

2014

ANNUAL REPORT / RAPPORT ANNUEL



CAISSE POPULAIRE
CREDIT UNION

ÉVANGÉLINE-CENTRAL

MISSION MISSION

At Évangéline-Central Credit Union, we are focused on you: your community, your future, your prosperity. We want to be a partner in your success. We're committed to providing outstanding financial service and wise financial guidance that will enable you, our members, to reach your financial goals. We are a community-minded cooperative that helps build through involvement, leadership, and monetary generosity in the community. We pride ourselves in our commitment to serving you, our members, and the community as best as possible, and we believe that this annual report will be an indication of that commitment.

À la Caisse populaire Évangéline-Central, nos activités sont axées sur vous : votre communauté, votre avenir, votre prospérité. Nous voulons être un partenaire de votre succès. Nous nous engageons à fournir un service financier exceptionnel et des conseils financiers judicieux qui permettront aux membres d'atteindre leurs objectifs financiers. Nous sommes une coopérative animée par l'esprit de communauté qui contribue au développement par l'entremise de la participation, du leadership et de la générosité financière. Nous sommes fiers de notre engagement à vous servir le mieux possible et nous estimons que ce rapport annuel sera une indication de cet engagement.

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VALUES VALEURS

Honest

Passionate

Holistic

Spiritual

Evolutionary

Simplistic

Inclusive

Honnêteté

Passion

Holistique

Spiritualité

Évolution

Simplicité

Inclusivité



2014 AT A GLANCE

2014 EN UN COUP D'OEIL

- * We offered a new method of accessing your account via mobile banking with the all new App designed for iPhones and iPads
Nous avons introduit une nouvelle méthode pour accéder à votre compte par l'entremise de services bancaires mobiles grâce à la toute nouvelle App conçue pour les iPhones et les iPads
- * For the 10th consecutive year, we were honoured to be ranked #1 in Customer Service Excellence across the country*
Pour la 10^e année consécutive, nous avons été honorés d'être classé n° 1 dans la catégorie Excellence en matière de service à la clientèle à travers le pays*
- * Our staff raised over \$7,200 from their own efforts for various charities
Notre personnel a recueilli plus de 7 200 \$ de leur propre chef au profit de divers organismes de bienfaisance
- * Assets surpassed \$127 Million
L'actif a dépassé les 127 \$ millions

*THE IPSOS 2014 BEST BANKING AWARDS ARE BASED ON QUARTERLY CUSTOMER SERVICE INDEX (CSI) SURVEY RESULTS. SAMPLE SIZE FOR THE TOTAL 2014 CSI PROGRAM YEAR ENDED AUGUST 2014 WAS 45,428 COMPLETED SURVEYS YIELDING 68,738 FINANCIAL INSTITUTION RATINGS





PART TIME / TEMPS PARTIEL: AMAND ARSENAULT | RON CLARKE
JENNIFER DYMENT | JULIE RAMSAY | PHYLLIS RAMSAY

STAFF PERSONNEL



BOARD OF DIRECTORS CONSEIL D'ADMINISTRATION

PICTURED LEFT TO RIGHT | DE GAUCHE À DROITE: MARSHA ARSENAULT | RAYMOND ARSENAULT | JAMIE SHAW | JAMIE COLWILL
GLEN ELLIS | BECKY CHAISSON | IRA SMITH | LINDA DUNN | IMELDA ARSENAULT | ERIC PHILLIPS



PRESIDENT'S INTERVIEW

A black and white portrait of an older man with glasses, wearing a suit and tie. The portrait is partially obscured by a large, dark, diagonal geometric shape that also contains the interview questions. The shape is composed of several overlapping triangles in shades of gray and blue.

Q.

FOR THOSE THAT ARE UNAWARE OF THE BOARD OF DIRECTORS' ROLE, COULD YOU EXPLAIN THE ROLE OF THE BOARD AND DESCRIBE HOW THE BOARD HAS BEEN FULFILLING THAT ROLE THIS PAST YEAR?

A. It is my pleasure to represent the board and to be able to share some of the work we have been doing and the progress we have been making. The Board is responsible for representing the interests of members and incorporating these interests into the strategic governance of the credit union. In addition, to our annual strategic planning exercise, we have monthly board meetings. In these meetings, everyone's opinions are valued, and we strive to be progressive and to ensure that we are benefiting our fellow members in the best way possible. In order to remain progressive, we have worked with Atlantic Central to keep up with changes in regulation. We have also examined changes in the marketplace and adapted to those changes in order to become even more competitive.

Q.

WHAT ARE YOU ABLE TO TELL US ABOUT THE BOARD'S DECISION CONCERNING ANNUAL DIVIDENDS?

A. The Board's objective is to maintain a very competitive and attractive dividend rate. However, in determining the rate for each year, the Board must also consider the regulatory requirements and the need to ensure the long term financial sustainability of the Credit Union. The Board of Directors believes that we must continue building the equity position of the organization with an objective of reaching an 8% equity to asset. A stronger equity position gives us the ability to be more competitive in the marketplace and also gives the organization better ability to handle potential unforeseen problems that may occur.

I am happy to advise, on behalf of the Board of Directors, that we have declared a 1.25% dividend for the fiscal year ending on September 30, 2014 while increasing the equity position of the organization from 7.58% to 7.78%.

Q.

WHAT ARE THE BIGGEST CHALLENGES THAT YOUR CREDIT UNION AND BOARD HAVE FACED THIS YEAR?

A. Every year brings new challenges, and this year was no exception. In recent years, technology has begun to dictate what members expect and thus how our industry operates. People expect more 24/7 convenience, and our credit union must keep up with these expectations. One specific technology-related challenge has been the struggle to engage with mobile consumers. The mobile segment has been growing rapidly with new applications being developed that

impact on our core business, redefining how consumers source financial advice and how they purchase products. Another big challenge this year was increased competition from banks. The banks have continued to focus on the Canadian retail market with aggressive promotions and product strategies, staying at the forefront of technology and shaping consumer demands. Low margins and the fact that we have higher operating costs than our competitors continue to present challenges in remaining fiscally competitive.

5

Q.

WHAT ARE THE MAIN AREAS OF SUCCESS THAT YOUR CREDIT UNION HAS EXPERIENCED THIS YEAR?

A. I am very pleased to report on this past year's successes and am proud of what we have been able to accomplish. A strong focus was placed on the competitive aspects of our product offerings. This contributed significantly to the strong growth that has been experienced especially in the lending side of the operation over the past year. Most financial projections presented during the amalgamation proposal have been met or exceeded.

Finally, another main area of success is that our credit union continues to provide industry-leading customer service. This was evidenced by the fact that we were ranked #1 nationally in Customer Excellence for the tenth year in a row, recognizing our commitment to making our members happy.

Q.

THINKING AHEAD TO NEXT YEAR, WHAT ARE SOME OF THE GOALS FOR YOUR CREDIT UNION THAT COME TO MIND?

A. From a Board perspective, our focus is and will continue to be on regulatory matters to make sure that we comply with requirements that apply to our organization, monitoring financial results through the year and implementing appropriate policy to create a platform for long-term growth and sustainability for the benefit of the membership.

In most industries and certainly in the financial industry, there is significant pressure to generate greater efficiencies in order to remain competitive. The Board of Directors is very satisfied with the results of the Evangeline and Central Credit Union amalgamation. The possibility of an amalgamation with another PEI Credit Union is one option that your Board continues to evaluate to generate greater value for our membership.

Another goal is to continue building our relationship with youth. Recognize that youth are our future, we have dedicated a considerable amount of resources to the development of products, services, and programs that are relevant to today's youth.

Q.

IN CONCLUSION, IS THERE ANYTHING YOU WOULD LIKE TO SAY IN REGARD TO THIS PAST FISCAL YEAR THAT YOU HAVEN'T ALREADY HAD THE CHANCE TO SAY?

A. Absolutely. I would like to extend my gratitude to a number of people. Any success of the Credit Union would not be possible without the cooperation and hard work of a number of parties. I would like to thank my fellow directors for their dedication and commitment to the success of our Credit Union. I would also like to thank the management and staff for the high quality of service they provide to members. In addition, I also extend my gratitude to Atlantic Central for their cooperation and support. Of course, I must also thank the members that give us their continuous support that allow us to grow.

IRA SMITH
PRESIDENT



L'ENTREVUE DU PRÉSIDENT

Q ■ POUR CEUX QUI NE CONNAISSENT PAS LE RÔLE DU CONSEIL D'ADMINISTRATION, POURRIEZ-VOUS EXPLIQUER CE RÔLE ET DÉCRIRE COMMENT LE CONSEIL L'A EXERCÉ AU COURS DE LA DERNIÈRE ANNÉE?

R. Je suis heureux de représenter le conseil d'administration et de pouvoir partager une partie du travail que nous avons fait et les progrès que nous avons réalisés. Le rôle du conseil est de représenter les intérêts des membres et d'intégrer ces intérêts dans la gouvernance stratégique de la caisse. En plus de notre exercice annuel, nous nous sommes engagés à tenir des réunions mensuelles. Lors de ces réunions, les opinions de chacun sont valorisées et nous nous efforçons d'être aussi progressifs que possible et d'assurer que nos membres puissent en bénéficier de la meilleure façon possible. Afin de demeurer progressifs, nous avons travaillé avec Atlantic Central afin d'être au courant des changements réglementaires. Nous avons également examiné l'évolution du marché et nous nous sommes adaptés à ces changements afin de devenir encore plus compétitifs.

Q ■ QUE POUVEZ-VOUS NOUS DIRE À PROPOS DE LA DÉCISION DU CONSEIL CONCERNANT LES DIVIDENDES ANNUELS?

R. En vue de maintenir un taux de dividende compétitif et intéressant, le conseil d'administration examine le niveau de rentabilité et la situation financière de l'organisation. Du point de vue de la viabilité et de la réglementation, le conseil d'administration estime que nous devons nous efforcer de continuer à améliorer la situation financière de l'organisation dans le but d'atteindre un minimum de 8 % pour ce qui est de l'actif au cours des prochaines années. Grâce à une meilleure situation financière, nous pourrions être plus compétitifs sur le marché et nous pourrions mieux gérer les imprévus qui pourraient survenir.

Je suis heureux de vous annoncer, au nom du conseil d'administration, que nous avons déclaré un dividende de 1,25 % pour l'exercice qui s'est terminé le 30 septembre 2014, tout en améliorant la situation financière de l'organisation de 7.58 % à 7.78 %.

Q ■ QUELS SONT LES PLUS IMPORTANTS DÉFIS QUE LA CAISSE POPULAIRE ET LE CONSEIL ONT DÛ RELEVER CETTE ANNÉE?

R. Chaque année apporte son lot de défis et celle-ci ne fait pas exception. Au cours des dernières années, la technologie a commencé à dicter les attentes de nos membres et le fonctionnement de notre industrie. Les gens s'attendent à plus de commodités en tout temps et notre caisse doit pouvoir répondre à ces attentes dans l'ensemble de ses services. Un défi spécifiquement lié à la technologie a été de faire affaire avec les consommateurs mobiles. Le segment mobile a connu une croissance rapide. De nouvelles applications sont en cours de développement et ont un impact sur nos activités de base. Elles redéfinissent la façon dont les consommateurs reçoivent des conseils financiers et se procurent des produits. Un autre grand défi cette année a été la concurrence accrue des banques. Les banques ont continué de se concentrer sur le marché canadien de la vente au détail offrant des stratégies de produits et des promotions énergiques, demeurant à la fine pointe de la technologie et formant les habitudes des consommateurs. Les faibles marges et le fait que nous avons des coûts d'exploitation plus élevés que nos concurrents continuent à présenter des défis de concurrence financière.



QUELLES SONT LES PRINCIPALES RÉUSSITES QUE VOTRE CAISSE POPULAIRE A CONNUES CETTE ANNÉE?

R. Je suis très heureux de commenter le succès de la dernière année et je suis fier de ce que nous avons accompli. Une grande importance a été mise sur l'aspect compétitif de notre gamme de produits. Cela semble avoir contribué d'une manière significative à la forte croissance que nous avons connue, en particulier dans le secteur des prêts au cours de cette dernière année. Je suis très heureux de voir que la plupart des projections financières présentées lors de la proposition de fusion ont été atteintes ou dépassées. De plus, notre caisse continue d'être un chef de file de l'industrie en matière de service à la clientèle. Ceci a été attesté par le fait que nous nous sommes classés n° 1 à l'échelle nationale pour ce qui est de notre excellence en matière de service à la clientèle pour la dixième année consécutive, témoignant de notre engagement envers la satisfaction de nos membres.



EN PENSANT À L'ANNÉE PROCHAINE, QUELS SONT LES OBJECTIFS DE VOTRE CAISSE POPULAIRE QUI VIENNENT À L'ESPRIT?

R. Du point de vue du conseil, notre objectif portera et continuera de porter sur la réglementation pour assurer que nous nous conformons aux exigences qui s'appliquent à notre organisation, assurant le suivi des résultats financiers tout au long de l'année et la mise en œuvre de politiques appropriées pour créer une plateforme pour la croissance à long terme et le développement durable au profit des membres.

Il semblerait que dans la plupart des industries et notamment dans le secteur financier, il y a de plus en plus de pression pour réaliser davantage d'économies afin de demeurer compétitif. Ayant traversé avec succès une fusion tout récemment, les avantages attendus ont été réalisés; nous sommes donc beaucoup plus concurrentiels sur le marché. Nous prévoyons que ces pressions de joindre nos forces à celles d'autres organismes vont persister; c'est en fait une option que votre conseil d'administration continue d'évaluer en vue d'offrir des avantages aux membres.

Un autre objectif est de continuer à développer des liens avec les jeunes. Reconnaisant que les jeunes sont notre avenir, nous avons consacré une quantité considérable de ressources au développement de produits, de services et de programmes pour les jeunes d'aujourd'hui.



EN CONCLUSION, EST-CE QUE VOUS VOULEZ AJOUTER QUELQUE CHOSE CONCERNANT CE DERNIER EXERCICE FINANCIER?

R. Absolument. Je tiens à exprimer ma gratitude à plusieurs personnes. Les succès de la caisse ne seraient pas possibles sans la collaboration et le travail acharné de divers groupes. Je tiens à remercier mes collègues administrateurs pour leur dévouement et pour leur engagement à la réussite de notre caisse. Je tiens également à remercier la direction et le personnel pour la grande qualité des services qu'ils offrent aux membres. En outre, je tiens également à exprimer ma gratitude à Atlantic Central pour sa collaboration et son soutien. Bien sûr, je dois aussi remercier les membres qui nous appuient de façon continue et qui nous permettent de grandir.

IRA SMITH
PRÉSIDENT



CEO'S INTERVIEW



Q.

WHAT DO YOU BELIEVE ARE THE REASONS FOR THE SUCCESS THAT YOUR CREDIT UNION HAS EXPERIENCED THIS YEAR?

A. I believe that our success can be summarized into three categories.

PEOPLE: Our members obviously value their organization as they continue to strongly support it. We are also very fortunate to have a committed Board of Directors that takes its role very seriously in representing the interests of the membership. Our staff has and will continue to be a critical component of our operation. Their dedication toward the delivery of quality service is crucial for our continued growth and success.

FINANCES: Our financial position is quite strong due to the past success of the organization. The accumulated retained earnings that make up our equity provide the needed support for the organization to be able to continuously enhance its competitive offering.

SUPPORT: Our credit union is part of a big support group made up of our Atlantic Central and our Credit Union Central of Canada plus numerous other cooperative organizations that supply various services to us or our members where it would be totally inefficient or even impossible for individual credit unions to develop such services on their own. I would like to extend my thanks to all of these groups that have contributed to a successful year.

Q.

WHAT HAS BEEN DONE TO OVERCOME CHALLENGES?

A. Amongst our biggest challenges especially in this era of low interest rates and ever increasing regulatory requirements, is a need to continuously reduce operating costs as we strive to expand our share of the marketplace and to keep up with technological advancements that arise within the banking sector. As part of the Canadian and the Atlantic Credit Union systems, we are able to take advantage of the work that is being carried out at these various levels and adopt the recommendations based on our marketplace.

Q.

LOOKING AT SOME OF YOUR CREDIT UNION'S BIGGEST GOALS FOR THE UPCOMING YEARS, WHAT ARE SOME OF THE PRACTICAL WAYS YOU ARE WORKING TO MEET THOSE GOALS?

A. One of our goals for the near future is to have our credit union be more youth-friendly and to have more young people turning to us to take care of their financial needs. We have taken on a number of youth-oriented projects to further our engagement with youth in the community, and we hope that this, combined with the efforts of the new Provincial Marketing Department, will create the kind of interest for youth that we would like to see.

Another one of our main goals for the upcoming years is to have the majority of our members transitioned over to the new Spending and Savings Accounts. We will do this by isolating certain accounts at various times to see which should be prioritized in terms of the transition. By making transitions in small steps, we will minimize the impact on individual members and allow the overall transition to be more seamless.

Finally, we very much look forward to completing the renovations of our O'Leary office within the next few months to be able to enhance our delivery of products and services.



WHAT INFORMATION CAN YOU PROVIDE ABOUT THIS YEAR'S FINANCIAL GROWTH?

A. First, I must say that I am very pleased with our financial growth this past year. I would also like to review the financial statements and to highlight and discuss items of significance in order to present our financial growth in a different light and to make our financial results more than just a bunch of numbers. It is my pleasure to announce that as of September 30, 2014 our assets have reached \$127,463,082, which is a growth of \$5.3 million or 4.3%. Loans have increased by \$11 million and make up 82% of assets. In addition, member deposits have increased by \$4.6 million or 4.2%, which means that deposits are at 91% of assets. The result of increased loans with a lesser growth in deposits means that our member deposits are being used much more effectively. Undistributed earnings have also increased by \$644,907 which is the income remaining after dividends and taxes for the year has been paid. In addition, equity having reached 7.78% is well on our way to our minimum target of 8%.

All of these positive numbers are signs of the credit union's strength and the work the Board of Directors has been doing to ensure that the credit union continues to grow financially.



WHAT CHANGES, IF ANY, HAS YOUR CREDIT UNION EXPERIENCED OVER THE PAST FISCAL YEAR?

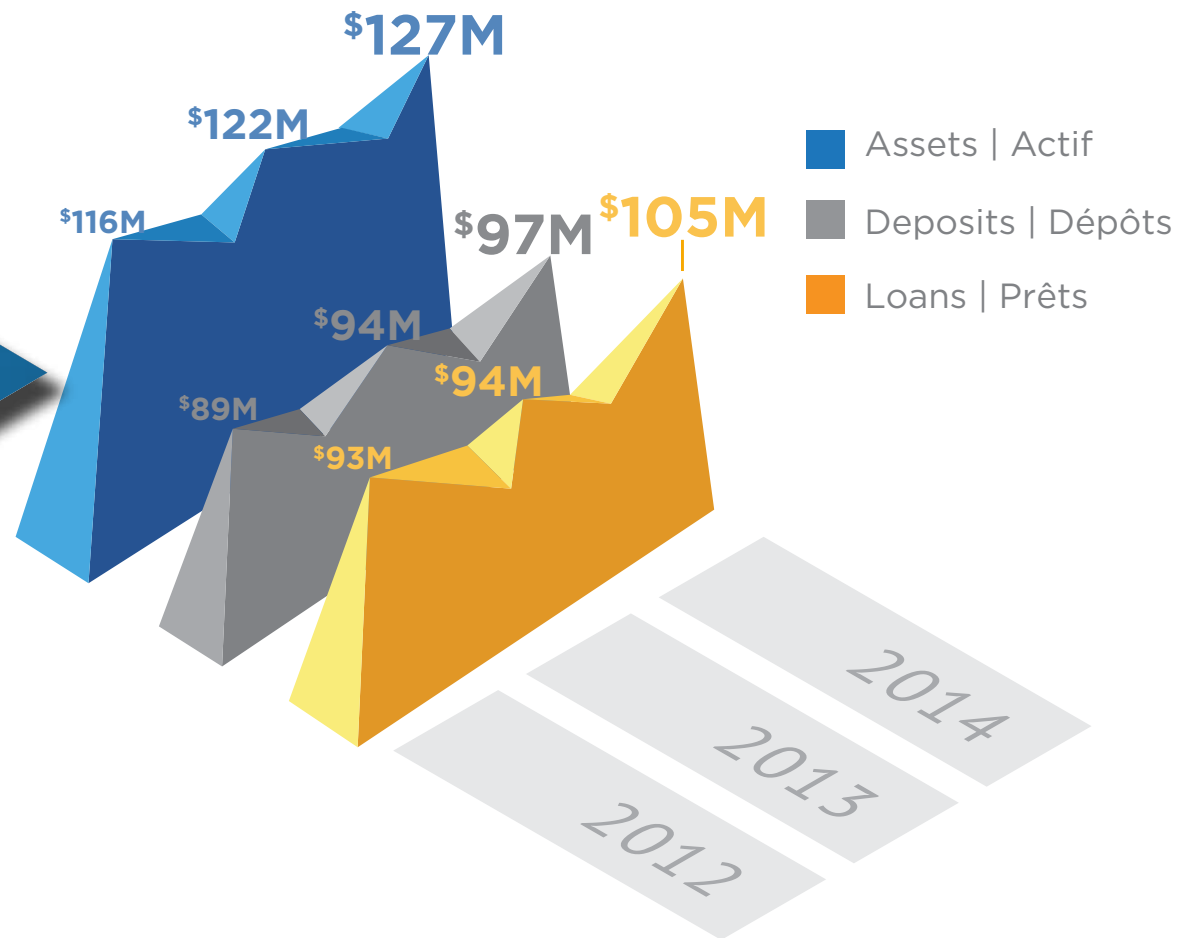
A. Well, there have been a few significant changes made to our staffing over the past year, starting with Heather Banks opting to retire after 17 years of outstanding service with our credit union. We wish her all the best for a long and enjoyable retirement.

With Vern MacInnis being off on an extended medical leave, we were very fortunate to have been able to bring in a seasoned quality commercial accounts manager with extensive credit union experience, Ron Clarke, to assist our commercial team, lead by Ben Murphy, to continue delivering the level of services that our membership have come to expect.

Sharon Bridges recently took on the branch manager responsibilities of our O'Leary branch. Sharon has been an extremely valuable contributor to the success of our O'Leary operation over the years and brings with her numerous years of experience in a variety of areas within the organization, which positions her very well to be very successful in this new role.

I am very proud of the individuals within our team that have stepped forward to take on new roles within the organization as a result of some needed restructuring. I very much look forward to continuing our growth as we focus our attention on providing quality products and services that will empower our members to reach their individual financial objectives.

ALFRED ARSENAULT
CEO



L'ENTREVUE DU DIRECTEUR GÉNÉRAL

Q.

QU'EST-CE QUE VOUS CROYEZ ÊTRE LES RAISONS DU SUCCÈS DE VOTRE CAISSE CETTE ANNÉE?

R.

Je crois que notre succès peut se résumer en trois catégories.

PERSONNES : Nos membres valorisent évidemment leur organisation, car ils continuent de la soutenir fortement. Nous sommes également très chanceux de pouvoir compter sur un conseil d'administration engagé qui prend son rôle très au sérieux, représentant les intérêts des membres. Notre personnel est, et continuera d'être, un élément essentiel de nos opérations. Son dévouement à la prestation de services de qualité est crucial pour que nous puissions continuer de croître et de réussir.

FINANCES : Notre situation financière est assez forte en raison du succès antérieur de l'organisation. Les bénéfices non répartis accumulés qui composent nos capitaux propres permettent à l'organisation d'avoir l'appui nécessaire pour pouvoir continuer à améliorer sa gamme de produits compétitifs.

APPUI : Notre caisse populaire fait partie d'un important groupe de soutien composé de notre Atlantic Central et de notre Credit Union Central of Canada ainsi que de nombreux autres organismes coopératifs qui nous fournissent, ainsi qu'à nos membres, divers services. Sans eux, il serait totalement inefficace ou même impossible de développer de tels services. Je tiens à remercier tous ces groupes qui ont contribué au succès de cette année.

Q.

QU'EST-CE QUI A ÉTÉ FAIT POUR RELEVER LES DÉFIS?

R.

Parmi nos plus grands défis, en particulier en ce temps de faibles taux d'intérêt et d'exigences réglementaires croissantes, il y a le besoin de continuellement réduire les coûts d'exploitation alors que nous tentons d'élargir notre part du marché et de nous tenir à jour au sujet des développements technologiques dans le secteur bancaire. Puisque nous faisons partie des réseaux atlantique et canadien des caisses populaires, nous pouvons profiter du travail effectué à ces différents niveaux et adopter les recommandations qui s'appliquent à notre marché.

Q.

POUR CE QUI EST DES PLUS GRANDS OBJECTIFS DE VOTRE CAISSE DANS LES ANNÉES À VENIR, QUELS MOYENS CONCRETS AVEZ-VOUS L'INTENTION DE PRENDRE POUR LES ATTEINDRE?

R.

Un de nos objectifs pour le proche avenir est de rendre notre caisse plus accessibles aux jeunes et d'encourager ces derniers à venir nous voir pour répondre à leurs besoins financiers. Nous avons entrepris un certain nombre de projets afin de poursuivre notre engagement auprès des jeunes de la communauté et nous espérons que cette initiative, ainsi que les efforts du nouveau département de marketing provincial, permettra de susciter l'intérêt de cette population.



Un autre de nos principaux objectifs pour les prochaines années est d'assurer la transition de la majorité de nos membres vers les nouveaux comptes de dépenses et d'épargnes. Nous le ferons en isolant certains comptes à différents moments pour déterminer lesquels devraient être une priorité en termes de transition. En procédant par petites étapes, nous minimiseront l'impact sur les membres individuels et permettront une transition générale plus homogène.

Enfin, nous avons vraiment hâte à l'achèvement des travaux de rénovation à la succursale d'O'Leary dans les prochains mois afin d'être en mesure d'améliorer la prestation de nos produits et services.

Q.

QUELLE INFORMATION POUVEZ-VOUS FOURNIR À PROPOS DE LA CROISSANCE FINANCIÈRE DE CETTE ANNÉE?

R. Tout d'abord, je dois dire que je suis très heureux de la croissance financière de cette dernière année. J'aimerais également examiner les états financiers et mettre en évidence et discuter des points importants afin de présenter notre croissance financière d'une différente manière et de faciliter la compréhension de nos résultats financiers. Je suis heureux d'annoncer qu'à compter du 30 septembre 2014, notre actif a atteint 127 463 082 \$, soit une croissance de 5,3 \$ million ou 4,3 %. Les prêts ont augmenté de 11 \$ million et représentent 82 % de l'actif. En outre, les dépôts des membres ont augmenté de 4,6 \$ million ou 4,2 %, ce qui signifie que les dépôts représentent 91 % de l'actif. Le résultat de l'augmentation des prêts et du nombre moins élevé de dépôts signifie que nos dépôts des membres sont utilisés plus efficacement. Les bénéfices non distribués ont également augmenté de 644 907 \$. Il s'agit du revenu qui reste après que les dividendes et les impôts pour l'année ont été payés. En outre, les capitaux propres ont atteint 7,78 %, ce qui démontre que nous sommes en bonne voie d'atteindre notre objectif minimal de 8 %.

Tous ces chiffres positifs démontrent la force de la caisse et le travail que réalise le conseil d'administration afin d'assurer que cette dernière continue de croître financièrement.

Q.

QUELS CHANGEMENTS VOTRE CAISSE A-T-ELLE CONNUS AU COURS DE L'EXERCICE QUI VIENT DE S'ÉCOULER?

R. Eh bien, il y a eu quelques changements importants pour ce qui est de notre personnel durant l'année qui vient de s'écouler, commençant par Heather Banks qui a choisi de prendre sa retraite après 17 ans de service exceptionnel auprès de notre caisse populaire. Nous lui souhaitons une belle et longue retraite.

Pour remplacer Vern MacInnis qui est en congé de maladie prolongé, nous avons été très chanceux de pouvoir compter sur les services de Ron Clark, un directeur des comptes commerciaux d'expérience qui possède de nombreuses années de service auprès des caisses populaires. Il aidera notre équipe commerciale, dirigée par Ben Murphy, à continuer d'offrir le niveau de service auquel nos membres s'attendent.

Sharon Bridges a récemment accepté le poste de directrice de notre succursale d'O'Leary. Elle a été une collaboratrice très importante pour assurer le succès de nos opérations à O'Leary au fil des ans et apporte avec elle, ses nombreuses années d'expérience dans une variété de secteurs de l'organisation, ce qui lui permettra de très bien réussir dans son nouveau rôle.

Je suis très fier des individus au sein de notre équipe qui ont accepté de nouveaux rôles au sein de l'organisation à la suite certaines modifications. J'ai très hâte de poursuivre notre développement alors que nous nous concentrons sur la prestation de produits et de services de qualité qui permettront à nos membres d'atteindre leurs objectifs financiers.

ALFRED ARSENAULT
DIRECTEUR GÉNÉRAL



INVOLVED IN OUR COMMUNITY

Giving back to our members and to the community has always been of high importance to credit unions. We have a high standard for social responsibility, and each year we strive to serve our community even more. One of the most significant ways in which we give back to the community is through donations. Donations of almost \$70,000 were made this year, and with these donations, we were able to help countless people and change many lives. Decisions for donations are made so that they can have the biggest impact on people in need and the community as a whole, so we are confident that we are living up to our social responsibility standards and creating the greatest positive impact possible. As a financial co-operative, we strive to help our members reach their financial goals, and with donations, we are able to help great community organizations reach their goals.

PROVINCIAL EVENT SPONSOR OF THE RELAY FOR LIFE

Even though we are individually committed to community involvement and social responsibility, all the credit unions on Prince Edward Island also work together to sponsor larger events that affect all of P.E.I. One of the major events that PEI Credit Unions sponsor is the Canadian Cancer Society's Relay For Life. This year, the PEI Credit Unions were again the Provincial Event Sponsor for the Relay For Life. In addition to the monetary funding, credit union employees volunteer their time and expertise to work bank nights in their local areas. Our staff also participated in the Relay for Life for the 8th consecutive year as team members. We had great staff participation this year, with a large turnout to walk the track and stay the night. This year, our team was able to raise \$3,500.



20%

HEALTHCARE | SOINS DE SANTÉ

4%

HUMANITARIAN | HUMANITAIRE

1%

ENVIRONMENT | ENVIRONNEMENT

10%ARTS AND CULTURE
ARTS ET CULTURE

70,000
WAS ONT
INVESTED ÉTÉ
INTO OUR INVESTIS
COMMUNITY DANS NOTRE
IN COMMUNAUTÉ
2014

28%

EDUCATION | ÉDUCATION

**37%**PUBLIC BENEFIT
INTÉRÊT PUBLIC

IMPLIQUÉE DANS NOTRE COMMUNAUTÉ

Redonner à nos membres et à la communauté a toujours été d'une grande importance pour les caisses populaires. Nous avons un niveau élevé de responsabilité sociale et chaque année nous nous efforçons de servir notre communauté davantage. L'un des plus importants moyens par lesquels nous redonnons à la communauté est par l'entremise de dons. Cette année, nous avons versé près de 70 000 \$ en dons. Nous avons, par le fait même, aidé de nombreuses personnes et changé plusieurs vies. Les décisions concernant les dons sont prises de sorte qu'elles puissent avoir le plus grand impact sur les personnes dans le besoin et sur la communauté dans son ensemble. Ainsi, nous sommes convaincus que nous respectons nos normes de responsabilité sociale et que nous créons le plus grand impact positif possible. En tant que coopérative financière, nous nous efforçons d'aider nos membres à atteindre leurs objectifs financiers, et grâce à des dons, nous sommes en mesure d'aider de magnifiques organisations communautaires à atteindre leurs buts.

COMMANDITAIRE PROVINCIAL DU RELAIS POUR LA VIE

Même si nous nous sommes engagés individuellement à faire du bien dans la communauté et à faire preuve d'une responsabilité sociale, toutes les caisses de l'Île-du-Prince-Édouard travaillent aussi de concert pour parrainer de plus grands événements qui touchent l'ensemble de la province. L'un des principaux événements que les caisses de l'Île parrainent est le Relais pour la vie de la Société canadienne du cancer. Cette année, les caisses de l'Île en étaient de nouveau le commanditaire provincial. En plus de l'argent recueilli, les employés des caisses donnent bénévolement de leur temps et de leur expertise pour travailler des soirées bancaires dans leur région. Notre personnel a également participé au Relais pour la vie pour la 8^e année consécutive en tant que membres d'une équipe. Nous avons eu une bonne participation cette année; nombreux sont ceux qui sont venus marcher autour de la piste et passer la nuit. Cette année, notre équipe a réussi à recueillir 3 500 \$.



FOCUSED ON OUR YOUTH

17

Making a positive impact on our youth's financial life is a challenge we have focused on for 2014 and will continue to work towards in the years to come.

REDEFINED "YOUTH"

The starting point for our youth strategy was to redefine what we mean when we say Youth. Typically in our industry, a youth is anyone under 18 years of age. Once they surpass 18 years of age and are no longer attending school, we consider them adults. If they are attending a post-secondary institution, we place them in a sub-category of Youth called Students. The reality is, leaving the school system and entering the real world is where our members need the greatest support. They need to get a good head start on life to prosper down the road. This is why we have redefined our definition of Youth, and all the costs savings that go along with it, to include all members 25 or under, regardless of their status.

CREDIT UNIONS ARE NOW ON SOCIAL MEDIA

To better reach our young members, we have joined all credit unions on PEI and launched a single social media touch point in 2014. This makes connecting and staying up to date with your credit union more streamlined and easy for members, wherever and whenever they want.

NEW UNIVERSAL SCHOLARSHIP APPLICATION PROCESS

In 2014, credit unions on PEI launched a uniform scholarship application process for all students looking to apply for a credit union scholarship. This ensures that all students are treated equally regardless of what school or credit union they belong to. The application process was also moved exclusively online to make it more accessible to students to apply from a computer or mobile device. In total, over 140 students applied for credit union scholarships across the Island, with 42 students sharing over \$42,000 in funds to further their education.



18 AXÉE SUR NOS JEUNES

A voir un impact positif sur la vie financière de nos jeunes est un défi sur lequel nous avons concentré en 2014 et dont nous allons tenter de relever dans les années à venir.

REDÉFINIR LE TERME «JEUNE»

Le point de départ de notre stratégie pour les jeunes était de redéfinir ce que nous entendons par le mot jeune. Typiquement, dans notre industrie, un jeune est une personne âgée de moins de 18 ans. Une fois que les jeunes dépassent l'âge de 18 ans et ne sont plus à l'école, nous les considérons comme des adultes. S'ils fréquentent un établissement d'enseignement postsecondaire, nous les plaçons dans une sous-catégorie de jeunes appelée étudiants. En réalité, c'est lorsque les jeunes quittent le système scolaire et entrent dans le monde réel qu'ils ont le plus besoin d'appui. Ils ont besoin d'un bon départ dans la vie afin de prospérer à l'avenir. C'est la raison pour laquelle nous avons reformulé notre définition du mot jeune, et redéfini toutes les économies qui s'y rattachent. Seront connus comme jeunes tous les membres âgés de 25 ans ou moins, peu importe leur statut.

LES CAISSES POPULAIRES SONT MAINTENANT SUR LES MÉDIAS SOCIAUX

Pour mieux joindre nos jeunes membres, nous avons réuni toutes les caisses de l'Île et lancé, en 2014, un seul point de contact dans les médias sociaux. Cette initiative permet aux membres de communiquer plus facilement avec leur caisse populaire où et quand ils veulent ainsi que de rester à la page.

NOUVEAU PROCESSUS UNIVERSEL DE DEMANDE DE BOURSE

En 2014, les caisses populaires de l'Île ont lancé un processus uniforme de demande de bourse pour tous les étudiants qui veulent faire une demande de bourse auprès d'une caisse. Cette mesure assure que tous les élèves sont traités de manière égale, peu importe leur école ou leur caisse. De plus, le processus de demande est maintenant exclusivement en ligne pour le rendre plus accessible aux étudiants, leur permettant de faire demande à partir d'un ordinateur ou d'un appareil mobile. Au total, plus de 140 étudiants de l'Île ont demandé des bourses des caisses populaires. Un total de 42 étudiants ont partagé plus de 42 000 \$ pour poursuivre leurs études.

\$8.5k
IN SCHOLARSHIPS

2014 SCHOLARSHIP RECIPIENTS

RÉCIPIENDAIRES DE BOURSES 2014

PICTURED LEFT TO RIGHT: ASHLEY RICHARD | KRystal WOODSIDE | ALEX ARSENAULT | JOEL ARSENAULT
REBECCA GAMBLE (DARLENE CORCORAN MEMORIAL) | JORDAN MACDONALD | KAYLEE ARSENAULT
NOT PICTURED: JANELLE PERRY | KAYLEE ARSENAULT

We are pleased to announce 9 Evangeline-Central Credit Union Scholarship Recipients and 1 Video Scholarship Recipient for 2014. In total, members received \$8,500 to further their education.

Nous sommes heureux d'annoncer qu'en 2014, la Caisse populaire Évangéline-Central a accordé 9 bourses d'études et 1 bourse vidéo, pour un total de 8 500 \$.

ÉVANGÉLINE-CENTRAL CREDIT UNION IN 2014



3
LOCATIONS | ENDROITS



9K
MEMBERS | MEMBRES



\$127
MILLION IN ASSETS
MILLIONS EN ACTIF



\$97
MILLION IN DEPOSITS
MILLIONS EN DÉPÔTS



\$104
MILLION IN LOANS
MILLIONS EN PRÊTS



317

1,740
LOCATIONS | ENDROITS



5.32
MILLION | MILLIONS



\$165.6
BILLION | MILLIARD

CANADIAN
SYSTEM
SYSTÈME
CANADIEN

55

159
LOCATIONS | ENDROITS

328
THOUSAND | MILLE

\$4.9
BILLION | MILLIARD

REGIONAL
SYSTEM
SYSTÈME
RÉGIONAL

8

CREDIT UNIONS
CAISSES POPULAIRES

14
POINTS OF SERVICE
POINTS DE SERVICES

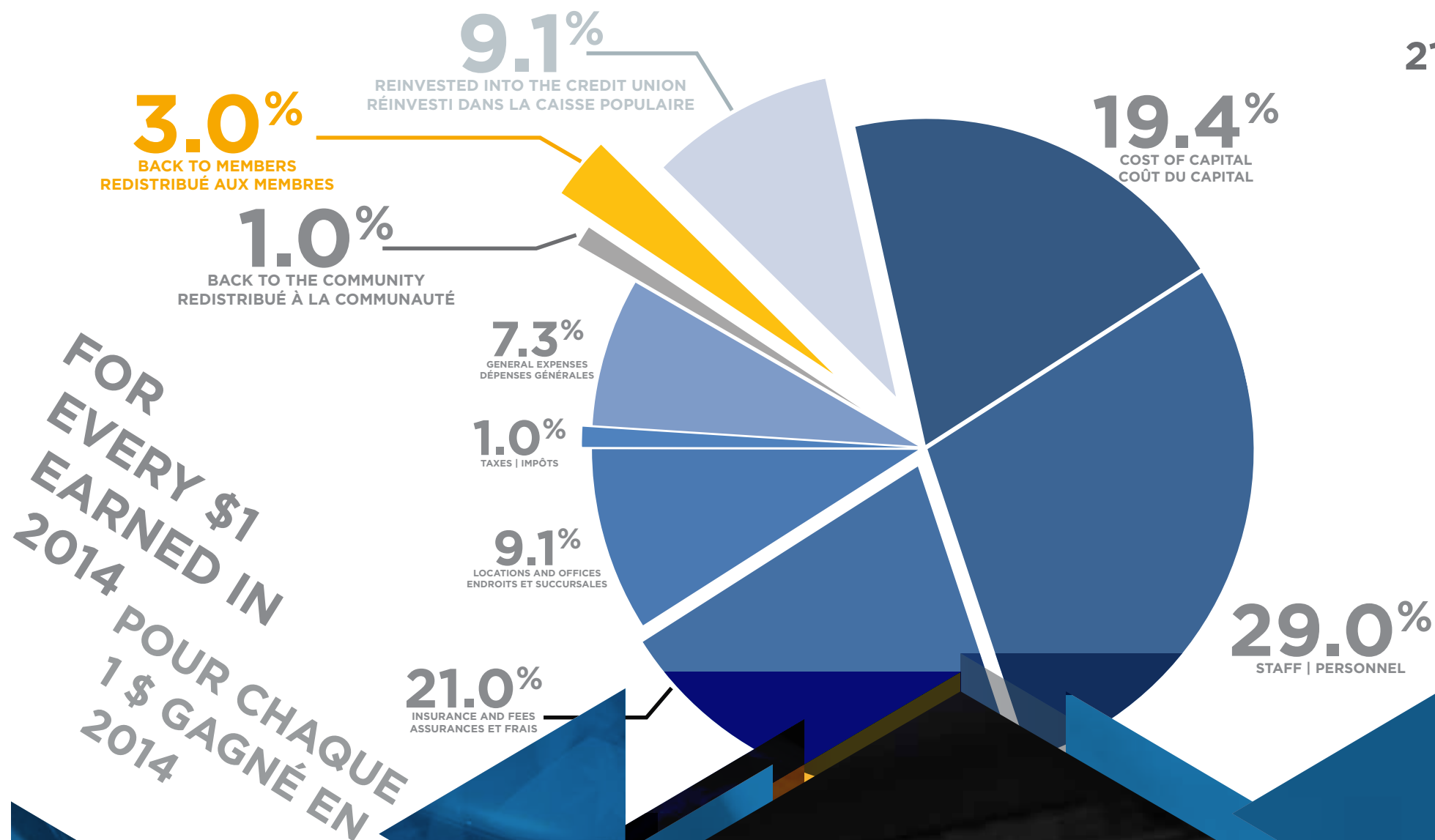
54
THOUSAND | MILLE
MEMBERS
MEMBRES

ASSETS
ACTIF

\$856
MILLION | MILLIONS

PROVINCIAL
SYSTEM
SYSTÈME
PROVINCIAL





INDEPENDENT AUDITOR'S REPORT

To the Members of Évangéline-Central Credit Union Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Évangéline-Central Credit Union Limited, which comprise the statement of financial position as at September 30, 2014 and the statements of changes in members' equity, comprehensive income and cash flow 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 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.

(continues)

AUDITOR'S REPORT
RAPPORT DU VÉRIFICATEUR



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, 2014 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

MRSB Chartered Accountants

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

November 6, 2014


ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED


Statement of Financial Position

September 30, 2014

	2014	2013
Assets		
Cash and cash equivalents (Note 4)	\$ 4,447,879	\$ 12,325,309
Investments (Note 5)	12,241,425	11,062,077
Accounts receivable (Note 6)	2,167,925	985,640
Income taxes recoverable	25,883	-
Member loans and mortgages (Note 7)	104,868,284	93,852,777
Provision for impaired loans (Note 8)	(2,945,900)	(2,731,025)
Prepaid expense	116,785	118,109
Due from 7730543 Canada Inc. (Note 10)	4,580,144	4,886,819
Deferred income taxes (Note 11)	20,148	13,601
Property and equipment (Schedule 1)	1,754,591	1,438,244
Real estate held for resale	-	33,632
Investment in Associate (Note 12)	185,918	238,770
	\$127,463,082	\$122,223,953
Liabilities		
Accounts payable and accrued liabilities	\$ 661,572	\$ 504,226
Employee benefits payable	428,340	494,268
Accrued interest payable	694,210	797,548
Income taxes payable	-	45,243
Member deposits (Note 13)	97,090,736	93,744,672
Share deposits	18,676,253	17,370,127
	117,551,111	112,956,084
Contingent liabilities (Note 14)		
Commitments (Note 15)		
Members' equity		
Members' shares (Statement 4)	46,425	47,230
Undistributed earnings (Statement 4)	9,865,546	9,220,639
	9,911,971	9,267,869
	\$127,463,082	\$122,223,953

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

Notes 1 to 24 are an integral part of these financial statements



FINANCIAL POSITION
SITUATION FINANCIÈRE

Statement of Changes in Members' Equity

Year Ended September 30, 2014

	2014	2013
Members' shares (Note 16)		
Balance - beginning of year	\$ 47,230	\$ 48,465
Redemption of members' shares, net of issuance	(805)	(1,235)
Balance - end of year	<u>46,425</u>	<u>47,230</u>
Undistributed earnings		
Balance - beginning of year	9,220,639	8,555,511
Net comprehensive income (Statement 5)	644,907	665,128
Balance - end of year	<u>9,865,546</u>	<u>9,220,639</u>
Members' equity	<u>\$ 9,911,971</u>	<u>\$ 9,267,869</u>

MEMBERS' EQUITY
CAPITAUX PROPRES
DES MEMBRES

Notes 1 to 24 are an integral part of these financial statements

ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Statement of Comprehensive Income

Year Ended September 30, 2014

	2014	2013
Income		
Interest and investment	\$ 5,360,152	\$ 5,337,227
Cost of capital and borrowings (Note 17)	1,582,442	1,717,513
Financial margin	3,777,710	3,619,714
Other		
Commissions	1,359,672	1,479,077
Income from significant influence investment	233,378	266,629
Miscellaneous	102,711	105,767
	1,695,761	1,851,473
	5,473,471	5,471,187
Expenses		
Advertising and promotions	188,701	174,309
Amortization of property and equipment	126,203	127,721
Automated teller machines	108,387	119,683
Board honorarium	22,074	18,192
Data processing	192,389	202,226
Dues and memberships	115,181	100,922
Insurance	231,070	215,480
Meetings	18,638	22,219
Miscellaneous	4,735	4,521
Office	226,512	238,479
Premises	178,839	188,609
Professional fees	35,464	50,608
Provision for impaired loans	305,772	308,566
Service fees	911,042	825,812
Telephone	41,404	39,244
Travel	28,725	25,717
Wages and wage levies	2,023,364	2,047,395
	4,758,500	4,709,703
Income before income taxes	714,971	761,484
Income taxes		
Current (Note 18)	76,611	102,494
Deferred	(6,547)	(6,138)
	70,064	96,356
Net comprehensive income	\$ 644,907	\$ 665,128



COMPREHENSIVE INCOME
REVENU GLOBAL

Statement of Cash Flow
Year Ended September 30, 2014

	2014	2013
Cash flows from operating activities		
Net comprehensive income	\$ 644,907	\$ 665,128
Items not affecting cash:		
Amortization of property and equipment	126,203	127,721
Deferred income taxes	(6,547)	(6,138)
	<u>764,563</u>	<u>786,711</u>
Changes in non-cash working capital:		
Investments	(1,179,348)	(296,878)
Accounts receivable	(1,182,285)	115,786
Income taxes recoverable	(71,126)	73,685
Prepaid expense	1,324	(7,347)
Accounts payable and accrued liabilities	157,347	(5,878)
Employee benefits payable	(65,928)	45,527
Accrued interest payable	(103,338)	(96,250)
	<u>(2,443,354)</u>	<u>(171,355)</u>
	<u>(1,678,791)</u>	<u>615,356</u>
Cash flows from investing activities		
Increase in member loans and mortgages, net of provision	(10,800,632)	(761,223)
Purchase of property and equipment	(442,551)	(64,868)
(Increase) decrease in amount due from 7730543 Canada Inc.	306,675	(368,010)
(Increase) decrease in investment in Associate	52,852	(197,527)
Decrease in real estate held for resale	33,632	78,246
	<u>(10,850,024)</u>	<u>(1,313,382)</u>
Cash flows from financing activities		
Increase in member deposits	3,346,064	4,093,747
Increase in share deposits and members' shares	1,305,321	1,307,888
	<u>4,651,385</u>	<u>5,401,635</u>
Net change in cash and cash equivalents	<u>(7,877,430)</u>	<u>4,703,609</u>
Cash and cash equivalents - beginning of year	<u>12,325,309</u>	<u>7,621,700</u>
Cash and cash equivalents - end of year	<u>\$ 4,447,879</u>	<u>\$ 12,325,309</u>
Cash flow supplementary information		
Interest and dividends received	\$ 5,568,029	\$ 5,402,861
Interest paid	1,378,401	1,516,715
Income taxes paid	147,737	28,809

CASH FLOWS
FLUX DE
TRÉSORERIE



1. DESCRIPTION OF BUSINESS

Évangéline-Central Credit Union Limited was incorporated under the Companies Act of Prince Edward Island 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.

These financial statements were authorized for issue by the Board of Directors on November 6, 2014.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with and are in compliance 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 POLICIESCash 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.

Investment in Associate

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.

(continues)

NOTES NOTES

A decorative graphic on the right side of the page. It features a black and white photograph of a car, specifically the front end and side mirror, which is partially obscured by large, overlapping geometric shapes in blue and yellow. The word 'NOTES' is written twice in a bold, sans-serif font, once in white and once in grey, across the yellow and blue shapes.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments, and other receivables. An allowance for bad debts has been calculated through discussions with management, 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.

Loans and mortgages

Member loans and mortgages are initially measured at fair value, net of origination fees, and inclusive of transaction costs incurred. Member loans and mortgages are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

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

Impairment

Loans and mortgages are considered impaired when there has been deterioration in credit quality. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgements as to whether there is any observable data indicating an impairment followed by a measurable decrease in the estimated future cash flows from a loan or mortgage. Deterioration of estimated future cash flows is determined considering the financial condition of the borrower, payment history, and security pledged.

The Credit Union first assesses whether objective evidence of impairment exists individually for member loans and mortgages. If it is determined that no objective evidence of impairment exists for individual assets, the asset is included in a group of financial assets with similar credit characteristics and that group is assessed collectively for impairment. Assets that are individually assessed for impairment are not included in the collective assessment. The expected cash flows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience, future estimates based on current events, and objective evidence of impairment similar to those in the portfolio.

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

Member loans and mortgages considered uncollectible are written off.

Interest on an impaired loan or mortgage continues to be recognized in earnings on an accrual basis and is provided for in the provision for impaired loans. At September 30, 2014, interest accrued on impaired loans and mortgages totals \$320,577 (2013 - \$273,539).

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

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Deferred income taxes

Income tax expense comprises current and deferred tax.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits, and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allows the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the liabilities/assets are settled/recovered.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at 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.

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.

(continues)



3. SIGNIFICANT ACCOUNTING POLICIES (continued)Finance charges

The Credit Union periodically purchases mortgages from Concentra Financial. 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 is included with 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.

Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through defined contribution plans for some employees and through matching RRSP contributions for other employees. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the period that the relevant employee services are rendered. During the year, the contributions by the Credit Union to a defined contribution pension plan totaled \$26,762 (2013 - \$25,498).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source, paid annual or sick leave, and bonuses that are expected to be settled within 12 months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on the remuneration rate that the Credit Union expects to pay at the financial statement date. The expected cost of bonus payments is recognized as a liability when the Credit Union has present legal or constructive obligation to pay as a result of past events and the obligation can be estimated reliably.

Benefits such as medical care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

Severance benefits are recognized as an expense when the Credit Union is committed, without realistic opportunity for withdrawal, to a formal detailed plan to provide severance benefits under certain circumstances. If material benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

(continues)

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 2014 was 1.25% (2013 - 2.00%) and was based on the average of the lowest monthly share balances.

Share deposits

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution, and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.

Revenue and expense recognition

Revenues are 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.

Dividend revenue is recognized when the shareholder's right to receive payment is established. For dividends declared and paid on investments accounted for using the equity method, the dividend is credited to the investment account when the shareholder's right to receive payment is established.

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 year 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 year, 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.

(continues)



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Measurement uncertainty

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 estimates and underlying assumptions are continually reviewed on an ongoing basis based on historical experience, best knowledge of current events and conditions, and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

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 areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the provision for impaired loans, measurement of employee benefits, and the estimates of useful lives for depreciation of property and equipment.

Financial instruments

The Credit Union classifies its financial assets and liabilities according to their characteristics and management's intentions related thereto for the purposes of ongoing measurements. Financial assets and liabilities are initially recognized at fair value regardless of classification choice 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.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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 equity investments as AFS; however, because there is no active market for these investments and their fair value cannot be estimated reliably, the Credit Union has not recorded any other comprehensive income as a result of these.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)Financial instruments (continued)

The Credit Union has classified its financial instruments as follows:

FVTPL	Cash and cash equivalents
AFS	Investments - shares
HTM	Investments - debentures
L&R	Accounts receivable, member loans and mortgages, and amount due from 7730543 Canada Inc.
OFL	Accounts payable and accrued liabilities, employee benefits payable, accrued interest payable, and member and share deposits

The Credit Union utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are added to the fair value of the financial asset or liability on initial recognition and amortized using the effective interest method.

Changes in accounting standards

Effective October 1, 2013 the Credit Union adopted IFRS 13 - Fair Value Measurement. This standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard establishes a framework for measuring fair value, including a revised definition of fair value, and sets out disclosure requirements for fair value measurements. The Credit Union has concluded that there were no significant changes in the fair value measurement of financial instruments required on adoption of this new standard. In addition, adoption of this new standard did not result in any changes in the carrying amount of assets or liabilities as previously reported.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2014 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 2009 and 2010, the IASB issued IFRS 9 - Financial Instruments which contains new requirements for accounting for financial assets and liabilities, and will contain new requirements for impairment and hedge accounting, replacing the corresponding requirements in IAS 39. It will lead to significant changes in the way the Credit Union accounts for financial instruments. The key changes issued and proposed relate to:

- Financial assets - financial assets will be held at either fair value or amortized cost, except for equity investments not held for trading and certain eligible debt instruments, which may be held at fair value through other comprehensive income;

(continues)



3. SIGNIFICANT ACCOUNTING POLICIES (continued)Changes in accounting standards (continued)

- Financial liabilities - gains and losses on fair value changes arising on non-derivative financial liabilities designated at fair value through profit or loss will be taken to other comprehensive income;
- Impairment - credit losses expected (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- Hedge accounting - hedge accounting will be more closely aligned with financial risk management.

In 2014, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Credit Union has not yet been determined.

Other standards and amendments have been issued but are not yet effective and are not expected to have a material impact. They include:

IAS 32 - Financial Instruments: Presentation clarifies requirements for offsetting financial assets and financial liabilities. Presentation has been issued and is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. Amendments to this standard are not expected to have a material impact on the Credit Union.

4. CASH AND CASH EQUIVALENTS

	2014	2013
Cash in financial institutions	\$ 2,625,110	\$ 10,814,301
Cash on hand	1,822,769	1,511,008
	\$ 4,447,879	\$ 12,325,309

5. INVESTMENTS

	2014	2013
Shares		
Atlantic Central Credit Union Limited - common shares	\$ 1,178,270	\$ 1,168,381
Atlantic Central Credit Union Limited - Class B preferred shares	350,300	350,300
League Savings and Mortgage - Class A preference shares	95,033	95,033
League Data Limited - 6,493 Class B preferred shares	64,930	64,930
Wellington Cooperative Association Limited shares	3,101	3,101
Atlantic Central Credit Union Limited - Class PEI shares	2,100	2,100
	1,693,734	1,683,845

(continues)

5. INVESTMENTS (continued)

	2014	2013
Debentures		
Atlantic Central Credit Union Limited liquidity deposits - 1.00%	7,547,691	7,378,232
Atlantic Central Credit Union Limited term deposit - 1.17%; matures October 15, 2014	2,000,000	1,000,000
Atlantic Central Credit Union Limited term deposit - 1.95%; matures February 25, 2015	1,000,000	1,000,000
	<u>10,547,691</u>	<u>9,378,232</u>
	<u>\$ 12,241,425</u>	<u>\$ 11,062,077</u>

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.

6. ACCOUNTS RECEIVABLE

	2014	2013
Other receivables	\$ 1,306,003	\$ 233,653
Accrued interest - loans and mortgages	790,113	664,936
Accrued interest - investments	71,809	87,051
	<u>\$ 2,167,925</u>	<u>\$ 985,640</u>

7. MEMBER LOANS AND MORTGAGES

2014	Total loans	Specific allowance	Net loans
Mortgages	\$ 27,116,895	\$ (151,588)	\$ 26,965,307
Commercial	20,622,284	(1,823,000)	18,799,284
Personal	18,566,236	(107,940)	18,458,296
Farming & fishing	14,844,567	(742,142)	14,102,425
Lines of credit and overdrafts	12,624,898	(121,230)	12,503,668
League Savings & Mortgage	6,926,960	-	6,926,960
Concentra mortgages	4,166,444	-	4,166,444
	<u>\$104,868,284</u>	<u>\$ (2,945,900)</u>	<u>\$101,922,384</u>

(continues)



Notes to Financial Statements
Year Ended September 30, 2014

7. MEMBER LOANS AND MORTGAGES (continued)

	Total loans	Specific allowance	Net loans
2013			
Mortgages	\$ 25,157,921	\$ (18,754)	\$ 25,139,167
Commercial	18,025,099	(1,692,172)	16,332,927
Personal	18,020,639	(79,716)	17,940,923
Farming & fishing	13,384,381	(718,367)	12,666,014
Lines of credit and overdrafts	13,980,536	(222,016)	13,758,520
League Savings & Mortgage	5,284,201	-	5,284,201
	<u>\$ 93,852,777</u>	<u>\$ (2,731,025)</u>	<u>\$ 91,121,752</u>

8. PROVISION FOR IMPAIRED LOANS

	2014	2013
Provision for impaired loans - beginning of year	\$ 2,731,025	\$ 2,679,896
Provision for impaired loans - current year	305,772	308,566
Recovery of loans written off	7,385	9,389
Loans written off - current year	(98,282)	(266,826)
Provision for impaired loans - end of year	<u>\$ 2,945,900</u>	<u>\$ 2,731,025</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.

9. LOANS IN ARREARS

	2014	2013
31 to 60 days	\$ 326,405	\$ 366,582
61 to 90 days	376,677	39,176
91 to 180 days	99,157	263,453
Over 180 days	2,967,172	3,180,258
	<u>\$ 3,769,411</u>	<u>\$ 3,849,469</u>

10. DUE FROM 7730543 CANADA INC.

Évangéline-Central Credit Union Limited owns Class A and B common shares of 7730543 Canada Inc. The amount due from 7730543 Canada Inc. bears interest at 1% and there are no set terms of repayment. Interest earned on the investment during the year was \$41,896 (2013 - \$43,396).

11. DEFERRED INCOME TAXES

Deferred income taxes reflect the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	<u>2014</u>	2013
Property and equipment	\$ 4,250	\$ 2,346
Retirement allowance	15,898	11,255
	<u>\$ 20,148</u>	<u>\$ 13,601</u>

12. INVESTMENT IN ASSOCIATE

Évangéline-Central Credit Union Limited and 7730543 Canada Inc. are associates as the Credit Union owns 40.89% of the voting, common shares of 7730543 Canada Inc. and exerts significant influence over the investee.

	<u>2014</u>
Due from 7730543 Canada Inc. - beginning of year	\$ 4,886,819
Funds advanced to Associate	1,635,600
Reimbursements received from Associate	<u>(1,942,275)</u>
Due from 7730543 Canada Inc. - end of year	<u>\$ 4,580,144</u>
Investment in Associate - beginning of year	\$ 238,770
Proportionate share of net comprehensive income	233,378
Dividend received	<u>(286,230)</u>
Investment in Associate - end of year	<u>\$ 185,918</u>

(continues)



12. INVESTMENT IN ASSOCIATE (continued)2014

The following is a summary of the financial information of 7730543 Canada Inc. as at, and for the reporting period ended, September 30, 2014:

Total assets	\$ 11,773,986
Cash and cash equivalents	1,169,988
Total liabilities	11,319,260
Financial liabilities due within 1 year	121,312
Total capital stock	200
Total retained earnings	454,526
Total revenues	679,231
Net income	570,745
Interest income	675,272
Interest expense	103,763

The above related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The reporting period for the Associate ends December 31 which differs from the Credit Union's reporting period which ends September 30. Audited financial statements are prepared for the Associate's year end. The financial information of 7730543 Canada Inc. for the period from October 1 to September 30 is used in accounting for and disclosing transactions with 7730543 Canada Inc. in the Credit Union's audited financial statements.

13. MEMBER DEPOSITS20142013

Registered Retirement Savings Plan (RRSP) deposits	\$ 27,232,553	\$ 26,975,875
Chequing accounts	25,339,518	22,855,163
Term deposits	18,617,495	20,047,918
Call deposits	15,494,759	14,219,709
Registered Retirement Income Fund (RRIF) deposits	5,532,260	5,615,007
Tax Free Savings Account (TFSA) deposits	4,874,151	4,031,000
	<u>\$ 97,090,736</u>	<u>\$ 93,744,672</u>

14. CONTINGENT LIABILITIES

Évangéline-Central Credit Union Limited has provided letters of credit on behalf of members in the amount of \$21,000.

As of the audit report date, Évangéline-Central Credit Union Limited is involved in a legal action with a member who has filed an application to the Supreme Court of Canada to appeal a decision reached by the PEI Court of Appeal. However, the amount of loss, if any, is not determinable at this time.

15. COMMITMENTS

The Credit Union has entered into lease agreements for office equipment and has made a donation commitment to a local organization. Future minimum payments as at September 30, 2014, are as follows:

	Equipment	Donations
2015	\$ 6,559	\$ 5,000
2016	6,559	-
2017	4,030	-

16. MEMBERS' SHARES

	Number of shares	2014	Number of shares	2013
Balance - beginning of year	9,446	\$ 47,230	9,693	\$ 48,465
Shares redeemed, net of issuance	(161)	(805)	(247)	(1,235)
Balance - end of year	9,285	\$ 46,425	9,446	\$ 47,230

17. COST OF CAPITAL AND BORROWINGS

	2014	2013
Interest and service charges	\$ 1,368,288	\$ 1,412,034
Share dividends	214,154	305,479
	\$ 1,582,442	\$ 1,717,513



18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 32.50% (2013 - 30.80%) to the income for the year and is reconciled as follows:

	2014	2013
Income before income taxes	\$ 714,971	\$ 761,484
Income tax expense at the combined basic federal and provincial tax rate	\$ 232,366	\$ 234,537
Increase (decrease) resulting from:		
Small business deduction	(84,025)	(85,000)
Capital cost allowance claimed in excess of amortization	3,387	3,953
Dividends	(114,800)	-
Net non-deductible expenses (non-taxable revenues)	32,700	(52,571)
Tax reserves	(62,851)	(14,173)
Provision for loan loss reserve	99,376	95,038
Recovery of loans previously written off	2,400	2,892
Loans written off in the current year	(31,942)	(82,182)
Effective tax expense	\$ 76,611	\$ 102,494

The effective income tax rate is 10.72% (2013 - 13.46%).

19. LINE OF CREDIT AVAILABILITY

Évangéline-Central Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited of \$2,900,000 which expires on May 31, 2015 and was not utilized at the year end. The line of credit bears an interest rate of 3% and is secured by a general security agreement.

20. FAIR VALUE OF 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. Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Credit Union's financial instruments.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Credit Union's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

Level 1 - Quoted prices for active markets for identical financial instruments that the entity can assess at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The carrying value of cash and cash equivalents approximates their fair value as they are short-term in nature or are receivable on demand.

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 that 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 are required to be measured at amortized cost.

The differences between the book and fair values of the Credit Union's loans and mortgages 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.



21. 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 year end, some members of the Board of Directors, Credit Committee, management, and employees had deposits and 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, 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 and from key management personnel are as follows:

	2014	2013
Short-term employee benefits	\$ 438,112	\$ 533,267
Contributions to a retirement pension plan or RRSP	11,454	18,531
Mortgages, loan balances, and lines of credit due from key management at September 30	228,351	95,315
Deposit balances due to key management at September 30	605,742	604,733

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.

During the year, the Credit Union received interest and dividends in the amount of \$41,896 and \$286,230 respectively from 7730543 Canada Inc. The Credit Union also recognized its share of 7730543 Canada Inc.'s net earnings in the investment account which was \$233,378 for 2014. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

22. 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 credit, liquidity, currency, and interest rate risks.

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22. 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 loans and mortgages and commercial loans and mortgages, the latter of which are to mainly small and mid-sized 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 of 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 reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event 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.

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.

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2. 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.



23. 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, 2014 fiscal year amounted to \$104,868,284 (2013 - \$93,852,777).

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 year plus the operating surplus in the current period and members' shares, divided by the total assets of the Credit Union.

	2014	2013
Undistributed earnings	\$ 9,865,546	\$ 9,220,639
Members' shares	46,425	47,230
Total regulatory equity	9,911,971	9,267,869
Total assets	127,463,082	122,223,953
	7.78 %	7.58 %

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.

	2014	2013
Total assets	\$ 127,463,082	\$ 122,223,953
Liquid assets	18,857,229	24,373,026
	14.79 %	19.94 %

24. COMPARATIVE FIGURES

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



ÉVANGÉLINE-CENTRAL CREDIT UNION LIMITED

Schedules to Financial Statements

(Schedule 1)

Statement of Property and Equipment

Year Ended September 30, 2014

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Amort beginning of year	Amort in year	Disposals	Amort end of year	NBV 2014	NBV 2013
Land	\$ 107,321	\$ 93,448	\$ -	\$ 200,769	\$ -	\$ -	\$ -	\$ -	\$ 200,769	\$ 107,321
Buildings	2,215,547	308,890	-	2,524,437	1,183,551	52,228	-	1,235,779	1,288,658	1,031,996
Equipment	821,160	36,806	-	857,966	651,531	37,610	-	689,141	168,825	169,629
ATMs	194,043	-	-	194,043	169,557	15,929	-	185,486	8,557	24,486
Pavement	123,595	-	-	123,595	75,452	3,851	-	79,303	44,292	48,143
Computer hardware	585,203	3,407	-	588,610	545,422	13,208	-	558,630	29,980	39,781
Signs	22,221	-	-	22,221	5,333	3,378	-	8,711	13,510	16,888
	\$4,069,090	\$ 442,551	\$ -	\$4,511,641	\$2,630,846	\$ 126,204	\$ -	\$2,757,050	\$1,754,591	\$1,438,244

Notes 1-24 are an integral part of these financial statements

Schedules to Financial Statements (Schedule 2)
Interest Rate Sensitivity
For the Year Ended September 30, 2014

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
ASSETS					
Cash and cash equivalents	\$ 2,625,110	\$ -	\$ -	\$ 1,822,769	\$ 4,447,879
Effective interest rate	0.91 %	- %	- %	- %	
Investments	11,885,924	-	-	355,501	12,241,425
Effective interest rate	1.34 %	- %	- %	- %	
Accounts receivable	-	-	-	2,167,925	2,167,925
Income taxes recoverable	-	-	-	25,883	25,883
Mortgages	8,304,950	18,660,358	-	-	26,965,308
Effective interest rate	3.99 %	4.15 %	- %	- %	
Personal	2,034,000	16,424,297	-	-	18,458,297
Effective interest rate	6.02 %	6.00 %	- %	- %	
Lines of credit and overdrafts	12,503,668	-	-	-	12,503,668
Effective interest rate	5.93 %	- %	- %	- %	
Farming and fishing	3,145,117	10,957,308	-	-	14,102,425
Effective interest rate	5.67 %	5.36 %	- %	- %	
Commercial	6,557,856	12,241,427	-	-	18,799,283
Effective interest rate	5.07 %	4.83 %	- %	- %	
League Savings & Mortgage	948,582	5,978,377	-	-	6,926,959
Effective interest rate	4.02 %	4.12 %	- %	- %	
Concentra Financial mortgages	1,106,409	3,017,871	-	42,164	4,166,444
Effective interest rate	4.54 %	3.34 %	- %	- %	
Prepaid expense	-	-	-	116,785	116,785
Deferred income taxes	-	-	-	20,148	20,148
Property and equipment	-	-	-	1,754,591	1,754,591
Effective interest rate	- %	- %	- %	- %	
Due from 7730543 Canada Inc.	-	-	4,580,144	-	4,580,144
Effective interest rate	- %	- %	1.00 %	- %	
Investment in Associate	-	-	-	185,918	185,918
	\$ 49,111,616	\$ 67,279,638	\$ 4,580,144	\$ 6,491,684	\$127,463,082
LIABILITIES AND MEMBERS' EQUITY					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 661,572	\$ 661,572
Employee benefits payable	-	-	-	428,340	428,340
Accrued interest payable	-	-	-	694,210	694,210
Member deposits	46,644,054	30,506,597	-	19,940,085	97,090,736
Effective interest rate	1.05 %	2.44 %	- %	- %	
Share deposits	18,676,253	-	-	-	18,676,253
Effective interest rate	1.25 %	- %	- %	- %	
Members' shares	46,425	-	-	-	46,425
Effective interest rate	1.25 %	- %	- %	- %	
Undistributed earnings	-	-	-	9,865,546	9,865,546
	\$ 65,366,732	\$ 30,506,597	\$ -	\$ 31,589,753	\$127,463,082

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.

As at September 30, 2014, Évangéline-Central Credit Union Limited's net interest spread was 2.80%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

CREDENTIAL FINANCIAL STRATEGIES

Évangéline-Central Credit Union is constantly seeking ways to provide quality products and services as well as convenience to its members. Your credit union has, for many years, offered insurance, investment and financial planning services through Credential Financial Strategies Inc.

Representatives Sharon Gallant and Rod MacInnis have extensive experience in financial services and are available to assist members of Évangéline-Central Credit Union in the following areas:

**Estate Planning
Life Insurance
Mutual Funds
Investment Planning
Group RRSP's for Businesses**

**Retirement Planning
Education Savings Plans
Disability Savings Plans
Retirement Savings Plans
Group Health Plans for Businesses**

Should you wish to discuss any of these financial products or services, please contact Rod's assistant, Pam Bernard, at 902-888-5530 (Tyne Valley and Wellington members) OR Sharon's assistant, Raeanne Gallant, at 902-853-6020 (O'Leary members) for a no cost, no obligation appointment in your community.

La Caisse populaire Évangéline-Central est constamment à la recherche de moyens pour offrir des produits et des services pratiques et de qualité à ses membres. Depuis de nombreuses années, votre caisse offre des services d'assurance, d'investissement et de planification financière par l'entremise de Credential Financial Strategies Inc.

Ses représentants, Sharon Gallant et Rod MacInnis, possèdent une vaste expérience dans le secteur des services financiers et sont disponibles pour aider les membres de la Caisse populaire Évangéline-Central dans les domaines suivants:

**Planification successorale
Assurance-vie
Fonds communs de placement
Planification des investissements
REER de groupe pour entreprises
Régime de santé de groupe pour entreprises**

**Planification de la retraite
Régime d'épargne-études
Régime d'épargne-invalidité
Régime d'épargne-retraite**

Si vous désirez discuter de ces produits ou services financiers, veuillez communiquer avec l'adjointe de Rod, Pam Bernard, au 902-888-5530 (membres de Tyne Valley et de Wellington) OU avec l'adjointe de Sharon, Raeanne Gallant, au 902-853-6020 (membres d'O'Leary) pour fixer un rendez-vous dans votre communauté, sans frais, ni obligation.



**CAISSE POPULAIRE
CREDIT UNION**

ÉVANGÉLINE-CENTRAL



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