Consolidated Financial Statements
(In Canadian dollars)

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of **DUCA Financial Services Credit Union Ltd.**

We have audited the accompanying consolidated financial statements of DUCA Financial Services Credit Union Ltd., which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

Opinion

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 1, 2016
Toronto, Canada

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Consolidated Statement of Financial Position

thousands of Canadian dollars	As at December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents (Note 4)	$ 93,103	$ 22,483
Investments (Note 5)	188,960	120,236
Member Loans (Notes 6, 7, 8)		
Non-securitized mortgages and loans to members	1,655,870	1,624,189
Securitized mortgages	329,659	91,031
	1,985,529	1,715,220
Unamortized broker fees	4,076	3,478
Accrued interest receivable	2,711	2,083
Allowance for credit losses	(8,447)	(5,910)
	1,983,869	1,714,871
Other assets (Notes 9, 10)	1,363	2,196
Income taxes receivable	–	2,185
Property and equipment (Note 11)	13,630	13,896
Derivative financial instruments (Note 15)	54	241
Goodwill (Note 25)	1,678	1,678
	$ 2,282,657	$ 1,877,786
Liabilities and Members' Equity		
Liabilities		
Member deposits (Note 12)	$ 1,790,981	$ 1,640,795
Borrowings (Note 24)	–	24,016
Securitization liabilities - mortgage-backed security liabilities (Note 8)	329,114	91,251
Accounts payable and accrued liabilities (Note 13)	3,896	4,973
Payable to Zenbanx Holdings Inc. (Note 26)	4,688	825
Income taxes payable	2,266	–
Deferred tax liability (Note 14)	580	556
Derivative financial instruments (Note 15)	200	338
Patronage return and dividend payable (Note 16)	2,064	3,124
Deferred revenue	3,304	2,149
Members' shares (Note 17)	1,619	1,770
	2,138,712	1,769,797
Equity		
Members' shares (Note 17)	86,187	46,275
Retained earnings	60,427	59,300
Non-controlling interest (Note 26)	(2,669)	2,414
	143,945	107,989
	$ 2,282,657	$ 1,877,786

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

Approved by the Board:

______________________ Director ______________________ Director

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Consolidated Statement of Comprehensive Income (Loss)

thousands of Canadian dollars	For the year ended December 31, 2015	December 31, 2014
Interest income:		
Interest on member loans	$ 74,787	$ 58,551
Other interest	2,426	1,884
	77,213	60,435
Interest expenses:		
Interest on member deposits	35,968	26,619
Borrowings and securitizations	4,664	1,528
	40,632	28,147
Net interest income	36,581	32,288
Other income, including Zenbanx Canada (Note 18)	10,598	5,739
Net interest and other income	47,179	38,027
Provision for credit losses (Note 7)	2,899	3,831
Net interest and other income after provision for credit losses	44,280	34,196
Operating expenses:		
Salaries and benefits	15,131	12,635
Occupancy	2,640	2,126
Depreciation and amortization (Note 11)	1,413	1,325
Deposit insurance	1,485	931
Directors and committees (Notes 13, 20)	544	459
Gain (loss) on derivative instruments (Note 15)	121	(193)
Zenbanx Canada (Note 26)	12,912	3,910
Other operating and administrative expenses (Note 19)	8,174	8,998
	42,420	30,191
Income before patronage return and income taxes and non-controlling interest	1,860	4,005
Patronage return (Note 16)	1,173	2,141
Income before income taxes and non-controlling interest	687	1,864
Income taxes (Note 14)	3,752	941
Comprehensive (loss) income	(3,065)	923
Net loss attributable to non-controlling interest Zenbanx Canada (note 26)	(5,083)	(1,586)
Net income attributable to members	$ 2,018	$ 2,509

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

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Consolidated Statement of Changes in Equity

thousands of Canadian dollars	**Class A Shares**	**Class B Shares**	**Retained Earnings**	**Non-controlling Interests**	**Total Equity**
Balance, December 31, 2013	$ 47,054	$ –	$ 57,710	$ –	$ 104,764
Comprehensive income	–	–	2,509	(1,586)	923
Dividends to members (Note 17)	–	–	(919)	–	(919)
Issue of shares	2,621	–	–	–	2,621
Redemption of shares	(3,400)	–	–	–	(3,400)
Capital contributed	–	–	–	4,000	4,000
Balance, December 31, 2014	$ 46,275	$ –	$ 59,300	$ 2,414	$ 107,989
Comprehensive loss	–	–	2,018	(5,083)	(3,065)
Dividends to members (Note 17)	–	–	(891)	–	(891)
Issue of shares	2,736	41,337	–	–	44,073
Redemption of shares	(4,161)	–	–	–	(4,161)
Balance, December 31, 2015	$ 44,850	$ 41,337	$ 60,427	$ (2,669)	$ 143,945

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

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Consolidated Statement of Cash Flows

	For the year ended	
thousands of Canadian dollars	December 31, 2015	December 31, 2014
Cash provided by (used in):		
Operating Activities:		
Comprehensive income (loss)	$ (3,065)	$ 923
Adjustments for:		
Net interest income	(36,581)	(32,288)
Depreciation and amortization	1,413	1,325
Loss on disposal of property and equipment	–	280
Provision for current income taxes	3,728	42
Provision for deferred income taxes	24	899
Provision for credit losses on member loans	2,899	3,831
Patronage distribution	1,173	2,141
Change in other assets, accounts payable and accrued liabilities and deferred revenue	4,774	3,335
Market value adjustment on derivative financial instruments	49	(557)
	(25,586)	(20,069)
Loans, net of securitization	(271,269)	(477,274)
Deposits	146,858	367,476
Securitization liability	237,863	91,251
	113,452	(18,547)
Cash Flows related to:		
Interest received on member loans	76,584	60,318
Interest paid on member deposit	(37,304)	(24,357)
Income taxes paid	724	(3,080)
	40,004	32,881
Net cash provided from operating activities	127,870	(5,735)
Financing Activities:		
Net change in borrowings	(24,016)	17,016
Issuance of membership shares, net of redemptions	(151)	(63)
Redemption of class A shares	(4,161)	(3,400)
Issuance of class A shares	2,736	2,621
Issuance of class B shares	41,337	–
Patronage distribution paid	(2,233)	(1,961)
Cash contribution by non-controlling interest	–	4,000
Dividend on class A and class B shares	(891)	(919)
	12,621	17,294
Investing Activities:		
Net change in investments	(68,724)	(10,114)
Purchase of property and equipment	(1,147)	(2,077)
Proceeds from Assets Held for Sale	–	565
	(69,871)	(11,626)
Increase (decrease) in Cash and Cash Equivalents	70,620	(67)
Cash and Cash Equivalents, beginning of year	22,483	22,550
Cash and Cash Equivalents, end of year	$ 93,103	$ 22,483

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

1. Corporate Information:

DUCA Financial Services Credit Union Ltd. (the "Credit Union" or "DUCA") is incorporated under the Credit Unions and Caisses Populaires Act, 1994 (the "Act") of Ontario and is a member of Central 1 Credit Union ("Central 1"). The Credit Union offers residential and commercial mortgage lending, securitization of insured residential first mortgage products, wealth management products and unsecured personal loans. In addition, the Credit Union offers deposits via its branch network and deposit brokers. The Credit Union's subsidiary, Zenbanx Canada Inc. ("ZBC") was created in June 2014. ZBC is 60% owned by the Credit Union and 40% owned by Zenbanx Holdings Ltd. ("ZBH"). Since ZBC is majority-owned and controlled by DUCA, ZBC has been fully consolidated in these financial statements.

2. Basis of Presentation:

(a) Statement of compliance:

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

These consolidated financial statements have been authorized for issue by the Board of Directors on March 1, 2016.

(b) Comparative consolidated financial statements:

Certain 2014 financial information has been reclassified from statements previously presented to conform to the presentation of the 2015 consolidated financial statements.

(c) Use of judgment and estimates:

Management has exercised judgment in the process of applying the Credit Union's accounting policies.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated statement of financial position date and the reported amounts of revenue and expenses during the year. Key areas where management has made estimates include allowance for credit losses, fair values and impairment of financial instruments, goodwill and intangible assets, income taxes and useful lives of capital assets. Actual results could differ from those estimates.

(d) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following items which are measured at fair value:

- Derivative financial instruments; and
- Financial instruments at fair value through profit or loss.

(e) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency. Financial information presented in Canadian dollars has been rounded to the nearest thousands, except when otherwise indicated.

(f) Changes in accounting policies:

The Credit Union has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014. The nature and effects of the changes are explained below:

- International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"):

  IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of International Accounting Standard ("IAS") 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

  At January 1, 2015, the Credit Union adopted this amendment and there was no impact on the Credit Union's consolidated financial statements.

New standards and interpretations not yet adopted:

The following are upcoming changes to IFRSs that may impact the Credit Union:

- IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

  The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Credit Union intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

- IFRS 9, Financial Instruments ("IFRS 9"):

  IFRS 9, published in July 2014, replaced the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Credit Union intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

- Annual improvements to IFRS:

  In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The nature of the changes in accounting policy that will impact the Credit Union are as follows:

  - IFRS 13, Fair Value Measurements - Measurement of short-term receivables and payables, and

  - IAS 24, Related Party Disclosures ("IAS 24") - Definition of "related party".

  The Credit Union adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2015. The Credit Union does not expect the amendments to have a material impact on its financial statements.

- IAS 1, Presentation of Financial Statements ("IAS 1"):

  The amendments in IAS 1 will not require significant change to current practice, but should facilitate improved financial statement disclosures. The Credit Union intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

3. Significant Accounting Policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less; and for the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand.

(b) Financial instruments:

(i) Recognition and measurement:

The Credit Union initially recognizes loans and receivables, deposits and borrowings on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Credit Union commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Credit Union's financial assets and liabilities are carried at amortized cost less impairment, if any, except for trading securities, available-for-sale securities, derivatives and certain financial liabilities.

(ii) Classification:

At inception, a financial asset is classified in one of the following categories:

- Loans and receivables;
- Held-to-maturity;
- Available-for-sale; or
- At fair value through profit or loss and within the category as:
- Held-for-trading; or
- Designated at fair value through profit or loss.

The Credit Union classifies its financial liabilities as measured at amortized cost or at fair value through profit or loss.

(iii) Derecognition:

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Credit Union derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Credit Union has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement:

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Credit Union has access at that date. The fair value of a liability reflects its non-performance risk. For assets and liabilities carried at fair value, the Credit Union measures such value using the procedures set out below, irrespective of whether these assets and liabilities are carried at fair value as a result of an election.

When available, the Credit Union uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is not available, the Credit Union uses quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets to calculate fair value, in which case, the items are classified as Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

Treasury bills, bank deposits, bankers' acceptances, government bonds, Central 1 deposits, other bonds and deposit notes are classified as held-to-maturity and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently, they are carried at amortized cost using the effective interest method less any provision for impairment.

Equity instruments and certain bonds are designated at fair value though profit or loss and are recognized at fair value at their acquisition. Subsequently, they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably measured, in which case, they are carried at cost. Transaction costs that are directly attributable to their acquisition are expensed through net income.

Purchases and sales of equity instruments are recognized on the settlement date with any change in fair value between trade date and settlement date being recognized in net income.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the consolidated statement of financial position. The Credit Union has designated its interest rate swap agreements as fair value through profit and loss and hence, changes in fair value of the interest rate swaps is reflected immediately in net income.

The Credit Union manages the risk of foreign currency fluctuation through the use of forward contracts. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases, shown on the consolidated statement of financial position. The Credit Union has designated its forward rate agreements as fair value through profit or loss and hence, changes in fair value of the interest rate swaps is reflected immediately in net income.

(vii) Identification and measurement of impairment:

At each reporting date, the Credit Union assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan by the Credit Union on terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Loans where interest or principal is contractually past due for greater than 90 days are automatically recognized as impaired, unless management determines that the loan is fully secured, in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to a current state within 90 days.

The Credit Union considers evidence of impairment for loans at both an individual asset and collective level. All individually significant loans are assessed for specific impairment. All individually significant loans found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans that are not individually significant are collectively assessed for impairment by grouping together loans with similar risk characteristics.

In assessing collective impairment, the Credit Union uses historical trends, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate inherent in the financial asset at the date of impairment. Impairment losses are recognized in profit or loss and reflected in an allowance account against related financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(c) Principles of consolidation:

The consolidated financial statements include the assets, liabilities and results of operations of the Credit Union and its subsidiary after the elimination of intercompany transactions and balances.

Subsidiaries are entities the Credit Union controls. The Credit Union has control when it has power over the entity and has the ability to use its power over the entity to affect returns. The subsidiary included in the consolidated financial statements is ZBC, which is 60% owned by the Credit Union and 40% owned by ZBH.

(d) Derivatives held for risk management:

Derivatives held for risk management purposes are measured at fair value in the consolidated statement of financial position and reported as assets where they have a positive fair value and as liabilities where they have a negative fair value.

Derivatives held for risk management purposes are designated as either cash flow hedges, fair value hedges or economic hedges that do not qualify for hedge accounting. The Credit Union has employed only cash flow hedges or economic hedges. Cash flow hedges are utilized to hedge the variability in cash flows associated with floating rate debt liabilities by converting them to fixed rate debt liabilities.

The Credit Union enters into economic hedges to hedge its own exposure. Changes in fair value of economic hedge derivatives are recognized in net income. Management did not employ hedge accounting during the year or the previous year.

(e) Member loans:

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred and subsequently measured at amortized cost, using the effective interest method (net of an allowance for credit losses).

(f) Securitized loans and securitization liabilities:

The Credit Union periodically securitizes mortgages and sells the securities to Canada Mortgage and Housing Corporation's ("CMHC") sponsored entities. Mortgage loan securitization is part of the Credit Union's liquidity and funding strategy. In the absence of sales of retained interests (see below), most transfers of pools of mortgages under the current programs do not result in derecognition of the mortgages from the Credit Union's consolidated statement of financial position. As such, these transactions result in the recognition of securitization liabilities when cash is received from the securitization entities. Such mortgages are reclassified to securitized residential mortgages on the consolidated statement of financial position and continue to be accounted for as loans, as described above.

The securitization liabilities are recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability. The effective interest rate is the rate that exactly discounts estimated future cash outflows over the expected life of the liability. Transaction costs and premiums or discounts are applied to the carrying amount of the liability.

(g) Property and equipment:

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and amortization and any accumulated impairment (losses), with the exception of land, which is not depreciated.

Asset	Basis	Rate
Buildings	Straight line	20 years
Computer hardware and software	Straight line	5 years
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight line	Term of lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if necessary.

(h) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Credit Union has one CGU for which impairment testing is performed.

(i) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in net income, except to the extent that it relates to a business combination, or items recognized directly in equity.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

(j) Member deposits:

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument and have been classified as other financial liabilities.

Member deposits are subsequently measured at amortized cost, using the effective interest method.

(k) Pension plan:

The Credit Union accrues its obligations under the supplementary executive retirement plan ("SERP") and the related costs, net of plan assets and has adopted the following policies:

(i) the cost of the supplementary executive retirement plan is valued using the projected benefit method based on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees; and

(ii) for the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The Credit Union also has a defined contribution pension plan. Contributions to this plan are expensed as incurred.

(l) Provisions:

A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Members' shares:

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the requirements of IFRIC 2, Members' Shares in Cooperative Entities and Similar Instruments ("IFRIC 2").

(n) Patronage return:

Patronage returns are recognized in the consolidated statement of comprehensive income (loss) when declared payable by the Board of Directors.

(o) Deferred revenue:

Deferred revenue consists primarily of commitment fee revenue received on commercial loans and is recognized evenly over the remaining term of the related loan.

(p) Revenue recognition:

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

(q) Goodwill:

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The carrying amounts of the Credit Union's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other intangible assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(In thousands of Canadian dollars)

(r) Foreign currency translation:

Foreign currency accounts are translated into Canadian dollars as follows:

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, 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 net income. Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income.

4. Cash and Cash Equivalents:

	2015	2014
Cash	$ 30,724	$ 4,456
Cash resources where maturities are within three months:		
Deposits and bankers' acceptances:		
Schedule I banks	24,479	3,527
Central 1	37,900	14,500
	62,379	18,027
	$ 93,103	$ 22,483

The Credit Union has pledged $3,500 of deposits and bankers' acceptances to secure its comprehensive credit facility and $2,990 to secure its interest rate swap agreements.

Interest rates on deposits and bankers' acceptances range from 0.53% to 1.40%.

(In thousands of Canadian dollars)

5. Investments:

The following table provides information on the investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below:

	2015		2014	
	Amount	Yield	Amount	Yield
Held-to-maturity:				
Central 1 Liquidity Reserve Deposit (Note 21)	$ 127,100	1.0%	$ 97,510	1.3%
Treasury bills, bank deposits and bankers' acceptances	34,521	1.3%	9,462	1.4%
Central 1 discount deposits	15,000	1.1%	4,000	1.6%
	176,621		110,972	
Fair value through profit or loss:				
Shares of ZBH	2,777	N/A	2,319	N/A
Bonds	26	N/A	760	2.0%
Central 1 shares	7,154	N/A	5,047	N/A
Other	2,382	N/A	1,138	N/A
	12,339		9,264	
Total Investments	$ 188,960		$ 120,236	

The Credit Union has pledged $6,500 of bank deposit notes to secure its comprehensive credit facility.

(In thousands of Canadian dollars)

6. Member Loans:

	2015	2014
Residential Mortgages:		
Uninsured	$ 601,540	$ 721,900
Insured by CMHC	51,519	48,048
Insured by Genworth or Canada Guaranty Corp.	482,568	262,771
	1,135,627	1,032,719
Personal Loans	1,978	2,644
Commercial Loans	847,924	679,857
	1,985,529	1,715,220
Unamortized Broker Fees	4,076	3,478
Accrued Interest Receivable	2,711	2,083
Allowance for Credit Losses	(8,447)	(5,910)
Net Loans to Members	$ 1,983,869	$ 1,714,871

(a) Terms and conditions:

Member loans can have either a variable or fixed rate of interest and they generally mature within five years.

Variable rate loans are based on a prime rate formula, ranging from prime minus 1% to prime plus 5.25%. The rate is determined by the type of security offered and the member's creditworthiness. The Credit Union's prime rate at December 31, 2015 was 2.70%.

The interest rate offered on fixed rate loans being advanced at December 31, 2015 ranges from 2.69% to 18%. The rate offered to a member varies with the type of security offered and the member's creditworthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are not secured by real estate and, as such, have various repayment terms. Some of the personal loans are secured by wage assignments and personal property or investments.

(In thousands of Canadian dollars)

Commercial loans consist of term loans, operating lines of credit, co-ops and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, and charges on specific equipment, investments and personal guarantees.

(b) Average yields to maturity:

Loans bear interest at both variable and fixed rates with the following yields at December 31:

	2015		2014	
	Principal	Yield	Principal	Yield
Variable rate	$ 633,298	4.33%	$ 483,477	4.02%
Fixed rate due less than 1 year	148,569	5.12%	166,192	4.96%
Fixed rate due between 1 and 5 years	1,203,662	3.61%	1,065,551	3.72%
	$ 1,985,529		$ 1,715,220	

(c) Concentration of risk:

The Credit Union has no exposure to groupings of individual loans, which concentrate risk and create exposure as no individual or related groups of member loans exceed 10% of member loans outstanding. All member loans are with members with assets located in Ontario.

7. Allowance for Credit Losses:

Total allowance for credit losses comprises:

	2015	2014
Collective allowance	$ 4,960	$ 2,657
Specific allowance	3,487	3,253
Total allowance	$ 8,447	$ 5,910

(In thousands of Canadian dollars)

2015	Residential mortgage	Personal	Commercial	Total
Balance, January 1, 2015	$ 266	$ 357	$ 5,287	$ 5,910
Loans written off	(138)	(100)	(134)	(372)
Recoveries or loans previously written off	–	4	6	10
Provision for credit losses	3	(57)	2,953	2,899
Balance, December 31, 2015	$ 131	$ 204	$ 8,112	$ 8,447
Gross principal balance of individually impaired loans	$ –	$ 157	$ 12,116	$ 12,273

2014	Residential mortgage	Personal	Commercial	Total
Balance, January 1, 2014	$ 146	$ 592	$ 1,674	$ 2,412
Loans written off	(23)	(84)	(240)	(347)
Recoveries or loans previously written off	–	11	3	14
Provision for credit losses	143	(162)	3,850	3,831
Balance, December 31, 2014	$ 266	$ 357	$ 5,287	$ 5,910
Gross principal balance of individually impaired loans	$ 759	$ 290	$ 21,404	$ 22,453

(In thousands of Canadian dollars)

Analysis of individual loans that are past due based on age are shown below:

	2015	2014
Period of delinquency:		
Less than 30 days	$ 15,813	$ 27,221
30 to 89 days	1,930	2,841
90 to 179 days	1,963	11,001
180 to 365 days	16,979	2,623
Over 365 days	2,963	248
Total loans in arrears	39,648	43,934
Total loans not in arrears	1,945,881	1,671,286
Total loans	$ 1,985,529	$ 1,715,220

As at December 31, 2015, total loans past due but not impaired was $27,375 (2014 - $21,481).

Key assumptions in determining the collective allowance for impaired loans:

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment, such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events, the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

An estimate of the collective allowance is based on the period of repayments that are past due.

For purposes of the collective allowance, loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

(In thousands of Canadian dollars)

8. Securitization Activity:

As a requirement of the National Housing Authority Mortgage-Backed Securities ("NHA MBS") and Canada Mortgage Bond ("CMB") programs, the Credit Union assigns to CMHC all of its interest in securitized mortgage pools. If the Credit Union fails to make timely payment under an NHA MBS or CMB security, CMHC may enforce the assignment of the mortgages included in all the mortgage pools backing the mortgage-backed securities issued.

The following table summarizes DUCA's securitization activity:

	2015	2014
Amount securitized	$ 253,432	$ 91,251
Net cash proceeds received	251,093	90,540
Outstanding balances of securitized mortgages	329,659	91,031
Outstanding balance of mortgage-backed security	332,501	91,251

The average yield on MBS pools was 1.44% (2014 - 1.71%).

9. Other Assets:

	2015	2014
Prepaid expenses	$ 1,230	$ 2,042
Pension plan (Note 10)	133	154
	$ 1,363	$ 2,196

10. Pension Plan:

The Credit Union has a defined contribution pension plan and a SERP for senior executives, under which costs and obligations are determined using the projected benefit method of actuarial valuation prorated on service.

On December 31, 2012, the SERP was closed to new members.

The Credit Union contributes a percentage of employee salaries to the defined contribution plan. The amount of the expense for the year was $434 (2014 - $352).

(In thousands of Canadian dollars)

11. Property and Equipment:

	Land	Buildings	Leasehold improvements	Computer hardware and software	Furniture and fixtures	Total
Cost						
Balance, December 31, 2014	$ 739	$ 10,625	$ 2,598	$ 5,938	$ 6,539	$ 26,439
Additions	–	–	43	127	979	1,149
Balance, December 31, 2015	$ 739	$ 10,625	$ 2,641	$ 6,065	$ 7,518	$ 27,588
Accumulated depreciation and amortization						
Balance, December 31, 2014	$ –	$ 2,263	$ 1,662	$ 3,939	$ 4,679	$ 12,543
Depreciation	–	324	187	334	570	1,415
Balance, December 31, 2015	$ –	$ 2,587	$ 1,849	$ 4,273	$ 5,249	$ 13,958
Net book value						
December 31, 2014	$ 739	$ 8,362	$ 936	$ 1,999	$ 1,860	$ 13,896
December 31, 2015	739	8,038	792	1,792	2,269	13,630

(In thousands of Canadian dollars)

12. Member Deposits:

	2015	2014
Demand deposit accounts	$ 416,924	$ 344,343
Term deposits	866,160	829,689
Registered deposits	470,719	436,377
Foreign currency accounts	22,372	18,964
	1,776,175	1,629,373
Accrued interest payable	16,708	13,380
Unamortized Broker Fees	(1,902)	(1,958)
	$ 1,790,981	$ 1,640,795

(a) Term and conditions:

Demand deposit accounts include chequing accounts, savings accounts, and daily interest accounts, and are due on demand and bear interest at a variable rate up to 1.20% at December 31, 2015. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to seven years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2015 range from 0.25% to 2.30%.

The registered retirement savings plans accounts can be fixed or variable rate. The fixed rate accounts have terms and rates similar to the term deposit accounts described above. The variable rate accounts bear interest at rates to 0.20% at December 31, 2015. Registered retirement income funds consist of both fixed and variable rate products with terms and conditions similar to those of the registered retirement savings plans accounts described above. Members may make withdrawals from a registered retirement income fund account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements. The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the registered retirement savings plans accounts described above.

Foreign currency accounts include accounts from all of the above balances.

(In thousands of Canadian dollars)

(b) Average yields to maturity:

Members' deposits bear interest at both variable and fixed rates with the following yields at:

	Principal	2015 yield	Principal	2014 yield
Variable rate	$ 513,687	0.69%	$ 441,532	0.88%
Fixed rate due less than one year	415,318	1.95%	583,583	2.07%
Fixed rate due between one and five years	847,170	2.63%	604,258	2.56%
	$ 1,776,175		$ 1,629,373	

(c) Concentration of risk:

The Credit Union does not have an exposure to groupings of individual deposits which concentrate risk as no individual or related groups of member deposits exceed 10% of member deposits.

13. Accounts Payable and Accrued Liabilities:

	2015	2014
Creditors and accruals	$ 3,476	$ 4,732
Class B 1% cash back	420	–
Employee stock appreciation rights	–	164
Director stock appreciation rights	–	77
	$ 3,896	$ 4,973

During 2015, the Credit Union paid out to Employees and Directors all accrued stock appreciation rights.

(In thousands of Canadian dollars)

14. Income Taxes:

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

	2015	2014
Current tax expense:		
Based on current year's taxable income	$ 3,423	$ 207
Adjustments for overprovision in prior year	305	(165)
	$ 3,728	$ 42
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	$ (99)	$ 899
Reduction in tax rate	123	-
	$ 24	$ 899
Total income tax expense	$ 3,752	$ 941

Difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2014 - 26.5%) is as follows:

	2015	2014
Income before income taxes	$ 687	$ 1,864
Expected taxes based on the statutory rate	$ 176	$ 494
Loss on disposal of property	–	174
Losses for which no deferred tax asset is recognized	3,367	616
Over (under) provision in prior years	428	(165)
Distributions to members	(236)	(244)
Other	17	66
Total income tax expense	$ 3,752	$ 941

(In thousands of Canadian dollars)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2015 and 2014 are presented below:

	2015	2014
Deferred income tax assets:		
Allowance for impaired loans	$ 1,400	$ 790
Loans to members	–	199
Deferred revenue	547	570
Accounts payable	–	64
Total deferred income tax assets	$ 1,947	$ 1,623

	2015	2014
Deferred income tax liabilities:		
Capital assets	$ 834	$ 118
Broker fees	1,584	1,441
Taxable capital gain	–	515
Other	109	105
Total deferred income tax liabilities	$ 2,527	$ 2,179
Total net deferred income tax liabilities	$ (580)	$ (556)

A deferred tax asset has not been recognized in respect of the non-capital losses of $16,617 (2014 - $3,910) available for carryforward to offset taxable income in future years in ZBC.

In assessing the realisability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in ZBC during the years in which those temporary differences become deductible. ZBC is still in the early stage of its existence and, as such, a deferred tax asset related to this tax loss has not been recognized at year end. The non-capital loss expires in 2035.

15. Derivative Financial Instruments:

The Credit Union has entered into interest rate swap contracts to hedge the Credit Union's exposure to interest rate risks. As at December 31, 2015, the Credit Union had entered into interest rate swap contracts for a total of $15,000 (2014 - $25,000) of notional principal, whereby the Credit Union has agreed to pay fixed interest rates and receive at variable interest rates based on banker's acceptance rates for one month. These swap contracts have fixed interest rates ranging from 1.75% to 2.34%. The corresponding liability at year end is $200 (2014 - $320). The Credit Union has pledged $2,990 in investments to secure these agreements. These agreements mature in 2016.

The Credit Union has entered into forward contracts to hedge the Credit Union's exposure to foreign currency fluctuations. As at December 31, 2015, the Credit Union had entered into forward contracts for a total of $1,000 (2014 - $16,200) of notional amount, whereby it has agreed to settle at various exchange rates for both U.S. dollars and Euros. The corresponding asset and liability at year end is $54 (2014 - $241) and nil (2014 - $18), respectively. The contracts mature in 2016.

16. Patronage Return and Dividend:

During the year, the Board of Directors declared a patronage return of 2% (2014 - 4%), consisting of bonus interest on members' deposits and loan interest rebates and a 2% (2014 - 2%) dividend on outstanding Class A shares, both payable subsequent to the year end.

Dividends on shares classified as equity are charged to retained earnings on the date at which distributions are declared payable by the Board of Directors. Patronage returns relating to the adjustments to the amounts charged or credited to members as customers of the Credit Union are reported as patronage return on the consolidated statement of comprehensive income (loss).

(In thousands of Canadian dollars)

17. Members' Shares:

	2015			2014		
	Number of shares	Equity	Liability	Number of shares	Equity	Liability
Authorized:						
Unlimited membership shares	1,619	$ –	$ 1,619	1,770	$ –	$ 1,770
Investment shares:						
Unlimited Class A shares	44,850	44,850	–	46,275	46,275	–
Unlimited Class B shares	41,968	41,337	–	–	–	–
		$ 86,187	$ 1,619		$ 46,275	$ 1,770

Membership shares, Class A and Class B investment shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with IAS 32, Financial Instruments - Presentation and IFRIC 2. If they are classified as equity, they are recognized at cost. If they are classified as liability, they are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Terms and conditions:

(a) Member shares:

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold one membership share which has a par value of $1. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by the Deposit Insurance Corporation of Ontario. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (Note 22), as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount is classified as equity.

(In thousands of Canadian dollars)

(b) Class A shares:

An unlimited number of Class A non-cumulative, non-voting, non-participating bonus shares which are redeemable at the sole and absolute discretion of the Credit Union, up to a limit of 10% of the Class each year, at full face value at any time upon the death of the holder and ranging from 50% of face value in the second year after issue with annual increments in redemption value to 100% of face value in the seventh and subsequent years. The Credit Union may redeem the full amount of the shares at any point after five years from their date of issue. Discretionary dividends may be declared by the Board of Directors in priority to those on membership shares.

Patronage returns are at the discretion of the Board of Directors unless a constructive obligation exists for distribution.

	2015	2014
Patronage return payable	$ 1,173	$ 2,205
Dividends on investment shares payable	891	919
	$ 2,064	$ 3,124

(c) Class B investment shares:

The Class B investment shares are not redeemable for five years after the date of their issuance. The holders of Class B investment shares may, at any time after the respective non-redeemable period, make a request in writing to the Board of Directors of the Credit Union to redeem their Class B investment shares. Approval of such request is the sole and absolute discretion of the Board of Directors. In no case shall total redemptions approved in any fiscal year exceed 10% of the total Class B investment shares outstanding at the end of the previous fiscal year. The Credit Union may at any time redeem the full amount of the shares outstanding after the non-redeemable term has ended at the discretion of the Board of Directors.

(In thousands of Canadian dollars)

18. Other Income:

	2015	2014
Loan fees	$ 3,837	$ 1,578
Service fees	3,062	2,425
Foreign exchange gains and losses	1,018	613
Wealth Management fees	1,090	653
Rental income	260	217
Other (non-recurring)	1,126	16
Zenbanx Canada	205	237
	$ 10,598	$ 5,739

19. Other Operating and Administrative Expenses:

	2015	2014
Technology	$ 1,703	$ 1,213
Administration	1,658	1,942
Marketing	1,271	1,753
Professional fees	1,204	1,768
Central 1 and bank charges	1,043	1,146
Other	845	695
Donations	450	481
	$ 8,174	$ 8,998

(In thousands of Canadian dollars)

20. Related Party Transactions:

The Act requires disclosure of the five highest paid officers and employees of the Credit Union where total remuneration exceeds $150,000. The names, positions and remuneration paid during 2015 of those officers and employees are as follows:

2015:

Employee	Title	Salaries paid	Bonus paid	Pension and other post retirement retirement benefits paid	Other paid	Total
Richard Senechal	President and CEO	$ 300	$ 25	$ 25	$ 62	$ 412
Len Dias	Chief Financial Officer	182	64	18	8	272
Francis Sajéd	Chief Lending Officer	182	55	25	8	270
Geoff Ritchie	Chief Legal counsel - ZBC	225	12	–	–	237
Michael Creasor	VP - Finance	153	25	8	33	219
		$ 1,042	$ 181	$ 76	$ 111	$ 1410

A former board member of DUCA, who currently serves as a board member of the Credit Union's subsidiary, ZBC, has been appointed by the court to provide receivership services for certain troubled DUCA commercial loans.

2014:

Employee	Title	Salaries paid	Bonus paid	Pension and other post retirement retirement benefits paid	Other paid	Total
Richard Senechal	President and CEO	$ 285	$ 215	$ 28	$ 7	$ 535
Francis Sajéd	Chief Lending Officer	178	63	9	10	260
Michael Creasor	VP - Finance	151	19	8	28	206
Afzal Hussain	VP - Risk & Audit Affairs	143	17	7	2	169
Ryan Yates	VP - Marketing	133	41	8	2	184
		$ 890	$ 355	$ 60	$ 49	$ 1,354

The Credit Union has accrued staff bonuses of $2,005 (2014 - $770) for services rendered during the year ended December 31, 2015.

(In thousands of Canadian dollars)

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

	2015	2014
Loans to key management personnel:		
Aggregate value of loans advanced	$ 4,072	$ 913
Interest received on loans advanced	37	16
Total value of lines of credit advanced	927	839
Interest received on lines of credit advanced	31	32
Unused value of lines of credit	457	346
Deposits from key management personnel:		
Aggregate value of term and savings deposits	$ 4,774	$ 6,031
Total interest paid on term and savings deposits	15	27

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit with the exception of a policy approved by the Board of Directors, permitting a 2% interest rate discount on loans and residential first mortgages granted to officers who are employees of the Credit Union.

(In thousands of Canadian dollars)

21. Financial Instrument Classification and Fair Value:

The following tables represent the carrying amounts and fair values by classification:

2015	Available-for-sale	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Other financial liabilities	Total carrying value	Fair value	Variance
Cash and cash equivalents	$ –	$ –	$ –	$ 93,103	$ –	$ 93,103	$ 93,103	$ –
Investments	–	12,339	176,621	–	–	188,960	189,500	540
Loans to members	–	–	–	1,983,869	–	1,983,869	2,082,875	99,006
Accounts payable	–	–	–	–	(10,850)	(10,850)	(10,850)	–
Member deposits	–	–	–	–	(1,790,961)	(1,790,961)	(1,813,642)	(22,661)
Derivative financial instruments	–	–	–	–	(146)	(146)	(146)	–
Securitized liabilities	–	–	–	–	(329,114)	(329,114)	(333,814)	(4,700)
Patronage return and dividend payable	–	–	–	–	(2,064)	(2,064)	(2,064)	–
Members' shares	–	–	–	–	(1,619)	(1,619)	(1,619)	–
Borrowings	–	–	–	–	–	–	–	–

2014	Available-for-sale	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Other financial liabilities	Total carrying value	Fair value	Variance
Cash and cash equivalents	$ –	$ –	$ –	$ 22,483	$ –	$ 22,483	$ 22,483	$ –
Investments	–	9,264	110,972	–	–	120,236	119,898	(338)
Loans to members	–	–	–	1,714,871	–	1,714,871	1,841,229	126,358
Accounts payable	–	–	–	–	(5,798)	(5,798)	(5,798)	–
Member deposits	–	–	–	–	(1,640,795)	(1,640,795)	(1,649,810)	(9,015)
Derivative financial instruments	–	(97)	–	–	–	(97)	(97)	–
Securitized liabilities	–	–	–	–	(91,251)	(91,251)	(91,138)	113
Patronage return and dividend payable	–	–	–	–	(3,124)	(3,124)	(3,124)	–
Members' shares	–	–	–	–	(1,770)	(1,770)	(1,770)	–
Borrowings	–	–	–	–	(24,016)	(24,016)	(24,016)	–

The following methods and assumptions were used to estimate the fair values noted above of on-balance sheet financial instruments, which should be read in conjunction with the fair value measurement basis described in the significant accounting policy in Note 2(d):

(a) Fair value through profit or loss:

When available the Credit Union uses quoted market prices to determine the fair value of trading and available-for-sale securities; such items are classified as Level 1. Examples include government securities, equity investments, and other listed investments. For other securities, the Credit Union generally determines fair value utilizing valuation techniques. Fair value estimates from internal valuation techniques are verified where possible, to prices obtained from independent sources. Securities priced using such methods are generally classified as Level 2. Level 3 securities are priced at cost as there is no observable market data.

(b) Loans:

The estimated fair values of loans are arrived at by discounting the expected future cash flows of the loans at market rates for loans with similar terms of credit risk. Loans are classified as Level 3.

(c) Deposits:

The fair values of deposits payable on demand, payable after notice and floating rate deposits are assumed to equal their carrying values. The estimated fair values for fixed rate term deposits are valued using the discounted cash flows discounted using market rates currently offered for deposits with similar terms and risks. Such deposit liabilities are classified as Level 2.

(d) Derivative assets and liabilities:

The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates. Such instruments are classified as Level 2.

(e) Other assets and liabilities:

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are assumed to approximate their book values, due to their short-term nature.

(In thousands of Canadian dollars)

Fair value measurements can be classified in a hierarchy in order to discern the significance of management assumptions and the ability to observe inputs incorporated into the measurements. There are:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The following table summarizes the classification of the Credit Union's investments held and reported on the consolidated statement of financial position at December 31, 2015:

2015	Level 1	Level 2	Level 3	Total
Equity investments	$ 1,034	$ 7,154	$ 2,777	$ 10,965
Corporate debt	–	176,621	–	176,621
Other	–	1,374	–	1,374
	$ 1,034	$ 185,149	$ 2,777	$ 188,960

2014	Level 1	Level 2	Level 3	Total
Equity investments	$ –	$ 5,047	$ 2,319	$ 7,366
Corporate debt	10,255	102,226	–	112,481
Other	–	389	–	389
	$ 10,255	$ 107,662	$ 2,319	$ 120,236

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2015 and 2014 and no changes or transfers in securities classified as Level 3.

Included in Level 3 are non-quoted equity investments, which are valued based on financial information provided by that entity. The valuation does not involve a valuation model and, as such, a sensitivity analysis is not disclosed. The increase in the valuation of ZBH shares is a result of the movement in the U.S. dollar and is included in other interest in the consolidated statement of comprehensive income (loss).

22. Financial Risk Management:

(a) General objectives, policies and processes:

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies, and while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's CEO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

(b) Credit risk:

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

The Credit Union agrees to maintain at least, 6% of its assets on deposit with Central 1 to retain its membership. As at December 31, 2015, 6% of the Credit Union's total assets was \$136,959. The Credit Union is holding \$138,000 of qualifying deposits with Central 1.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction levels.

(i) Objectives, policies and processes:

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements, including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- Loan lending limits, including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing delinquent loans and loans that are on the watch-list. The Board of Directors also receives an analysis of the allowance for credit losses.

(In thousands of Canadian dollars)

(ii) Exposure to credit risk:

The following table indicates the Credit Union's maximum exposure to credit risk relating to its portfolios at December 31, 2015 without taking into account any collateral held or credit enhancements:

	Carrying value	Maximum exposure
Cash and cash equivalents	$ 93,103	$ 93,103
Investments	188,960	188,960
Loans and mortgages	1,985,529	1,985,529
Undisbursed loans	–	175,389
Unutilized lines of credit	–	127,545
Unutilized letters of credit	–	8,056
	$ 2,267,592	$ 2,578,582

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is nil.

A sizable portfolio of the loan book is secured by residential property in the Greater Toronto Area, Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan-to-valuation ratio cover should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

(c) Liquidity risk:

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

(i) Risk measurement:

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behaviours of its members and counterparties.

(ii) Objectives, policies and procedures:

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost-effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a liquidity ratio range of 6% to 12%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer-term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios daily.

The Board of Directors receives monthly liquidity reports, as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was slightly above the liquidity ratio range as at December 31, 2015.

(In thousands of Canadian dollars)

As at December 31, 2015, the position of the Credit Union is as follows:

Qualifying liquid assets on hand:	
Cash	$ 30,724
Liquidity reserve deposit	138,000
Discount deposits and term deposits	98,010
	266,734
Total liquidity requirement	126,319
Excess of liquidity requirement	$ 140,415

The Credit Union's liquidity ratio was 13% (2014 - 8%).

(In thousands of Canadian dollars)

The following tables demonstrate the Credit Union's ability to pay future obligations as financial assets and liabilities mature as at December 31, 2015 and 2014:

2015	Floating rate on demand	Within 1 month	2 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Not specified	Total
Assets								
Loans receivable from members	$ 633,059	$ 17,064	$ 131,505	$ 380,942	$ 822,199	$ 520	$ (1,420)	$ 1,983,869
Cash and cash equivalents	30,127	42,587	20,389	–	–	–	–	93,103
Investments	–	–	93,125	86,500	–	–	9,335	188,960
Other assets	–	–	–	–	–	–	16,671	16,671
Derivative financial instruments	–	–	–	–	–	–	54	54
	$ 663,186	$ 59,651	$ 245,019	$ 467,442	$ 822,199	$ 520	$ 24,640	$ 2,282,657
Liabilities and Equity								
Members' deposits	$ 513,687	$ 48,155	$ 367,163	$ 573,339	$ 256,478	$ 17,353	$ 14,806	$ 1,790,981
Loans payable	–	–	–	–	–	–	–	–
Securitization liabilities	–	–	–	–	329,114	–	–	329,114
Other liabilities	–	–	–	–	–	–	14,732	14,732
Equity	–	–	–	–	–	–	147,630	147,630
Derivative financial instruments	–	–	–	–	–	–	200	200
	$ 513,687	$ 48,155	$ 367,163	$ 573,339	$ 585,592	$ 17,353	$ 177,368	$ 2,282,657

(In thousands of Canadian dollars)

2014	Floating rate on demand	Within 1 month	2 - 12 months	1 - 3 years	3 - 5 years	Over 5 years	Not specified	Total
Assets								
Loans receivable from members	$ 479,667	$ 34,532	$ 131,660	$ 267,537	$ 796,910	$ 1,087	$ –	$ 1,711,393
Cash and cash equivalents	–	11,483	11,000	–	–	–	–	22,483
Investments	–	750	30,920	81,200	–	–	7,366	120,236
Other assets	–	–	–	–	–	–	23,433	23,433
Derivative financial instruments	–	197	44	–	–	–	–	241
	$ 479,667	$ 46,962	$ 173,624	$ 348,737	$ 796,910	$ 1,087	$ 30,799	$ 1,877,786
Liabilities and Equity								
Members' deposits	$ 464,457	$ 70,311	$ 513,278	$ 262,475	$ 320,708	$ 11,524	$ –	$ 1,642,753
Loans payable	–	15,000	–	–	–	–	9,016	24,016
Securitization liabilities	–	–	–	–	91,251	–	–	91,251
Other liabilities	–	–	–	–	–	–	11,439	11,439
Equity	–	–	–	–	–	–	107,989	107,989
Derivative financial instruments	–	16	322	–	–	–	–	338
	$ 464,457	$ 85,327	$ 513,600	$ 262,475	$ 411,959	$ 11,524	$ 128,444	$ 1,877,786

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

(i) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investments.

The Credit Union's goal is to manage the interest rate risk of the consolidated statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

(a) Risk measurement:

The Credit Union's interest rate risk position is measured daily. Measurement of risk is based on rates charged to clients, as well as funds transfer pricing rates.

(b) Objectives, policies and procedures:

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates. Management calculates and reports monthly the value-at-risk measure of financial margin in accordance with the Credit Union's interest rate risk management policy. The Credit Union also enters into interest rate swaps (Note 15) in order to hedge against exposure to interest rate fluctuations in accordance with the Credit Union's interest rate risk management policy. This policy has been approved by the Board of Directors. For the year ended December 31, 2015, the Credit Union was in compliance with this policy. The Credit Union's risk due to changes in allowable earnings-at-risk to net interest income over the next 12 months of 100-basis-points translates in an increase in net interest income of $1,880.

(In thousands of Canadian dollars)

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Deposit Insurance Corporation of Ontario in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of Ontario by Credit Union regulations. For the year ended December 31, 2015, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest-sensitive have been grouped together, regardless of maturity.

2015**:**

Maturity dates	Assets	Yield (%)	Liabilities/ members' equity	Cost (%)	Asset/ liability gap
Interest-sensitive:					
0 - 3 months	$ 740,393	4.11	$ 632,078	0.992	$ 108,315
4 - 12 months	192,008	3.15	276,600	1.885	(84,592)
1 - 2 years	184,953	3.88	162,162	2.528	22,791
2 - 5 years	1,105,206	3.37	1,105,360	2.131	(154)
	2,222,560		2,176,200		$ 46,360
Non-interest sensitive	60,097		106,457		
	$ 2,282,657		$ 2,282,657		

2014**:**

Maturity dates	Assets	Yield (%)	Liabilities/ members' equity	Cost (%)	Asset/ liability gap
Interest-sensitive:					
0 - 3 months	$ 549,845	4.07	$ 659,187	1.20	$ (109,342)
4 - 12 months	150,074	3.87	361,537	2.09	(211,463)
1 - 2 years	153,789	3.92	147,880	2.31	5,909
2 - 5 years	991,201	3.50	629,335	2.32	361,866
	1,844,909		1,797,939		$ 46,970
Non-interest sensitive	32,877		79,847		
	$ 1,877,786		$ 1,877,786		

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

(ii) Currency risk:

Currency risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union's foreign exchange risk is primarily related to U.S. dollar deposits and Euro deposits. The Credit Union limits its holdings in foreign currency to 15% of the total investment portfolio in accordance with its investment policy.

(a) Risk measurement:

The Credit Union's currency risk position is measured daily. Measurement of risk is based on rates charged to clients, as well as currency purchase costs.

(b) Objectives, policies and procedures:

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to $2,000 in Canadian funds.

For the year ended December 31, 2015, the Credit Union's exposure to foreign exchange risk is within policy.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The Credit Union's portfolio includes unlisted Canadian and U.S. stocks, comprising investments in Central 1 and ZBH.

The total investment in preferred and common shares cannot exceed 10% of capital.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

23. Capital Management:

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

Regulations to the Act require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- Capital calculated in accordance with the Act shall not be less than 4% of total assets; and

- Capital calculated in accordance with the Act shall not be less than 8% of the risk-weighted value of its assets.

The Credit Union maintains an internal policy that total members' capital as shown on the statement of financial position shall not be less than 4.5% of the book value of all assets and 8.5% of risk-weighted assets. Subsequent to year end, the risk-rated asset ratio was changed to 10.5%

The Credit Union considers its capital to include membership shares (Class A shares and Class B investment shares), and retained earnings.

The Credit Union establishes the risk-weighted value of its assets in accordance with the Regulations of the Act, which establishes the applicable percentage for each class of assets. The Credit Union's risk-weighted value of its assets as at December 31, 2015 was $1,199,371 (2014 - $1,014,877).

As at December 31, 2015, the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 7% (2014 - 6%) and a risk-weighted asset ratio of 13% (2014 - 12%).

(In thousands of Canadian dollars)

Regulatory capital consists of the following:

	2015	2014
Tier I capital:		
Membership shares	$ 1,619	$ 1,770
Other member shares - non-redeemable portion	81,702	44,165
Retained earnings	60,427	59,300
Goodwill	(1,678)	(1,678)
	142,070	103,557
Tier II capital:		
Redeemable portion of other member shares	4,485	4,907
Collective loan provision	4,960	2,657
	9,445	7,564
Total regulatory capital	$ 151,515	$ 111,121
Total assets	7%	6%
Risk-weighted assets	13%	12%

24. Commitments:

(a) Credit facilities:

A comprehensive credit facility is maintained with a major Canadian Chartered Bank up to a maximum of $14,000 and is secured by bank deposit notes (Notes 4 and 5). The Credit Union has an unused credit facility of $14,000 at year end.

A line of credit is maintained with Central 1 up to a maximum of $80,000 and is secured by a general security agreement covering all the assets of the Credit Union.

The Credit Union has an unused credit facility of $80,000 at year end.

A line of credit facility is maintained with Desjardins up to a maximum of $60,000 and is secured by a pledge of residential mortgages. The Credit Union has an unused credit facility of $60,000 at year end.

(In thousands of Canadian dollars)

(b) Member loans:

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

	2015	2014
Unadvanced loans	$ 175,389	$ 134,935
Unused lines of credit	127,545	130,381
Unused letters of credit	8,056	4,117
	$ 310,990	$ 269,433

(c) Leases:

The Credit Union rents office space for branches and ZBC facilities for which the minimum rental commitments for the next five years and thereafter are as follows:

2016	$ 1,828
2017	1,708
2018	1,214
2019	751
2020	681
Thereafter	1,360
	$ 7,542

(In thousands of Canadian dollars)

25. Goodwill:

Goodwill acquired on business combinations is assessed for impairment annually, or more frequently, if events or circumstances occur that may result in the recoverable amount of the CGU falling below its carrying value. Goodwill was assessed for annual impairment and no impairment was determined to exist.

26. ZBC:

ZBC is 60% owned by the Credit Union and 40% owned by ZBH. Since ZBC is majority-owned and controlled by DUCA, ZBC has been fully consolidated in these financial statements.

The following table summarizes the financial results of ZBC:

Statement of Financial Position (as at December 31, 2015 and 2014):

	2015	2014
Assets		
Cash	$ 15	$ 7,710
Fixed assets	–	75
Total assets	$ 15	$ 7,785
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 6,687	$ 1,695
Shareholders' equity:		
Common shares	10,000	10,000
Retained earnings	(16,672)	(3,910)
Total shareholders' equity	(6,672)	6,090
Total liabilities and shareholders' equity	$ 15	$ 7,785

(In thousands of Canadian dollars)

Statement of Income (for the year ended December 31, 2015 and 2014):

	2015	2014
Revenue:		
Rental income	$ 138	$ –
Foreign exchange gain	61	237
Other income	6	–
Total revenue	205	237
Operating expenses:		
Salaries and benefits	2,767	–
Marketing	2,064	–
Occupancy	487	–
Directors and committees	96	56
DUCA charges	167	147
ZBH	6,135	3,790
Other charges	1,196	154
Total operating expenses	12,912	4,147
Net loss	$ (12,707)	$ (3,910)

ZBC is 40% owned by ZBH and, accordingly, ZBH's portion of the net loss of $12,707 was $5,083 and is reflected on the consolidated statement of comprehensive income (loss) as "Net loss attributable to non-controlling interest".

The ZBH charges for the year ended December 31, 2015:

Software development	$ 2,926
Marketing	1,459
Professional services	654
Customer care	529
Other expenses	433
Software license	100
Salaries	34
	$ 6,135

The Credit Union is undertaking a strategic review of its investment in ZBC and has commenced discussions with ZBH and any restructure of the existing shareholder agreement will require prior approval by the Credit Union's primary regulators.