Credit Union Central of Manitoba Limited

Consolidated Financial Statements
December 31, 2018

(in thousands of Canadian dollars)

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Independent auditor's report

To the Members of Credit Union Central of Manitoba Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central of Manitoba Limited and its subsidiary (together, the Organization) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Organization's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and comprehensive income (loss) for the year then ended;
- the consolidated statement of members' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
February 27, 2019

Credit Union Central of Manitoba Limited
Consolidated Statement of Financial Position
As at December 31

(in thousands of Canadian dollars)

	2018	2017
Assets		
Liquidity pool (note 4)	3,801,997	3,756,508
Derivative financial instruments	9,712	8,807
Income taxes recoverable (note 5)	6,763	-
Intermediation pool (note 6)	63,008	163,945
Property and equipment (note 7)	14,752	15,030
Other assets	339	3,013
Deferred income taxes (note 5)	6,885	-
	3,903,456	3,947,303
Liabilities		
Accounts payable	7,800	7,577
Income taxes payable (note 5)	-	4,855
Members' deposits	3,318,656	3,394,364
Obligations under repurchase agreements	201,906	168,676
Derivative financial instruments	91,396	71,577
Deferred income taxes (note 5)	-	1,810
	3,619,758	3,648,859
Members' equity		
Share capital (note 8)	231,666	223,184
Accumulated other comprehensive income	-	15,005
Retained earnings	52,032	60,255
	283,698	298,444
	3,903,456	3,947,303

Approved by the Board of Directors

_________________ Director _________________ Director

Credit Union Central of Manitoba Limited
Consolidated Statement of Operations and Comprehensive Income (Loss)
For the year ended December 31

(in thousands of Canadian dollars)

		2018		2017
Financial revenue				
Liquidity pool		105,156		99,728
Intermediation pool		1,249		693
		106,405		100,421
Cost of funds		56,204		34,872
		50,201		65,549
Unrealized losses on non-derivative financial instruments (note 9)		(14,292)		(36,330)
Unrealized gains (losses) on derivative financial instruments (note 9)	(18,358)		79,059	
Net cost of derivative financial instruments (note 9)	(15,038)	(33,396)	(27,124)	51,935
		(47,688)		15,605
Financial margin		2,513		81,154
Other income				
Share of Celero's income (note 3 g) iii))		2,145		1,132
Share of NEI's income (note 3 g) iii))		119		387
Share of CCWH's income (note 3 g) iii))		134		-
Rental income – net (note 11)		569		442
Net operating recovery (expense) (note 10)		191		(548)
		3,158		1,413
Income before credit union patronage distributions		5,671		82,567
Credit union distributions				
Financial margin distribution		(29,773)		(33,226)
Distribution of Celero's income (note 3 g) iii))		(2,145)		(1,132)
Distribution of NEI's income (note 3 g) iii))		(119)		(387)
		(32,037)		(34,745)
Income (loss) before income taxes		(26,366)		47,822
Income tax expense (recovery) (note 5)		(8,565)		7,180
Net income (loss) for the year		(17,801)		40,642
Other comprehensive income				
Net gains on equity instruments designated as fair value through other comprehensive income		-		13,780
Comprehensive income (loss)		(17,801)		54,422

Credit Union Central of Manitoba Limited
Consolidated Statement of Members' Equity
For the year ended December 31

(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2016	234,184	1,225	24,898	260,307
Net income for the year	-	13,780	40,642	54,422
Dividends to members	-	-	(5,285)	(5,285)
Members' shares redeemed (note 8)	(11,000)	-	-	(11,000)
Balance at December 31, 2017	223,184	15,005	60,255	298,444
Changes in initial application of IFRS 9 (note 3 a))	-	(15,005)	15,005	-
Restated balance at January 1, 2018	223,184	-	75,260	298,444
Net loss for the year	-	-	(17,801)	(17,801)
Dividends to members	-	-	(5,427)	(5,427)
Members' shares issued (note 8)	8,482	-	-	8,482
Balance at December 31, 2018	231,666	-	52,032	283,698

Credit Union Central of Manitoba Limited

Consolidated Statement of Cash Flows

For the year ended December 31

(in thousands of Canadian dollars)

	2018	2017
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	(17,801)	40,642
Items not affecting cash		
Unrealized losses (gains) on FVTPL financial instruments	32,650	(42,729)
Depreciation of property and equipment (note 7)	1,277	1,512
Loss on disposal of property and equipment (note 7)	55	-
Deferred income tax expense (recovery)	(8,671)	265
Decrease (increase) in liquidity pool assets	(136,623)	98,546
Net change in derivative financial instruments	556	110,718
Decrease (increase) in intermediation pool assets	106,477	(124,616)
Decrease in members' deposits	(75,312)	(238,219)
Increase in obligations under repurchase agreements	33,197	168,718
Net change in other assets and accounts payable	(8,745)	1,931
	(72,940)	16,768
Investing activities		
Acquisition of property and equipment (note 7)	(1,054)	(1,302)
	(1,054)	(1,302)
Financing activities		
Members’ shares issued (redeemed) (note 8)	8,482	(11,000)
Dividends to members	(5,427)	(5,285)
	3,055	(16,285)
Decrease in cash	(70,939)	(819)
Cash - Beginning of year	8,053	8,872
Cash (overdraft) - End of year	(62,886)	8,053
Supplementary cash flow information		
Income tax paid	12,113	4,094
Income tax received	17	76

(in thousands of Canadian dollars)

1 General information

Credit Union Central of Manitoba Limited (the "Organization") is incorporated under *The Credit Unions And Caisses Populaires Act* ("CUCP Act") of Manitoba and is domiciled in Canada. The address of its registered office is 317 Donald St., Winnipeg, Manitoba, Canada. The Organization is the trade association and is a service provider to Manitoba credit unions. The Organization manages liquidity reserves, monitors credit granting procedures and provides trade services in areas such as corporate governance, government relations, representation, and advocacy. The Organization also provides payment and settlement services, banking, treasury, human resources, market research, communications, marketing, planning, lending, product/service research and development, and business consulting services to Manitoba credit unions. Manitoba credit unions jointly own the Organization and the Organization's operations are financed through assessments and fee income.

2 Basis of preparation

The Organization prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as defined in Part 1 of the CPA Canada Handbook - Accounting (International Financial Reporting Standards ("IFRS")), except as otherwise specified by the Financial Institutions Regulation Branch of Manitoba ("FIRB"). The significant accounting policies used in the preparation of the consolidated financial statements are summarized below.

These consolidated financial statements were approved by the Board of Directors for issue on February 28, 2019.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Changes in accounting policies

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which replaces International Accounting Standards ("IAS") 11 Construction Contracts, IAS 18 Revenue and various interpretations. Amendments to IFRS 15 were issued in September 2015 and April 2016. IFRS 15 establishes principles about the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. IFRS 15 requires entities to recognize revenue to reflect the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. Financial instruments and revenues arising from those contracts are not within the scope of this standard. Furthermore, lease revenues are also not within the scope of this standard. The Organization adopted IFRS 15 on a retrospective basis and no adjustmetns on transition were recognized.

(in thousands of Canadian dollars)

IFRS 9 Financial Instruments

The Organization has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. As permitted by the transition provisions of IFRS 9, the Organization elected not to restate comparative figures. Any adjustments to the carrying amounts of financial asset and liabilities at the date of transition were recognized in opening retained earnings and other reserves in the current period. Consequently, for note disclosures, the resulting amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Organization's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, Financial Instruments: Disclosures.

Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Organization. Details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below:

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39		**IFRS 9**	
Financial assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash	Amortized cost (Loans and Receivables)	8,053	Amortized cost	8,053
Debt instruments	Fair value through profit or loss ("FVTPL") (Held for trading)	3,748,455	FVTPL	3,748,455
Derivative financial instruments	FVTPL (Held for trading)	8,807	FVTPL (Mandatory)	8,807
Member loans	Amortized cost (Loans and Receivables)	134,757	Amortized cost	134,757

(in thousands of Canadian dollars)

	IAS 39		IFRS 9	
Mortgages	Amortized cost (Loans and Receivables)	1,388	Amortized cost	1,388
Shares in co-operatives	Available for sale	20,616	FVTPL	20,616
Financial liabilities	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Members' deposits	FVTPL	3,394,364	FVTPL	3,394,364
Obligations under repurchase agreements	FVTPL	168,676	FVTPL	168,676

There were no changes to the classification and measurement of financial liabilities, other than to changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in the instrument's credit risk, which are now presented in other comprehensive income (loss).

The Organization performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. There were no material reclassifications or reameasurements required upon adoption of IFRS 9 at January 1, 2018 based on the analysis performed. The Organization has elected to irrevocabably designate shares in co-operatives at FVTPL as permitted under IFRS 9, resulting in the reclassication of $15,005 previously recorded in accumulated other comprehensive income to retained earnings.

Financial assets and liabilities

Measurement methods - Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance, as applicable.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction

(in thousands of Canadian dollars)

costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. When the Organization revises the estimate of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate and any resultant changes in the carrying value are recognized in the statement of operations.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets which have become credit impaired for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Organization commits to purchase or sell the asset. At initial recognition, the Organization measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition an expected credit loss allowance (“ECL”) is recognized for financial assets measured at amortized cost.

Financial assets

From January 1, 2018 the Organization has applied IFRS 9 and classifies its financial assets using the following measurement categories:

- FVTPL;
- Fair value through other comprehensive income (“FVOCI”); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on the Organizations business model for managing the asset and the cash flow

(in thousands of Canadian dollars)

characteristics of the asset. Based on these factors the Organization classifies its debt instruements into one of the following three measurement categories:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest , and that are not designated as FVTPL, are measured at amortized cost The carrying amount of these assets is adjusted by any expected credit loss allowance recognized.

- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated as FVTPL, are measured at FVOCI. Changes in the carrying amount are recorded through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is de-recognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

- FVTPL – Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss.

Business model – The business model reflects how the Organization manages its assets in order to generate cash flows. That is, whether the Organization's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Organization include past experience on how the cash flows for such assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Organization assesses whether the cash flows represent solely payments of principal and interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Organization reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(in thousands of Canadian dollars)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay cash and have evidence of a residual interest in the issuer's net assets. The Organization subsequently measures all equity investments at FVTPL, except where the Organization's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. Fair value gains and losses for those investments are recognized in OCI and are not subsequently reclassified to profit or loss, including upon disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Organization's right to receive payment is established.

Impairment

The Organization assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Organization recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Decrecognitition

Financial assets are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either the Organization has transferred substantially all of the risk and rewards of ownership or the Organization neither transfers nor retains substantially all the risk and rewards of ownership and the Organization has not retained control. Collateral furnished by the Organization under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Organization retains substantially all of the risks and rewards due to the predetermined repurchase price.

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as FVTPL. This classification is applied to derivatives and members' deposits designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in other comprehensive income (the amount of

(in thousands of Canadian dollars)

change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to the changes in the credit risk of the liability are also presented in profit or loss.

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

b) Basis of measurement

The consolidated financial statements have been prepared using amortized cost, except for certain investments in liquidity pool assets, intermediation pool assets, members' deposits, obligations under repurchase agreements, and derivative financial instruments, which are all measured at FVTPL.

c) Consolidation

The financial statements consolidate the accounts of the Organization and its wholly owned subsidiary, 317 Donald Inc. Subsidiaries are those entities which the Organization controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

d) Investments in associates

Associates are entities over which the Organization exercises significant influence, but not control. The Organization accounts for its investment in associates using the equity method. The Organization's share of profits or losses of associates is recognized in the consolidated statement of operations.

Unrealized gains on transactions between the Organization and its associates are eliminated to the extent of the Organization's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests of the Organization in associates are recognized in the consolidated statement of operations.

For investments in associates, a significant or prolonged decline in fair value of the investment below its carrying value is evidence that the investment is impaired. The impairment loss is the difference between the carrying value and its recoverable amount at the measurement date. The recoverable amount is the higher of an investment's fair value less costs of disposal and its value in use.

(in thousands of Canadian dollars)

e) Recoveries from member credit unions

Recoveries from members is recognized on an accrual basis of accounting.

f) Rental income

Third-party rental income related to the operations of 317 Donald Inc. are disclosed separately in the consolidated statement of operations and comprehensive income (loss). Rental income is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

g) Financial instruments

Financial instruments, other than those required to be classified as held for trading, may be classified on a voluntary and irrevocable basis as FVTPL provided that such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the related gains and losses on different bases.

The Organization has met the above requirements and has elected to classify certain of its financial instruments as FVTPL as detailed below.

i. Liquidity pool

Investments held for trading

Financial instruments are classified as held for trading if they are a derivative or acquired principally for selling or repurchasing in the near term or managed together for which there is evidence of a recent pattern of short term profit taking. The Organization's derivative financial instruments are the only investments required to be classified as held for trading (note 3 g) ii).

Investments classified as FVTPL

These investments are recorded at their fair value initially using the trade date for recognizing transactions and thereafter based on inputs other than quoted prices that are observable either directly or indirectly. Interest income earned, amortization of premiums and discounts, dividends received as well as realized gains and losses are included in financial revenue - liquidity pool using the effective interest method. Gains and losses arising from subsequent market valuations are recognized in the consolidated statement of operations and comprehensive income (loss) in unrealized gains (losses) on non-derivative instruments.

Cash and cash equivalents

Cash and cash equivalents consists of cash, deposits and overdrafts with financial institutions. Bank overdrafts are included as a component of cash as they represent an integral part of the Organization's

(in thousands of Canadian dollars)

cash management. Cash and cash equivalents are classified as amortized cost, which is equivalent to fair value.

Transaction costs

All transaction costs are expensed as incurred for assets and liabilities classified as held for trading and classified as FVTPL. Transaction costs for all other financial assets are included in the initial carrying amount.

ii. Derivative financial instruments

Interest rate swap agreements

The Organization enters into interest rate swap agreements in order to manage its exposure to changes in interest rates.

Additionally, the Organization, in its role as a financial intermediary, enters into interest rate swap agreements with and at the direction of its members. Concurrently, the Organization enters into a mirroring counter agreement with a third party financial institution.

These agreements are recorded at their fair value based on a discounted cash flow methodology using observable market inputs. Cash flows on both the receiving and paying leg of the interest rate swap agreements are included in net cost of derivative financial instruments used to manage interest rate risk (note 16 c)). The fair value of interest rate swap agreements is recorded in derivative financial instruments assets or liabilities, as appropriate, on the consolidated statement of financial position with the corresponding gain or loss included in unrealized gains (losses) on derivative financial instruments.

Foreign exchange forward rate agreements

The Organization enters into foreign exchange forward rate agreements in order to manage its exposure to changes in foreign exchange rates.

Additionally, the Organization, in its role as a financial intermediary, also enters into foreign exchange forward rate agreements with and at the direction of its members. Concurrently, the Organization may enter into a mirroring counter agreement with a third party financial institution.

Foreign exchange forward rate agreements are recorded at their fair value based on a discounted cash flow methodology using observable market inputs. The fair value of foreign exchange forward rate agreements is recorded in derivative financial instruments assets or liabilities, as appropriate, on the consolidated statement of financial position with the corresponding gain or loss included in financial revenue - liquidity pool.

(in thousands of Canadian dollars)

Embedded derivatives

A derivative instrument may be embedded in another financial instrument ("the host instrument"). Embedded derivatives are treated as separate derivative financial instruments when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivatives are the same as those of a stand-alone derivative financial instrument, and the combined contract is not classified as held for trading or FVTPL. Embedded derivatives would be accounted for at fair value on the consolidated statement of financial position and changes in fair value would be recorded on the consolidated statement of operations and comprehensive income (loss). The Organization determined that no embedded derivatives require separation from the host instrument for the periods presented.

iii. Intermediation pool

Equity instruments are classified FVTPL and are initially recognized at fair value using the trade date for recognizing transactions.

All other instruments are classified as amortized cost using the effective interest method. Interest income earned is included in financial revenue - intermediation pool using the effective interest method. Dividends are recorded when declared.

Investment in Celero Solutions ("Celero")

Celero is an unincorporated operation domiciled in Canada that provides information technology services to the Organization, credit unions and other organizations. Pursuant to its agreement with the other investees, the Organization has a $33^1/_3$% ownership interest in Celero which in turn has a 49% ownership interest in Everlink Payment Services Inc. ("Everlink"), an incorporated entity that provides electronic switching services. The Organization accounts for its investment in Celero using the equity method.

Member credit unions that receive services through Celero are the beneficial owners of the Organization's interest therein. Accordingly, the Organization records an offsetting expense and an amount distributable to member credit unions equal to its share of Celero's net income. Conversely, should Celero incur a net loss from operations, the Organization records an offsetting contribution and an amount recoverable from its member credit unions.

Investment in Northwest & Ethical Investments L.P. ("NEI")

NEI was an incorporated mutual fund company domiciled in Canada and was accounted for as an available for sale investment in 2017. The Organization had a 4.96% ownership interest in NEI. On March 31, 2018, the owners of NEI merged the businesses of NEI, Credential Financial Inc. ("CFI"), and Qtrade Canada Inc. ("Qtrade") to form Aviso Wealth Inc. The Organization exchanged its ownership interest in NEI and CFI for an ownership interest in CU CUMIS Wealth Holdings Limited Partnership.

(in thousands of Canadian dollars)

Investment in CU CUMIS Wealth Holdings Limited Partnership ("CCWH")

CCWH is an investment limited partnership domiciled in Canada formed to hold the partners' interest in Aviso Wealth Inc. The partners of CCWH are the Organization, Central 1 Credit Union, Credit Union Central of Alberta, Credit Union Central of Saskatchewan, Atlantic Central, and The CUMIS Group. The Organization has a 6.61% ownership interest in CCWH and accounts for its investment using the equity method.

iv. Impairment of financial assets (IAS 39)

At each reporting date, the Organization assesses whether there is objective evidence that a financial asset, other than a financial asset classified as held for trading or FVTPL, is impaired.

The criteria used to determine if there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor; or

(ii) delinquencies in interest or principal payments; or

(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For an equity security, a significant or prolonged decline in the fair value of the security below its carrying value is also evidence that the asset is impaired. If such evidence exists, the Organization recognizes an impairment loss. The impairment loss is the difference between the carrying value of the asset and its fair value at the measurement date.

For financial assets carried at amortized cost, the impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

v. Members' deposits

Members' deposits are classified as FVTPL and recorded at their fair value initially using the trade date for recognizing transactions. Members' deposits are redeemable at the option of the member and are

(in thousands of Canadian dollars)

recorded at the amount payable on demand. The amount payable on demand is computed by discounting contractual cash flows as follows:

- for terms less than 13 months, using prevailing banker's acceptance rates offered by the Organization; and
- for terms greater than 13 months, using the corresponding market yield on Schedule 1 bank senior debt.

Interest expense is included in cost of funds using the effective interest method. Gains and losses arising from subsequent market valuations are recognized as unrealized gains (losses) on non-derivative instruments.

vi. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Organization currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Organization enters into various master netting agreements or other similar agreements that do not meet the criteria for offsetting in the consolidated statement of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of the contracts (note 18).

vii. Obligations under repurchase agreements

The Organization enters into short-term sales of securities under agreements to repurchase at predetermined prices and dates. The corresponding securities under these agreements continue to be recorded in liquidity pool assets on the consolidated statement of financial position. The obligations are classified as FVTPL and are recorded at fair value initially and thereafter using the trade date for recognizing transactions. These agreements are treated as collateralized borrowing transactions. Interest incurred on the obligation is reported in cost of funds using the effective interest method.

h) Income taxes

The asset and liability method is used to account for deferred income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in the consolidated statement of operations and comprehensive income (loss) in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that realization is considered probable. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(in thousands of Canadian dollars)

i) Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses with the exception of land which is not depreciated. Depreciation is recognized by the Organization at rates and on bases determined to charge the cost of property and equipment over its estimated useful life using the straight-line method as follows:

Technology	3 to 10 years
Furniture and equipment	5 to 10 years
Leasehold improvements	remaining term of the lease
Building	50 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Costs for property and equipment under development include direct development costs. Direct development costs include overhead and interest, as applicable. Capitalization of costs ceases and depreciation commences when the property and equipment is available for use.

j) Foreign currency translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in financial margin.

k) Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Organization (an “operating lease”) the total rentals payable under the lease are charged on a straight line basis to the consolidated statement of operations and comprehensive income (loss) over the lease term.

l) Intangible assets

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Organization. Intangible assets are classified within technology assets (note 7) based on materiality.

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 (typically 5 years). Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

m) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(in thousands of Canadian dollars)

n) Critical accounting estimates and judgements

The Organization makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. Judgement on classifications

The classification of financial instruments into the various measurement categories requires management judgement. The classification of financial instruments as either amortized cost, FVTPL, or FVOCI requires management to comply with the requirements of IFRS 9, specifically the requirements for designating certain assets and liabilities as FVTPL. Management has determined that it meets the requirement for classification as FVTPL as such classification eliminates an accounting mismatch and results in more relevant information since the Organizations liquidity pool assets and derivatives are required to be carried at fair value, while its members' deposits default classification would be at amortized cost. Accordingly, the classification of liquidity pool assets and members' deposits as FVTPL, results in the recognition of gains and losses being recognized in the statement of income along with the Organization's derivatives.

ii. Members' deposits classified as FVTPL

The fair values of members' deposits with a carrying value of $3,318,656 (2017 - $3,394,364) are not quoted in an active market and are therefore determined by using a discounted cash flow model. The fair value of members' deposits with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discounted cash flow model used to determine fair values is validated and periodically reviewed by experienced personnel. The inputs in the discounted cash flow model are based on observable data, such as market based discount rates that approximate the redemption features. Changes in assumptions about these factors could affect the reported fair value of members' deposits. A 25 basis point reduction in the discount rate would increase members' deposits and decrease financial margin by $1,106. A 25 basis point increase in the discount rate would decrease members' deposits and increase financial margin by $1,104.

iii. Fair value of derivative financial instruments

The fair values of derivative financial instruments with a net carrying value of ($81,684) (2017 – ($62,770)) are not quoted in an active market and are therefore determined by using a discounted cash flow model. The discounted cash flow model used to determine fair values is validated and periodically reviewed by experienced personnel. The inputs in the discounted cash flow model are based on observable data, such as yield curves associated with interest rates and foreign exchange rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iv. Intermediation pool assets classified as FVTPL

The Organization holds certain intermediation pool assets as FVTPL. Fair values for certain FVTPL assets are considered to approximate their par value based on the terms of those shares. The

(in thousands of Canadian dollars)

Organization continues to monitor these shares for any indication that a new measure of fair value is available and any change in the resulting fair value would be recognized in profit or loss.

o) Accounting standards and amendments issued but not yet adopted

Accounting standards that have been issued but are not yet effective are listed below.

IFRS 16, Leases, was issued in January 2016 and replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15 Revenue from Contracts with Customers. The Organization did not adopt the standard early and is continuing to evaluate the impact of the standard.

(in thousands of Canadian dollars)

4 Liquidity pool

			2018
	Amortized cost	FVTPL	Total
Debt instruments			
Governments	-	898,009	898,009
Banks or trust companies	-	2,525,499	2,525,499
Corporate	-	441,375	441,375
	-	3,864,883	3,864,883
Overdraft	(62,886)	-	(62,886)
	(62,886)	3,864,883	3,801,997

			2017
	Loans and Receivables	FVTPL	Total
Debt instruments			
Governments	-	1,011,372	1,011,372
Banks or trust companies	-	2,395,228	2,395,228
Corporate	-	341,855	341,855
	-	3,748,455	3,748,455
Cash	8,053	-	8,053
	8,053	3,748,455	3,756,508

(in thousands of Canadian dollars)

5 Income taxes

Significant components of the provision for income taxes included in the consolidated statement of operations and comprehensive income (loss) are:

	2018	2017
Current income taxes		
Based on current year taxable income	27	6,796
Adjustment for refiling prior year returns and tax loss carryback	79	119
Total current income taxes	106	6,915
Deferred income taxes		
Origination and reversal of temporary differences	(5,902)	288
Reduction in tax rates	(2,779)	(10)
Adjustment recognized for deferred taxes of prior periods	10	(13)
Total deferred income taxes	(8,671)	265
Income tax expense (recovery)	(8,565)	7,180

The Organization provides for income taxes at statutory rates as determined below:

shown as %	2018	2017
Federal base rate	38.00	38.00
Federal abatement	(10.00)	(10.00)
Available small business deduction [(a)]	(13.00)	(13.00)
Blended net federal tax rate	15.00	15.00
Provincial tax rate	4.05	2.41
	19.05	17.41

(a) The maximum small business deduction available federally is calculated as 13.0% (2017 – 13.0%), however, the full deduction may not be available to the Organization and will fluctuate year over year due to the level of taxable income in the year. The 2013 federal budget eliminated the available small business deduction for both cooperatives and credit unions by 20% per year beginning in 2013 effective on the budget date. The general rate reduction available for income which does not qualify for the small business deduction is 13%.

(in thousands of Canadian dollars)

Differences between the income tax expense for the year and the expected income taxes based on the statutory rate of 19.05% (2017 – 17.41%) are:

	2018	2017
Income (loss) before income taxes	(26,366)	47,822
Expected provision for income taxes at statutory rates	(5,023)	8,326
Non-deductible portion of (non-taxable income) expenses	(211)	(49)
Impact of change in tax rates	(2,386)	(285)
Adjustment recognized for tax of prior periods	88	106
Tax savings on dividend	(1,034)	(920)
Other	1	2
Income tax expense	(8,565)	7,180

Based on the Income Tax Act, credit unions are entitled to a deduction from taxable income related to payments in respect of share capital and therefore any dividends paid or payable by the Organization would result in tax savings. Distributions to members are charged against retained earnings however the tax savings are recognized in the consolidated statement of operations and comprehensive income (loss).

(in thousands of Canadian dollars)

Components of the deferred tax assets and liabilities are:

	2018	**2017**
Deferred tax assets		
Provisions for expenditures currently not deductible for income tax purposes	343	191
Members' deposits	-	-
Non-capital losses	10,247	-
Other	39	-
	10,629	191
Deferred tax liabilities		
Intermediation pool assets	(3,094)	(1,522)
Capital cost allowance in excess of depreciation	(352)	(355)
Members' deposits	(298)	(124)
	(3,744)	(2,001)
Net deferred tax asset (liability)	6,885	(1,810)

The Organization has no material unrecognized temporary differences related to its wholly-owned subsidiary or its investment in associates.

(in thousands of Canadian dollars)

	2018	2017
Income taxes payable		
Current income taxes recoverable (payable)	6,763	(4,855)
Deferred income tax		
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	343	191
Deferred tax assets to be recovered after more than 12 months	10,286	-
	10,629	191
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	(3,744)	(2,001)
	(3,744)	(2,001)
Net deferred tax asset (liability)	6,885	(1,810)

The change in deferred tax assets (liabilities) is recognized in the consolidated statement of operations and comprehensive income (loss).

(in thousands of Canadian dollars)

6 Intermediation pool

	2018	2017
Amortized cost		
Member loans		
Credit unions	17,995	125,977
Co-operatives	7,308	8,780
Mortgages	1,272	1,388
	26,575	136,145
Fair value through profit or loss		
Shares in co-operatives	9,784	20,616
Equity accounted investments		
Investment in Celero (note 20)	8,686	7,184
Investment in CCWH (note 21)	17,963	-
	26,649	7,184
	63,008	163,945

The Organization has designated its investments in shares in co-operatives as FVTPL. During the year ended December 31, 2018, the Organization disposed of its investment in CFI and NEI in exchange for a 6.61% interest in CCWH.

The FVTPL investments do not have quoted market prices in an active market. For certain shares, fair value is considered to approximate par value based on the terms of those shares. The Organization continues to monitor these shares for any indication that a new measure of fair value is available.

(in thousands of Canadian dollars)

7 Property and equipment

	Land	Building	Technology	Furniture and equipment	Leasehold improvements	Total
Year ended December 31, 2017						
Opening net book value	1,379	11,065	2,381	39	376	15,240
Additions	-	-	952	1	349	1,302
Depreciation	-	(276)	(1,070)	(10)	(156)	(1,512)
Closing net book value	1,379	10,789	2,263	30	569	15,030
At December 31, 2017						
Cost	1,379	13,817	12,921	2,510	3,894	34,521
Accumulated depreciation	-	(3,028)	(10,658)	(2,480)	(3,325)	(19,491)
Net book value	1,379	10,789	2,263	30	569	15,030
Year ended December 31, 2018						
Opening net book value	1,379	10,789	2,263	30	569	15,030
Additions	-	-	1,054	-	-	1,054
Disposals	-	-	(55)	-	-	(55)
Depreciation	-	(276)	(809)	(15)	(177)	(1,277)
Reclassification	-	-	(26)	26	-	-
Closing net book value	1,379	10,513	2,427	41	392	14,752
At December 31, 2018						
Cost	1,379	13,817	10,425	2,550	3,894	32,065
Accumulated depreciation	-	(3,304)	(7,998)	(2,509)	(3,502)	(17,313)
Net book value	1,379	10,513	2,427	41	392	14,752

In 2018, technology with an initial cost of $3,510 (2017 - $14) and accumulated depreciation of $3,455 (2017 - $14) were disposed of for $nil consideration (2017 - $nil).

(in thousands of Canadian dollars)

8 Share capital

Authorized

Share capital consists of an unlimited number of Class I and II shares, to be issued and redeemed at $5 each.

Membership

Pursuant to the Organization's by-laws, member credit unions maintain investments in both classes of shares proportionate to their statutory (Class I) and excess (Class II) liquidity deposits held by the Organization.

Every member of the Organization is required to own a minimum of two Class I shares.

Rights and privileges

At the discretion of the Organization's directors, dividends may be declared and paid to either or both classes of shares. On dissolution, the holders of Class II shares have a preferential claim on the Organization's assets.

Issued and outstanding	**2018**	**2017**
Class 1		
Member credit unions	134,639	112,752
26,927,765 shares (2017 – 22,550,377)		
Co-operatives	1,210	1,228
241,975 shares (2017 – 245,622)		
Class 2		
Member credit unions	80,748	98,468
16,149,612 shares (2017 – 19,693,600)		
Co-operatives	15,069	10,736
3,013,800 shares (2017 – 2,147,200)		
	231,666	223,184

During the year, a net total of $8,482 of shares were issued (2017 - a net total of $11,000 of shares were redeemed).

(in thousands of Canadian dollars)

9 Gains (losses) on financial instruments

	2018	2017
Liquidity pool investments	(20,195)	(38,200)
Intermediation pool investments	5,540	-
Members' deposits	396	1,828
Obligations under repurchase agreements	(33)	42
Unrealized losses on non-derivative financial instruments classified as FVTPL	(14,292)	(36,330)
Unrealized gains (losses) on derivative financial instruments used to manage interest rate risk (note 16 c))	(18,358)	79,059
Net cost of derivative financial instruments used to manage interest rate risk (note 16 c))	(15,038)	(27,124)
Net cost and unrealized gains (losses) on derivative financial instruments	(33,396)	51,935

Derivative financial instruments are economic hedges used to manage interest rate risk associated with the Organization's investment in long term debt instruments matched to short term members' deposits. Such derivative financial instruments have the economic effect of converting a long term fixed interest rate debt instrument to a synthetic floating rate instrument, however hedge accounting is not applied.

(in thousands of Canadian dollars)

10 Net operating recovery (expense)

	2018	2017
Recoveries		
Clearing fees and other financial charges	7,656	7,949
Basic assessment	7,482	7,022
Fees for service	2,353	2,443
Liquidity management assessment	2,129	2,592
Other recoveries	229	274
	19,849	20,280
Operating expenses		
Personnel	8,974	9,531
National shared costs	2,482	2,572
Settlement costs	1,535	1,573
Depreciation and leasing	1,165	1,433
Hardware and software maintenance	1,155	1,446
Professional services	1,060	1,166
General	898	963
Co-operative democracy	693	633
Occupancy costs	583	564
Dues, grants and memberships	371	374
Insurance and bonding	229	220
Telephone and computer telecommunications	196	194
Travel	180	216
Printing and supplies	144	175
Net cost (recovery) to (from) Celero (note 11)	46	(178)
Capitalized costs	(53)	(54)
	19,658	20,828
Net operating recovery (expense)	191	(548)

(in thousands of Canadian dollars)

11 Related party transactions

The Organization and Celero provide various services to each other in the normal course of operations. During the year, the Organization's charges to Celero aggregated to $1,609 (2017 - $1,606) and Celero's charges to the Organization aggregated to $1,072 (2017 - $869). The net recovery from Celero of $537 (2017 - $737) is classified in two areas: Rental income - net $583 (2017 - $559) and net operating expense $46 (2017 – recovery of $178) (note 10). Interest charges to Celero on loans receivable were $98 (2017 - $87). Accounts payables include $66 due to Celero (2017 - $16); there is no amount due from Celero (2017 - no amount due from Celero).

The Organization provides administrative services to CCWH. During the year, the Organization's charges to CCWH aggregated to $64 (2017 – nil). Interest charges to CCWH on a line of credit provided to CCWH were nominal.

Compensation of key management personnel

Key management personnel is comprised of the Organization's executive management group and the board of directors. The summary of compensation for key management personnel is as follows:

	2018	2017
Salaries and other short-term employee benefits	1,974	2,136
Other long-term benefits	42	40
Defined contribution pension plan (note 12)	54	62
Post-employment benefits	-	1
	2,070	2,239

Included in the compensation of key management personnel is the board of directors' remuneration of $343 (2017 - $319).

Outstanding mortgages and computer loans to key management personnel amount to $nil (2017 - $166). Mortgages bear interest at the average of the one year closed rate of the five chartered banks as published in the Organization's Interest Rate Survey less 2%, while computer loans are non-interest bearing. The mortgages are secured by property of the respective borrowers. No impairment losses have been recorded against balances during the period and no specific allowance has been made for impairment losses.

12 Pension plan

The Organization has a defined contribution pension plan for qualifying employees. The contributions are held in trust by the Cooperative Superannuation Society Limited. The Organization matches employee contributions at the rate of 6% of the employee salary. The expense and payments for the year ended December 31, 2018 were $344 (2017 - $363). As a defined contribution pension plan, the Organization has no further liability or obligation for future contributions to fund benefits to plan members.

(in thousands of Canadian dollars)

13 Commitments

The Organization has entered into agreements for the provision of a treasury management system, the provision of technology services, and for the provision of a banking system. The agreements have various terms, clauses, and renewal rights.

Commitments in each of the next five years are as follows:

2019	1,422
2020	1,140
2021	843
2022	196
2023	33

14 Assets pledged as collateral

The Organization pledges assets primarily for collateral purposes for accessing the Bank of Canada's large value transfer system. The Organization participates in an arrangement with Credit Union Central of Saskatchewan, Credit Union Central of Alberta, and Central 1 Credit Union (the "Group Clearing Agreement") whereby Central 1 Credit Union, on behalf of the participants, acts as the Group Clearer with Payments Canada.

The Organization also pledges assets for margining purposes for over-the-counter derivative liabilities, for collateral purposes for issuing Letters of Credit on behalf of its members and for collateral purposes for obligations under repurchase agreements.

The carrying value of the Organization's assets pledged totaled $414,901 (2017 - $546,647). The assets pledged are included in the liquidity pool (note 4). In addition, counterparties have pledged assets to the Organization with a carrying value of $4,140 (2017 - $3,054).

15 Indemnifications

The Organization has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Organization from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Organization maintains liability insurance coverage for directors and officers.

Under the Group Clearing Agreement, the Organization guarantees and indemnifies the Group Clearer and each member of the Group Clearing Agreement against any losses arising from the payment obligation for settlement drawn on or payable by the Organization and its member credit unions.

(in thousands of Canadian dollars)

16 Risk management

The Organization's primary financial objective is to manage the liquidity deposits of Manitoba's credit unions. A certain amount of financial risk is inherent in the Organization's operations. The purpose of sound risk management is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds and that risk-taking contributes to the creation of member value. The Organization manages and mitigates risk through the diversification of its financial instruments and development of risk management policies. For the Organization this means striking a balance between risk and return.

In the normal course of business, the Organization is primarily exposed to the financial risks described below:

Credit risk - Risk of a financial loss if an obligor does not fully honour its contractual commitments to the Organization. Obligors may include issuers of securities, counterparties or borrowers;

Liquidity risk - Risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset; and

Market risk, comprised of:

Interest rate risk - Risk of a change in income resulting from changes in interest rates;

Foreign exchange risk - Risk of a change in income resulting from changes in foreign exchange rates; and

Other price risk - Risk that the fair value of a financial instrument will fluctuate due to changes in market prices.

The Organization's risk management framework includes policies designed to identify and analyze risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Organization's risk management framework involves identifying particular events or circumstances relevant to objectives, assessing them in terms of probability and magnitude, determining a response strategy, and monitoring progress. The Organization regularly reviews its risk management policies and systems to account for changes in its objectives, markets, products, and emerging best practice.

Risk management is carried out by a number of delegated committees reporting to the Board of Directors. Risk tolerance and overall risk management are documented within the Organization's Enterprise Risk Management Framework and its risk management policies which are approved by the Board. Management regularly reports to the Board on compliance with those policies. In addition, the Organization maintains an Internal Audit function which is partly responsible for review of risk management and the Organization's control environment.

Financial instruments comprise the vast majority of the Organization's assets and liabilities. The Organization accepts demand deposits and term deposits from members at floating and fixed rates respectively and invests those funds in floating and fixed rate securities and derivatives to earn interest rate margin.

(in thousands of Canadian dollars)

The following describes the significant financial instrument activities undertaken by the Organization, the exposure to risks associated with such activities and the objectives, policies and processes used in managing those risks.

Financial instrument activity	Risks	Risk management
Derivative instruments – held for trading	Liquidity risk, interest rate risk, credit risk, foreign exchange risk and other price risk	Asset-liability matching, credit risk monitoring, and pledging of collateral.
Debt instruments – FVTPL	Liquidity risk, interest rate risk, credit risk, foreign exchange risk and other price risk	Asset-liability matching, credit risk monitoring and use of derivative financial instruments
Intermediation pool investments	Liquidity risk, interest rate risk and credit risk	Asset-liability matching and credit risk monitoring
Members' deposits	Liquidity risk, interest rate risk, foreign exchange risk and other price risk	Asset-liability matching and use of derivative financial instruments
Obligations under repurchase agreements	Liquidity risk, interest rate risk and credit risk	Asset-liability matching, credit risk monitoring, and pledging of collateral.

a) Credit risk

The Organization is exposed to credit risk primarily through its liquidity pool and intermediation pool investments and derivative financial instruments. The financial assets recognized in the consolidated statement of financial position represent the Organization's maximum exposure to credit risk as at the consolidated statement of financial position date. The Organization does not hold any credit derivatives or similar instruments that mitigate the credit risk.

In managing credit risk, the Organization primarily relies on external rating agencies for liquidity pool investments and derivative financial instruments. All liquidity pool investments must be rated by at least two recognized rating agencies. The Organization defines its own Internal Credit Rating ("ICR") based on external rating agencies which is monitored daily to ensure compliance with policy.

(in thousands of Canadian dollars)

Liquidity pool investments by credit rating and term to maturity are:

					2018
	Less than 6 months	**6 months to 1 year**	**Greater than 1 year and up to 5 years**	**Greater than 5 years**	**Total**
AAA / R1 (High)	431,001	-	-	-	431,001
AA / R1 (Middle)	5,025	7,041	859,161	893,916	1,765,143
A / R1 (Low)	7,869	730,472	592,196	338,202	1,668,739
	443,895	737,513	1,451,357	1,232,118	3,864,883

					2017
	Less than 6 months	**6 months to 1 year**	**Greater than 1 year and up to 5 years**	**Greater than 5 years**	**Total**
AAA / R1 (High)	276,817	-	-	-	276,817
AA / R1 (Middle)	100,538	28,703	1,161,043	958,205	2,248,489
A / R1 (Low)	331,697	204,814	346,488	340,150	1,223,149
	709,052	233,517	1,507,531	1,298,355	3,748,455

The change in fair value of investments classified as FVTPL is primarily due to changes in market risk.

Intermediation pool investments:

- The Organization is committed to investing in the Canadian Credit Union Association and Central 1 Credit Union as required.
- Investments in other co-operatives, Celero, CCWH, and mortgages and loans require a credit risk assessment and approval of the Board of Directors.
- Loans and overdrafts to member credit unions are secured by a *Global Loan Agreement* which specifies that the Organization holds a security interest in all book debts and accounts. In the event of default, the Organization is authorized to realize on all security and apply the proceeds therefrom

(in thousands of Canadian dollars)

to its amount receivable. Due to the nature of such security, the expected credit loss associated with such loans and overdrafts is nominal.

b) Liquidity risk

The Organization's liquidity risk management framework is designed to ensure that reliable and cost-effective sources of liquidity are available to satisfy current and prospective liquidity requirements of its member credit unions.

The contractual undiscounted cash flows of financial liabilities (excluding accounts payable) are as follows:

						2018
	Current accounts	Less than 6 months	6 months to 1 year	Greater than 1 year and up to 5 years	Greater than 5 years	Total
Members' deposits	516,030	2,762,273	4,296	34,359	-	3,316,958
Obligations under repurchase agreements	-	201,917	-	-	-	201,917
Derivative financial instruments	-	12,414	2,298	58,180	29,341	102,233
Undiscounted contractual amount of liabilities	516,030	2,976,604	6,594	92,539	29,341	3,621,108
Carrying value of liabilities	516,030	2,978,416	5,133	87,050	25,329	3,611,958

						2017
	Current accounts	Less than 6 months	6 months to 1 year	Greater than 1 year and up to 5 years	Greater than 5 years	Total
Members' deposits	654,894	2,668,090	34,459	44,383	-	3,401,826
Obligations under repurchase agreements	-	168,753	-	-	-	168,753
Derivative financial instruments	-	9,903	5,686	27,333	36,094	79,016
Undiscounted contractual amount of liabilities	654,894	2,846,746	40,145	71,716	36,094	3,649,595
Carrying value of liabilities	654,894	2,842,203	39,816	66,890	30,814	3,634,617

(in thousands of Canadian dollars)

The change in fair value of members' deposits is associated with changes in market conditions and does not relate to changes in the Organization's credit risk.

c) Interest rate risk

Interest rate risk is the risk that a change in market interest rates will impact the Organization's financial margin as reported in the consolidated statement of operations and comprehensive income (loss). Accordingly, the Organization establishes policy limits approved by the Board of Directors on the level of interest rate re-pricing risk that may be undertaken, which is monitored by the Organization's management.

Interest-sensitive assets and interest-sensitive liabilities are matched by amount and interest rate re-pricing terms so as to minimize income fluctuations should market interest rates change. The Organization sets policy limits on the maximum amount of mismatch as follows:

Interest-sensitive liabilities with term over 13 months

- All financial assets and liabilities (liquidity pool investments and members' deposits, respectively) maturing beyond 13 months must be matched.

Interest-sensitive liabilities with term of 6 to 13 months

- Unmatched financial instruments maturing within 10 to 13 months and 6 to 10 months are permitted to a maximum of 2% and 4%, respectively, of the assets net of the derivative liabilities.

Interest-sensitive liabilities with term of less than 6 months

- The weighted average terms of these assets and liabilities is calculated and monitored daily. The difference between the two may not exceed 30 days.

(in thousands of Canadian dollars)

The following summarized schedules shows the Organization's sensitivity to interest rate changes based on the notional value of assets and liabilities:

					2018
Interest re-pricing period	**Interest sensitive**	**Non-interest sensitive**	**Notional Derivative receiving**	**Notional Derivative paying**	**Net asset/liability mis-match**
0 to 6 months	(2,990,120)	(160,906)	3,805,942	(643,752)	11,164
6 to 13 months	733,241	(12,774)	5,000	(718,707)	6,760
13 months to 2 years	178,717	(10,000)	13,651	(197,096)	(14,728)
2 to 3 years	391,250	(11,250)	78,300	(443,294)	15,006
3 to 4 years	349,882	-	64,250	(413,602)	530
4 to 5 years	450,735	(10,000)	180,000	(619,801)	934
Over 5 years	1,091,225	-	70,280	(1,181,171)	(19,666)
	204,930	(204,930)	4,217,423	(4,217,423)	-

					2017
Interest re-pricing period	**Interest sensitive**	**Non-interest sensitive**	**Notional Derivative receiving**	**Notional Derivative paying**	**Net asset/liability mis-match**
0 to 6 months	(2,623,464)	(138,635)	3,553,058	(855,908)	(64,949)
6 to 13 months	206,481	(21,926)	15,000	(147,906)	51,649
13 months to 2 years	680,434	(12,600)	110,000	(773,103)	4,731
2 to 3 years	147,862	(10,273)	5,000	(155,435)	(12,846)
3 to 4 years	319,487	(11,250)	95,000	(386,754)	16,483
4 to 5 years	322,048	-	37,500	(358,072)	1,476
Over 5 years	1,151,836	(10,000)	23,382	(1,161,762)	3,456
	204,684	(204,684)	3,838,940	(3,838,940)	-

Investments and deposits may be sold or redeemed before maturity; however no projections or adjustments have been made for potential sales or redemptions. Assets and liabilities that are non-interest sensitive have been categorized in re-pricing periods that correspond to the Organization's asset/liability deployment policies and investment strategies.

(in thousands of Canadian dollars)

The Organization enters into interest rate swap agreements and cross-currency interest rate swap agreements (collectively "swaps") for the purpose of managing interest rate risk, the notional amounts of which are reflected in the table above. A swap is a contractual agreement between the Organization and a counterparty involving the exchange of fixed rate and floating rate payments structured in a manner to reduce the extent of the Organization's interest rate risk to a level which management believes is reasonable. The contracted terms of the swaps are specifically matched to specific terms of the Organization's assets. The Organization does not enter into swaps for speculative purposes.

Additionally, the Organization, in its role as a financial intermediary, enters into swaps on behalf of its members. The credit risk associated with these swaps is the responsibility of the members and security is held by the Organization through Assignments of Book Debts.

At December 31, 2018 derivatives recorded included cross-currency swaps outstanding with a total notional value of $102,383 (USD $75,000) swapped for CAD dollars with a notional value of $98,410 (2017 – no cross currency swaps outstanding).

Including the effect of the derivative financial instruments, the weighted average effective return for interest-sensitive assets is 4.75% (2017 – 3.62%) and the weighted average effective cost for interest-sensitive liabilities is 4.24% (2017 - 2.86%).

Sensitivity analysis is used to assess the change in reported value of the Organization's financial instruments against a range of incremental basis point changes in interest rates. Based on the characteristics of the Organization's financial instruments as at December 31, 2018, the Organization estimates that an immediate and sustained 25 basis point decrease in interest rates would generate unrealized gains of $29,071 on non-derivative financial instruments and unrealized losses of $29,622 on derivative financial instruments while an immediate and sustained 25 basis point increase in interest rates would generate unrealized losses of $28,650 on non-derivative financial instruments and unrealized gains of $29,196 on derivative financial instruments.

d) Foreign exchange risk

The Organization manages foreign exchange risk to minimize the risk of financial loss due to fluctuations in currency exchange rates. This is done by implementing a policy framework approved by the Board of Directors. The Organization enters into foreign exchange forward rate agreements with derivative counterparties to provide a financial intermediary role for member credit unions, to offset future contractual obligations of the Organization, and for cash management purposes. A foreign exchange forward rate agreement is a contractual arrangement between the Organization and a counterparty involving the commitment of a purchase or sale of US dollar funds to settle on a future date at a predetermined exchange rate. The Organization does not enter into foreign exchange forward rate agreements for speculative purposes.

The Organization also enters into cross-currency interest rate swap agreements with derivative counterparties to manage its interest rate risk (note 16 c)) and foreign exchange risk where asset (liability) matching involves mixed currencies. A cross-currency interest rate swap agreement is an interest rate swap agreement (note 16 c)) involving the exchange of US dollar funds and Canadian dollar funds between the

(in thousands of Canadian dollars)

counterparties at the outset, the exact amount of which are reversed on maturity, and under which the fixed and floating interest payments are of different currencies.

The net US dollar asset (liability) mismatch as of December 31, 2018 was USD ($51) (2017 - USD $(99)).

As at December 31, 2018, the Organization has entered into foreign exchange forward rate agreements to buy US dollars aggregating USD $1,401 and to sell US dollars aggregating USD $1,271, inclusive of transactions with member credit unions (2017 - buy US dollars aggregating USD $3,471 and to sell US dollars aggregating USD $2,900, inclusive of transactions with member credit unions). The credit risk associated with these agreements is the responsibility of the Organization. On a weighted-average basis, these agreements settle within one month.

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 1% relative to the US dollar, with all other variables held constant, income before income taxes for the year would have increased or decreased by a nominal amount, respectively (2017 - impact was nominal).

17 Fair value measurements

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Organization's market assumptions and are classified pursuant to the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities on exchanges and exchange traded derivatives like futures.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the Organization's derivative financial instruments, debt instruments and members' deposits. The sources of input parameters like Banker's Acceptance (BA) rates, Canadian Dollar Offered Rates (CDOR), London Interbank Offered Rates (LIBOR), swap yield curves or composite yield curves for Schedule 1 bank senior debt are from Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Organization considers relevant and observable market prices in its valuations where possible.

The Organization's policy is to recognize transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year the Organization had no transfers between fair value hierarchy levels.

(in thousands of Canadian dollars)

The tables below summarize by class of asset or liability and by level according to the hierarchy of the inputs used in determining the measurements, the fair value measurements recognized in the consolidated statement of financial position and disclosed in the Organization's notes to the consolidated financial statements.

Recurring measurements				**2018**
	Level 1	**Level 2**	**Level 3**	**Total Carrying Amount**
Financial assets				
Governments	-	898,009	-	898,009
Banks and trust companies	-	2,525,499	-	2,525,499
Corporate	-	441,375	-	441,375
Derivatives	-	9,712	-	9,712
Shares in co-operatives	-	-	9,784	9,784
Total financial assets	-	3,874,595	9,784	3,884,379
Financial liabilities				
Members' deposits	-	3,318,656	-	3,318,656
Obligations under repurchase agreements	-	201,906	-	201,906
Derivatives	-	91,396	-	91,396
Total financial liabilities	-	3,611,958	-	3,611,958

The Organization did not have any non-recurring measurements for the year ended December 31, 2018.

(in thousands of Canadian dollars)

Recurring measurements				**2017**
	Level 1	**Level 2**	**Level 3**	**Total Carrying Amount**
Financial assets - held for trading and FVTPL				
Governments	-	1,011,372	-	1,011,372
Banks and trust companies	-	2,395,228	-	2,395,228
Corporate	-	341,855	-	341,855
Derivatives	-	8,807	-	8,807
	-	3,757,262	-	3,757,262
Financial assets - available for sale				
Shares in co-operatives	-	-	20,616	20,616
Total financial assets	-	3,757,262	20,616	3,777,878
Financial liabilities - held for trading and FVTPL				
Members' deposits	-	3,394,364	-	3,394,364
Obligations under repurchase agreements	-	168,676	-	168,676
Derivatives	-	71,577	-	71,577
Total financial liabilities	-	3,634,617	-	3,634,617

The fair values of cash, other receivables and accounts payable approximate their carrying values due to their short term nature.

The Organization uses the following techniques to determine the fair value measurements categorized in Level 2:

- The fair value of debt instrument assets is determined using quoted market prices, executable dealer quotes for identical or similar instruments in active markets, or other inputs that are observable or can be corroborated by observable market data. On the basis of its analysis of the nature, characteristics and risks of debt instruments, the Organization has determined that presenting them by sector is appropriate.
- The fair value of derivatives is determined using observable market inputs, including forward exchange rates and interest rates as applicable, at the measurement date with the resulting value discounted back to present values. The calculated values are compared to statements received from counterparties.

(in thousands of Canadian dollars)

- The fair value of members' deposits is determined by discounting future contractual cash flows at the measurement date using observable market inputs such as banker's acceptance rates and corresponding composite market yield curves on Schedule 1 bank senior debt.

The following table summarizes the changes in intermediation pool assets that are measured based on level 3 inputs to the fair value hierarchy:

	2018	2017
Opening	20,616	5,173
FVOCI	-	15,095
FVTPL (note 9)	5,540	-
Purchase of investments	1	348
Disposals [1]	(16,373)	-
Closing	9,784	20,616

[1] includes investments in CFI and NEI that were disposed of for the Organization's investment in CCWH.

18 Offsetting of financial instruments

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, and the net impact on the Organization's consolidated statement of financial position had all offset rights been exercised.

The Organization is subject to an enforceable master netting arrangement in the form of an International Swap and Derivatives Association ("ISDA") agreement with the majority, by dollar amount, of its derivative counterparties. Under the terms of the agreement, offsetting of derivative contracts is permitted only in the event of a bankruptcy or default of either party to the agreement.

The Organization receives and gives collateral in the form of cash and marketable securities as a part of interest rate swap, cross-currency swap, and repurchase agreement transactions. Such collateral is subject to the standard industry terms of ISDA's Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transaction on the counterparty's failure to post collateral.

(in thousands of Canadian dollars)

						2018
	Amounts offset			**Amounts not offset**		**Net**
Financial assets	Gross assets	Gross liabilities offset	Net amounts presented	Financial instruments	Cash collateral pledged	
Derivative assets	12,602	(2,890)	9,712	-	(4,140)	5,572
	12,602	(2,890)	9,712	-	(4,140)	5,572

	Amounts offset			**Amounts not offset**		**Net**
Financial liabilities	Gross liabilities	Gross assets offset	Net amounts presented	Financial instruments	Cash collateral pledged	
Obligations under repurchase agreements	201,915	(9)	201,906	-	(201,917)	(11)
Derivative liabilities	133,005	(41,609)	91,396	-	(89,894)	1,502
	334,920	(41,618)	293,302	-	(291,811)	1,491

(in thousands of Canadian dollars)

2017

	Amounts offset			Amounts not offset		Net
Financial assets	Gross assets	Gross liabilities offset	Net amounts presented	Financial instruments	Cash collateral pledged	
Derivative assets	12,239	(3,432)	8,807	-	5,186	13,993
	12,239	(3,432)	8,807	-	5,186	13,993

	Amounts offset			Amounts not offset		Net
Financial liabilities	Gross liabilities	Gross assets offset	Net amounts presented	Financial instruments	Cash collateral pledged	
Obligations under repurchase agreements	168,718	(42)	168,676	-	(168,510)	166
Derivative liabilities	118,433	(46,856)	71,577	-	(76,103)	(4,526)
	287,151	(46,898)	240,253	-	(244,613)	(4,360)

19 Capital management

Capital is managed in accordance with the CUCP Act and with policies established by the Board of Directors.

Pursuant to the regulations of the CUCP Act, the Organization is required to maintain a level of capital that is not less than 5% of the book value of its assets. The Organization's internally established target is 6.25% of the book value of its assets.

The Organization has a capital adequacy assessment process through which management regularly forecasts future capital requirements in order to adhere to its internal target. All of the Organization's capital requirements are monitored throughout the year. The Organization has a clear and unencumbered process to access required capital from its members to attain certain capital ratios through same day notification capital calls and corresponding immediate reduction in members' deposits. The Organization also makes periodic capital and dividend transactions within the context of its overall capital management plan.

The Organization is in compliance with its required level of capital under the CUCP Act. At December 31, 2018, the Organization's level of capital was 6.78% (2017 – 7.21%) of the book value of its assets.

(in thousands of Canadian dollars)

20 Investment in Celero

The information below reflects the amounts presented in the financial statements of Celero adjusted for differences in accounting policies between the Organization and Celero, as applicable.

Aggregated financial information of Celero, accounted for using the equity method, is as follows:

	2018	2017
Assets	39,404	33,943
Liabilities	23,070	20,459
Revenues	80,427	76,099
Net Income	6,659	3,485
% interest held by the Organization	$33^1/_3$%	$33^1/_3$%

There were no published prices for the investment in Celero. Furthermore, there are no significant restrictions on the ability of Celero to transfer funds to the Organization in the form of either cash dividends or repayments of loans/advances.

Commitments

Celero

Celero has a software license agreement with a third party software vendor in respect of a banking platform for Celero's credit union clients under which Celero is committed to $11,661 in software and ancillary maintenance fees over the next four years. Celero has entered into agreements with credit unions to fully recover these costs through operating fees over the term of the agreement.

Celero has an agreement for the management of Celero's mainframe, mid-range and data centre support operations. Under the terms of this agreement, Celero is committed to $10,896 over the next three years.

Celero has entered into an agreement in respect of internet banking. Under the terms of the agreement Celero is committed to a minimum of $5,130 over the next two years.

Celero has other obligations under various agreements for equipment, licensing, maintenance and professional fees totaling $202 over the next four years.

(in thousands of Canadian dollars)

The Organization is indirectly liable in proportion to its $33^1/_3\%$ ownership interest in Celero for all of Celero's covenants and obligations under these agreements. Proportionate commitments in each of the next four years are as follows:

	Total
2019	3,690
2020	3,651
2021	977
2022	977

Everlink

Celero has a 49% ownership interest in Everlink. The Organization is indirectly liable in proportion to its $33^1/_3\%$ ownership interest in Celero for covenants and obligations under the following Everlink agreements:

Financing arrangements

Everlink has entered into financing agreements consisting of a line of credit to a maximum of $2,000 and an authorized overdraft facility to a maximum of $6,500. Celero has provided a guarantee on these agreements in proportion to its shareholding in Everlink. At December 31, 2018 there were no draws (2017 - no draws) against the line of credit or the authorized overdraft facility.

21 Investment in CU CUMIS Wealth Holdings Limited Partnership ("CCWH")

The information below reflects the amounts presented in the financial statements of CCWH adjusted for differences in accounting policies between the Organization and CCWH, as applicable.

Aggregated financial information of CCWH, accounted for using the equity method, is as follows:

	2018
Assets	104,263
Liabilities	427
Revenues	4,355
Net Income	4,110
% interest held by the Organization	6.61%

There were no published prices for the investment in CCWH. Furthermore, there are no significant restrictions on the ability of CCWH to transfer funds to the Organization in the form of either cash dividends or repayments of advances.

22 Comparative figures

Certain comparative amounts may have been reclassified to conform to the current year's presentation.