



TRANSCANADA CREDIT UNION LTD

2015 ANNUAL REPORT

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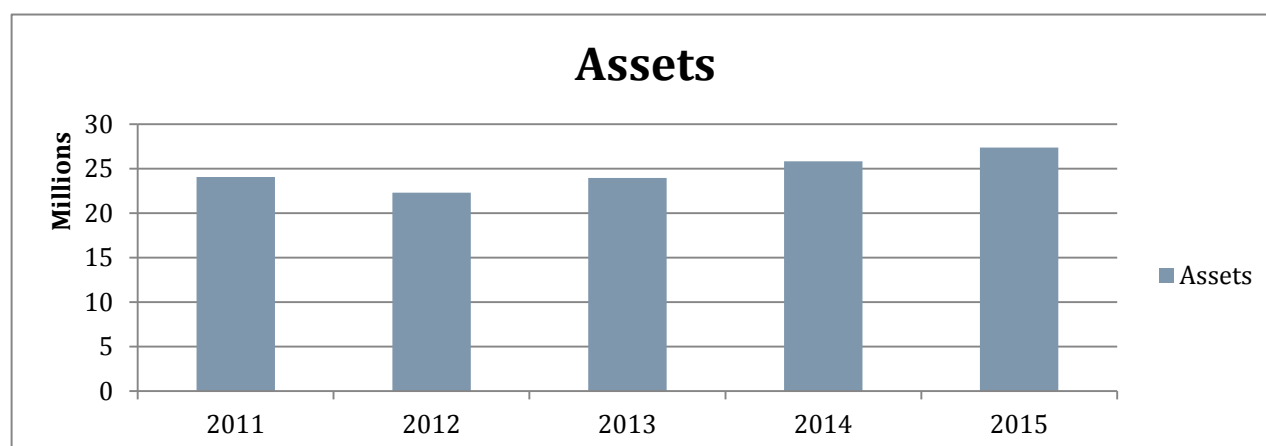
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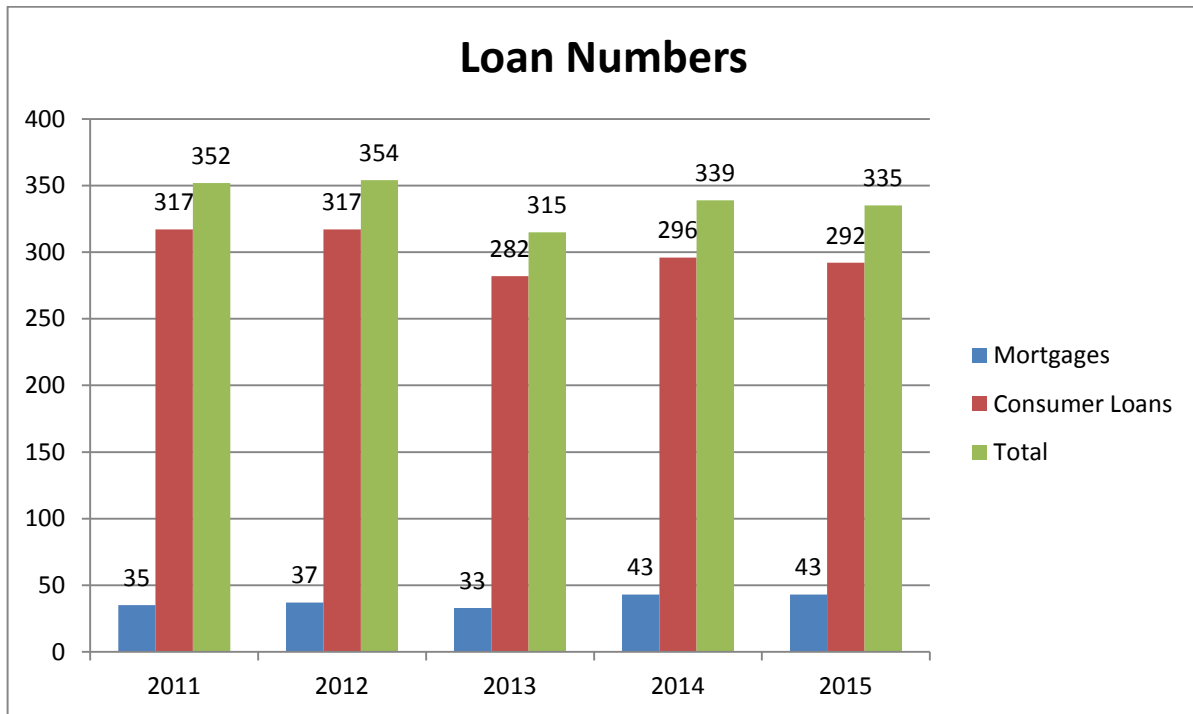
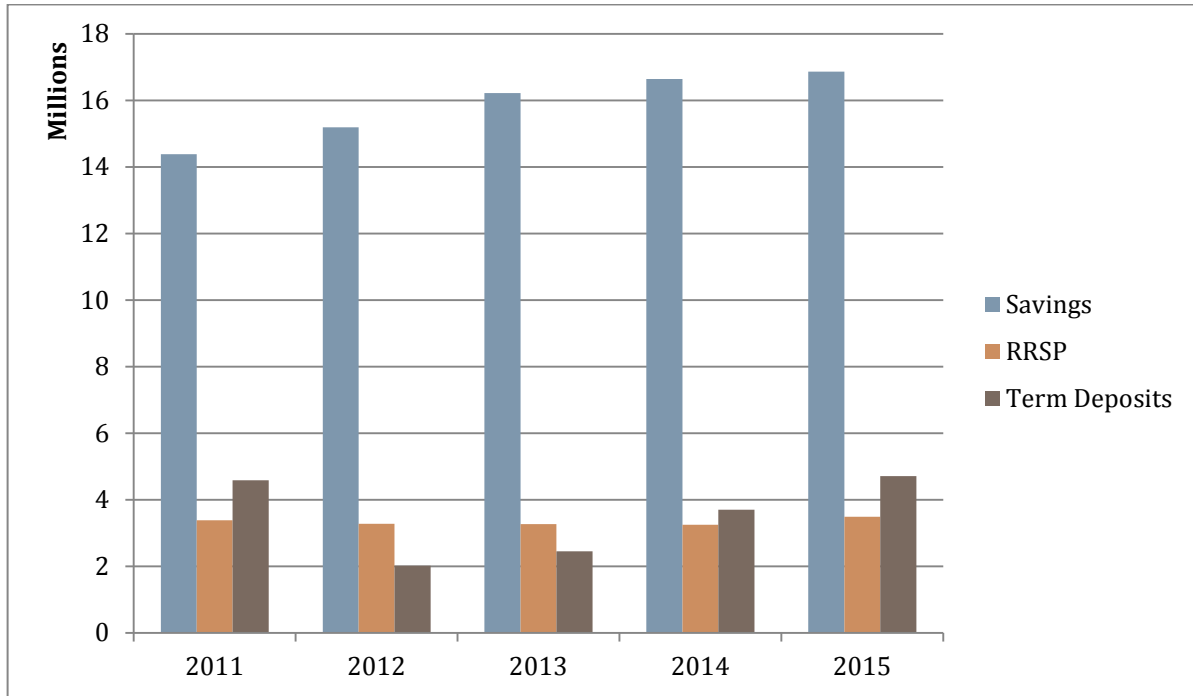
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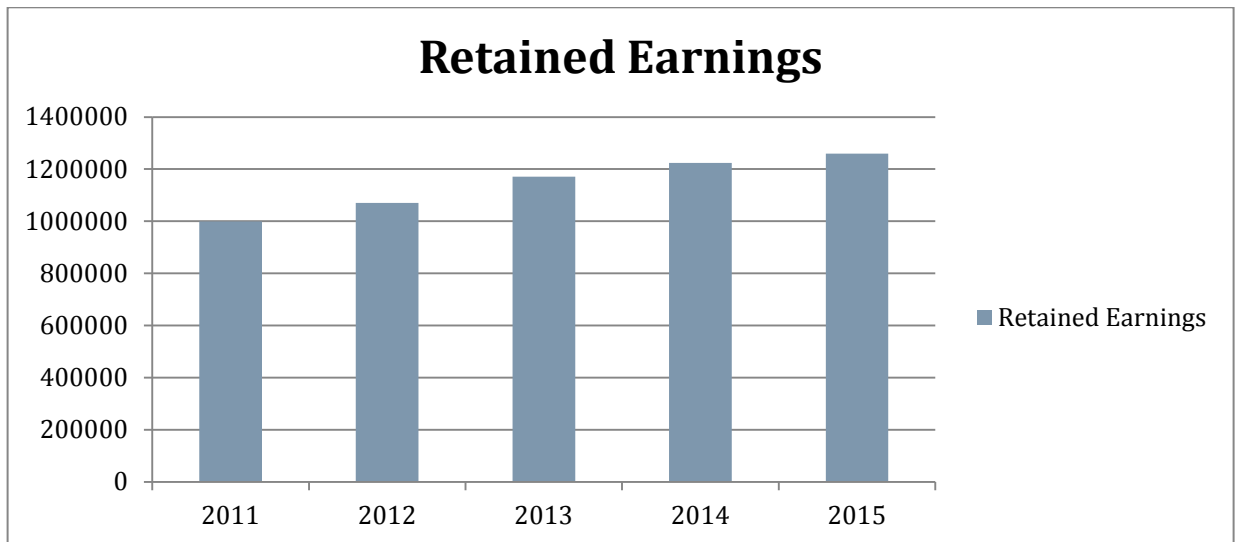
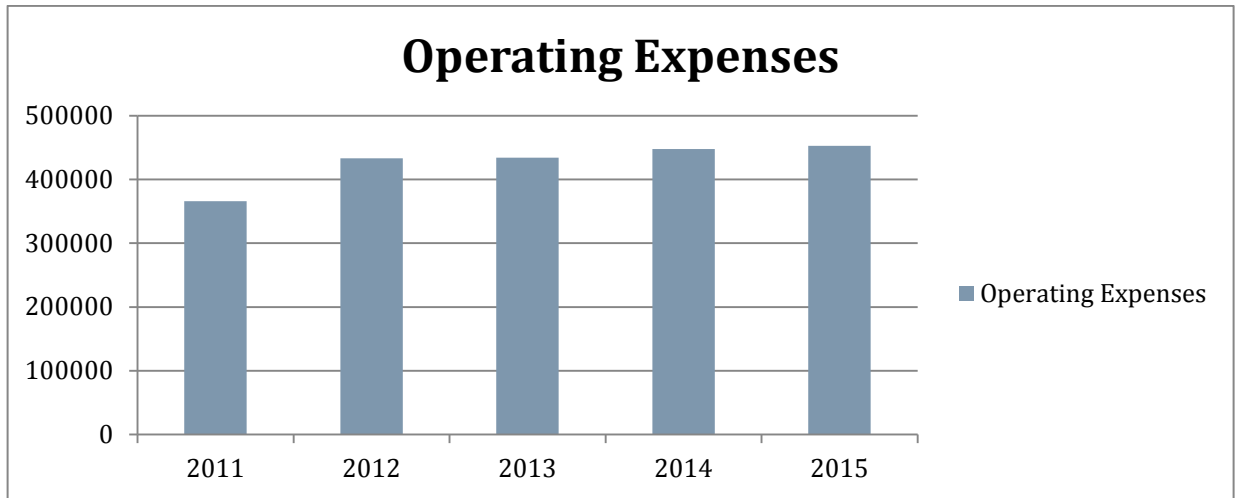
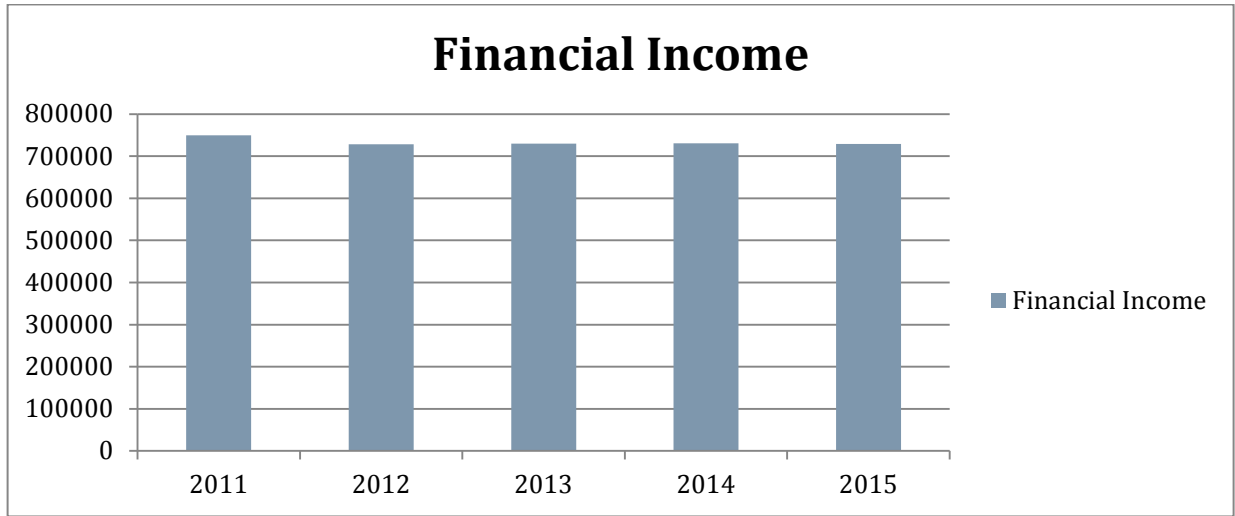
Financial Highlights 2015

	2014	2015
Membership	2550	2461
Assets	\$25,810,380	\$27,371,072
Shares	\$860,953	\$862,635
Savings	\$16,638,275	\$16,863,505
Terms	\$3,697,932	\$4,713,215
RRSP's	\$3,254,328	\$3,486,921
Loans	\$8,964,958	\$8,374,220
Mortgages	\$11,777,597	\$10,111,188

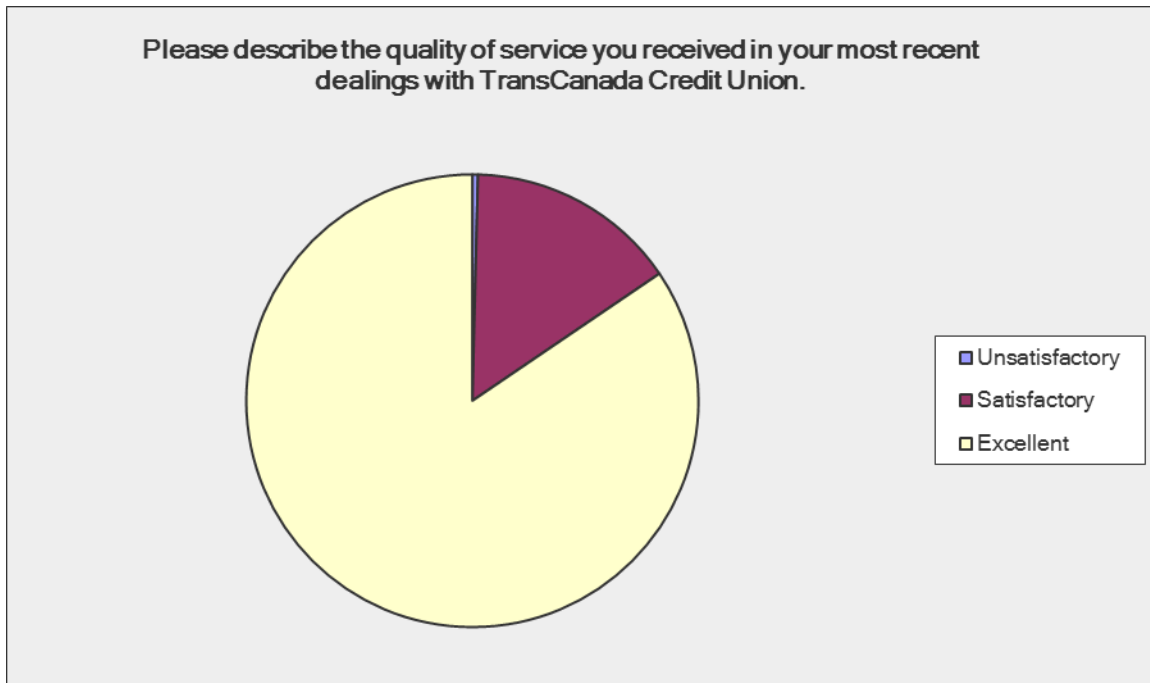
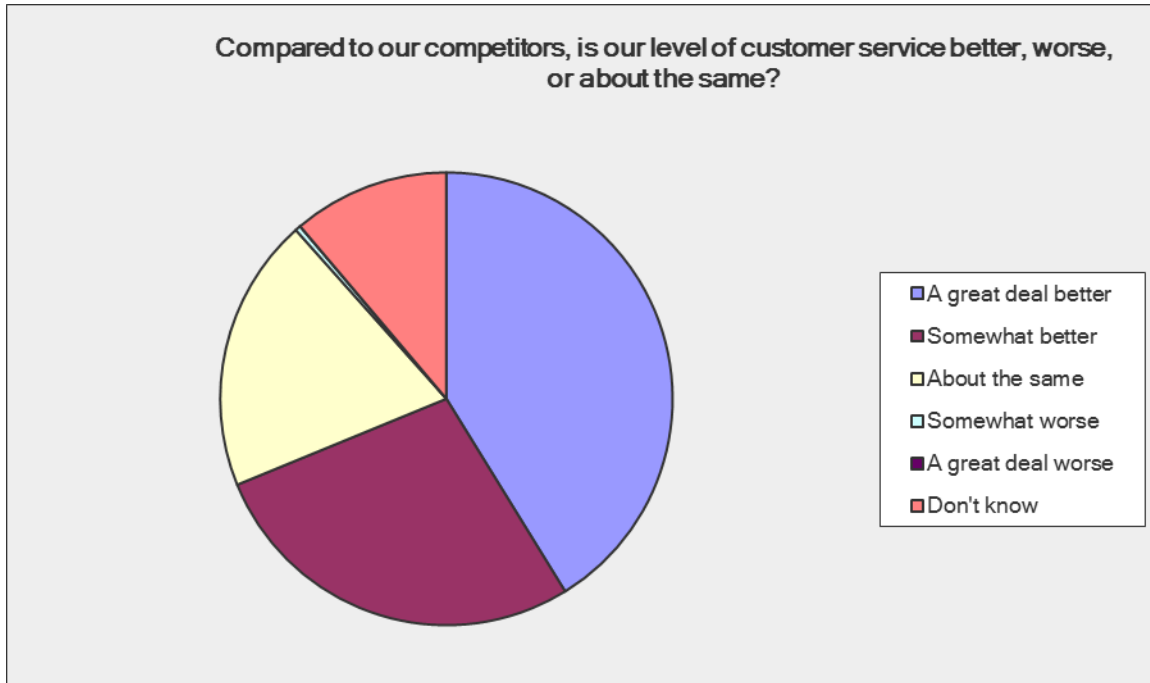
Common Share Dividend paid to members	2.50%	\$21,230
Savings Interest Bonus Paid to Members	5.50%	\$4,879
Loan Interest Rebate Paid to members	0.50%	\$3,252
	TOTAL	\$29,361

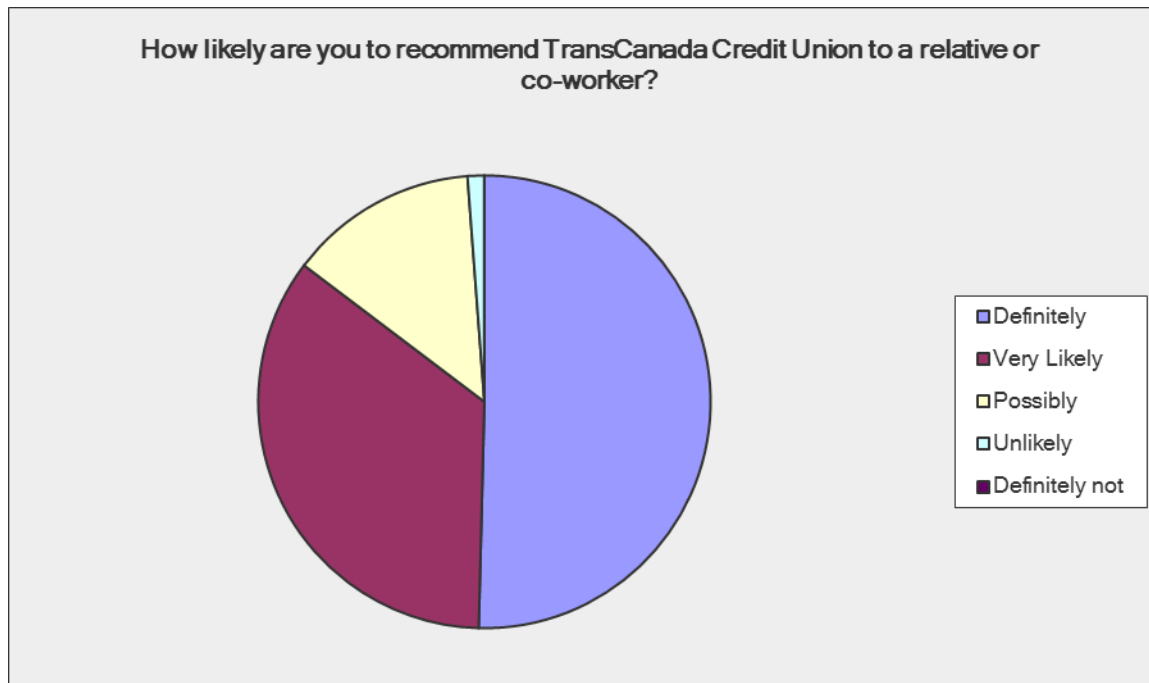






Satisfaction Survey Results





Testimonials

“I have been a member for many years, and have never had an issue. Every time I contact the Credit Union, everyone goes out of their way to make sure I am looked after. It is such a pleasure to deal with you.”

“I really enjoy the small town feel of the CU. Very friendly staff and great service.”

“Thank you for your consistently good service.”

“Always recommend your services and can say with confidence that I have never been nor has anyone else expressed disappointment”

“Credit Union staff are outstanding! Always professional, personable, knowledgeable, prompt, efficient, etc. A pleasure to deal with!”

“Excellent service for the last 25 years”

“TransCanada Credit Union staff are exceptional - super efficient, & always friendly & cheerful. It is fantastic to be able to walk into a bank, & be greeted by name!! I Feel very fortunate to be a member ... honestly can't understand why all TC employees don't join :)”

Board of Directors and Credit Union Staff

ROBERT
NOWAKOWSKY
PRESIDENT



VINNY LAD
VICE PRESIDENT



JAMES LAMBERT
SECRETARY



WAYNE RUMSEY
DIRECTOR



DOUG SLATER
DIRECTOR



JACQUELINE
QUADROS
DIRECTOR



JACI LYNDON
DIRECTOR



NEIL DAVISON
GENERAL
MANAGER



DEBBIE
LETENDRE
LOANS OFFICER



President's Message

2015 has been another successful year for the TransCanada Credit Union despite a tough Alberta economy and low interest rate environment. Our credit union continued to provide you with a portfolio of basic financial services at a reasonable cost, all while continuing to operate profitably.

While the energy industry in Alberta was suffering with record low oil and gas prices, and TransCanada underwent a significant organizational restructuring, we also underwent a significant review of our operating expenses to determine how we could best optimize our operation. As a result, we have been able to identify a number of opportunities which will allow us to improve our services while continuing to serve you well into the future.

This year we are once again happy to be able to share our success with our members by providing a 2.5% dividend to our common shareholders, a 5.5% interest bonus for all interest earned in your TransCanada Credit Union Savings Accounts, as well as a 0.5% interest rebate on your loans. These rewards are for all of our members to thank you for your continued patronage and the support you have given us over the past year.

I would like to thank the TransCanada Credit Union staff for their continued professional, courteous and personal touches they do for the credit union and for our members. These are the faces that our members have come to know and trust in their day-to-day dealings with the credit union.

I would also like to thank our Board of Directors who unselfishly volunteer their time to provide governance and oversight to the credit union. 2015 saw a new member, Jaci Lyndon, joining the Board and she was able to quickly apply her business skills in her new board roles. Her fresh perspective, experiences and insights were appreciated by the other board members, and me personally.

Lastly, I would like to thank you, the TransCanada Credit Union members, for your continued loyalty and support of your credit union. I would encourage you to share your ideas and thoughts with us on how we can continue to provide you with the services you are looking for, and together we can build a successful 2016.

On behalf of the TransCanada Credit Union staff and Board of Directors,



Rob Nowakowsky
President

General Manager's Report

Welcome to the 2015 Annual Report and Annual General Meeting of TransCanada Credit Union Ltd.

2015 was, once again, a difficult year for all financial institutions, with record low interest rates continuing and increasing costs affecting financial margins. This coupled with the corporate reorganization that TransCanada has been undergoing, has provided us with significant challenges.

Despite these external pressures, we have had several areas of success over the year:

- Our assets have grown 6.05% over the period, despite continually increased competition from other institutions.
- Deposit growth of 6.25% which exceeded our target for the year
- Net income held strong, experiencing just a 0.75% drop over the prior year

We feel the key to these successes is our ability to offer extremely competitive products coupled with high levels of customer service, as was confirmed by the majority of our members during the latest satisfaction survey carried out at the end of last year.

We were also pleased to pay a member common share dividend of 2.5% this year, as well as distributing an additional \$4879 in the form of an interest rate bonus to those members who received interest on their savings accounts this year and \$3252 in the form of Loan Interest rebates to those members with lending facilities. We also added around \$55,000 to our retained earnings position.

So overall, despite continued financial pressures, we had some positive results in 2015 and our strategic objectives moving forward is to consolidate on these successes, while continuously analyzing our costs in an attempt to maintain current levels of profitability.

We are also pleased to announce that we anticipate some exciting technological advancements in 2016, which should improve functionality for our members in relation to our online banking offering, as well as our ability to offer a more diverse product offering.

I would like to take this opportunity to thank Debbie for her hard work over the course of the year and also the Board of Directors for their insight and support over the last year. These dedicated individuals spend many hours over the course of a year ensuring our credit union is meeting the needs of its members.

Lastly, I would like to thank you, the members, for your continued support of the credit union. Without your loyal patronage we would not have the ability to provide this highly regarded, value added service.

Respectfully,



Neil Davison
General Manager

Report of the Audit and Finance Committee



Jacqueline Quadros, Chairperson



Doug Slater



James Lambert

The Audit and Finance Committee is comprised of three directors. The Committee meets formally as required to ensure the following obligations are met over the course of the year:

- Review of the financial position of the Credit Union and ensuring the accuracy of financial reporting. This includes the recommendation of the annual budget to the Board and obtaining reasonable understanding of the internal controls in place at the Credit Union to safeguard assets.
- Engage and oversee the external and internal auditors, including the terms of their engagement and the scope of the audit. The Committee also reviews the annual audited financial statements prior to approval of the Board for issuance to members.
- Review of policies, procedures and controls which relate to the requirements of liquidity, capital adequacy and interest rate management.

The committee reports directly to the Board of Directors and issues reports and makes recommendations to the Board and Management, as appropriate, with respect to the responsibilities noted above. In the event that recommendations have been made, follow up is undertaken to ensure the recommendations have been duly considered and implemented. There have been no significant recommendations made by the Committee not implemented or in progress of being implemented.

There are no matters which the Audit and Finance Committee believes should be reported to the members, nor are there any matters that are required to be disclosed under the Credit Union Act or regulations.

I extend my thanks to the members of the Audit and Finance Committee for their hard work and dedication over the past year.

Jacqueline Quadros
Chairperson
Audit and Finance Committee

Report of the Credit Committee



Vinny Lad, Chairperson



Wayne Rumsey



Jaci Lyndon

The Credit Committee's primary responsibility is to review and provide approval of loan applications presented in excess of the General Manager's lending limit, to ensure adherence to the Credit Union Lending Policy and lending guidelines.

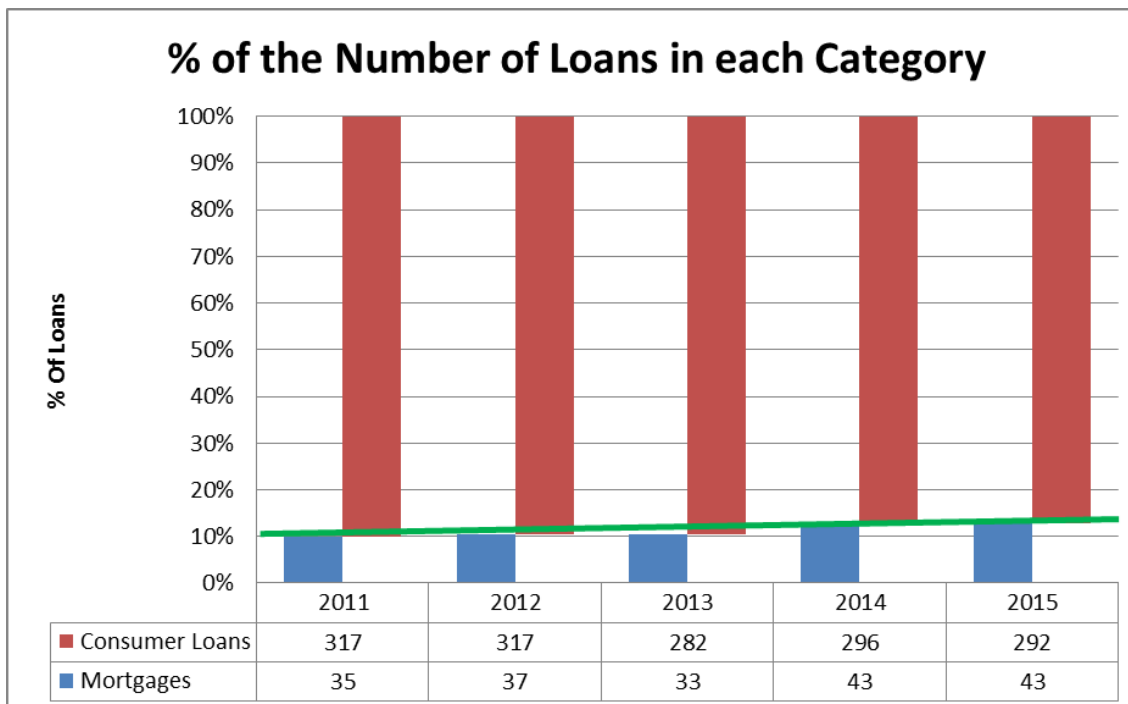
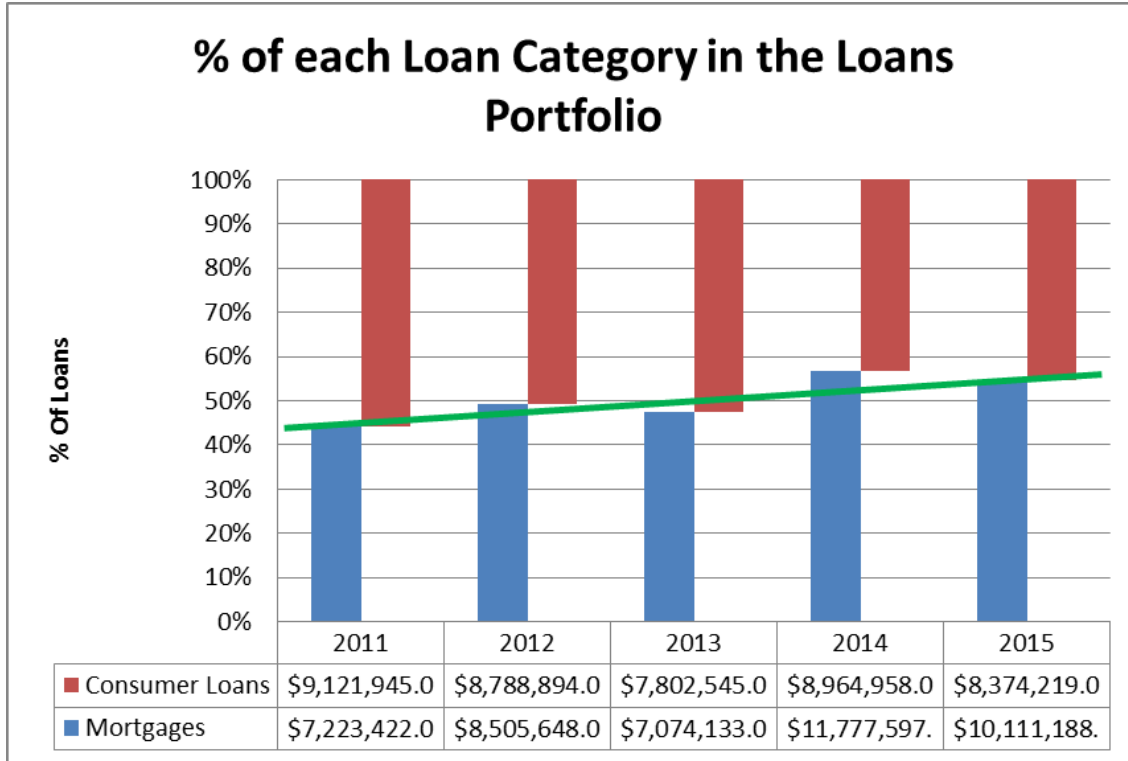
As of October 31, 2015, the Loans Portfolio was valued at \$18.5 million, represented by 43 mortgages and 292 loans. The total loans and mortgages approved during the 2015 fiscal year was \$2.54 million, representing only a slight decrease in the number of loans (i.e. 296 to 292 as represented in the Credit Committee Report - Figure 2) during the same fiscal period as 2014. The number of approved mortgages remained the same as the previous fiscal year. Although there is a slight decreasing trend in the total number of approved loans (on a year over year basis), the Credit Union continues to make strides in growing the mortgage category of the loans portfolio (on a percentage basis). Historic low interest rates continue to challenge our financial margin but our membership continues to look at the Credit Union for a viable option when borrowing money.

I extend my thanks to the members of the Credit Committee for their hard work and dedication over the past year.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes.

Vinny Lad
Chairperson
Credit Committee

Loan Portfolio



The Credit Union Movement

Credit Unions have been serving Canadians since 1900, when Alphonse Desjardins founded the first “caisse populaire” in Levis, Quebec. Credit unions began as an alternative to a commercially centered, inhospitable banking system. They hold combined assets of \$185 billion and serve around 5.6 million members. The fundamental operating principle of credit unions is democratic ownership... one member – one vote, regardless of the amount of shareholdings or deposits. As a member, you have a voice in your credit union and equal access to all the services it offers. Throughout its history, the Canadian credit union system has maintained a record of sound, prudent financial management, solid growth and uncompromising service to credit union members.

A focused approach: The Credit Union Advantage

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

There are currently 316 credit unions in Canada and 28 in Alberta

Collectively, they have:
(Q3, 2015 statics)

- 1,817 locations countrywide with 204 locations in Alberta
- Approximately 5.6 million members with over 600,000 in Alberta
- \$185 billion in assets
- Over 27,000 employees

Ipsos® Best Banking Awards: "Customer Service Excellence" and "Branch Service Excellence"

Among all financial institutions, Canadians ranked credit unions first in overall Customer Service Excellence and Branch Service Excellence for the 11th consecutive year. Credit unions were also awarded sole honors for the Values My Business award for the eighth year in a row. In total, Canada's credit unions received a record number of nine awards in all categories.

Credit Union Services

MEMBERSHIP

Membership is open to all employees as well as contract employees and their families, of TransCanada Corporation or any subsidiary companies.

Your deposits are 100% guaranteed by the Credit Union Deposit Guarantee Corporation, this means both the money you put in and the interest earned is safe and secure up to any dollar amount.

COMMON SHARES

The Credit Union's Bylaws require each member to have a minimum of 25 shares or \$25.00 in their share account as long as the membership is open. Withdrawals are only allowed subject to Board approval.

SAVINGS ACCOUNTS

Credit Union members may deposit to a savings account either by direct payment or payroll deduction. Interest is calculated on a minimum monthly balance and is paid quarterly. The Board of Directors sets the interest rate. Withdrawals may be made at any time and there is no minimum balance required.

Registered Retirement Savings Plans - RRSP's

The Credit Union offers RRSP's with variable and fixed terms at competitive rates. All deposits are 100% guaranteed. Deposits may be made by payroll deduction, direct payment, or we can transfer your RRSP from another financial institution.

TERM DEPOSITS

Term deposits are available for a minimum deposit of \$1,000 from a 30 day to 5-year fixed term. We offer competitive rates as well as bonus rates for deposits over \$50,000.

PERSONAL LOANS

Personal loans are available at competitive rates. RRSP loans are always available and we offer them starting at prime rate. The Credit Union guarantees confidentiality of all personal information.

LINES OF CREDIT

Lines of credit offer the flexibility of a pre-approved loan and allow immediate withdrawal of funds as required. The Credit Union offers two types of lines of credit: an unsecured line of credit and a HELOC.

MORTGAGES

The Credit Union offers Alberta property mortgages for primary residences, townhouses, or condominiums. We offer competitive rates for open and closed term mortgages.

AUTO AND PROPERTY INSURANCE

Group rates are available to members through The Personal Insurance Company of Canada, Brokerlink and Bow Valley Insurance. Monthly premiums can be set up through payroll deduction.

Looking for Information?

Information on loan rates, products and services, promotions, along with forms are available on our web site: www.transcanadacreditunion.com



INDEPENDENT AUDITORS' REPORT

To the Members of TransCanada Credit Union Limited

We have audited the accompanying financial statements of TransCanada Credit Union Limited, which comprise the statement of financial position as at October 31, 2015 and the statements of net income and comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Edmonton, Alberta
January 20, 2016

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HAWKINGS EPP DUMONT LLP
Chartered Accountants
HAWKINGS.COM



Management's Responsibility for Financial Reporting

To the Members of TransCanada Credit Union Limited

Management has the responsibility for preparing the accompanying financial statements and ensuring that all information in the Annual Report is consistent with these statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards and the requirements of the *Credit Union Act*.

In discharging its responsibility for the integrity and fairness of the financial statements, as well as for the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The ultimate responsibility to members for the financial statements lies with the Board of Directors. The Board appoints an Audit Committee to review the financial statements with management in detail and to report to the Board prior to its approval to publish the financial statements.

The Board appoints external auditors to audit the financial statements and to meet with both the Audit Committee and management to review their findings. The external auditors' report directly to the members. The external auditors' have full and free access to the Audit Committee to discuss their audit, as well as their findings concerning the integrity of the Credit Union's financial reporting and the adequacy of its systems of internal controls.

Calgary, Alberta

January 20, 2016



Neil Davison
General Manager

Financial Statements

TRANSCANADA CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT OCTOBER 31, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 252,487	\$ 208,511
Investments (Note 5)	8,565,247	4,771,292
Income taxes receivable	-	12,233
Member loans receivable (Note 7)	18,499,990	20,757,670
Other assets	34,626	24,943
Property and equipment (Note 8)	3,672	7,584
Intangible assets (Note 9)	<u>15,050</u>	<u>40,380</u>
	<u>\$ 27,371,072</u>	<u>\$ 25,822,613</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 42,391	\$ 46,813
Income taxes payable	8,214	-
Allocation payable (Note 12)	8,132	-
Member deposits (Note 11)	<u>25,139,563</u>	<u>23,651,892</u>
	<u>25,198,300</u>	<u>23,698,705</u>
MEMBERS' EQUITY		
Allocation distributable (Note 12)	21,230	39,315
Member shares (Note 13)	862,636	860,953
Retained earnings	<u>1,288,906</u>	<u>1,223,640</u>
	<u>2,172,772</u>	<u>2,123,908</u>
	<u>\$ 27,371,072</u>	<u>\$ 25,822,613</u>

ON BEHALF OF THE BOARD:


 _____ Director


 _____ Director

TRANSCANADA CREDIT UNION LIMITED

The accompanying notes are an integral part of these financial statements.

TRANSCANADA CREDIT UNION LTD ANNUAL REPORT 2015

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>2015</u>	<u>2014</u>
INTEREST INCOME		
Interest from member loans	\$ 664,681	\$ 650,384
Investment income	<u>64,334</u>	<u>80,493</u>
	729,015	730,877
INTEREST EXPENSE		
Interest on member deposits	<u>220,811</u>	<u>230,197</u>
NET INTEREST INCOME	508,204	500,680
PROVISION FOR LOAN IMPAIRMENT	<u>-</u>	<u>7,609</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT	508,204	493,071
OTHER INCOME	53,861	46,599
LOAN RECOVERIES	<u>-</u>	<u>387</u>
NET INTEREST AND OTHER INCOME	562,065	540,057
OPERATING EXPENSES (SCHEDULE 1)	<u>452,547</u>	<u>443,546</u>
INCOME BEFORE PATRONAGE ALLOCATION AND INCOME TAXES	109,518	96,511
PATRONAGE REBATE (NOTE 12)	<u>8,132</u>	<u>8,235</u>
INCOME BEFORE INCOME TAXES	101,386	88,276
INCOME TAXES (NOTE 10)		
Current	<u>17,862</u>	<u>4,121</u>
NET INCOME AND COMPREHENSIVE INCOME	<u>\$ 83,524</u>	<u>\$ 84,155</u>

The accompanying notes are an integral part of these financial statements.

TRANSCANADA CREDIT UNION LTD ANNUAL REPORT 2015

TRANSCANADA CREDIT UNION LIMITED
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>Allocation</u> <u>Distributable</u>	<u>Member</u> <u>Shares</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
BALANCE, OCTOBER 31, 2014	\$ 39,315	\$ 860,953	\$ 1,223,640	\$ 2,123,908
Net income and comprehensive income	-	-	83,524	83,524
Member share dividends (2.5%)	21,230	-	(21,230)	-
Tax recovery on member share dividends	-	-	2,972	2,972
Allocation distributable partially paid through issuance of member shares	(39,315)	31,714	-	(7,601)
Issuance of member shares	-	67,189	-	67,189
Redemption of member shares	-	(97,220)	-	(97,220)
BALANCE, OCTOBER 31, 2015	<u>\$ 21,230</u>	<u>\$ 862,636</u>	<u>\$ 1,288,906</u>	<u>\$ 2,172,772</u>

The accompanying notes are an integral part of these financial statements.

TRANSCANADA CREDIT UNION LTD ANNUAL REPORT 2015

TRANSCANADA CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>2015</u>	<u>2014</u>
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES:		
Operating Activities		
Interest received from member loans	\$ 665,213	\$ 643,603
Interest received from investments	50,997	67,840
Dividends received	19,382	21,725
Other income received	53,861	46,599
Interest paid to members	(204,999)	(208,959)
Income taxes received (paid)	5,557	(15,446)
Net operating expenses paid	<u>(455,495)</u>	<u>(432,006)</u>
	<u>134,516</u>	<u>123,356</u>
Investing Activities		
Net change in member loans receivable	2,257,148	(5,865,877)
Net change in investments	(3,800,000)	3,950,000
Purchase of property and equipment	-	(45,150)
	<u>(1,542,852)</u>	<u>(1,961,027)</u>
Financing Activities		
Issue of member shares	98,903	210,476
Member share dividends paid	(21,230)	(31,080)
Redemption of member shares	(97,220)	(60,540)
Net change in member deposits	<u>1,471,859</u>	<u>1,645,053</u>
	<u>1,452,312</u>	<u>1,763,909</u>
NET CASH AND CASH EQUIVALENTS INCREASE (DECREASE)	43,976	(73,762)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>208,511</u>	<u>282,273</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 252,487</u>	<u>\$ 208,511</u>

The accompanying notes are an integral part of these financial statements.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

1. REPORTING ENTITY

TransCanada Credit Union Limited (the "Credit Union") is incorporated under the *Credit Union Act* of the Province of Alberta and provides financial services to current and former employees of TransCanada Corporation and its subsidiaries ("TransCanada").

The Credit Union Deposit Guarantee Corporation (the "Corporation"), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province will ensure that the Corporation carries out this obligation.

The Credit Union's registered office is located at 450 - 1st Street SW, Calgary, Alberta, T2P 5H1.

2. BASIS OF PRESENTATION

Statement of Compliance

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

The financial statements were approved and authorized for issue by the Board of Directors on January 20, 2016.

Basis of Measurement

The financial statements have been prepared using the historical cost basis unless otherwise noted in the significant accounting policies.

Functional Currency

The financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3 and 4.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and operating accounts with Credit Union Central Alberta ("Central").

Investments

Investments are initially measured at fair value and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale financial assets.

Member loans receivable

Loans are measured initially at fair value plus transaction costs, and subsequently at amortized cost using the effective interest method, less any impairment losses. All loans are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Allowance for loan impairment

The Credit Union establishes an allowance for impairment which is reviewed at least annually. Allowance for loan impairment represents individual and collective provisions established as a result of reviews of individual loans and groups of loans.

The Credit Union records an individual allowance based on management's regular review and evaluation of individual loans and is based upon management's best estimate of the present value of the cash flows expected to be received, discounted at the loan's original effective interest rate. Impairment may be measured on the basis of the instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Credit Union records a collective allowance for loans with similar credit risk characteristics, that have not been individually assessed as impaired, when objective evidence of impairment within the groups of loans exists but the individually impaired loans cannot be identified. In assessing the need for collective allowances, management considers factors such as credit quality and portfolio size. The Credit Union estimates the collective allowance for impairment using a formula based on its historical loss experience for similar groups of loans in similar economic circumstances. As management identifies individually impaired loans, it assigns an individual allowance for impairment to that loan and adjusts the collective allowance accordingly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. Write offs are generally recorded after all reasonable restructuring or collection efforts have taken place and there is no realistic prospect of recovery.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Impairment of financial assets***

The Credit Union assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recorded only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and the loss event(s) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by the borrower, restructuring of a loan or advance by the Credit Union on non-market terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis at the following annual rates:

Computer equipment	3 years
Furniture and equipment	5 years

Gains and losses on disposal are recorded in the statement of net income in the year of disposal.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Credit Union. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment (losses). Software is amortized on a straight-line basis over its estimated useful life of 3 years.

Impairment of non-financial assets

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than the carrying value. The recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. Impairment is recognized in the statement of comprehensive income, when there is an indication that an asset may be impaired. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the statement of net income at that time.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable

Accounts payable are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which approximates fair value due to the short-term nature of these liabilities.

Financial liabilities

Member deposits are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument, and subsequently measured at amortized cost using the effective interest rate method.

Member shares

Member shares are classified as liabilities or members' equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity.

Revenue recognition

Interest on member loans is recorded using the effective interest rate method except for loans which are considered impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of the initial impairment and any subsequent changes are recorded through the provision for impaired loans as an adjustment to the individual allowance.

Investment income is recorded using the effective interest rate method, except as it relates to adjustments in the rates received from Central, which are recorded when the payment is received.

Dividend income is recognized when the right to receive the dividend is established. Dividends are included in investment income.

Commissions, service charges and other income are recognized as income when the related service is provided or entitlement to receive income is earned.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into the Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect exchange rates at the statement of financial position date. Translation gains and losses are included in other income.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

All financial instruments are initially recognized on the statement of financial position at fair value through acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit and loss, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year there has been no reclassification of financial instruments.

The financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in income. The Credit Union's financial instruments classified as fair value through profit and loss include cash and cash equivalents.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time. The Credit Union's shares in Credit Union Central of Alberta have been classified as available-for-sale.

The financial assets classified as loans and receivables are initially measured at fair value, then subsequently carried at amortized cost using the effective interest rate. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Credit Union's financial instruments classified as loans and receivables include member loans receivable.

The financial assets classified as held-to-maturity are initially measured at fair value, then subsequently carried at amortized cost. Held-to-maturity financial assets are non-derivative assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intention and ability to hold until its maturity date. The Credit Union's financial instruments classified as held-to-maturity include term deposit investments.

Financial instruments classified as other financial liabilities include accounts payable and member deposits. Other financial liabilities are measured at fair value, then subsequently carried at amortized cost.

De-recognition of a financial asset occurs when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the transferred financial asset, it assesses whether it has retained control over the transfer asset. If control has been retained, the Credit Union recognizes the transferred asset to the extent of its continuing involvement. If control has not been retained, the Credit Union derecognizes the transferred asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in comprehensive income.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Tax expense for the period comprises current and deferred income tax.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for using the liability method. Under this method, temporary differences are recorded using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the corresponding taxes will be paid or refunded.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

4. USE OF ESTIMATES AND KEY JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the reporting year. Accordingly, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if it affects only that period or in the period of revision and future periods if the revision affects both current and future years.

The most significant uses of judgments, estimates and assumptions are as follows:

Allowance for Impaired Loans

The individual allowance component of the total allowance for impairment applies to financial assets evaluated individually for impairment. In particular, management judgment is required in the estimate of the amount and timing of the future cash flows the Credit Union expects to receive from these specific loans. These estimates are based on a number of factors, including the net realizable value of any underlying collateral.

The collective allowance component covers credit losses in portfolios of loans with similar credit risk characteristics when there is objective evidence to suggest that a loss has been incurred but the individual impaired items cannot yet be identified. In assessing the collective allowance, management considers factors such as credit quality, historical loss experience and current economic conditions.

Fair Value of Financial Instruments

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

The methods and assumptions applied, and the valuation techniques used, are disclosed in Note 19.

Property and Equipment

Depreciation methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

5. INVESTMENTS

	<u>2015</u>	<u>2014</u>
Credit Union Central Alberta		
Term deposits	\$ 8,250,000	\$ 4,200,000
Shares	310,288	310,288
Other		
Term deposits	-	250,000
	8,560,288	4,760,288
Accrued interest	4,959	11,004
	\$ 8,565,247	\$ 4,771,292

All term deposits mature within one year with interest rates ranging from 0.42% to 0.68%. As required by the *Credit Union Act*, the Credit Union holds investments in Central to maintain its statutory liquidity requirements.

There is no separately quoted market value of the Central shares and the fair value could not be measured reliably. Fair value cannot be measured reliably as the timing of redemption of these shares cannot be determined, therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore, they are recorded at cost.

6. OPERATING DEMAND LOAN AND TERM LOAN

The Credit Union has an approved revolving operating demand loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the revolving operating demand loan is \$200,000. The demand loan bears interest at Central's prime rate less .5%. At October 31, 2015, the Credit Union had \$NIL outstanding on its operating demand loan (2014 - NIL).

The Credit Union has an approved term loan with Central which is secured by a general assignment of book debts and assignment of investments and deposits held at Central. The authorized limit on the term loan is \$600,000. The term loan bears interest at (i) Central's prime rate plus or minus Central's applicable discount or margin rates in effect from time to time, or (ii) at the option of the Credit Union for terms of more than 30 days at a fixed rate equal to Central's money market deposit rate or the equivalent paid fixed swap rate for the term plus or minus the applicable discount or margin rate. At October 31, 2015, the Credit Union had \$NIL outstanding on its term loan (2014 - \$NIL).

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

7. MEMBER LOANS RECEIVABLE

	<u>Principal Performing</u>	<u>Individual Allowance</u>	<u>Collective Allowance</u>	2015 Net
Consumer loans	\$ 8,374,219	\$ -	\$ -	\$ 8,374,219
Residential mortgages	<u>10,111,188</u>	<u>-</u>	<u>-</u>	<u>10,111,188</u>
	18,485,407	-	-	18,485,407
Accrued interest	<u>14,583</u>	<u>-</u>	<u>-</u>	<u>14,583</u>
	<u>\$ 18,499,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,499,990</u>
	<u>Principal Performing</u>	<u>Individual Allowance</u>	<u>Collective Allowance</u>	<u>2014 Net</u>
Consumer loans	\$ 8,964,958	\$ -	\$ -	\$ 8,964,958
Residential mortgages	<u>11,777,597</u>	<u>-</u>	<u>-</u>	<u>11,777,597</u>
	20,742,555	-	-	20,742,555
Accrued interest	<u>15,115</u>	<u>-</u>	<u>-</u>	<u>15,115</u>
	<u>\$ 20,757,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,757,670</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

7. MEMBER LOANS RECEIVABLE (CONTINUED)

Loans Past Due But Not Impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

	<u>1-30</u> <u>Days</u>	<u>31-60</u> <u>Days</u>	<u>61-90</u> <u>Days</u>	<u>91 Days and</u> <u>Greater</u>	2015 Total
Consumer loans	\$ -	\$ -	\$ -	\$ -	\$ -
Residential mortgages	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>1-30</u> <u>Days</u>	<u>31-60</u> <u>Days</u>	<u>61-90</u> <u>Days</u>	<u>91 Days and</u> <u>Greater</u>	<u>2014</u> <u>Total</u>
Consumer loans	\$ -	\$ -	\$ -	\$ 2,597	\$ 2,597
Residential mortgages	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,597</u>	<u>\$ 2,597</u>

Credit Quality of Loans

The Credit Union holds collateral against loans to members in the form of interests over property, other securities over assets, and guarantees. It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the loans by security held is shown as follows:

	<u>2015</u>	<u>2014</u>
Loans secured by real property	\$ 15,877,416	\$ 18,107,816
Loans secured by other assets	1,937,344	1,986,180
Unsecured	<u>670,647</u>	<u>648,559</u>
	<u>\$ 18,485,407</u>	<u>\$ 20,742,555</u>

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments. The majority of loans to members are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector. A significant portion of the Credit Union's loan portfolio is secured by residential property in and around Calgary, Alberta. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio coverage should the property market be subject to a decline. The risk of loss from loans undertaken is primarily reduced by the nature and quality of the security taken.

There were no member loans which exceeded 3% of total assets as at October 31, 2015.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

8. PROPERTY AND EQUIPMENT

	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>	<u>Total</u>
COST:			
Balance at October 31, 2014	\$ 18,359	\$ 38,131	\$ 56,490
Additions	<u> -</u>	<u> -</u>	<u> -</u>
Balance at October 31, 2015	<u>\$ 18,359</u>	<u>\$ 38,131</u>	<u>\$ 56,490</u>
 ACCUMULATED DEPRECIATION:			
Balance at October 31, 2014	\$ 10,800	\$ 38,106	\$ 48,906
Depreciation expense	<u> 3,887</u>	<u> 25</u>	<u> 3,912</u>
Balance at October 31, 2015	<u>\$ 14,687</u>	<u>\$ 38,131</u>	<u>\$ 52,818</u>
 NET BOOK VALUE:			
October 31, 2014	<u>\$ 7,559</u>	<u>\$ 25</u>	<u>\$ 7,584</u>
October 31, 2015	<u>\$ 3,672</u>	<u>\$ -</u>	<u>\$ 3,672</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

9. INTANGIBLE ASSETS

	<u>2015</u>	<u>2014</u>
COST:		
Balance, Beginning of Year	\$ 215,963	\$ 170,813
Additions	<u>-</u>	<u>45,150</u>
Balance, End of Year	<u>215,963</u>	<u>215,963</u>
ACCUMULATED DEPRECIATION:		
Balance, Beginning of Year	175,583	160,415
Amortization expense	<u>25,330</u>	<u>15,168</u>
Balance, End of Year	<u>200,913</u>	<u>175,583</u>
NET BOOK VALUE	<u>\$ 15,050</u>	<u>\$ 40,380</u>

10. INCOME TAXES

	<u>2015</u>	<u>2014</u>
Expected income tax expense at statutory rates (14%)	\$ 14,194	\$ 12,359
Adjustments for tax treatment of property and equipment and intangible assets.	<u>3,668</u>	<u>(8,238)</u>
Total income tax expense	<u>\$ 17,862</u>	<u>\$ 4,121</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

11. MEMBER DEPOSITS

	<u>2015</u>	<u>2014</u>
Participatory Savings	\$ 16,860,150	\$ 16,632,263
Term deposits	4,717,544	3,706,165
Registered Retirement Savings Plans	<u>3,486,921</u>	<u>3,254,328</u>
	25,064,615	23,592,756
Accrued interest payable	<u>74,948</u>	<u>59,136</u>
	<u>\$ 25,139,563</u>	<u>\$ 23,651,892</u>

The repayment of all member deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation for which the Credit Union pays a deposit guarantee assessment fee.

Concentra Financial Services Association acts as the trustee of the Registered Retirement Savings Plan offered to members. Under an agreement, Concentra Financial Services Association deposits the contributions to the plans, and the interest earned on them, in the Credit Union.

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments. The majority of member deposits are with members located in and around Calgary, Alberta who are concentrated in the oil and gas infrastructure and energy sector.

There was one member for which deposits exceeded 3% of total assets as at October 31, 2015.

12. ALLOCATION DISTRIBUTABLE AND ALLOCATION PAYABLE

The Board of Directors declared a \$21,230 (2014 - \$31,080) dividend on member shares on record as of October 31, 2015. The member share dividend of 2.5% (2014 - 4.0%) is calculated on the members minimum monthly member share balance.

The Board of Directors declared a \$8,132 patronage rebate as of October 31, 2015. The patronage rebate includes 5.5% of all interest received on savings deposits by members and 0.5% of all interest paid on loans by members.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

13. MEMBER SHARES

The *Credit Union Act* identifies a class of equity shares, known as common shares, having the following characteristics:

- i) An unlimited number may be issued;
- ii) A par value of \$1, but fractional shares may be issued;
- iii) Transferable only in restricted circumstances;
- iv) Non-assessable; and
- v) Redemption of common shares is at par value and is at the discretion of the Credit Union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase at least 25 shares to retain membership in the Credit Union.

Common shares are "at risk" capital and are not guaranteed by the Credit Union Deposit Guarantee Corporation.

14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Credit Commitments

In the normal course of business, the Credit Union enters into various commitments to meet the credit requirements of its members. These include credit commitments which are not included in the balance sheet. The credit commitments are identified in the credit risk area of Note 16.

Credit Union Deposit Guarantee Corporation

The Credit Union Deposit Guarantee Corporation (the "Corporation") is a deposit insurance corporation. By legal obligation under the *Credit Union Act* of Alberta, the Corporation protects the savings and deposits of all Credit Union members in every credit union within Alberta. By legislation, the Credit Union pays a quarterly levy to the Corporation based on a percentage of member deposits.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

15. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel ("KMP") of the Credit Union are those persons having authority and responsibility for planning, directing, and controlling the activities of the Credit Union, directly or indirectly. KMP have been taken to comprise directors and members of management responsible for the day-to-day financial and operational management of the Credit Union.

Loans

Loans advanced to KMP are maintained under the same terms and conditions as loans to other members. There are no loans to KMP that are impaired at year end.

The total value of member loans receivable to KMP are as follows:

	<u>2015</u>	<u>2014</u>
Total loans advanced	\$ 10,384	\$ 1,238
Total lines of credit advanced	308,903	287,694
Unused value of lines of credit	<u>111,097</u>	<u>152,305</u>
 Total	 <u>\$ 430,384</u>	 <u>\$ 441,237</u>

Deposits

Deposit accounts held by KMP are maintained under the same terms and conditions as deposits of other members.

The total value of member deposits from KMP are as follows:

	<u>2015</u>	<u>2014</u>
Savings deposits	\$ 71,666	\$ 107,577
Registered plans	<u>18,223</u>	<u>8,265</u>
	<u>\$ 89,889</u>	<u>\$ 115,842</u>

Member Shares

The total member shares held by KMP are as follows:

	<u>2015</u>	<u>2014</u>
Member shares	<u>\$ 3,377</u>	<u>\$ 6,339</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and Expense

Total income and expense from KMP loans and deposits are as follows:

	<u>2015</u>	<u>2014</u>
Interest and other revenue earned on loans	\$ <u>11,480</u>	\$ <u>9,542</u>
Interest on deposits	\$ <u>419</u>	\$ <u>781</u>
Patronage rebate	\$ <u>133</u>	\$ <u>352</u>

Remuneration

Total compensation of KMP is as follows:

	<u>2015</u>	<u>2014</u>
Salaries and short-term benefits	\$ <u>180,538</u>	\$ <u>157,705</u>

There was no compensation for post-employment benefits, long-term benefits, or share-based compensation during 2015 or 2014.

Directors were not remunerated for their contributions to the Credit Union.

TransCanada provides office space, furniture, equipment, office supplies and employees who perform duties on a part-time basis for the Credit Union. No amount is charged for these services.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

16. RISK MANAGEMENT

The Credit Union's risk management policies are designed to identify and analyze risk, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Credit Union follows an enterprise risk management framework, which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of profitability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets and products.

Risk management is carried out by management who reports to the Board. The Board provides written principles for risk tolerance and overall risk management. Management reports to the Board on compliance with the risk management policies of the Credit Union.

Financial instruments comprise the majority of the Credit Union's assets and liabilities. The Credit Union accepts deposits from members at both fixed and floating rates for various periods. The Credit Union seeks to earn an interest rate margin by investing these funds in high quality financial instruments – principally loans and mortgages. The primary types of financial risk that arise from this activity are credit risk, liquidity risk and market risk which is comprised of interest rate risk.

The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities, and the types of methods used in managing those risks.

Activity	Risks	Method of managing risks
Investments	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Member loans	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching and monitoring of counterparty risk
Member deposits	Sensitivity to changes in interest rates, liquidity and credit risk	Asset-liability matching

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Financial margin reported in the statement of comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by management and reported to the Board.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

16. RISK MANAGEMENT (CONTINUED)

To manage the repricing of asset and liability mismatch opportunities the Credit Union will undertake campaigns to procure deposits or loans that re-price/mature within a specific time period, buy/sell assets that reprice/mature within a specific time period and may purchase derivative instruments. These decisions are based on economic conditions, member behavior, capital and liquidity levels and compliance with Credit Union policy.

Interest rate risk is measured by:

- (a) Static gap analysis which aggregates cash flows into repricing periods based on the maturity dates of the assets and liabilities.
- (b) Income simulation models that use current interest revenue, current interest expense and market values. These models incorporate assumptions about pricing strategies, growth, volume, new business and interest rates.
- (c) Market value of portfolio equity determines the present value of all assets and liabilities. This provides an estimate of the equity value of the Credit Union.

The following schedule shows the Credit Union's sensitivity to interest rate changes as at October 31, 2015. Fixed rate assets and fixed rate liabilities are reported based on scheduled repayments. Variable rate assets and liabilities that are linked to prime rate are reported in the floating rate category. Non-interest bearing assets and non-interest bearing liabilities are reported in the non-rate sensitive category.

As At October 31, 2015

	<u>Floating Rate</u>	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Non-Rate Sensitive</u>	<u>Total</u>
Assets					
Cash	\$ 245,250	\$ -	\$ -	\$ 7,237	\$ 252,487
<i>Effective Interest Rate</i>	0.25%	0.00%	0.00%	0.00%	0.24%
Investments	-	8,250,000	-	315,247	8,565,247
<i>Effective Interest Rate</i>	0.00%	0.57%	0.00%	0.00%	0.55%
Member loans	12,995,679	1,122,000	4,367,729	14,582	18,499,990
<i>Effective Interest Rate</i>	3.26%	2.82%	3.21%	0.00%	3.22%
Other	-	-	-	53,348	53,348
	<u>13,240,929</u>	<u>9,372,000</u>	<u>4,367,729</u>	<u>390,414</u>	<u>27,371,072</u>
Liabilities					
Member deposits	17,739,045	3,887,498	3,438,072	74,948	25,139,563
<i>Effective Interest Rate</i>	0.50%	1.42%	2.11%	0.00%	0.86%
Other	-	-	-	58,737	58,737
Equity	-	-	-	2,172,772	2,172,772
	<u>17,739,045</u>	<u>3,887,498</u>	<u>3,438,072</u>	<u>2,306,457</u>	<u>27,371,072</u>
Net mismatch	<u>\$ (4,498,116)</u>	<u>\$ 5,484,502</u>	<u>\$ 929,657</u>	<u>\$ (1,916,043)</u>	<u>\$ -</u>

As At October 31, 2014

Net mismatch	<u>\$ (1,417,558)</u>	<u>\$ 1,115,910</u>	<u>\$ 2,102,721</u>	<u>\$ (1,801,073)</u>	<u>\$ -</u>
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TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

16. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union arising from member loans and investments. The primary credit risk arising from loans is the possibility that members will be unable or unwilling to repay some or all of the principal and interest on their loans. Allowances for credit losses are made for losses that have been incurred at the statement of financial position date.

Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in member loans and advances and treasury activities that result in investments of cash resources. The overall management of credit risk is centralized in the Credit Committee which reports to the Board.

Concentration of loans is managed by the implementation of sectoral and member specific limits.

The Credit committee is responsible for approving and monitoring the Credit Union's tolerance for credit exposures, which it does through review and approval of the Credit Union's lending policies and through setting limits on credit exposures to individual members and across sectors. The Credit Union maintains levels of borrowing approval limits, and prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasizes responsible lending in its relationships with members and establishes that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The Credit Union often takes security as collateral in common with other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Collateral may include mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral.

The following information represents the maximum exposure to credit risk before taking into consideration any collateral. For financial assets recognized on the balance sheet, the exposure to credit risk is their stated carrying amount. For off balance sheet items, the maximum exposure is the full amount of the undrawn facilities or loan commitment.

	<u>2015</u>	<u>2014</u>
On balance sheet exposure		
Investments	\$ 8,565,247	\$ 4,771,292
Loans	18,499,990	20,757,670
Off balance sheet exposure		
Commitments to extend credit		
Original terms to maturity of 1 year or less	7,966,294	7,156,669
	\$ 35,031,531	\$ 32,685,631

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

16. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicates the sensitivity of the Credit Union to developments affecting a particular segment of borrowers or geographic region.

Geographic credit risk exists for the Credit Union due to its primary service area being in Calgary and surrounding areas.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and term deposits, a minimum liquidity at all times. The Credit Union has established policies which include minimum liquidity requirements, eligibility requirements for liquid assets, investments with counterparties, deposit concentration and diversification limits. The Credit Union monitors expected cash inflows and outflows on a daily, cyclical, and long-term basis. The Credit Union's preferred source of funding is member deposits; however, borrowing from Central is permitted during periods where loan demand exceeds deposit growth. Other sources of funding such as sale of assets, deposits from other credit unions and wholesale deposits are acceptable.

The *Credit Union Act* of Alberta requires the Credit Union to maintain a minimum liquidity ratio of 6.0% of total assets. The Credit Union's liquidity ratio was 8.8% at October 31, 2015 (2014 – 9.3%).

Management reviews its compliance with these policies and reports its statutory liquidity position to the Board of Directors on an exception basis. It reports the operating liquidity to the Board of Directors on a monthly basis. The Audit and Finance Committee ensures that a periodic review/audit is performed to verify compliance with policy and procedures.

Foreign Exchange Risk

Foreign exchange risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financed investments for an extended period.

Price Risk

Price risk arises from changes in market risks, other than interest rate, credit, liquidity or foreign exchange risk, causing fluctuations in the fair value of future cash flows of a financial instruments. Price risk is not considered significant at this time.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

17. CAPITAL MANAGEMENT

The Credit Union's objectives when managing capital are:

- (a) To ensure the long term viability of the Credit Union and the security of member deposits by holding a level of capital deemed sufficient to protect against unanticipated losses; and
- (b) To comply at all times with the capital requirements set out in the *Credit Union Act*.

The Credit Union measures the adequacy of capital using two methods:

- (a) Total capital as a percentage of total assets; and
- (b) Total capital as a percentage of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the *Credit Union Act* and by the Corporation. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union management ensures compliance with capital adequacy through the following:

- (a) Setting policies for capital management, monitoring and reporting;
- (b) Setting policies for related areas such as asset liability management;
- (c) Reporting to the Board of Directors or its committees regarding financial results and capital adequacy;
- (d) Reporting to the Corporation on its capital adequacy; and
- (e) Setting budgets and reporting variances to those budgets.

The Credit Union is required under the *Credit Union Act* to have a capital balance that is equal to or exceeds the greater of:

- (a) 4% of total assets; and
- (b) 8% of risk weighted assets.

An additional regulatory capital buffer of 2.5% of total risk weighted assets is required for 2015 (2014 - 2% of total risk weighted assets).

The Corporation also expects the Credit Union to hold an internal capital buffer equal to a minimum of 2% of total risk weighted assets.

Credit Union management measures the adequacy of the Credit Union's capital to these requirements on an ongoing basis and report the results to the Board of Directors and the Corporation.

TRANSCANADA CREDIT UNION LTD ANNUAL REPORT 2015

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

17. CAPITAL MANAGEMENT (CONTINUED)

The Credit Union's capital includes:

	<u>2015</u>	<u>2014</u>
Retained earnings	\$ 1,288,906	\$ 1,223,640
Member shares	862,636	860,953
Allocation distributable	21,230	39,315
Intangible assets	<u>(15,050)</u>	<u>(40,380)</u>
	<u>\$ 2,157,722</u>	<u>\$ 2,083,528</u>

As at October 31, 2015 the Credit Union's available capital as a percent of total assets was 7.9% (2014 – 8.1%) and the available capital as a percent of total risk weighted assets was 19.7% (2014 – 17.3%). Therefore, the Credit Union has exceeded its minimum capital requirement at October 31, 2015.

18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying amount of the Credit Union's financial instruments by classification is as follows:

	<u>October 31, 2015</u>					
	Fair Value Through Profit or Loss	Available-for- Sale	Held-to Maturity	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	\$ 252,487	\$ -	\$ -	\$ -	\$ -	\$ 252,487
Investments (Note 5)	-	310,288	8,254,959	-	-	8,565,247
Member loans	-	-	-	18,499,990	-	18,499,990
Other assets	-	-	-	34,626	-	34,626
Accounts payable and accrued liabilities	-	-	-	-	(58,737)	(58,737)
Member deposits	-	-	-	-	(25,139,563)	(25,139,563)
	<u>\$ 252,487</u>	<u>\$ 310,288</u>	<u>\$ 8,254,959</u>	<u>\$ 18,534,616</u>	<u>\$ (25,198,300)</u>	<u>\$ 2,154,050</u>

	<u>October 31, 2014</u>					
	Fair Value Through Profit or Loss	Available-for- Sale	Held-to Maturity	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	\$ 208,511	\$ -	\$ -	\$ -	\$ -	\$ 208,511
Investments (Note 5)	-	310,288	4,461,004	-	-	4,771,292
Member loans	-	-	-	20,757,670	-	20,757,670
Other assets	-	-	-	-	37,176	37,176
Accounts payable and accrued liabilities	-	-	-	-	(46,813)	(46,813)
Member deposits	-	-	-	-	(23,651,892)	(23,651,892)
	<u>\$ 208,511</u>	<u>\$ 310,288</u>	<u>\$ 4,461,004</u>	<u>\$ 20,757,670</u>	<u>\$ (23,661,529)</u>	<u>\$ 2,075,944</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed represent point in time estimates that may change in subsequent reporting periods due to market conditions or other factors. The Credit Union has estimated fair values taking into account changes in interest rates and credit risk that have occurred since the assets and liabilities were acquired. These calculations represent the Credit Union's best estimates based on a range of methods and assumptions. Since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instrument. Interest rate changes are the main cause of changes in the fair value of the Credit Union's financial instruments.

The following methods and assumptions are used to estimate the fair market value:

- i) The fair values of cash, demand deposits, investments, certain other assets and certain other liabilities approximate their carrying values, due to their short-term nature.
- ii) The estimated fair values of floating-rate investments, member loans and member deposits are assumed to equal carrying value as the interest rates automatically reprice to market.
- iii) The estimated fair values of fixed-rate member loans and member deposits are determined by discounting the expected future cash flows of these items at current market rates for products with similar terms and credit risks.

The total value of loans determined using the above assumptions is reduced by the allowance for impaired loans.

	<u>2015</u>			<u>2014</u>		
	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Difference</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Difference</u>
Assets						
Cash	\$ 252,487	\$ 252,487	\$ -	\$ 208,511	\$ 208,511	\$ -
Investments	8,565,247	8,565,247	-	4,771,292	4,771,292	-
Member loans	18,481,097	18,499,990	(18,893)	20,752,490	20,757,670	(5,180)
Other	<u>34,626</u>	<u>34,626</u>	<u>-</u>	<u>37,176</u>	<u>37,176</u>	<u>-</u>
	<u>\$ 27,333,457</u>	<u>\$ 27,352,350</u>	<u>\$ (18,893)</u>	<u>\$ 25,769,469</u>	<u>\$ 25,774,649</u>	<u>\$ (5,180)</u>
Liabilities						
Member deposits	\$ 25,205,022	\$ 25,139,563	\$ 65,459	\$ 23,724,201	\$ 23,651,892	\$ 72,309
Other liabilities	<u>58,737</u>	<u>58,737</u>	<u>-</u>	<u>46,813</u>	<u>46,813</u>	<u>-</u>
	<u>\$ 25,263,759</u>	<u>\$ 25,198,300</u>	<u>\$ 65,459</u>	<u>\$ 23,771,014</u>	<u>\$ 23,698,705</u>	<u>\$ 72,309</u>
	<u>\$ 2,069,698</u>	<u>\$ 2,154,050</u>	<u>\$ (84,352)</u>	<u>\$ 1,998,455</u>	<u>\$ 2,075,944</u>	<u>\$ (77,489)</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2015

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and liabilities recorded at fair value in the statement of the financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices). Level 2 inputs include quoted prices for assets in markets that are considered less active. There are no assets measured at fair value classified as Level 2.

Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets and liabilities would include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. There are no assets measured at fair value classified as Level 3.

There were no transfers between fair value hierarchy levels for the years ended October 31, 2015 and 2014.

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TRANSCANADA CREDIT UNION LIMITED

SCHEDULE 1

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>2015</u>	<u>2014</u>
Personnel	<u>\$ 242,139</u>	<u>\$ 233,886</u>
Security		
Deposit guarantee assessment	39,367	31,229
Bonding	<u>5,576</u>	<u>6,363</u>
	<u>44,943</u>	<u>37,592</u>
Organization		
Credit Union Central dues	7,712	15,695
Meetings	6,719	7,949
Other	<u>-</u>	<u>1,131</u>
	<u>14,431</u>	<u>24,775</u>
General		
Computer processing	65,586	63,484
Professional fees	29,670	30,670
Amortization of intangible assets	25,330	15,168
Other	6,630	12,839
Stationery and supplies	5,801	2,406
Cash and service charges	5,366	4,600
Insurance	4,746	4,419
Depreciation	3,913	6,792
RRSP administration fee	2,400	5,193
Marketing and advertising	<u>1,592</u>	<u>1,722</u>
	<u>151,034</u>	<u>147,293</u>
	<u>\$ 452,547</u>	<u>\$ 443,546</u>

The accompanying notes are an integral part of these financial statements.

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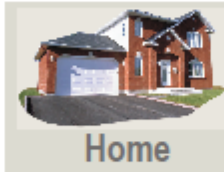
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The Personal refers to The Personal Insurance Company. Certain conditions, limitations and exclusions may apply. Savings and discounts are subject to eligibility conditions, may vary by jurisdiction and may not apply to all optional coverages. The terms and conditions of the coverages described are set out in the insurance policy, which always prevails. Auto insurance is not available in Manitoba, Saskatchewan and British Columbia due to government-run plans. † Source: Group progress report, September 2015. No purchase necessary. Contest ends on December 31, 2016 and the draw will take place on January 16, 2017. There is one (1) prize to be won; the winner may select an amount of \$30,000 (CAN) awarded in the form of gift vouchers to a home renovation or building supplier, exchangeable for eco-friendly products or eco-friendly renovations; or a cheque for \$30,000 (CAN). The winner will be responsible for selecting suppliers — upon approval by The Personal — and coordinating all work. Chances of winning depends upon the number of quotes received and the number of policies in force with The Personal on December 31, 2016. The winner must correctly answer a skill-testing question to receive the prize. Full contest rules and details available at thepersonal.com/mywinningquote.

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