

2012 RAPPORT ANNUEL ANNUAL REPORT



**CAISSE POPULAIRE
CREDIT UNION**

ÉVANGÉLINE-CENTRAL

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Une approche personnalisée: l'avantage de la caisse populaire

- Les caisses populaires n'appartiennent pas à des actionnaires externes; elles appartiennent à leurs membres.
- Les caisses populaires offrent une approche différente aux services bancaires. Une approche conçue pour faire passer les intérêts du membre avant toute chose.
- Les caisses populaires croient en l'importance de réaliser des profits pour leurs membres et leurs communautés, au lieu de le faire à leur propre profit.
- Les caisses populaires ont la latitude pour offrir aux membres des produits et des services répondant à leurs besoins, plutôt que d'imposer des programmes nationaux standards.
- Les caisses populaires fondent leurs décisions stratégiques sur les besoins de la collectivité locale.

A focused approach: The Credit Union Advantage

- Credit unions are owned by their members, not outside shareholders.
- Credit unions offer a different approach to banking. One that is focused on putting the member first.
- Credit unions believe in creating profits for their members and community, rather than profiting from them.
- Credit unions have the flexibility to meet the product and service needs of their members, rather than forcing standard national programs.
- Credit unions make policy decisions based on local community needs.

1 VOLUNTARY AND OPEN MEMBERSHIP

2012

International
Year of

Co-operatives

Le 12 janvier 2012, votre caisse populaire s'est jointe aux 49 329 autres caisses populaires autour du monde pour célébrer le lancement canadien de l'Année internationale des coopératives.

En arrêtant son choix sur l'année 2012, l'ONU n'aurait pas pu être plus juste; chaque jour aux nouvelles, on nous informe qu'il y a de plus en plus de preuves que des services financiers coopératifs fondés sur les valeurs sont nécessaires. Les consommateurs sont moins confiants. De mauvaises décisions ont été prises aux fins de faire profiter les actionnaires. Dans une institution coopérative comme une caisse populaire, il n'existe pas d'actionnaires. Nos membres sont nos propriétaires.

Les caisses populaires sont fondées sur les valeurs coopératives, y compris l'équité, la démocratie, l'autonomie, la coopération et le souci de la collectivité. Ce sont des valeurs que les Canadiens de l'Atlantique tiennent à coeur. À la caisse, nous gérons l'argent de nos membres avec le plus grand soin, car ils sont nos propriétaires. C'est une relation directe. Il n'existe pas d'actionnaires.

À propos de l'AIC 2012

Le 18 décembre 2009, l'Assemblée générale des Nations Unies, avec l'appui du gouvernement du Canada, a adopté une résolution qui proclamait 2012 l'Année internationale des coopératives de l'ONU. La résolution, intitulée « Rôle des coopératives dans le développement social », reconnaît la diversité du mouvement coopératif dans le monde et encourage les gouvernements à prendre des mesures afin de créer un milieu favorable au développement de coopératives.

L'Année internationale des coopératives permettra au secteur coopératif et aux gouvernements de :

- sensibiliser la population aux coopératives et à la contribution économique et sociale du modèle d'entreprise coopératif;
- favoriser la croissance et la viabilité des coopératives;
- créer des initiatives relatives au patrimoine qui continueront après le 31 décembre 2012.



LES COOPÉRATIVES
DES ENTREPRISES POUR UN
MONDE
MEILLEUR



On January 12, 2012, your Credit Union joined the 49,329 other credit unions around the world to celebrate the Canadian launch of the International Year of Co-operatives.

Having 2012 chosen by the UN couldn't have been more suiting; every day in the news there is further evidence that values-based co-operative financial services are needed. Consumers are less trusting. Bad decisions have been made in the name of shareholder profit. In a co-operative institution like a credit union, there are no shareholders. Our members are our owners.



Credit unions are based on co-operative values including fairness, democracy, autonomy, co-operation, and concern for community. These are values Atlantic Canadians hold dear. At the credit union, we manage the money of our members with great care, because they are our owners. It's a direct relationship. There are no shareholders.

About IYC 2012

On December 18, 2009, the United Nations General Assembly, with the support of the Government of Canada, passed a resolution declaring 2012 the UN International Year of Co-operatives. The resolution, entitled "Co-operatives in Social Development", recognizes the diversity of the co-operative movement around the world and urges governments to take measures aimed at creating a supportive environment for the development of co-operatives.

The International Year gave both the co-operative sector and governments an opportunity to:

- Raise public awareness of co-operatives and the economic and social contribution of the co-operative business model.
- Support the growth and sustainability of co-operatives
- Create legacy initiatives that will live beyond December 31, 2012.



Membres du conseil d'administration Board of Directors

Jamie Shaw

Eric Phillips

Linda Dunn

Marsha Arsenault

Giselle Bernard



Raymond Arsenault

Glen Ellis

Peter Bulger

Carol Gallant

Becky Chaisson

Ira Smith



Employés et Staff



4 AUTONOMIE ET INDÉPENDANCE



Rapport du président

J'ai l'honneur de présenter mon rapport aux membres lors de cette toute première réunion générale annuelle de la Caisse populaire Évangéline-Central. Lors de la dernière réunion générale annuelle, les membres de la *Central Credit Union* et de la Caisse populaire Évangéline avaient voté en faveur du projet de fusion de nos caisses populaires. Le 1er avril 2012 marquait la date officielle de l'entrée en service du nouvel organisme. Cette direction critique nous permettra d'augmenter le rendement global pour nos membres au fil des ans alors que nous optimisons nos économies, et de mieux nous positionner afin d'investir dans les technologies critiques au besoin.

Après que la décision de procéder à la fusion ait été rendue officielle, l'intégration des opérations a immédiatement suivie. Il a fallu entreprendre des travaux considérables au niveau du conseil et au niveau de la direction afin d'instaurer un ensemble commun de politiques, de procédures, de produits et de services ainsi que le barème des droits. On a également amorcé un processus de planification stratégique : premièrement pour déterminer l'énoncé de mission de l'organisme afin de communiquer à toutes les parties concernées son but; deuxièmement, pour mettre en place un énoncé de vision afin de donner une direction pour l'avenir et troisièmement pour identifier les secteurs clés sur lesquels il faudra se concentrer afin de diriger l'organisme vers la vision établie.

Malgré les succès historiques, il y a toujours d'importants défis à l'horizon, ce qui pourrait augmenter la pression sur notre organisme d'améliorer l'efficacité de ses opérations. Dans les régions rurales du Canada atlantique, nous constatons des changements démographiques inquiétants en raison de la génération des baby-boomers qui a atteint l'âge de la retraite et de la difficulté d'offrir à notre plus jeune génération des possibilités de demeurer et de prospérer dans nos communautés. Heureusement, grâce à l'affiliation de votre caisse populaire aux systèmes des caisses populaires de l'Atlantique et du Canada, ces défis sont abordés non seulement au niveau local, mais aussi aux niveaux régional et national. Afin de relever adéquatement ces défis, il faut absolument pouvoir compter sur l'effort concerté de tous les niveaux du système des caisses populaires.

Les caisses populaires sont entièrement la propriété des membres qui sont aussi nos clients. Nous visons à livrer la meilleure combinaison possible de produits, de services et de rendements financiers. Je suis très heureux d'annoncer que nous avons dépassé nos attentes financières prévues pour l'année qui vient de s'écouler, ce qui a permis à notre conseil d'administration de déclarer un taux d'intérêt de dividende de 2 pour cent sur les investissements dans les parts. Ce pourcentage représente un taux légèrement plus élevé que prévu et qui avait été versé au cours des dernières années par nos organisations respectives. Un rendement significatif a été réalisé cette année sur notre investissement dans notre centrale provinciale, à la suite de sa fusion avec l'organisme régional, Atlantic Central.

Je tiens à exprimer ma sincère reconnaissance à tous les membres de notre conseil d'administration pour leur contribution essentielle au cours de la dernière année. Ils avaient une charge de travail considérable à gérer. Je voudrais aussi remercier notre équipe de gestion et nos employés dévoués pour avoir travaillé de façon diligente tout au long de ce processus visant la création d'un organisme plus stable sur le plan financier au profit, à long terme, des collectivités. Pour conclure, je souhaite aussi remercier les membres pour leur engagement et leur soutien au cours de la dernière année.

President's Report

I am honoured to report to the membership at this very first AGM of Évangéline-Central Credit Union Ltd. At the last AGM, the members of both Central Credit Union and Evangeline Credit Union voted to approve the proposed amalgamation of our credit unions. April 1st, 2012 marked the official date of operation for the new organisation. This critical direction provides an opportunity to significantly enhance our overall return to our members over time as we gradually optimize our efficiencies and to better position ourselves to invest in critical technologies as required.

After the decision to proceed with the amalgamation was official, work began immediately to combine the operations. Considerable work at both the Board and Management levels was necessary to put in place a common set of policies, procedures, products, services and fee structure. A strategic planning process was also initiated. Firstly, to determine the organisation's mission statement which aims to communicate to all parties concerned the purpose of the organization. Secondly, to put in place a vision statement to help steer the organization into the future. And thirdly, to identify key areas of importance that will need to be focussed on to move the organization towards the established vision.

Despite historical successes, we continue to see significant challenges on the horizon that will likely increase the pressure on our organization to further enhance our operational efficiencies. In the rural areas of Atlantic Canada we are experiencing some concerning demographic changes as a result of the baby boom generation reaching retirement age, compounded by the difficulty that we currently have to provide adequate opportunities for our younger generation to remain and prosper in our communities. Fortunately, due to your Credit Union's affiliation with the Atlantic and Canadian Credit Union systems, these challenges are being addressed at not only the local level but at regional and national levels also. A coordinated effort amongst all levels of the credit union system and our system partners is imperative in order to properly address these challenges.

Being entirely owned by our members who are in turn our customers, we aim to deliver the absolute best combination of products, services and financial return. I am very pleased to announce that having exceeded our projected financial expectations for the past year has enabled our Board of Directors to declare a 2% dividend interest rate on share investments. This represents a slightly higher rate than what had been projected, as well as what has been paid in the past few years by both respected organisations. A significant return was realized this year on our investment in our Provincial Central as a result of its amalgamation with the regional organization known as Atlantic Central.

I would like to express my sincere appreciation to all our Board Members for their critical contribution over the past year. They had an extraordinary work load to manage. I would also like to thank our Management team and our very dedicated employees for working diligently through this process in order to create a more financially sustainable organization for the long term benefit of all communities. In closing, I would also like to thank the membership for their commitment and their support over the past year.

Système Canadien

Il y a actuellement **359** caisses populaires au Canada. Collectivement, elles ont : **1 748** emplacements presque **5,25 million** membres **145,7 \$ milliard** en actifs **128,9 \$ milliard** en dépôts **120,7 \$ milliards** en prêts **26 997** employés

Canadian System

There are currently **359** credit unions in Canada. Collectively, they have: **1,748** locations almost **5.25 million** members **\$145.7 billion** in assets **\$128.9 billion** in deposits **\$120.7 billion** in loans **26,997** employees

Système régional

4 \$ milliard en actifs **58** caisses populaires (à partir du 30 avril 2012) **170** points de service **330 887** membres **1 587** employés à temps plein et à temps partiel

Regional System

\$4 Billion in system assets **58** credit unions (as of April 30, 2012) **170** points of service **330,887** members **1,587** Full Time and Part Time employees

6 COOPÉRATION ENTRE LES COOPÉRATIVES

Rapport du directeur général

Je suis très heureux de vous présenter le rapport sur les opérations de la Caisse populaire Évangéline-Central pour la période de six mois se terminant le 30 septembre 2012. Cette année a été bien exigeante, mais très gratifiante en raison du processus de fusion que nous avons entamé à la suite de la décision prise à la réunion générale annuelle de l'an dernier. On s'attend à ce que les bienfaits de ce partenariat établi entre nos trois collectivités se fassent sentir graduellement au cours des années à venir alors que nous pourrions générer de plus importantes efficacités opérationnelles.

Je voudrais tout d'abord souligner le fait que le processus de fusion ne s'est pas fait sans embûches en raison de l'importante harmonisation nécessaire au développement de produits et de services communs. Lors de la préparation de nos plans de fusion, nous avons anticipé une fusion « virtuelle » des données qui auraient permis à nos deux numéros de transit existants de continuer à fonctionner séparément sans devoir apporter des changements aux numéros de compte de nos membres. Lorsque nous avons commencé la mise en œuvre de cette fusion « virtuelle » de données, il est vite devenu évident qu'une telle direction limiterait grandement nos occasions de générer les économies attendues dans le cadre de ce processus de fusion. On a donc décidé qu'il était impératif pour le long terme de procéder à une fusion exhaustive des données, y compris l'élimination d'un numéro de transit. Ce processus a malheureusement eu un effet sur les membres de la succursale d'O'Leary qui ont dû faire changer leurs numéros de compte et leur numéro de transit. Par l'entremise de notre système bancaire, nous avons réussi à rediriger toutes les transactions à partir de l'ancien numéro de compte vers un nouveau numéro de compte, et ce jusqu'en septembre 2013. Au cours de cette période d'un an, il incombera aux membres de la succursale d'O'Leary de changer toutes les transactions préautorisées et de dépôt direct pour refléter leurs nouveaux numéros de compte et le nouveau numéro de transit. D'ici septembre 2013, tous les membres touchés auront en main de nouvelles cartes et de nouveaux chèques qui porteront la bonne information.

Malgré les difficultés évidentes qu'une telle période de transition peut présenter, je suis très heureux que nous ayons pu augmenter l'actif de l'organisme de 2.76 pour cent, dépassant le revenu net projeté. Cette augmentation a mené à un taux de dividende intéressant sur les parts pour notre année se terminant le 30 septembre 2012. Je peux certainement attribuer cette réalisation au dévouement de notre équipe de gestion et de notre personnel. Je tiens à remercier sincèrement nos employés pour leur travail ardu au cours de la dernière année.

Maintenant que le chapitre de la fusion est presque terminé, nous concentrerons une grande partie de nos efforts à générer les rendements qui sont attendus. Notre but est de rationaliser les opérations et d'éliminer les doublons administratifs afin d'augmenter notre compétitivité dans le secteur des services financiers en constante évolution. On s'attend à ce que l'usage de la technologie dans notre industrie s'intensifie alors que l'usage d'argent comptant continue de se faire remplacer par de nouvelles méthodes de paiement électroniques.

Alors que les célébrations et les promotions de l'Année internationale des coopératives tirent à leur fin, nous nous rendons compte du rôle critique que nos organismes, qui appartiennent aux membres et qui sont contrôlés par eux, ont joué dans le développement de nos collectivités et des possibilités que le mouvement coopératif nous réserve.



Alfred Arsenault
directeur général / CEO

CEO's Report

I am very pleased to report on the operations of Évangéline-Central Credit Union Ltd for the six month period ending September 30th, 2012. This has been a very challenging but rewarding year due to the amalgamation process that we embarked on as a result of last year's AGM decision. The benefits of this partnership between our three communities is expected to be gradually felt over the coming years as we are able to generate greater operational efficiencies.

I would like to firstly recognize the fact that the amalgamation process has not been entirely seamless due to the amount of realignment that was necessary to develop a common products and services offering. In the preparation of our amalgamation plans we anticipated a 'virtual' data merge which would have seen our two existing transit numbers continue to operate separately without any changes to member account numbers. As we started the implementation of this virtual data merge, it quickly became evident that such a direction would significantly limit our opportunities to generate the efficiencies that had been expected through this amalgamation process. Therefore, it was decided that it was imperative for the long term to proceed to an extensive data merge including eliminating one transit number. This process has unfortunately affected O'Leary Branch members in having to alter their account numbers and transit number. Through our banking system, we are able to redirect all transactions from the old account number to the new account number up to September 2013. During this one year period, it will be imperative that our O'Leary Branch members change all pre-authorized and direct deposit transactions to reflect their new account numbers and transit number. By September 2013, all these affected members will have in their hands new cards and cheques with the accurate information.

Despite the obvious strains of such a period of transition over the past year, I am very pleased that we were able to further grow the assets of the organization by 2.76% while exceeding our projected net income. This has led to a strong dividend rate on shares for our year ending September 30th, 2012. I can definitely attribute this accomplishment to our dedicated Management team and our very committed staff. I would sincerely like to thank all our employees for their hard work over this past year.

Now that the amalgamation chapter is close to complete, we will be focussing much of our attention on generating the efficiencies that are expected. Our goal is to streamline operations and eliminate administrative duplications in order to further enhance our competitiveness in this ever changing financial services sector. We expect that the usage of technology in our industry is going to intensify as the use of cash continues to be replaced by new modes of electronic payments.

As the International Year of Co-operatives celebrations and promotions comes to a close, we have been able to see the critical role that our member owned and controlled organizations have played in the development of our communities and the possibilities that the coop movement continues to hold for the future.

FAITS SAILLANTS DE 2012 HIGHLIGHTS

Le bénéfice net de 1 217 296 \$ pour toute l'année **Net income of \$1,217,296 for entire year**

117 415 860 \$ total des actifs

\$117,415,860 total assets

8 603 976 \$ en capitaux propres (7,33% de l'actif)

\$8,603,976 in equity (7.33% of assets)

97 559 233 \$ en prêts et hypothèques

\$97,559,233 in loans and mortgages

106 941 612 \$ en dépôts des membres

\$106,941,612 in member deposits

Approximativement 9 700 membres

Approximately 9,700 members

Engagées envers nos jeunes

Tout comme apprendre à faire du vélo, les enfants peuvent acquérir les compétences nécessaires pour gérer leur argent avec leur propre compte à la Caisse populaire Évangéline-Central. Grâce au programme de la Caisse dépôts étudiants, nous encourageons les étudiants à établir de bonnes habitudes d'épargne en faisant régulièrement des dépôts à leur compte dépôts étudiants à l'école. Nous les encourageons également à comprendre la valeur de l'argent et de les aider à épargner pour les choses qu'ils veulent.

Le programme dépôts étudiants de la caisse aux écoles est actuellement offert aux élèves de la maternelle à la 12e année de l'école Évangéline, de la maternelle à la 6e année aux écoles à Ellerslie, à Bloomfield et à O'Leary. Le compte est constitué d'un compte d'épargne *SmartSave* avec un taux préférentiel. Il n'y a pas de coût associé à ce compte d'épargne étudiant et une carte de débit est disponible pour accéder aux fonds. Des prix sont décernés à certaines occasions tout au long de l'année scolaire.

Committed to our Youth

Just like learning to ride a bike, children can acquire the skills to manage their money with their own account at Évangéline-Central Credit Union. Through the Credit Union's School Deposit Program, we encourage the students to establish good saving habits by making regular deposits to their school credit union account. We also encourage them to understand the value of money and assist them in saving for the things they want.

The Credit Union School Deposit Program is currently being offered to students from kindergarten to grade 12 in Evangeline, Kindergarten to grade 6 in Ellerslie, Bloomfield and O'Leary schools. The account consists of a SmartSave savings account with a preferred rate. There is no cost associated to this student savings account and a debit card is available to access the funds. Prizes are awarded on occasion throughout the school year.

RÉCIPIENDAIRES DE BOURSES SCHOLARSHIP RECIPIENTS

En 2012, la Caisse populaire Évangéline-Central a contribué **8 500 \$** en bourses d'études.
In 2012, Évangéline-Central Credit Union contributed **\$8,500** in scholarships.

Michelle Arsenault | Liane Gallant | Shana O'Brien | Jessica Gallant
Jenna MacKinnon | Jolene Cole | Michelle Penwarden | Savanna Sentner
Tara Wallace | Kelsey Corcoran | Alex Gamble

Darlene Corcoran Memorial Scholarship: **Julia Ross**
PEI Potato Blossom Festival Ambassador Scholarship: **Megan Ellis**

Programmes communautaires

La Caisse populaire Évangéline-Central est détenue et gérée localement. Elle est une institution financière de service complet qui est fière de faire partie de la communauté. Grâce à des dons et des commandites, nous permettons à des groupes et organisations communautaires locaux de rester actifs.

La Caisse populaire Évangéline-Central occupe une place de choix en ce qui concerne le développement communautaire, par l'entremise des prêts aux propriétaires et aux petites entreprises, investissements dans les projets communautaires, commandites des activités et événements communautaires, bourses accordées aux étudiants, et employés qui sont actifs dans la communauté en tant que membres des chambres de commerce, des regroupements religieux, des organismes de services, des oeuvres de bienfaisance et qui participent à plusieurs activités additionnelles.

Commanditaire provincial: Relais pour la vie

Les caisses populaires de l'Île appuient le Relais pour la vie en s'engageant à contribuer 100 000 \$ sur cinq ans. En plus, les employés contribuent leurs levées de fonds en appuyant les événements dans leurs communautés. En 2012, un autre 44 000 \$ a été collecté portant le grand total de six ans à 352 000 \$.

Community Involvement

Évangéline-Central Credit Union is a locally owned and operated full-service financial institution that takes pride in being part of the community. Through donations and sponsorships, we enable local community groups and organizations to remain active.

Évangéline-Central Credit Union is uniquely positioned to support community development through loans to owners and small businesses, investing into community projects, sponsorship of community activities, school scholarships, and employees active in the community as members of boards of trade, chambers of commerce, church groups, service organizations, charitable organizations, and numerous other activities.

Provincial Event Sponsor: Relay For Life

PEI credit unions support the Relay for Life by pledging \$100,000 over 5 years. In addition, employees contribute with fundraising efforts as support of the Relay for Life events in their respective communities. In 2012, another \$44,000 was raised, bringing the six year grand total to \$352,000.

CONCERN FOR
COMMUNITY

INDEPENDENT AUDITOR'S REPORT

To the Members of Évangéline-Central Credit Union Limited

We have audited the accompanying financial statements of Évangéline-Central Credit Union Limited, which comprise the statement of financial position as at September 30, 2012 and the statements of changes in members' equity, comprehensive income and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Évangéline-Central Credit Union Limited as at September 30, 2012 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

MRSB Chartered Accountants

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

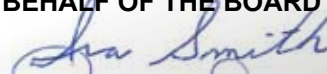
November 20, 2012

Statement of Financial Position

September 30, 2012

	September 30 2012	March 31 2012
ASSETS		
Cash and cash equivalents (Note 4)	\$ 8,869,013	\$ 6,205,030
Investments (Note 5)	10,806,441	7,717,803
Accounts receivable (Note 6)	1,101,426	267,783
Income taxes recoverable	28,442	-
Prepaid expense	110,762	42,782
Future income taxes	7,463	-
Due from 7730543 Canada Inc. (Note 7)	4,518,809	819,891
Property and equipment (Schedule 1)	1,501,097	1,023,660
Member loans and mortgages (Notes 8, 9)	90,360,529	55,210,954
Real estate held for resale	111,878	-
	\$117,415,860	\$ 71,287,903
LIABILITIES		
Accounts payable and accrued liabilities	\$ 976,474	\$ 694,916
Accrued interest payable	893,798	211,421
Income taxes payable	-	101,150
Member deposits (Note 10)	90,880,608	52,116,219
Share deposits	16,061,004	12,417,936
	108,811,884	65,541,642
Contingent liabilities (Note 11)		
Commitments (Note 12)		
MEMBERS' EQUITY		
Members' shares (Statement 3)	48,465	28,290
Undistributed earnings (Statement 3)	8,555,511	5,717,971
	8,603,976	5,746,261
	\$117,415,860	\$ 71,287,903

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

Notes 1 - 20 are an integral part of these financial statements

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED**Statement of Changes in Members' Equity****Six Month Period Ended September 30, 2012**

	September 30 2012 (6 months)	March 31 2012 (6 months)
Members' shares		
Balance - beginning of period	\$ 28,290	\$ 16,635
Issuance of members' shares, net of redemption	<u>20,175</u>	<u>11,655</u>
Balance - end of period	<u>48,465</u>	<u>28,290</u>
Undistributed earnings		
Balance - beginning of period	5,717,971	5,217,452
Increase in undistributed earnings from amalgamation	<u>2,520,746</u>	<u>-</u>
Net income (Statement 4)	<u>316,794</u>	<u>500,519</u>
Balance - end of period	<u>8,555,511</u>	<u>5,717,971</u>
Members' equity	<u>\$ 8,603,976</u>	<u>\$ 5,746,261</u>

Notes 1 - 20 are an integral part of these financial statements

Statement of Comprehensive Income
Six Month Period Ended September 30, 2012

	September 30 2012 (6 months)	March 31 2012 (6 months)
Income		
Interest and investment	\$ 2,765,517	\$ 1,830,512
Cost of capital and borrowings (Note 13)	<u>932,815</u>	<u>557,472</u>
Financial margin	<u>1,832,702</u>	<u>1,273,040</u>
Other		
Commissions	747,055	440,533
Income from significant influence investment	141,305	-
Miscellaneous	35,937	24,078
CUCPEI windup distribution	<u>-</u>	<u>403,967</u>
	<u>924,297</u>	<u>868,578</u>
	<u>2,756,999</u>	<u>2,141,618</u>
Expenses		
Advertising and promotions	118,245	63,251
Amortization of property and equipment	60,944	65,068
Automated teller machines	63,792	34,427
Board honorarium	12,818	8,316
Credit Union development	764	(725)
Data processing	111,141	41,561
Dues and memberships	38,385	18,722
Insurance	106,305	72,522
Miscellaneous	14,001	5,512
Meetings	8,936	13,756
Office	125,944	53,478
Premises	78,459	43,081
Professional fees	69,486	17,751
Provision for impaired loans	145,421	282,886
Service fees	422,805	188,092
Telephone	24,062	10,127
Travel	12,442	9,666
Wages and wage levies	<u>1,005,853</u>	<u>581,049</u>
	<u>2,419,803</u>	<u>1,508,540</u>
Income before income taxes	<u>337,196</u>	<u>633,078</u>
Income tax expense (recovery)		
Current (Note 14)	27,865	132,559
Future	<u>(7,463)</u>	<u>-</u>
	<u>20,402</u>	<u>132,559</u>
Net income	<u>\$ 316,794</u>	<u>\$ 500,519</u>

Notes 1 - 20 are an integral part of these financial statements

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Statement of Cash Flows

Six Month Period Ended September 30, 2012

	September 30 2012 (6 months)	March 31 2012 (6 months)
Cash flows from operating activities		
Net income	\$ 316,794	\$ 500,519
Items not affecting cash:		
Amortization of property and equipment	60,944	65,068
Future income taxes	(7,463)	-
	<u>370,275</u>	<u>565,587</u>
Changes in non-cash working capital:		
Investments	(3,088,638)	(2,065,527)
Accounts receivable	(833,643)	(63,204)
Prepaid expense	(67,980)	10,250
Accounts payable and accrued liabilities	281,558	(639,261)
Accrued interest payable	682,377	(319,835)
Income tax payable	(129,592)	93,495
	<u>(3,155,918)</u>	<u>(2,984,082)</u>
	<u>(2,785,643)</u>	<u>(2,418,495)</u>
Cash flows from investing activities		
Purchase of property and equipment	(48,640)	(4,337)
Increase in due from 7730543 Canada Inc.	(3,698,918)	(819,891)
Increase in member loans and mortgages	(35,149,575)	(2,094,292)
Increase in property and equipment from amalgamation	(489,741)	-
Increase in real estate held for resale	(111,878)	-
	<u>(39,498,752)</u>	<u>(2,918,520)</u>
Cash flows from financing activities		
Increase (decrease) in member deposits	38,764,389	(1,588,394)
Increase in share deposits	3,663,243	367,356
Increase in undistributed earnings from amalgamation	2,520,746	-
	<u>44,948,378</u>	<u>(1,221,038)</u>
Increase (decrease) in cash and cash equivalents	<u>2,663,983</u>	<u>(6,558,053)</u>
Cash and cash equivalents - beginning of period	<u>6,205,030</u>	<u>12,763,083</u>
Cash and cash equivalents - end of period	<u>\$ 8,869,013</u>	<u>\$ 6,205,030</u>
Cash flows supplementary information		
Interest received	\$ 2,233,995	\$ 1,765,139
Interest paid	83,010	776,803
Income taxes paid	157,457	39,064

Notes 1 - 20 are an integral part of these financial statements

Notes to Financial Statements

Six Month Period Ended September 30, 2012

1. DESCRIPTION OF BUSINESS

Évangéline-Central Credit Union Limited was incorporated under the Prince Edward Island Companies Act on April 1, 2012 and is governed by the Prince Edward Island Credit Unions Act. Évangéline-Central Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branches in Évangéline, Tyne Valley, and O'Leary, Prince Edward Island.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 3.

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in Note 3. These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIESFinancial instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below.

Financial assets must be classified as fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM), or loans and receivables (L&R). Financial liabilities are required to be classified as FVTPL or other financial liabilities (OFL). All financial instruments, including all derivatives, are measured at fair value on the statement of financial position with the exception of loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Changes in fair value of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of available for sale financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of, or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on available for sale financial assets. The Credit Union has classified its financial instruments as follows:

FVTPL	Cash and cash equivalents
AFS	Investments - shares
HTM	Investments - debentures
L&R	Loans and mortgages receivable, accrued interest and accounts receivable
OFL	Borrowings, deposits, accrued interest, accounts payable and accruals

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash in financial institutions.

Investments

Investments for which there are quoted prices in an active market are carried at fair value by the Credit Union. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Investments with significant influence

The Credit Union's investment in 7730543 Canada Inc., of which it owns 40.89% of the outstanding voting shares and over which the Credit Union exercises significant influence, is accounted for by the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received.

Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts is calculated through discussions with management based on an assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives using the following rates and methods:

Buildings	4%, 5% and 10%	declining balance method
Equipment	20%	declining balance method
ATMs	30%	declining balance method
ATMs	20%	straight-line method
Pavement	8%	declining balance method
Computer hardware	30% and 45%	declining balance method
Signs	20%	declining balance method

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal. The useful life and residual value of fixed assets are reviewed at least annually.

(*continues*)

Notes to Financial Statements

Six Month Period Ended September 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Loans and mortgages

Loans and mortgages have been designated as loans and receivables. Loans and mortgages are net of allowances established to recognize anticipated losses. The amount provided for anticipated loan losses is determined by reference to specific loans or mortgages in arrears and by the judgment of management.

Loans are assessed for impairment either individually, where appropriate, or collectively. A collective allowance has been established to provide for losses on loans and mortgages where past experience and existing economic and portfolio conditions indicate that losses have occurred, but where such losses cannot be specifically identified on an account-by-account basis.

The collective allowance is determined based on management's judgment considering business and economic conditions, portfolio composition, historical credit performance, and other relevant factors. Pools of loans are assessed based on attributes specific to a defined group of borrowers and considers other characteristics that directly affect the collectibility of loans that are unique to the defined group of borrowers (such as inherent credit risk, industry, and geography). Each pool of loans is assigned a portfolio risk factor, which is used to determine a base amount required for the collective allowance. This base amount is adjusted to reflect the fluctuations in market conditions that most highly correlate with credit losses.

Finance charges

Évangéline-Central Credit Union Limited periodically purchases mortgages from League Savings and Mortgage. Generally a premium is paid for the mortgages purchased, calculated by reference to the interest rate inherent in the mortgages and the rate of interest in effect at the time of purchase. The premium paid is amortized using the straight line method over the life of the mortgage purchase plan and netted to the applicable mortgage asset.

Fees related to the purchase of Index Linked RRSP units are amortized using the straight line method over the term of the investment and are netted against the cost of the liability.

Real estate held for resale

Real estate held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

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ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Impairment

Investments are reviewed for impairment on at least an annual basis. Changes in the fair value of available for sale investments are reported in Other Comprehensive Income. If the investment is impaired, however, any cumulative losses previously recognized in OCI are reclassified from equity to net income.

Loans and mortgages are classified as impaired at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal or interest, or when interest or principal is contractually past due 90 days, unless the loan or mortgage is both well secured and in the process of collection. Interest on an impaired loan or mortgage continues to be recognized in earnings on an accrual basis and is provided for in the allowance for loan losses. At September 30, 2012, interest accrued on impaired loans totals \$242,894.

Non-financial assets are assessed for impairment at least annually and, where impairment exists, the carrying value is reduced to the recoverable amount.

Employee future benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, vacation and sick time, retiring allowances, and defined contributions to employee benefit plans when it is probable that settlement will be required and they are capable of being measured reliably. During the period, the contributions by the Credit Union to a defined contribution pension plan totalled \$38,259.

Future income taxes

Income taxes are reported using the liability method, as follows: current income tax expense is the estimated income taxes payable for the current period after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

(*continues*)

Notes to Financial Statements

Six Month Period Ended September 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Member deposits

Deposits are measured at fair value on recognition net of transaction costs directly attributable to issuance. Subsequent measurement is at amortized cost using the effective interest method. Chequing accounts, call deposits and term deposits are on a call basis and earn interest at various rates.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for September 30, 2012 was 2.00% (September 30, 2011 - 1.75%) and was based on the average of the lowest monthly share balances.

Share deposits

Unlimited membership shares, with a value of \$5 per share, non-transferable, redeemable by Évangéline-Central Credit Union Limited, retractable by shareholders subject to Évangéline-Central Credit Union Limited's right to suspend redemption, if the redemption would impair the financial stability of Évangéline-Central Credit Union Limited, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can readily be measured. The principal sources of revenue are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in the statement of comprehensive income, as a reduction to income over the expected life of the relevant loans and mortgages.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the period end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the period, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)Measurement uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimate is reversed if the revision affects only that period or in the period of revision and in future periods if the revision affects both the current and future periods.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in the accounting policy for loans and mortgages.

Changes in accounting standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2012 and have not been adopted by the Credit Union in preparing these financial statements. Other than the introduction of IFRS 9, these changes are not expected to have a material impact on the financial statements.

IFRS 9 - Financial Instruments

In November 2009, the IASB issued *IFRS 9 - Financial Instruments*, introducing new requirements for classifying and measuring financial assets. This new standard replaced the requirements in *IAS 39 - Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets. IFRS 9 is the first part of a multi-phase project to replace IAS 39. The main features of the new standard are:

- A financial asset will be classified as either fair value or amortized cost. The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist.
- Classification of financial assets is based on the entity's business model for managing the financial asset and their contractual cash flow characteristics.
- Changes in the fair value of financial assets classified as fair value are recognized in profit or loss, except for equity investments not held for trading, which may be held at fair value through other comprehensive income.

IFRS 9 is effective for fiscal years beginning on or after January 1, 2013. Earlier application is permitted. The impact of IFRS 9 on the Credit Union has not yet been determined.

Notes to Financial Statements

Six Month Period Ended September 30, 2012

4. CASH AND CASH EQUIVALENTS

	September 30 2012	March 31 2012
Cash in financial institutions	\$ 7,106,620	\$ 5,066,634
Cash on hand	1,762,393	1,138,396
	\$ 8,869,013	\$ 6,205,030

5. INVESTMENTS

	September 30 2012	March 31 2012
Shares		
Atlantic Central Credit Union Limited - common shares	1,129,640	731,950
Atlantic Central Credit Union Limited - class B preferred shares	350,300	222,400
League Savings and Mortgage - class A preference shares	95,844	66,944
League Data Limited - 6,493 Class B preferred shares	64,930	30,820
Wellington Cooperative Association Limited shares	2,291	2,291
Atlantic Central Credit Union Limited Class - PEI shares	2,100	-
7730543 Canada Inc. - 4,089 class B common shares	39,121	-
7730543 Canada Inc. - 4,202 class A common shares	2,122	-
Credit Union Central of Prince Edward Island Limited shares	-	247,130
	1,686,348	1,301,535
Debentures		
Atlantic Central Credit Union Limited liquidity deposits - 0.99%	7,120,093	4,416,268
Atlantic Central Credit Union Limited term deposit, maturing February 25, 2013, 2.11%	1,000,000	1,000,000
Atlantic Central Credit Union Limited term deposit, maturing February 24, 2014, 2.5%	1,000,000	1,000,000
	9,120,093	6,416,268
	\$ 10,806,441	\$ 7,717,803

Long term investments in shares in the Credit Union System and others have been classified as available-for-sale and are required to be measured at fair value with any changes in fair value recorded in other comprehensive income. The Credit Union has determined the fair value of these investments cannot be measured reliably and therefore measures these investments at cost with no adjustment to other comprehensive income. The Credit Union's investments in system debentures have been classified as held-to-maturity and is required to be measured at amortized cost.

Liquidity deposits are investments placed with Atlantic Central Credit Union Limited to provide protection against cash flow demands. National standards have been established requiring 6% of Évangéline-Central Credit Union Limited assets to be held on deposit.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

6. ACCOUNTS RECEIVABLE

	September 30 2012	March 31 2012
Accrued interest - loans and mortgages	\$ 719,911	\$ 252,884
Other receivables	303,877	1,756
Accrued interest - investments	77,638	13,143
	\$ 1,101,426	\$ 267,783

7. DUE FROM 7730543 CANADA INC.

Évangéline-Central Credit Union Limited owns class A and B common shares of this company. The amount due from 7730543 Canada Inc. bears interest at 1% and there are no set terms of repayment.

8. LOANS AND MORTGAGES

September 30 2012	Total loans	Specific allowance	Net loans
Commercial	\$ 31,091,729	\$ (2,219,360)	\$ 28,872,369
Mortgages	23,015,846	(16,498)	22,999,348
Personal	16,789,367	(98,365)	16,691,002
Lines of credit and overdrafts	16,005,354	(345,673)	15,659,681
Syndicated Farming & Fishing	608,897	-	608,897
League Savings & Mortgage	5,529,233	-	5,529,233
	\$ 93,040,425	\$ (2,679,896)	\$ 90,360,530
March 31 2012	Total loans	Specific allowance	Net loans
Commercial	\$ 19,098,236	\$ (1,380,000)	\$ 17,718,236
Mortgages	16,530,317	(12,997)	16,517,320
Personal	8,815,147	(56,109)	8,759,038
Lines of credit and overdrafts	8,777,914	(147,474)	8,630,440
League Savings & Mortgage	3,739,830	-	3,739,830
Student loans	1,522	-	1,522
Accrued interest	-	(155,432)	(155,432)
	\$ 56,962,966	\$ (1,752,012)	\$ 55,210,954

Notes to Financial Statements

Six Month Period Ended September 30, 2012

9. LOANS AND MORTGAGES

	September 30 2012	March 31 2012
Provision for impaired loans - beginning of period	\$ 1,752,012	\$ 1,481,621
Provision for impaired loans - current period	145,421	282,886
Recovery of loans written off - current period	971	3,682
Amalgamation from Central Credit Union Limited	807,937	-
Loans written off - current period	<u>(26,445)</u>	<u>(16,177)</u>
Provision for impaired loans - end of period	<u>\$ 2,679,896</u>	<u>\$ 1,752,012</u>

Members loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

10. MEMBER DEPOSITS

	September 30 2012	March 31 2012
RRSPs	\$ 27,269,360	\$ 17,991,936
Current chequing accounts	22,197,052	12,308,907
Term deposits	21,830,323	12,911,766
Call deposits	11,647,756	4,996,157
RRIFs	5,248,366	2,259,148
TFSAs	<u>2,687,751</u>	<u>1,648,305</u>
	<u>\$ 90,880,608</u>	<u>\$ 52,116,219</u>

11. CONTINGENT LIABILITIES

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$32,500.

As of the audit report, Évangéline-Central Credit Union Limited is involved in a legal action with a member, who has filed a counterclaim against the Credit Union. However, the amount of the losses, if any, is undeterminable at this time.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

12. COMMITMENTS

The Credit Union has entered into lease agreements for the lease of a generator and postage meter, and has made a donation commitment to a local organization. The minimum annual payments committed over the next five years are as follows:

	Equipment	Donations
2013	\$ 6,591	\$ 5,000
2014	6,591	5,000
2015	6,591	-
2016	6,591	-
2017	6,591	-

13. COST OF CAPITAL AND BORROWINGS

	September 30 2012	March 31 2012
Interest and service charges	\$ 765,387	\$ 456,968
Share dividends	167,428	100,504
	\$ 932,815	\$ 557,472

14. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 29.00% (March 31, 2012 - 30.50%) to the income for the period and is reconciled as follows:

	September 30 2012	March 31 2012
Income before income taxes	\$ 337,196	\$ 633,078
Income tax expense at the combined basic federal and provincial tax rate:	\$ 97,787	\$ 193,089
Increase (decrease) resulting from:		
Small business deduction	(40,664)	(42,616)
Capital cost allowance claimed in excess of amortization	1,544	7,332
Dividends	-	(612)
Net non-deductible expenses (non-taxable revenues)	(40,602)	617
Tax reserves	(24,144)	(26,063)
Provision for loan loss reserve	42,172	-
Recovery of previously written off loans	282	-
Loans written off in current year	(7,670)	-
Adjustment to prior year	(840)	812
Effective tax expense	\$ 27,865	\$ 132,559

The effective income tax rate is 8.26% (March 31, 2012 - 20.94%).

Notes to Financial Statements

Six Month Period Ended September 30, 2012

15. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$6,000,000 which expires on May 31, 2013 and was not utilized at the period end. The line of credit bears an interest rate of 3% and is secured by general security agreement.

16. RELATED PARTY TRANSACTIONS

Évangéline-Central Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at the period end, some members of the Board of Directors, Credit Committee, management, and employees had loans and mortgages from Évangéline-Central Credit Union Limited. All full time and permanent part time employees are eligible for special interest rates on loans, mortgages and lines of credit and RRSP term deposits based on years of service. All repayment terms and collateral will be according to normal lending practices of the Credit Union.

Key management personnel include the CEO and other senior officers of the Credit Union. The components of total compensation received by key management personnel, and balances due to/from key management personnel are as follows:

	September 30 2012	March 31 2012
Short-term employee benefits	\$ 234,799	\$ 163,703
Contributions to a retirement pension plan	12,905	9,649
Mortgages, loan balances, and lines of credit due from key management	623,971	585,142
Deposit balances due to key management	544,523	532,965

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

17. RISK MANAGEMENT

The Credit Union manages significant risks through a comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include liquidity, credit, currency and interest risks.

(continues)

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

17. RISK MANAGEMENT (*continued*)

Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid size companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage, and up to 50% of the lesser or cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union maintains both specific and collective allowances for credit losses. Specific allowances are established on an account by account basis using management's knowledge of the account and prevailing conditions. In addition, accounts delinquent greater than ninety days are included in the specific allowance. Collective allowances are maintained to cover any impairment in the loan portfolio that cannot yet be associated with specific loans and includes factors such as market conditions, concentration of credit risk for member accounts and the general state of the economy. Senior management regularly monitors credit risk and reports to the Board of Directors on a monthly basis.

The Credit Union's maximum exposure to credit risk at the balance sheet date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event parties fail to perform their obligations. The principal collateral and other credit enhancements holds as security for loans include a) insurance and mortgages over properties, b) recourse to sell assets such as real estate, equipment, inventory and accounts receivable and c) recourse to liquid assets, guarantees and securities.

The Credit Union's maximum exposure to credit risk at the reporting date is cash equivalents and investments and loans and mortgages. Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

(*continues*)

Notes to Financial Statements

Six Month Period Ended September 30, 2012

17. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are disclosed in Schedule 2. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

18. FINANCIAL INSTRUMENTS

Évangéline-Central Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values, and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value.

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

Évangéline-Central Credit Union Limited utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Transaction costs for all financial assets and liabilities are recognized as an expense as these costs are incurred. Changes in fair values of financial assets and financial liabilities classified as held for trading are recognized in income for the period as they occur.

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Notes to Financial Statements

Six Month Period Ended September 30, 2012

19. CAPITAL MANAGEMENT

Évangéline-Central Credit Union Limited provides lending services to its members in the form of loans, lines of credit, and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the general manager and lending personnel within the established parameters. Total lending activities managed by the Credit Union during the September 30, 2012 fiscal period amounted to \$90,360,529.

Consistent with other Prince Edward Island Credit Unions, Évangéline-Central Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous period plus the operating surplus in the current period, divided by the total assets of the Credit Union.

	September 30 2012	March 31 2012
Undistributed earnings	\$ 8,555,511	\$ 5,717,971
Member's shares	48,465	28,290
Total regulatory equity	8,603,976	5,746,261
Total assets	117,415,860	71,287,903
	7.33 %	8.06 %

Credit Union bylaws require Évangéline-Central Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Overall, a minimum liquid asset level of 10% of total assets must be maintained to ensure ongoing cash flow requirements are met.

	September 30 2012	March 31 2012
Total assets	\$117,415,860	\$ 71,287,903
Liquid assets	20,776,880	14,190,615
	17.70 %	19.91 %

20. COMPARATIVE FIGURES

The prior period comparative figures were audited by another firm of chartered accountants.

Some of the comparative figures have been reclassified to conform to the current period's presentation.

Schedule to Financial Statements
Statement of Property and Equipment
Six Month Period Ended September 30, 2012

(Schedule 1)

	Cost Beginning of Period	Cost Additions	Increase from Amalg	Cost End of Period	Amort Beginning of Period	Amort in Period	Increase from Amalg	Amort End of Period	NBV Sept 30, 2012	NBV Mar 31, 2012
Land	\$ 36,289	\$ -	\$ 71,032	\$ 107,321	\$ -	\$ -	\$ -	\$ -	\$ 107,321	\$ 36,289
Buildings	1,399,729	-	815,818	2,215,547	638,487	24,698	472,103	1,135,288	1,080,259	761,242
Equipment	607,676	26,419	147,452	781,547	495,213	17,141	101,723	614,077	167,470	112,463
ATMs	145,879	-	48,164	194,043	98,284	10,614	39,808	148,706	45,337	47,595
Pavement	50,967	-	72,628	123,595	8,478	2,180	60,607	71,265	52,330	42,489
Computer hardware	488,746	-	71,203	559,949	465,164	5,200	62,315	532,679	27,270	23,582
Signs	-	22,221	-	22,221	-	1,111	-	1,111	21,110	-
	\$2,729,286	\$ 48,640	\$1,226,297	\$4,004,223	\$1,705,626	\$ 60,944	\$736,556	\$2,503,126	\$1,501,097	\$1,023,660

Notes 1 - 20 are an integral part of these financial statements

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Schedule to Financial Statements

(Schedule 2)

Interest Rate Sensitivity

Six Month Period Ended September 30, 2012

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 6,483,594	\$ -	\$ -	\$ 2,385,419	\$ 8,869,013
Effective interest rate	0.97 %	- %	- %	- %	
Investments	8,120,094	1,000,000	-	1,686,347	10,806,441
Effective interest rate	1.13 %	2.50 %	-	-	
Accounts receivable	-	-	-	1,101,426	1,101,426
Prepaid expense	-	-	-	110,762	110,762
Income taxes recoverable	-	-	-	28,442	28,442
Future income taxes	-	-	-	7,463	7,463
Property and equipment	-	-	-	1,501,097	1,501,097
Personal	2,202,834	15,582,691	-	-	17,785,525
Effective interest rate	6.73 %	6.99 %	-	-	
Farming & Fishing	2,628,679	9,508,917	-	-	12,137,596
Effective interest rate	5.70 %	5.54 %	-	-	
Lines of credit and overdrafts	15,659,758	-	-	-	15,659,758
Effective interest rate	5.85 %	-	-	-	
Mortgages	4,838,726	21,101,257	-	-	25,939,983
Effective interest rate	4.50 %	4.77 %	-	-	
Commercial	3,156,713	9,494,555	-	-	12,651,268
Effective interest rate	5.23 %	5.92 %	-	-	
Syndicated Farming & Fishing	176,484	480,682	-	-	657,166
Effective interest rate	5.50 %	6.24 %	-	-	
League Savings & Mortgage	391,006	5,138,227	-	-	5,529,233
Effective interest rate	3.29 %	4.41 %	-	-	
Due from 7730543 Canada Inc.	-	-	4,518,809	-	4,518,809
Effective interest rate	-	-	1.00 %	-	
Real estate held for resale	-	-	-	111,878	111,878
	\$ 43,657,888	\$ 62,306,329	\$ 4,518,809	\$ 6,932,834	\$117,415,860

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 976,474	\$ 976,474
Accrued interest payable	-	-	-	893,798	893,798
Member deposits	42,741,336	28,710,705	-	19,428,567	90,880,608
Effective interest rate	1.67 %	2.77 %	-	-	
Share deposits	16,061,004	-	-	-	16,061,004
Effective interest rate	2.00 %	-	-	-	
Members' shares	48,465	-	-	-	48,465
Effective interest rate	2.00 %	-	-	-	
Undistributed earnings	-	-	-	8,555,511	8,555,511
	\$ 58,850,805	\$ 28,710,705	\$ -	\$ 29,854,350	\$117,415,860

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

Notes 1 - 20 are an integral part of these financial statements

1 VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2 DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

4 AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

3 MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

5 EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6 CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7 CONCERN FOR COMMUNITY

Co-operatives work for the sustainable development of their communities through policies approved by their members.

SEVEN CO-OPERATIVE PRINCIPLES

The following seven internationally accepted Co-operative Principles help shape credit union business decisions and governance, setting them apart from other financial institutions.

Prix bénévole de l'année

Le Prix bénévole de l'année de la Caisse populaire Évangéline-Central récompense les bénévoles de leur engagement et de leur contribution au mouvement des caisses populaires à l'échelle locale, provinciale et nationale.

Ce prix rend hommage et reconnaît les bénévoles du milieu pour leur dévouement envers la collectivité et leurs réalisations en activité coopérative. Tout client ou propriétaire de la caisse populaire est admissible à recevoir ce prix.

Récipients du Prix bénévole de l'année 2011

Pam MacKinnon & Sapeurs-pompiers bénévoles d'O'Leary



Volunteer of the Year Award

The Credit Union Volunteer of the Year award recognizes volunteers for their commitment and contribution to the Credit Union system at a local, provincial and national level.

This award will honour and recognize community volunteers for their dedication to their community and achievements in cooperative activity. Any Credit Union owner is eligible to receive this award.

2011 Volunteer of the Year Award Recipient

Pam MacKinnon & O'Leary Volunteer Fire Department

Credential[®]

Financial Strategies

À la suite d'une année décevante en 2011, la plupart des marchés boursiers autour du monde ont pris de l'essor jusqu'à présent en 2012. Si les marchés terminent l'année de façon positive, des gains auront été réalisés au cours de trois des quatre dernières années, malgré les grands titres financiers souvent sombres. Depuis le creux atteint au mois de mars 2009 pendant la récession, le marché américain a plus que doublé en valeur et le marché canadien a augmenté de plus de 50 pour cent.

Qu'est-ce qui fait que les marchés s'améliorent? Un grand nombre des entreprises cotées en bourse ont réduit leurs dépenses pendant la récession et déclaré une augmentation des profits. La mise en œuvre de programmes d'assouplissement quantitatifs conçus pour garder les taux d'intérêt bas et pour appuyer les systèmes financiers aux États-Unis, en Europe et au Japon ont aussi eu un impact positif. Tout récemment, les marchés européens ont bénéficié d'engagements plus fermes de la part de politiciens et de représentants de banques centrales pour s'attaquer aux problèmes de la dette publique.

Toutefois, il est rare que les reprises économiques s'effectuent en douceur. Bien que bon nombre des conditions nécessaires au progrès continu soient en place, certains experts financiers demeurent anxieux. Les sources de préoccupation sont la dette publique en Europe et aux États-Unis et le ralentissement économique en Chine et dans d'autres marchés émergents. Il est bien évident qu'il faudra effectuer plus de travail afin de réparer les dommages causés aux finances gouvernementales par la récession de 2008-2009.

Following a disappointing 2011, most of the equity markets around the world have risen thus far in 2012. If markets finish the year in positive territory, gains will have been made in 3 of the last 4 years despite the often gloomy financial headlines. Since the March, 2009 low reached during the recession, the U.S. market has more than doubled in value and the Canadian market is up more than 50%.

What is pushing the markets higher? Many publically traded companies trimmed expenses during the recession and are reporting rising profits. The implementation of quantitative easing programs designed to maintain low interest rates and support the financial systems in the U.S., Europe and Japan have also had a positive impact. More recently, the European markets have benefitted from more forceful commitments by politicians and central bankers to tackle the government debt issue.

However, economic recoveries rarely proceed smoothly upward. Although many of the conditions necessary for continued progress are in place, some financial experts remain anxious. Factors that are fuelling concern include ongoing government debt problems in Europe and the U.S. and an economic slowdown in China and other emerging markets. It is clear that more work is needed to repair the damage done to government finances by the 2008/09 recession.



Rod MacInnis CGA CFP
Financial Planner

Sharon Gallant
Representative



**CAISSE POPULAIRE
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