

TransCanada Credit Union Limited  
**2013 Annual Report**



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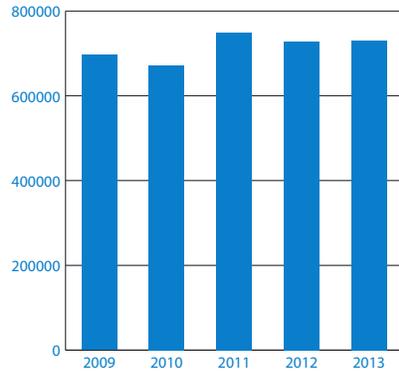


# Financial Highlights for 2013

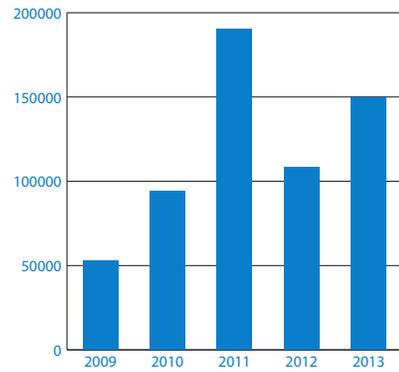
	2013	2012
Membership	2461	2587
Assets	\$23,950,965	\$22,271,689
Shares	\$711,016	\$602,079
Savings	\$16,222,760	\$15,186,466
Terms	\$2,449,537	\$2,016,900
RRSP's	\$3,273,186	\$3,281,784
Loans	\$7,802,544	\$8,788,894
Mortgages	\$7,074,133	\$8,505,648
Dividend paid to members	5.00%	5.00%



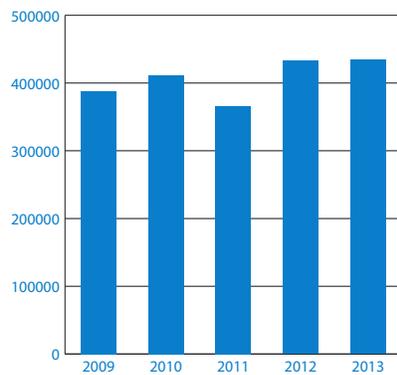
### Total Financial Income



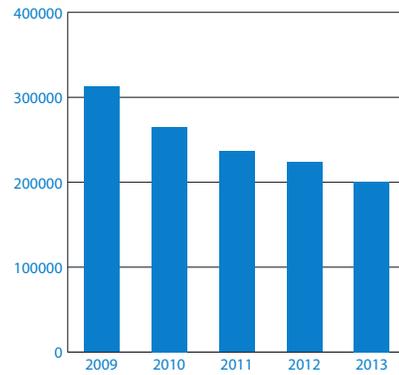
### Income before Income Taxes



### Total Operating Expenses



### Total Financial Expenses



### Deposit Accounts



# Board of Directors and Credit Union Staff

## Board of Directors



President – Jane Gill



Vice President – Zafir Samoylove



Secretary – Lorraine MacAulay



Wayne Rumsey



Lora Manning



Doug Slater



Rob Nowakowsky

## Staff



Neil Davison



Debbie Letendre



Lori Chang-Foidl

## President's Message



President: Jane L.S. Gill

The year ended October 31, 2013 was a stable year, with the Bank of Canada rate continuing to be low. This is an advantage to our borrowing customers but narrows the margins between lending and borrowing/savings rates. In 2013, we focused efforts on bringing in new members while providing disciplined and controlled services to ensure that the Credit Union will remain stable and available for all members into the future.

Member service continues to be our key priority, treating you with respect and integrity. We strive to provide the best possible service to members with the delivery of financial services - lending, investment and deposit services. We are proud to provide accessible superior personal services.

Again this year, we were pleased to pay out a dividend rate of 5% continuing our trend of successive dividends for many years. This rewards all our members and allows for reinvestment in the Credit Union to ensure the ongoing stability.

I extend thanks and appreciation to the team that serves the Credit Union. 2013 welcomed a new General Manager to the Credit Union - Neil Davison joined the organization in May, and he has been striving to provide excellent service ever since. Debbie Letendre and Lori Chang-Foidl continue to be your front-line contacts for services, greeting you with a smile and great service.

I commend the Board on their continued service this year, with continuation of long-serving members as well as recent additions that bring a variety of skills and attributes that bring great benefit and balance to the Board. We say goodbye to three members of the Board – Lorraine MacAulay, Lora Manning and me, Jane Gill. It has been a pleasure to work with the Credit Union for all of us.

The Board is eager to continue working for the membership, and we encourage you to share your thoughts on how to serve you better. We thank you for your patronage and look forward to continuing to provide service into the future.

On behalf of the Credit Union team and Board of Directors,

A handwritten signature in black ink, appearing to be 'JL Gill', written in a cursive style.

Jane L.S. Gill

Chairman and President

# General Manager's Report

It is my privilege to welcome you to the 2013 Annual General Meeting of TransCanada Credit Union Ltd.

Despite continued external pressures on our financial performance, such as low interest rates and increasing competition, we are pleased to advise that your Credit Union continues to be successful and committed to meeting the changing needs and expectations of our membership and providing industry competitive financial products.

Because of this, even in this challenging environment, we were able to grow our asset-base by over 7.5% over the last 12 months.

Pre-tax income was up 37.93% over 2012, as we continue to attempt to control costs and maximize income streams.

Our capital to asset position remains strong at around 8%, compared to the legislative minimum requirements of 4%, and our liquidity remains well above the requirements of the Credit Union Act.

We were also pleased to pay a member share dividend of 5% once again this year, along with adding around \$100,000 to our continually strengthening retained earnings position.

So overall, we had some positive results in 2013 and this can be directly attributed to the continued support we receive from you, our members.

I would like to take this opportunity to thank the staff of the credit union, Debbie and Lori, who were instrumental in helping to continue to provide the value-added service you, as members, are accustomed to.

I would also like to thank 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.

Respectfully,



Neil Davison

General Manager



General Manager: Neil Davison

# Report of the Audit and Finance Committee



Chairperson – Lorraine MacAulay



Doug Slater



Lora Manning

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 the requirements of liquidity, capital adequacy and interest rate management.

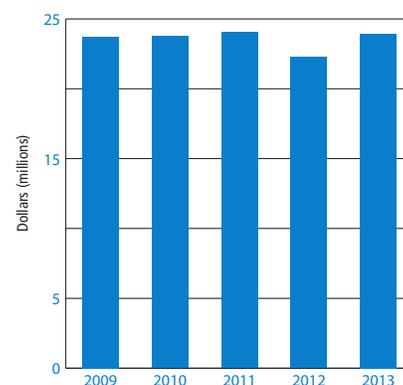
The committee reports directly to the Board of Directors and issues reports and makes recommendations to the Board and Management, as appropriate, with respect to the responsibilities noted above. In the event that recommendations have been made, follow up is undertaken to ensure the recommendations 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.

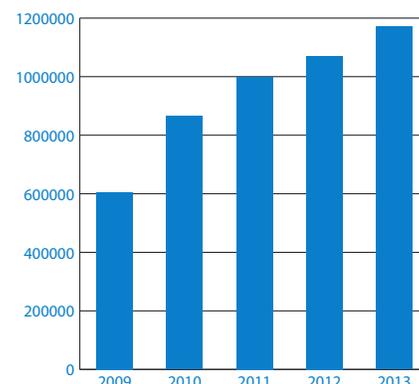
I extend my thanks to the members of the Audit and Finance Committee for their hard work and dedication over the past year.

Lorraine MacAulay  
 Chairperson  
 Audit and Finance Committee

## Assets



## Retained Earnings



# Report of the Credit Committee



Chairman – Wayne Rumsey



Zafir Samoylove



Rob Nowakowsky

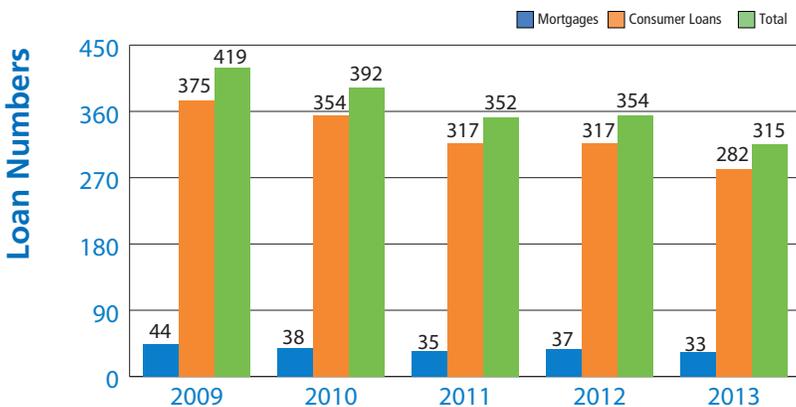
The Credit Committee’s primary responsibility is to review and provide approval of loan applications presented in excess of the General Manager’s lending limit, ensuring adherence to the Credit union’s Lending Policy.

As of October 31 2013, the total loan portfolio for the TransCanada Credit Union was valued at \$14.9 million, representing 33 mortgage and 282 loans.

Despite the decrease in the loan portfolio, we remain confident that notwithstanding the numerous challenges that face our Credit Union, including the low interest rate environment and continued increase in competition, by developing and executing a concerted marketing and awareness strategy should see a turnaround in this trend.



2013	
Total of Loans Approved	<b>89</b>
Total Amount Advanced	<b>\$2,760,469</b>



# 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 \$156 billion and serve over 5 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 336 credit unions in Canada.

Collectively, they have (Q2, 2013 statics) :

- 1,759 locations
- Over 5.3 million members
- \$156.3 billion in assets
- \$128.9 billion in deposits
- \$120.7 billion in loans
- 27,600 employees

## 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, 2013 and the statements of net income and comprehensive income, changes in members' equity, and cash flows for the year ended October 31, 2013, 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, 2013 and its financial performance and cash flows for the year ended October 31, 2013 in accordance with International Financial Reporting Standards.

Edmonton, Alberta  
January 24, 2014



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Chartered Accountants

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## **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 24, 2014



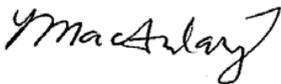
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Neil Davison  
General Manager

**TRANSCANADA CREDIT UNION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT OCTOBER 31, 2013**

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 282,273	\$ 172,825
Investments (Note 5)	8,730,364	4,702,256
Income taxes receivable	908	8,071
Members' loans receivable (Note 7)	14,885,012	17,301,726
Other assets	24,671	44,853
Property and equipment (Note 8)	14,376	21,168
Intangible assets (Note 9)	<u>10,398</u>	<u>20,790</u>
	<u>\$ 23,948,002</u>	<u>\$ 22,271,689</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 49,121	\$ 43,934
Members' deposits (Note 11)	<u>21,985,601</u>	<u>20,527,031</u>
	<u>22,034,722</u>	<u>20,570,965</u>
<b>MEMBERS' EQUITY</b>		
Allocation distributable	31,698	28,068
Members' shares (Note 12)	711,017	602,079
Retained earnings	<u>1,170,565</u>	<u>1,070,577</u>
	<u>1,913,280</u>	<u>1,700,724</u>
	<u>\$ 23,948,002</u>	<u>\$ 22,271,689</u>

**ON BEHALF OF THE BOARD:**



\_\_\_\_\_  
 Director



\_\_\_\_\_  
 Director

**TRANSCANADA CREDIT UNION LIMITED**  
**STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED OCTOBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>INTEREST INCOME</b>		
Interest from member loans	\$ 593,314	\$ 657,810
Investment income	<u>145,472</u>	<u>70,181</u>
	738,786	727,991
<b>INTEREST EXPENSE</b>		
Interest on member deposits	<u>207,736</u>	<u>223,375</u>
<b>NET INTEREST INCOME</b>	531,050	504,616
<b>PROVISION FOR LOAN IMPAIRMENT (NOTE 7)</b>	<u>-</u>	<u>-</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT</b>	531,050	504,616
<b>OTHER INCOME</b>	51,335	36,084
<b>LOAN RECOVERIES</b>	<u>1,092</u>	<u>720</u>
<b>NET INTEREST AND OTHER INCOME</b>	583,477	541,420
<b>OPERATING EXPENSES (SCHEDULE 1)</b>	<u>433,926</u>	<u>432,994</u>
<b>INCOME BEFORE INCOME TAXES</b>	149,551	108,426
<b>INCOME TAXES (NOTE 10)</b>		
Current	<u>17,865</u>	<u>8,605</u>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<u>\$ 131,686</u>	<u>\$ 99,821</u>

**TRANSCANADA CREDIT UNION LIMITED**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED OCTOBER 31, 2013**

	<u>Allocation Distributable</u>	<u>Members' Shares</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE, OCTOBER 31, 2012</b>	<b>28,068</b>	<b>602,079</b>	<b>1,070,577</b>	<b>1,700,724</b>
Net income and comprehensive income	-	-	131,686	131,686
Member share dividends (5%)	31,698	-	(31,698)	-
Previous year's dividend paid through issuance of member shares	(28,068)	28,068	-	-
Issuance of member shares	-	123,941	-	123,941
Redemption of member shares	-	(43,071)	-	(43,071)
<b>BALANCE, OCTOBER 31, 2013</b>	<b><u>\$ 31,698</u></b>	<b><u>\$ 711,017</u></b>	<b><u>\$ 1,170,565</u></b>	<b><u>\$ 1,913,280</u></b>

**TRANSCANADA CREDIT UNION LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES:</b>		
<b>Operating Activities</b>		
Interest received from members' loans	\$ 592,164	\$ 660,108
Interest received from investments	65,041	74,821
Dividends received	77,323	6,724
Other income received	51,335	36,084
Interest paid to members	(211,720)	(232,830)
Income taxes received (paid)	(10,703)	(39,380)
Net operating expenses paid	<u>(386,650)</u>	<u>(418,419)</u>
	<u>176,790</u>	<u>87,108</u>
<b>Investing Activities</b>		
Net change in members' loans receivable	2,417,864	(949,175)
Net change in investments	(4,025,000)	2,900,000
Purchase of property and equipment	-	(27,960)
Purchase of intangible assets	<u>-</u>	<u>(31,182)</u>
	<u>(1,607,136)</u>	<u>1,891,683</u>
<b>Financing Activities</b>		
Issue of members' shares	152,009	100,937
Member share dividends paid	(31,698)	(28,068)
Redemption of members' shares	(43,071)	(39,993)
Net change in members' deposits	<u>1,462,554</u>	<u>(1,870,777)</u>
	<u>1,539,794</u>	<u>(1,837,901)</u>
<b>NET CASH AND CASH EQUIVALENTS INCREASE</b>	<b>109,448</b>	<b>140,890</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>172,825</b></u>	<u><b>31,935</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 282,273</b></u>	<u><b>\$ 172,825</b></u>

## TRANSCANADA CREDIT UNION LIMITED

### NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

#### 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.

#### 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 have been approved and authorized for issue by the Board of Directors on January 24, 2014.

##### ***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, 2013****3. SUMMARY OF 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.

***Members' 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, 2013

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 comprehensive income at that time.

**TRANSCANADA CREDIT UNION LIMITED****NOTES TO FINANCIAL STATEMENTS****OCTOBER 31, 2013****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.

***Members' shares***

Members' 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, 2013**

**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 available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year there has been no reclassification of financial instruments.

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 cash and cash equivalents and members' 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 members' 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, 2013

**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, 2013

#### 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 18.

##### ***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, 2013**5. INVESTMENTS**

	<u>2013</u>	<u>2012</u>
<b>Credit Union Central Alberta</b>		
Term deposits	\$ 8,150,000	\$ 4,075,000
Shares	310,288	310,288
<b>Other</b>		
Term deposits	<u>250,000</u>	<u>300,000</u>
	<b>8,710,288</b>	4,685,288
<b>Accrued interest</b>	<u>20,076</u>	<u>16,968</u>
	<u><b>\$ 8,730,364</b></u>	<u><b>\$ 4,702,256</b></u>

All term deposits mature within one year with interest rates ranging from 0.90% to 1.86%. 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, 2013, the Credit Union had \$NIL outstanding on its operating demand loan (2012 - 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, 2013, the Credit Union had \$NIL outstanding on its term loan (2012 - \$NIL).

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

7. MEMBERS' LOANS RECEIVABLE

	<u>Principal Performing</u>	<u>Individual Allowance</u>	<u>Collective Allowance</u>	<b>2013 Net</b>
Consumer loans	\$ 7,802,545	\$ -	\$ -	\$ 7,802,545
Residential mortgages	<u>7,074,133</u>	<u>-</u>	<u>-</u>	<u>7,074,133</u>
	14,876,678	-	-	14,876,678
Accrued interest	<u>8,334</u>	<u>-</u>	<u>-</u>	<u>8,334</u>
	<u>\$ 14,885,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,885,012</u>
	<u>Principal Performing</u>	<u>Individual Allowance</u>	<u>Collective Allowance</u>	<b>2012 Net</b>
Consumer loans	\$ 8,788,894	\$ -	\$ -	\$ 8,788,894
Residential mortgages	8,308,171	-	-	8,308,171
Foreclosed assets	<u>197,477</u>	<u>-</u>	<u>-</u>	<u>197,477</u>
	17,294,542	-	-	17,294,542
Accrued interest	<u>7,184</u>	<u>-</u>	<u>-</u>	<u>7,184</u>
	<u>\$ 17,301,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,301,726</u>

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013**7. MEMBERS' 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 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91 Days and Greater</u>	<u>2013 Total</u>
Consumer loans	\$ <u>57</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,778</u>	\$ <u>12,835</u>

	<u>1-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91 Days and Greater</u>	<u>2012 Total</u>
Consumer loans	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,706</u>	\$ <u>7,706</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>2013</u>	<u>2012</u>
Loans secured by real property	\$ <u>12,262,416</u>	\$ 14,294,937
Loans secured by other assets	<u>1,955,468</u>	2,272,844
Unsecured	<u>658,794</u>	<u>726,761</u>
	<u>\$ 14,876,678</u>	<u>\$ 17,294,542</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, 2013.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

8. PROPERTY AND EQUIPMENT

	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>	<u>Total</u>
<b>COST:</b>			
Balance at October 31, 2012	18,359	38,131	56,490
Additions	-	-	-
<b>Balance at October 31, 2013</b>	<b><u>\$ 18,359</u></b>	<b><u>\$ 38,131</u></b>	<b><u>\$ 56,490</u></b>
<b>ACCUMULATED DEPRECIATION:</b>			
Balance at October 31, 2012	3,600	31,722	35,322
Depreciation expense	3,600	3,192	6,792
<b>Balance at October 31, 2013</b>	<b><u>\$ 7,200</u></b>	<b><u>\$ 34,914</u></b>	<b><u>\$ 42,114</u></b>
<b>NET BOOK VALUE:</b>			
October 31, 2012	<u>\$ 14,759</u>	<u>\$ 6,409</u>	<u>\$ 21,168</u>
<b>October 31, 2013</b>	<b><u>\$ 11,159</u></b>	<b><u>\$ 3,217</u></b>	<b><u>\$ 14,376</u></b>

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013**9. INTANGIBLE ASSETS**

	<u>2013</u>	<u>2012</u>
<b>COST:</b>		
Balance, Beginning of Year	\$ 170,813	\$ 139,631
Additions	<u>-</u>	<u>31,182</u>
Balance, End of Year	<u>170,813</u>	<u>170,813</u>
<b>ACCUMULATED DEPRECIATION:</b>		
Balance, Beginning of Year	150,023	139,631
Depreciation expense	<u>10,392</u>	<u>10,392</u>
Balance, End of Year	<u>160,415</u>	<u>150,023</u>
<b>NET BOOK VALUE</b>	<u>\$ 10,398</u>	<u>\$ 20,790</u>

**10. INCOME TAXES**

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

	<u>2013</u>	<u>2012</u>
Current income tax expense		
Based on current year taxable income	\$ 17,865	\$ 8,605
Deferred income tax expense		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
Total income tax expense	<u>\$ 17,865</u>	<u>\$ 8,605</u>

The total provision for income taxes in the statement of comprehensive income is a different rate than the combined federal and provincial statutory income tax rates for the following reasons:

	<u>2013</u>	<u>2012</u>
Combined federal and provincial statutory income tax rates	14.0%	14.0%
Non-deductible expenses and other	<u>(2.1)%</u>	<u>(6.1)%</u>
Income taxes as reported	<u>11.9%</u>	<u>7.9%</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

11. MEMBERS' DEPOSITS

	<u>2013</u>	<u>2012</u>
Participatory Savings	\$ 16,217,712	\$ 15,186,466
Registered Retirement Savings Plans	3,273,186	3,281,784
Term deposits	<u>2,456,805</u>	<u>2,016,900</u>
	21,947,703	20,485,150
Accrued interest payable	<u>37,898</u>	<u>41,881</u>
	<u>\$ 21,985,601</u>	<u>\$ 20,527,031</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 members' 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, 2013.

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013**12. MEMBERS' 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.

**13. 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 members' deposits.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

14. 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 members' loans receivable to KMP are as follows:

	<u>2013</u>	<u>2012</u>
Total loans advanced	\$ -	\$ -
Total lines of credit advanced	289,974	291,898
Unused value of lines of credit	<u>172,665</u>	<u>165,102</u>
Total	<u>\$ 462,639</u>	<u>\$ 457,000</u>

**Deposits**

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

The total value of members' deposits from KMP are as follows:

	<u>2013</u>	<u>2012</u>
Savings deposits	\$ 101,472	\$ 73,856
Registered plans	<u>6,181</u>	<u>33,433</u>
	<u>\$ 107,653</u>	<u>\$ 107,289</u>

**Common Shares**

The total members' shares held by KMP are as follows:

	<u>2013</u>	<u>2012</u>
Common shares	<u>\$ 9,326</u>	<u>\$ 9,395</u>

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

## 14. RELATED PARTY TRANSACTIONS (CONTINUED)

***Income and Expense***

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

	<u>2013</u>	<u>2012</u>
Interest and other revenue earned on loans	<u>\$ 11,643</u>	<u>\$ 11,192</u>
Interest on deposits	<u>\$ 621</u>	<u>\$ 859</u>
Dividend paid on common shares	<u>\$ 399</u>	<u>\$ 399</u>

***Remuneration***

Total compensation of KMP is as follows:

	<u>2013</u>	<u>2012</u>
Salaries and short-term benefits	<u>\$ 173,321</u>	<u>\$ 158,760</u>

There was no compensation for post-employment benefits, long-term benefits, or share-based compensation during 2013 or 2012.

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, 2013

#### 15. 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.

<b>Activity</b>	<b>Risks</b>	<b>Method of managing risks</b>
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, 2013**15. 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:

- Static gap analysis which aggregates cash flows into repricing periods based on the maturity dates of the assets and liabilities.
- 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.
- 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, 2013. 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, 2013

	<u>Floating Rate</u>	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Non-Rate Sensitive</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 275,036	\$ -	\$ -	\$ 7,237	\$ 282,273
<i>Effective Interest Rate</i>	0.25%	0.00%	0.00%	0.00%	0.24%
Investments	-	8,400,000	-	330,364	8,730,364
<i>Effective Interest Rate</i>	0.00%	1.02%	0.00%	0.00%	0.98%
Members' loans	12,570,345	536,025	1,757,306	21,336	14,885,012
<i>Effective Interest Rate</i>	3.78%	3.81%	3.89%	0.00%	3.79%
Other	-	-	-	50,353	50,353
	<u>12,845,381</u>	<u>8,936,025</u>	<u>1,757,306</u>	<u>409,290</u>	<u>23,948,002</u>
<b>Liabilities</b>					
Members' deposits	16,726,842	2,711,058	2,509,803	37,898	21,985,601
<i>Effective Interest Rate</i>	0.74%	1.31%	2.31%	0.00%	0.99%
Other	-	-	-	49,121	49,121
Equity	-	-	-	1,913,280	1,913,280
	<u>16,726,842</u>	<u>2,711,058</u>	<u>2,509,803</u>	<u>2,000,299</u>	<u>23,948,002</u>
Net gap	<u>\$ (3,881,461)</u>	<u>\$ 6,224,967</u>	<u>\$ (752,497)</u>	<u>\$ (1,591,009)</u>	<u>\$ -</u>

As At October 31, 2012

Net gap	<u>\$ (915,970)</u>	<u>\$ 2,632,749</u>	<u>\$ (366,799)</u>	<u>\$ (1,349,980)</u>	<u>\$ -</u>
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TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

15. 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>2013</u>	<u>2012</u>
On balance sheet exposure		
Investments	\$ 8,730,364	\$ 4,702,256
Loans	14,885,012	17,301,726
Off balance sheet exposure		
Commitments to extend credit		
Original terms to maturity of 1 year or less	<u>5,953,834</u>	<u>5,115,706</u>
	<u>\$ 29,569,210</u>	<u>\$ 27,119,688</u>

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.

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013**15. RISK MANAGEMENT (CONTINUED)*****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 10% at October 31, 2013 (2012 – 10.3%).

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 financial instruments. Price risk is not considered significant at this time.

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

16. 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.

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.

The Credit Union's capital includes:

	<u>2013</u>	<u>2012</u>
Retained earnings	\$ 1,170,565	\$ 1,070,577
Common shares	711,017	602,079
Allocation distributable	31,698	28,068
Intangible assets	<u>(10,398)</u>	<u>(20,790)</u>
	<u>\$ 1,902,882</u>	<u>\$ 1,679,934</u>

As at October 31, 2013 the Credit Union's total capital as a percent of assets was 8% (2012 – 7.5%) and the total capital as a percent of risk weighted assets was 21.5% (2012 – 16.8%). Therefore, the Credit Union has exceeded its minimum capital requirement at October 31, 2013.

## TRANSCANADA CREDIT UNION LIMITED

## NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013**17. FINANCIAL ASSETS AND LIABILITIES**

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

	<u>October 31, 2013</u>				
	<u>Available-for-Sale</u>	<u>Held-to-Maturity</u>	<u>Loans and Receivables</u>	<u>Other Financial Liabilities</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ -	\$ 282,273	\$ -	\$ 282,273
Investments (Note 5)	310,288	8,420,076	-	-	8,730,364
Members' loans	-	-	14,885,012	-	14,885,012
Accounts payable and accrued liabilities	-	-	-	(49,121)	(49,121)
Members' deposits	-	-	-	(21,985,601)	(21,985,601)
	<u>\$ 310,288</u>	<u>\$ 8,420,076</u>	<u>\$ 15,167,285</u>	<u>\$ (22,034,722)</u>	<u>\$ 1,862,927</u>

	<u>October 31, 2012</u>				
	<u>Available-for-Sale</u>	<u>Held-to-Maturity</u>	<u>Loans and Receivables</u>	<u>Other Financial Liabilities</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ -	\$ 172,825	\$ -	\$ 172,825
Investments (Note 5)	310,288	4,391,968	-	-	4,702,256
Members' loans	-	-	17,301,726	-	17,301,726
Accounts payable and accrued liabilities	-	-	-	(43,934)	(43,934)
Members' deposits	-	-	-	(20,527,031)	(20,527,031)
	<u>\$ 310,288</u>	<u>\$ 4,391,968</u>	<u>\$ 17,474,551</u>	<u>\$ (20,570,965)</u>	<u>\$ 1,605,842</u>

TRANSCANADA CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013

**18. 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>2013</u>			<u>2012</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	\$ 282,273	\$ 282,273	\$ -	\$ 172,825	\$ 172,825	\$ -
Investments	8,730,364	8,730,364	-	4,702,256	4,702,256	-
Members' loans	14,915,187	14,885,012	30,175	17,343,650	17,301,726	41,924
Other	50,353	50,353	-	94,882	94,882	-
	<u>\$ 23,978,177</u>	<u>\$ 23,948,002</u>	<u>\$ 30,175</u>	<u>\$ 22,313,613</u>	<u>\$ 22,271,689</u>	<u>\$ 41,924</u>
Liabilities						
Members' deposits	\$ 22,034,041	\$ 21,985,601	\$ 48,440	\$ 20,596,959	\$ 20,527,031	\$ 69,928
Other liabilities	49,121	49,121	-	43,934	43,934	-
	<u>\$ 22,083,162</u>	<u>\$ 22,034,722</u>	<u>\$ 48,440</u>	<u>\$ 20,640,893</u>	<u>\$ 20,570,965</u>	<u>\$ 69,928</u>
	<u>\$ 1,895,015</u>	<u>\$ 1,913,280</u>	<u>\$ (18,265)</u>	<u>\$ 1,672,720</u>	<u>\$ 1,700,724</u>	<u>\$ (28,004)</u>

## TRANSCANADA CREDIT UNION LIMITED

## SCHEDULE 1

## SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED OCTOBER 31, 2013

	<u>2013</u>	<u>2012</u>
Personnel	<u>\$ 229,831</u>	<u>\$ 212,723</u>
Security		
Deposit guarantee assessment	31,933	32,047
Bonding	<u>5,800</u>	<u>7,427</u>
	<u>37,733</u>	<u>39,474</u>
Organization		
Credit Union Central dues	15,558	14,132
Meetings	4,913	5,032
Other	<u>1,537</u>	<u>2,209</u>
	<u>22,008</u>	<u>21,373</u>
General		
Computer processing	62,400	81,499
Professional fees	33,535	27,900
Other	10,970	6,383
Amortization of intangible assets	10,392	10,392
Depreciation	6,792	6,792
RRSP administration fee	6,356	6,899
Insurance	5,398	4,127
Cash and service charges	4,409	4,743
Stationery and supplies	2,862	5,985
Marketing and advertising	<u>1,240</u>	<u>4,704</u>
	<u>144,354</u>	<u>159,424</u>
	<u>\$ 433,926</u>	<u>\$ 432,994</u>

# 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. Withdrawals may be made at any time from variable RRSP's but are subject to withholding tax and a fee for withdrawals in excess of two per year.

## 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, to a maximum of \$10,000 and a home equity line of credit secured with an Alberta property.

## Mortgages

The Credit Union offers Alberta property mortgages for primary residences, townhouses, or condominiums. We offer competitive rates for open and closed term mortgages. Closed term mortgages are available up to 5 years. Mortgage transfers from other financial institutions are processed at no cost to applicants.

## 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](http://www.TransCanadaCreditUnion.com)

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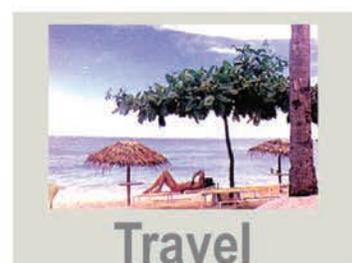
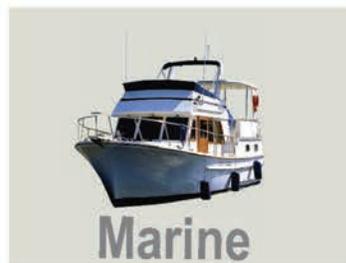
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TransCanada Credit Union Limited

# 2013 Annual Report

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