchases US dollar foreign exchange forward contracts to hedge the exchange risk.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

13. Derivative financial instruments (continued)

As at December 31, 2014, the Credit Union had 1 contract totaling CDN \$3,100,000 to be delivered in the 2015 fiscal year in exchange for US \$3,492,000 to be received at the exchange rate of \$0.8913. The forward contract has been entered into with Central 1. The risk associated with the contract is the cost of replacing these instruments in the event of default by the counterparty. Management believes that this risk is remote. As at December 31, 2014, the foreign exchange forward contract had a fair value of (\$116,000) (2014 - \$ 61,000).

Index linked term deposits

The credit union offers deposit products linked to changes in the stock exchange index. The credit union hedges the underlying risk of these products by entering into an interest rate contract with an approved counterparty.

Consequently, the credit union has entered into a hedge agreement with Central 1 to offset the exposure associated with this product, whereby the credit union pays Central 1 a fixed rate of interest for three or five years on the face value of the Index-Linked Term Deposits sold. At the end of the term, Central 1 pays to the credit union an amount equal to the amount that will be paid to the depositor based on the terms and conditions of the index linked contract. The credit union has sold \$ 9,159,000 (2013 - \$ 5,017,000) of various Index-Linked Term Deposit products to its members.

As at December 31, 2014, the hedge agreements had fair values of \$ 868,000 (2013 - \$ 417,000) which have been recorded as both an asset and liability on the statement of financial position.

14. External borrowings

Assets have been pledged as security for \$ 36,310,000 (2013 - \$ 33,750,000) of authorized credit facilities at Central 1 by an assignment of book debts and a general security agreement. As at December 31, 2014, the credit union had utilized \$ Nil (2013 - \$ Nil) of the line of credit and \$ 10,000,000 (2013 - \$ 17,500,000) of the term loans.

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December 31, 2014

15. Deposits of members

	(in thousands)	
	<u>2014</u>	<u>2013</u>
Term and other deposits	\$ 291,409	\$ 162,303
Registered retirement savings plan deposits	126,308	74,141
Registered retirement income fund deposits	35,281	24,442
Other registered deposits	4,367	3,681
Chequing and savings	228,241	148,635
Accrued interest on deposits	<u>4,765</u>	<u>2,635</u>
	<u>\$ 690,371</u>	<u>\$ 415,837</u>

The average composite interest rate in force at December 31, 2014 was 1.69% (2013 – 1.68%).

16. Shares

	(in thousands)			
	<u>2014</u>		<u>2013</u>	
	<u>Liability</u>	<u>Equity</u>	<u>Liability</u>	<u>Equity</u>
Membership shares	\$ 723	\$ -	\$ 431	\$ -
Profit shares	320	2,594	278	2,348
Investment shares	<u>467</u>	<u>9,902</u>	<u>268</u>	<u>7,985</u>
	<u>\$ 1,510</u>	<u>\$12,496</u>	<u>\$ 977</u>	<u>\$ 10,333</u>

These shares are not covered by deposit insurance.

Membership shares

Membership shares, which are classified as a liability, represent a residual interest in the equity of the credit union. Membership shares are redeemable upon the request of the member and approval of the directors.

Shares are subscribed for at a par value of \$5 per share, but payment may be made in instalments. A member is not liable to the credit union for amounts subscribed for in excess of the amount actually paid. Members over the age of 18 are required to retain a minimum of 5 shares as a condition of membership. There were 31,470 members with membership shares at December 31, 2014 (2013 – 17,245).

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Notes to the Financial Statements

December 31, 2014

16. Shares (continued)

Profit shares

The credit union is authorized to issue an unlimited number of Class A non-voting, non-cumulative, non-participating, non-transferable, redeemable profit shares. These shares have been distributed to the membership based on average loan and deposit balances outstanding.

Profit shares are a special class of patronage shares created by the credit union. The credit union by-law restricts aggregate annual redemptions to a maximum of ten percent of the number of Class A shares issued and outstanding at the end of the immediately preceding fiscal year. There were approximately 2,914,000 profit shares issued and outstanding at December 31, 2014. (2013 – 2,626,000).

Investment shares

The credit union is authorized to issue an unlimited number of Class B non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 2,000 shares per member required to a maximum of 100,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of the credit union. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of ten percent of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that the credit union is in compliance with Section 84 of the Credit Union and Caisses Populaires Act, 1994. An appropriate rate has been defined by the directors as a rate which is the greater of 5% or that rate which exceeds by 125 Basis Points the simple average of the credit union's posted non-callable five-year term deposit rates as of the end of each quarter of the credit union's fiscal year. There were approximately 4,807,000 investment shares issued and outstanding at December 31, 2014 (2013 – 2,775,000).

The credit union is authorized to issue an unlimited number of Class B – Series 2 non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 1,000 shares per member required to a maximum of 185,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of the credit union. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of ten percent of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that the credit union is in compliance with Section 84 of the Act. An appropriate rate has been defined by the directors as a rate which is the greater of 5% or that rate which exceeds by 125 Basis Points the simple average of the credit union's posted non-callable five-year term deposit rates as of the end of each quarter of the credit union's fiscal year. There were approximately 6,821,000 investment shares issued and outstanding at December 31, 2014 (2013 – 5,483,000).

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

	(in thousands)	
17. Distributions to members	<u>2014</u>	<u>2013</u>
Profit share dividends	\$ -	\$ 47
Investment share dividends	<u>476</u>	<u>387</u>
	<u>\$ 476</u>	<u>\$ 434</u>

18. Income taxes

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

	<u>2014</u>	<u>2013</u>
Current tax expense		
Based on current year taxable income	\$ 170	\$ 122
Deferred tax benefit		
Origination and reversal of temporary differences	(295)	(38)
Tax rate changes	<u>4</u>	<u>(28)</u>
	<u>(291)</u>	<u>(66)</u>
Total income tax expense	<u>\$ (121)</u>	<u>\$ 56</u>

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

	<u>2014</u>	<u>2013</u>
Current tax		
Unrealized gains on available-for-sale investments	\$ <u>20</u>	\$ <u>44</u>
Total tax effect of amounts recorded in other comprehensive income	<u>\$ 20</u>	<u>\$ 44</u>

	<u>2014</u>	<u>2013</u>
Deferred tax (liabilities) assets relate to:		
Non-deductible allowance for doubtful accounts	\$ 303	\$ 159
Contributed surplus and core deposits	(138)	(282)
Property, plant and equipment	(251)	72
Unrealized gain on securitization loans	(5)	(18)
Intangible assets	<u>(130)</u>	<u>-</u>
Total deferred tax (liabilities) assets	<u>\$ (221)</u>	<u>\$ (69)</u>

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

18. Income taxes (continued)

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 17.1% (2013 – 16.1%) are as follows:

	<u>2014</u>	<u>2013</u>
Net income for the year	\$ <u>147</u>	\$ <u>814</u>
Expected taxes based on the statutory rate of 17.1% (2013 – 16.1%)	25	148
Distributions to members charged against retained earnings	(87)	(79)
Other non-deductible portion of expenses	3	3
Rate differences	4	(28)
Contributed surplus and other	<u>(66)</u>	<u>12</u>
Total income tax expense	\$ <u>(121)</u>	\$ <u>56</u>

The increase in statutory tax rate is due to the staged elimination of the credit union preferred rate deduction.

19. Other Income

	<u>2014</u>	<u>2013</u>
Service charges, commissions, and other	\$ <u>3,672</u>	\$ 1,770
Wealth management	444	307
Securitized assets	<u>2,857</u>	<u>2,211</u>
	\$ <u>6,973</u>	\$ <u>4,288</u>

20. Related party transactions

The credit union's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, including executive management and the board of directors. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The credit union entered into the following transactions with key management personnel, which are defined by IAS 24 *Related Party Disclosures*.

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Notes to the Financial Statements

December 31, 2014

20. Related party transactions (continued)

	(in thousands)	
	<u>2014</u>	<u>2013</u>
Compensation		
Salaries and other short-term employee benefits	\$ 869	\$ 750
Total pension and other post-employment benefits	<u>64</u>	<u>41</u>
	<u>\$ 933</u>	<u>\$ 791</u>
	<u>2014</u>	<u>2013</u>
Loans to key management personnel		
Aggregate value of loans balance	\$ 477	\$ 2,679
Interest received on loans advanced	45	150
Aggregate value of un-advanced loans	-	-
Total value of lines of credit advanced	1,238	773
Unused value of lines of credit	255	551
Letters of credit	-	50

The credit union's policy for lending to key management personnel is that all such loans were granted in accordance with normal lending terms.

	<u>2014</u>	<u>2013</u>
Deposits from key management personnel		
Aggregate value of term and savings deposits	\$ 564	\$ 1,186
Total interest paid on term and saving deposits	5	10

The credit union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted in accordance with the same conditions which apply to members for each type of deposit.

21. Other required disclosures

The following disclosures are required under the Credit Union and Caisses Populaires Act, 1994.

The following officers and employees of the credit union received total remuneration for 2014 of over \$ 150,000:

<u>Name</u>	<u>Title</u>	<u>Salary & Variable Compensation</u>	<u>Benefits</u>	<u>Total Remuneration</u>
Richard Davies	President & CEO	\$ 286,153	\$ 53,487	\$ 339,640
Kathy Clark	SVP, Sales/Service & Operations	\$ 189,649	\$ 21,691	\$ 211,340
Cathie Vaillancourt	Sr Wealth Advisor	\$ 196,086	\$ 14,858	\$ 210,944
Sandy Alward	SVP, Finance	\$ 155,580	\$ 17,341	\$ 172,921
Ray Hall	VP, Lending	\$ 138,388	\$ 17,079	\$ 155,467

The aggregate remuneration paid to directors was \$ 148,000 in 2014 (2013 - \$ 74,000).

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

21. Other required disclosures (continued)

At December 31, 2014 loans to directors and officers of the credit union amounted to \$ 1,721,000 (2013 - \$ 3,516,000). All such loans were granted in accordance with normal lending terms, except for certain loans to officers at reduced rates.

22. Commitments

Lease commitments and banking system support contract

The credit union is committed to the use of an outside data processing service until December 31, 2016. Charges for these services are based on usage.

The credit union rents space for its branches under long term leases.

The future minimum commitments in each of the next five years are as follows:

	(in thousands)
2015	\$ 951
2016	968
2017	966
2018	806
2019	798
Over 5 years	1,164

Mortgage and loan commitments

The credit union has made commitments to disburse mortgages and loans of \$ 3,709,000 (2013 - \$ 578,000) subsequent to the year end.

Total unextended lines of credit at year end are \$178,779,000 (2013 - \$117,113,000). Total letters of credit at year end are \$1,068,000 (2013 - \$741,000).

23. Cash flow support

	(in thousands)	
	<u>2014</u>	<u>2013</u>
Changes in other non-cash items:		
Change in other assets	\$ 6	\$(1,619)
Change in payables and accruals	<u>193</u>	<u>174</u>
	<u>\$ 199</u>	<u>\$(1,445)</u>

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

24. Regulatory capital

The Credit Unions and Caisses Populaires Act, 1994 requires the credit union to maintain regulatory capital at the following minimum levels:

<u>% leverage ratio assets</u>	<u>% risk capital ratio weighted assets</u>
4.00	8.00

The credit union is in compliance with the Act and regulations regarding regulatory capital.

	(in thousands)	
	<u>2014</u>	<u>2013</u>
Tier 1 Capital		
Membership shares	\$ 723	\$ 431
Profit shares	2,594	2,348
Investment shares	9,902	7,985
Contributed surplus	11,999	1,275
Retained earnings	<u>15,262</u>	<u>15,470</u>
Total tier 1 capital	<u>40,480</u>	<u>27,509</u>
Tier 2 Capital		
10% of redeemable profit shares	320	278
10% of redeemable investment shares	467	268
Collective provision	1,163	815
Accumulated other comprehensive income	<u>1,093</u>	<u>994</u>
Total tier 2 capital	<u>3,043</u>	<u>2,355</u>
Total regulatory capital	<u>\$ 43,523</u>	<u>\$ 29,864</u>
% of total assets	<u>5.2</u>	<u>5.6</u>
% of total risk-weighted assets	<u>11.2</u>	<u>11.7</u>

The credit union manages its capital under guidelines established by the Deposit Insurance Corporation of Ontario. The regulatory capital guidelines measure capital in relation to assets and risk-weighted assets. The credit union has capital policies, procedures and controls which it utilizes to achieve its goals and objectives including: providing sufficient capital to maintain the confidence of investors and depositors, and being an appropriately capitalized credit union, as measured internally, defined by regulatory authorities and compared with the credit union's peers.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

25. Financial instruments

The estimated fair values of the credit union's financial instruments are set out below. No fair values have been determined for property and equipment or any other asset that is not a financial instrument.

	Book Value	Estimated Fair Value	(in thousands)	
			<u>2014</u> Fair Value Over (Under) Book Value	<u>2013</u> Fair Value Over (Under) Book Value
Balance at December 31				
Financial Assets				
Available for sale				
Central 1 Credit union shares	\$ 5,257	\$ 5,257	\$ -	\$ -
CUCO Co-op Class B investment shares	1,441	1,441	-	-
Fair value through profit or loss				
Derivative financial instruments	868	868	-	-
Loans and receivables				
Cash and cash equivalents	7,457	7,457	-	-
Loans to members	753,173	756,494	3,321	1,523
Liquidity reserves	49,325	49,325	-	-
Financial Liabilities				
Other liabilities				
Deposits of members	\$ 690,371	\$ 691,081	\$ 710	\$ 248
Shares	1,510	1,510	-	-
External borrowings	10,000	10,000	-	-
Secured borrowings	82,194	82,194	-	-
Fair value through profit or loss				
Derivative financial instruments	\$ 1,352	\$ 1,352	\$ -	\$ -

The differences between the book and fair values of the credit union's loans, deposits and of other financial instruments are due primarily to changes in interest rates. The carrying value of the credit union's loans to and deposits of members are not adjusted to reflect increases or decreases in fair value due to interest rate changes, as it is the credit union's intention to realize their value over time by holding them to maturity.

Financial assets and liabilities are grouped into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

25. Financial instruments (continued)

The level within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement.

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

- (a) The fair value of cash and cash equivalents and external borrowings is assumed to approximate their book values, due to their short term nature. These assets and liabilities are classified as Level 1 financial instruments as they are valued using quoted market prices in active markets.
- (b) The estimated fair value of loans carried at amortized cost reflects changes in market price that have occurred since the loans were originated. For fixed-rate loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at current market interest rates for loans with similar credit risks. Fixed rate loans and deposits are classified as Level 3 financial instruments as they are valued using unobservable inputs. For floating-rate loans, changes in interest rates have minimal impact on fair value since loans reprice to the market frequently. On that basis, fair value is assumed to approximate carrying value. Floating-rate loans are classified as Level 2 financial instruments.
- (c) The estimated fair value of fixed rate investments and fixed rate deposits is determined by discounting the expected future cash flows of these investments, deposits and borrowings at current market rates for products with similar terms and credit risks. Fixed rate deposits are classified as Level 3 financial instruments as they are valued using unobservable inputs. Fixed rate investments are classified as Level 2 financial instruments as they are valued using observable inputs other than quoted market prices. For deposits with no defined maturities, fair value is considered to approximate carrying value and are classified as Level 2 financial instruments.
- (d) The estimated fair value of the investment in the CUCO Co-op is determined on a periodic basis by the CUCO Co-operative Association based on the determined or estimated characteristics of the notes, including the interest rate, maturity date, and credit rating. The CUCO Co-operative Association estimates the yield that a potential investor would require in order to purchase each note. This information is used to calculate a net present value for each class of notes. The investment in the CUCO Co-op is classified as a Level 3 financial instrument as it is valued using unobservable inputs.
- (e) The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates. These are classified as a Level 2 financial instrument as it is valued using observable inputs.
- (f) There have been no reclassifications between Level 2 and Level 3 during the year. A sensitivity analysis is not provided for Level 3 loans and deposits as their fair value would only change as a result of credit risk inputs and these inputs are not expected to be significant.

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

26. Financial instrument risk management

Market risk

Market risk is the potential for profit or loss from changes in the value of financial instruments. The value of a financial instrument can be affected by changes in interest rates, foreign exchange rates, equity and commodity prices and credit spreads.

The credit union is exposed to market risk in the investment portfolio as well as through non-trading activities.

Market risk in investment activities is managed by the senior management of the credit union and the Investment Committee. Every investment transaction is guided by policy and regulatory limitations.

Market risk exposure exists in non-trading credit union transactions with members which primarily includes deposit taking and lending. These are also referred to as "asset and liability" positions.

Asset and liability management deals with managing the market risks of the traditional credit union activities. Market risks primarily include interest rate risk and foreign currency risk.

Foreign currency risk

The credit union is subject to currency risk through its U.S. dollar denominated operating activities. Changes in the exchange rate may result in a decrease or increase in the gain or loss on foreign exchange. Activities that expose the credit union to currency risk are measured, monitored and controlled daily to minimize risk.

The credit union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to \$ 150,000 in U.S. funds.

For the year-ended December 31, 2014, the credit union's exposure to foreign exchange risk is within policy.

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

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Notes to the Financial Statements

December 31, 2014

26. Financial instrument risk management (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the credit union incurring a financial loss. The credit exposure is mitigated through the use of Board approved credit policies governing the credit union's credit portfolio and with credit practices that limit transactions according to the borrowers' credit quality. A substantial portion of the credit union's loans to members are secured by residential properties. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the credit union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

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

Liquidity risk

Liquidity risk is the risk that the credit union cannot meet a demand for cash or fund obligations as they come due. Demand for cash can result from withdrawals of deposits, debt maturities and commitments to provide credit. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Senior management manages liquidity risk and monitors the cash and funding needs on a daily basis.

The credit union has set a minimum liquidity ratio of 6%.

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

Tandem Financial Credit Union Limited

Notes to the Financial Statements

December 31, 2014

26. Financial instrument risk management (continued)

Structural risk

Structural risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. The credit union manages structural risk using an Earnings at Risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Structural risk is monitored through the Structural Risk Management Policy with the objective of ensuring that the credit union manages its cash flows in a manner that contributes adequately to earnings and limits the risk to the financial margin and equity of the credit union. The objectives are also to ensure product terms, pricing and balance sheet mix, to balance member product demands with the need to protect the equity of the credit union, and to ensure that financial derivative instruments be used only to limit interest rate risk and not be used for speculative or investment purposes.

The credit union uses income simulation modelling to measure exposure to changes in interest rates over short term periods. Earnings at risk are calculated by forecasting the net interest margin for the next 12 month period using most likely assumptions. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast. The resulting change in the forecast as a result of interest rate shocks is then compared to the most likely forecast to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 50 or 100 basis point volatility. At the current time, the credit union is in compliance with all limits set by the Structural Risk Management Policy.

<u>Asset/Liability Management Limits</u>	<u>Maximum Change Limit</u>	<u>Projected Change to Earnings</u>	<u>Status</u>
	(in thousands of dollars)		
Most Likely Shocked + 100 basis points	19,137	1,350	Compliant
Most Likely Shocked + 50 basis points	18,524	737	Compliant
Most Likely Forecast Scenario	17,787	0	Compliant
Most Likely Shocked - 50 basis points	18,131	344	Compliant
Most Likely Shocked - 100 basis points	18,475	688	Compliant

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Notes to the Financial Statements

December 31, 2014

27. Interest rate sensitivity

The credit union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets, liabilities and off-balance sheet instruments scheduled to re-price on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

At December 31, 2014, the credit union had outstanding interest rate swap contracts in the notional principal amount of \$ 19,785,000 (2013 - \$ 13,638,000) maturing at various times through to 2021, excluding forward starting swaps.

The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

	Interest Sensitive Balances			Non- Interest Sensitive	(000's) Total
	Within 3 months	4 Months to 1 year	Over 1 to 5 years		
Assets					
Cash and cash equivalents	\$ 7,457	\$ -	\$ -	\$ -	\$ 7,457
Yield					
Loans					
Fixed	13,893	61,846	428,235	2,302	506,276
Yield	4.60%	4.39%	3.82%	-	
Floating	245,944	-	-	953	246,897
Yield	4.18%	-	-	-	
Other	8,698	3,821	36,806	21,005	70,330
Yield	1.35%	1.60%	1.57%	-	
	<u>275,992</u>	<u>65,667</u>	<u>465,041</u>	<u>24,260</u>	<u>830,960</u>
Liabilities					
Deposits					
Fixed	73,904	174,962	167,654	4,765	421,285
Yield	2.14%	2.24%	2.36%		
Floating	269,086	-	-		269,086
Yield	0.60%				
Other	92,194	-	-	7,545	99,739
Yield	1.92%				
Equity					
Yield	-	-	-	40,850	40,850
	<u>435,184</u>	<u>174,962</u>	<u>167,654</u>	<u>53,160</u>	<u>830,960</u>
Interest sensitivity position 2014	\$ (159,192)	\$ (109,295)	\$ 297,387	\$ (28,900)	\$ -
Interest sensitivity position 2013	\$ (69,887)	\$ (25,497)	\$ 186,943	\$ (91,559)	\$ -