CAISSE POPULAIRE GROUPE FINANCIER LTÉE

Consolidated Financial Statements
For the year ended September 30, 2018

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Consolidated Financial Statements

For the year ended September 30, 2018 **Contents**

Independent Auditor's Report	**2**
Consolidated Financial Statements	
Consolidated Balance Sheet	**3**
Consolidated Statement of Comprehensive Income	**4**
Consolidated Statement of Changes in Members' Equity	**5**
Consolidated Statement of Cash Flows	**6**
Notes to Consolidated Financial Statements	
1. Corporate Information	**7**
2. Basis of Presentation	**7**
3. Loans to Members	**8**
4. Members’ Deposits	**15**
5. Members’ Shares	**17**
6. Capital Management	**18**
7. Cash and Cash Equivalents	**18**
8. Funds on Hand and on Deposit	**18**
9. Financial Margin and Interest	**19**
10. Derivative Financial Instruments and Hedge Accounting	**20**
11. Securitized Borrowings	**21**
12. Investments	**23**
13. Foreign Exchange Risk	**25**
14. Commitments	**25**
15. Income Taxes	**26**
16. Property, Equipment and Intangible Assets	**28**
17. Related Party Transactions	**30**
18. Personnel Expenses	**31**
19. Standards, Amendments and Interpretations Not Yet Effective	**31**

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Independent Auditor's Report

To the members of **Caisse Populaire Groupe Financier Ltée**

We have audited the accompanying consolidated financial statements of **Caisse Populaire Groupe Financier Ltée** ("Caisse"), which comprise the consolidated balance sheet as at September 30, 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in members' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Caisse's 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.

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of **Caisse Populaire Groupe Financier Ltée** as at September 30, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
December 13, 2018

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Balance Sheet

As at September 30	2018	2017
	$	$
Assets		
Funds on hand and on deposit (Note 8)	**48,791,421**	65,842,721
Other assets	**3,281,692**	3,230,299
Investments (Note 12)	**180,872,779**	171,414,692
Income tax recovery	**78,626**	87,687
Loans to members (Note 3)	**1,267,828,515**	1,222,302,577
Property and equipment (Note 16)	**16,096,090**	16,672,380
Intangible assets (Note 16)	**5,945,536**	6,364,189
	1,522,894,659	1,485,914,545
Liabilities and Members' Equity		
Other liabilities	**6,624,812**	6,815,154
Securitized borrowings (Note 11)	**32,000,478**	31,759,888
Deferred income tax liability (Note 15)	**1,645,751**	965,934
Members' deposits (Note 4)	**1,375,106,426**	1,341,117,838
Derivative financial instruments (Note 10)	**26,763**	228,128
Members' shares (Note 5)	**1,326,360**	1,297,684
	1,416,730,590	1,382,184,626
Commitments (Note 14)		
Members' Equity (Note 6)		
Members' shares (Note 5)	**9,463,044**	9,797,926
Accumulated other comprehensive income	**(31,265)**	(127,757)
Retained earnings	**96,732,290**	94,059,750
	106,164,069	103,729,919
	1,522,894,659	1,485,914,545

Approved on behalf of the Board of Directors:

C. Hébert ____________ Director

Pat ____________ Director

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Comprehensive Income

For the year ended September 30	2018	2017
	$	$
Revenue		
Interest from loans to members	**45,899,920**	42,931,275
Investment income	**4,744,434**	4,750,895
	50,644,354	47,682,170
Cost of Funds		
Interest paid to members	**24,095,411**	21,363,251
Interest on borrowings	**579,167**	441,844
	24,674,578	21,805,095
Financial margin	**25,969,776**	25,877,075
Operating Expenses		
Personnel (Note 18)	**14,518,890**	14,514,078
Administrative	**4,917,991**	4,660,732
Occupancy	**3,052,449**	3,426,782
Members' security	**1,276,510**	1,239,934
Organizational	**885,158**	930,822
Gross operating expenses	**24,650,998**	24,772,348
Less other income	**(6,559,924)**	(6,651,129)
Net operating expenses	**18,091,074**	18,121,219
Net income before provision for impaired loans	**7,878,702**	7,755,856
Provision for impaired loans	**4,020,000**	760,000
Net income before income taxes	**3,858,702**	6,995,856
Provision for income taxes (Note 15)	**1,186,162**	1,398,977
Net income for the year	**2,672,540**	5,596,879
Other Comprehensive Income (Net of Tax)		
Change in unrealized losses (gains) on fair value hedges	**(96,492)**	25,660
Total comprehensive income for the year	**2,769,032**	5,571,219

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Changes in Members' Equity

For the year ended September 30, 2018

	Accumulated Other Comprehensive Income	Members' Shares	Retained Earnings	Total
	$	$	$	$
Balance at September 30, 2016	(102,097)	10,118,808	88,462,871	98,479,582
Total comprehensive income for the year	(25,660)	-	5,596,879	5,571,219
Net redemption of members' shares	-	(338,459)	-	(338,459)
Transfer from liabilities	-	17,577	-	17,577
Balance at September 30, 2017	**(127,757)**	**9,797,926**	**94,059,750**	**103,729,919**
Total comprehensive income for the year	**96,492**	**-**	**2,672,540**	**2,769,032**
Net redemption of members' shares	**-**	**(306,206)**	**-**	**(306,206)**
Transfer to liabilities	**-**	**(28,676)**	**-**	**(28,676)**
Balance at September 30, 2018	**(31,265)**	**9,463,044**	**96,732,290**	**106,164,069**

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

CAISSE POPULAIRE GROUPE FINANCIER LTÉE
Consolidated Statement of Cash Flows

For the year ended September 30	2018	2017
	$	$
Cash Flows from Operating Activities		
Net income for the year	**2,672,540**	5,596,879
Adjustments for		
Interest and investment revenue	**(50,644,354)**	(47,682,170)
Interest expense	**24,674,578**	21,805,095
Depreciation expense	**1,348,507**	1,275,410
Provision for deferred tax	**698,196**	752,917
Provision for impaired loans	**4,020,000**	760,000
Ineffective portion of swaps	**(2,114)**	(107,610)
Loss (gain) on disposal of property and equipment	**(159,397)**	149,213
Gain on disposal of investments	**-**	(1,272,868)
Net change in other assets	**(51,393)**	(769,422)
Net change in income tax recovery	**483,204**	599,393
Net change in other liabilities	**(190,342)**	(1,150,519)
Changes in member activities, net		
Change in loans to members, net of repayments	**(49,201,496)**	(56,399,409)
Change in members' deposits, net of withdrawals	**32,928,280**	46,246,592
Cash flows related to interest and income taxes		
Interest received on loans to members	**45,434,340**	43,008,282
Interest received on investments	**4,345,091**	5,945,636
Interest paid on members' deposits	**(23,614,270)**	(22,759,858)
Income taxes paid	**(474,143)**	(476,373)
Total cash flows from operating activities	**(7,732,773)**	(4,478,812)
Cash Flows from Investing Activities		
Purchase of investments	**(167,361,537)**	(3,094,812)
Disposal of investments	**158,302,793**	28,333,529
Purchase of property and equipment	**(436,237)**	(500,168)
Purchase of systems software	**-**	(56,958)
Proceeds on disposal of property and equipment	**242,070**	-
Total cash flows from investing activities	**(9,252,911)**	24,681,591
Cash Flows from Financing Activities		
Issuance of securitized borrowings	**7,521,383**	13,511,875
Repayment of securitized borrowings	**(7,280,793)**	(9,043,482)
Net redemption of common and surplus shares	**(306,206)**	(338,459)
Total cash flows from financing activities	**(65,616)**	4,129,934
Net increase (decrease) in cash and cash equivalents	**(17,051,300)**	24,332,713
Cash and cash equivalents, beginning of year	**65,842,721**	41,510,008
Cash and cash equivalents, end of year	**48,791,421**	65,842,721

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

1. Corporate Information

Reporting Entity

Caisse Populaire Groupe Financier Ltée (the "Caisse") is incorporated under the Credit Unions and Caisses Populaires Act of the Province of Manitoba ("The Act"). The Caisse serves members primarily in Manitoba and provides retail and commercial banking, and wealth management services. The Caisse has nineteen branches located throughout Winnipeg and southern Manitoba, with its registered office located at 205 Provencher Boulevard, Winnipeg, Manitoba, Canada.

These consolidated financial statements have been approved for issue by the Board of Directors on December 13, 2018.

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

These consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments measured at fair value.

The consolidated financial statements' values are presented in Canadian dollars which is the Caisse's functional and presentation currency.

(c) Judgements and Estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Caisse's accounting policies. The areas involving critical judgements and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized or amounts of assets or liabilities disclosed in the consolidated financial statements within the next financial year are:

- In determining whether an impairment loss should be recorded relating to loans to members in the consolidated statement of comprehensive income (Note 3).

- The Caisse determines the fair value of certain financial instruments using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows (Notes 3, 4, 11 and 12).

In addition, in preparing the consolidated financial statements, the notes to the consolidated financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the consolidated financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

2. Basis of Presentation (continued)

(d) Basis of Consolidation

These consolidated financial statements include the accounts of the Caisse and its wholly-owned subsidiaries: C Finance Inc., and Immobilières CSB Inc. The Caisse's wholly-owned subsidiaries have December 31 fiscal year ends.

All intercompany balances, transactions and profits and losses have been eliminated.

3. Loans to Members

All loans to members 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.

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

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

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

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

Consumer term loans consist of loans that are non real estate secured and, as such, have various repayment terms. They are secured by various types of collateral, including charges on specific equipment or personal property, investments and supported by personal guarantees.

Commercial loans consist of term loans, operating lines of credit 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, charges on specific equipment, investments, and supported by personal guarantees.

Agricultural loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships, and corporations for agricultural purposes and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, assignments of crops and livestock, investments, and personal guarantees.

3. Loans to Members (continued)

	2018	2017
	$	$
Consumer		
Term loans	**28,786,478**	28,796,428
Mortgages	**546,761,348**	513,399,208
Lines of credit	**32,171,567**	34,445,935
Commercial		
Term loans	**75,946,730**	63,505,477
Mortgages	**388,124,572**	397,880,064
Lines of credit	**46,092,021**	39,783,622
Agricultural		
Term loans	**19,001,191**	18,534,285
Mortgages	**119,708,789**	112,882,595
Lines of credit	**14,383,113**	13,169,897
	1,270,975,809	1,222,397,511
Accrued interest receivable	**4,484,161**	4,018,581
Total loans	**1,275,459,970**	1,226,416,092
Allowance for impaired loans	**(7,631,455)**	(4,113,515)
Net loans to members	**1,267,828,515**	1,222,302,577

Included in the balance of loans to members is $63,931 ($1,161,825 at September 30, 2017) denominated in US dollars.

Credit Risk Management

Credit risk is the risk of financial loss to the Caisse if a counterparty to a financial instrument fails to meet its contractual obligations. The Caisse is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

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 Caisse takes into consideration the member's character, credit worthiness, and value of collateral available to secure the loan.

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

3. Loans to Members (continued)

The Caisse'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, loan administration, credit concentration limits, and risk rating;
- Loan lending limits including Board of Directors 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 Caisse's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

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

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

3. **Loans to Members** (continued)

Concentration of Risk

The Caisse has an exposure to groupings of individual loans which concentrate risk and create exposure to particular industry segments as follows:

	2018	2017
	$	$
Agriculture		
Crop production	**128,839,350**	124,183,926
Livestock farming	**39,286,089**	38,577,635
Commercial		
Accommodations and food services	**42,779,063**	42,720,801
Construction	**58,807,984**	61,296,175
Real estate, rental and leasing	**237,817,786**	237,792,531
Manufacturing	**7,131,258**	6,746,609
Public administration	**17,825,207**	14,201,668

The majority of loans to members are with members located throughout southern Manitoba. A sizeable portion of the Caisse's loan portfolio is secured by residential property in southern Manitoba. Therefore, the Caisse is exposed to the risks in reduction of the loan to valuation ratio coverage should the residential 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.

No individual or related groups of loans to members exceed the Caisse’s established thresholds as at September 30, 2018 and 2017.

Allowance for Impaired Loans

If there is objective evidence that an impairment loss on loans to members carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

The Caisse first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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

3. Loans to Members (continued)

The allowance for impaired loans is comprised of the following:

	2018	2017
	$	$
Collective allowance	**645,533**	616,030
Specific allowance	**6,985,922**	3,497,485
Total allowance	**7,631,455**	4,113,515

During the years ended September 30, 2018 and 2017, the Caisse did not acquire any assets in respect of problem loans.

Movement in total allowance for impaired loans is as follows:

				2018
	Consumer	**Agricultural**	**Commercial**	**Total**
	$	**$**	**$**	**$**
Balance at September 30, 2017	**418,376**	**41,375**	**3,653,764**	**4,113,515**
Provision for impaired loans for the year	**241,371**	**8,756**	**3,769,873**	**4,020,000**
	659,747	**50,131**	**7,423,637**	**8,133,515**
Loans written off	**225,657**	**-**	**276,403**	**502,060**
Balance at September 30, 2018	**434,090**	**50,131**	**7,147,234**	**7,631,455**
Gross principal balance of individually impaired loans at September 30, 2018	**3,501,161**	**373,950**	**66,207,798**	**70,082,909**

				2017
	Consumer	Agricultural	Commercial	Total
	$	$	$	$
Balance at September 30, 2016	572,600	48,334	3,269,306	3,890,240
Provision for impaired loans for the year	29,692	(6,959)	737,267	760,000
	602,292	41,375	4,006,573	4,650,240
Loans written off	183,916	-	352,809	536,725
Balance at September 30, 2017	418,376	41,375	3,653,764	4,113,515
Gross principal balance of individually impaired loans at September 30, 2017	3,265,356	172,487	41,871,862	45,309,705

3. Loans to Members (continued)

An analysis of individual loans that are impaired or potentially impaired and included in the specific allowance based on period of delinquency is as follows:

	2018		2017	
	Carrying Value	**Specific Allowance**	Carrying Value	Specific Allowance
	$	**$**	$	$
Period of Delinquency				
Less than 30 days	**273,885**	**74,966**	634,360	-
31 to 90 days	**5,759,269**	**128,342**	333,272	10,222
Greater than 90 days	**11,907,894**	**2,441,068**	11,873,374	2,413,783
Total impaired loans in arrears	**17,941,048**	**2,644,376**	12,841,006	2,424,005
Total impaired loans not in arrears	**52,141,861**	**4,341,546**	32,468,699	1,073,480
Total impaired loans	**70,082,909**	**6,985,922**	45,309,705	3,497,485

Key Assumptions in Determining the Allowance for Impaired Loans Collective Allowance

The Caisse 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 Caisse 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 Caisse 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 and historical write offs.

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

3. Loans to Members (continued)

Loans with repayments past due but not regarded as individually impaired and considered in determining the collective allowance are as follows:

				2018
	Consumer	**Agricultural**	**Commercial**	**Total**
	$	**$**	**$**	**$**
1 to 30 days	**3,574,847**	**129,582**	**8,967,689**	**12,672,118**
31 to 90 days	**1,867,142**	**14,309**	**3,418,121**	**5,299,572**
Greater than 90 days	**27,034**	**-**	**163,309**	**190,343**
Balance at September 30, 2018	**5,469,023**	**143,891**	**12,549,119**	**18,162,033**

				2017
	Consumer	Agricultural	Commercial	Total
	$	$	$	$
1 to 30 days	3,382,553	111,390	10,136,157	13,630,100
31 to 90 days	3,175,697	116,449	6,733,220	10,025,366
Greater than 90 days	-	-	898,446	898,446
Balance at September 30, 2017	6,558,250	227,839	17,767,823	24,553,912

Credit Quality of Loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2018	2017
	$	$
Unsecured loans	**100,898,150**	61,789,777
Loans secured by cash or members' deposits	**16,021,758**	11,822,187
Loans secured by real property	**908,133,114**	898,253,980
Loans secured by chattels	**112,766,852**	119,387,678
Loans insured by government	**137,640,096**	135,162,470
	1,275,459,970	1,226,416,092

Fair Value

The fair value of the loans to members at September 30, 2018 was $1,262,972,000 ($1,227,039,000 in 2017).

The fair market value of loans to members is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced. Rates used vary from 3.24% to 7.49% based on maturity date and type of loan.

3. Loans to Members (continued)

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties, the Caisse normally holds all of its loans to members to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates and may not be indicative of the ultimate realizable value.

4. Members' Deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Members' deposits are subsequently measured at amortized cost, using the effective interest rate method and have been classified as other liabilities.

Members' deposits are broken down as follows:

	2018	2017
	$	$
Chequing accounts	**359,911,222**	337,945,458
Savings accounts	**181,714,574**	189,071,086
Term deposits	**469,702,131**	461,317,703
Registered plans	**354,057,621**	344,123,021
	1,365,385,548	1,332,457,268
Accrued interest payable	**9,720,878**	8,660,570
	1,375,106,426	1,341,117,838

Included in chequing accounts and term deposits is an amount of $11,110,757 ($15,428,356 at September 30, 2017) to be settled in US dollars.

Concentration of Risk

The Caisse does not have individual or related groups of members' deposits which would cause a significant risk to the Caisse at September 30, 2018 and 2017.

The majority of members' deposits are with members located throughout southern Manitoba.

Liquidity Risk

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

4. Members' Deposits (continued)

The Caisse'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 Credit Unions and Caisses Populaires Act require the Caisse to maintain liquid assets of at least 8% of members' deposits and borrowings in order to meet member withdrawals. The Caisse has met this requirement as at September 30, 2018 with liquidity reserves equal to 14.30% (14.15% in 2017).

The Caisse 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 monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Caisse's liquidity framework. The Caisse was in compliance with the liquidity requirements throughout the fiscal year and at September 30, 2018.

The maturities of liabilities are shown in Note 9.

The Caisse has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Fair Value

The fair value of members' deposits at September 30, 2018 was $1,375,802,000 ($1,343,787,000 in 2017).

The fair market value of members' deposits is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced. Rates used vary from 0.85% to 3.25% based on renewal date of the deposit.

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm’s length willing parties, the Caisse normally holds all of its members’ deposits to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates and may not be indicative of the ultimate realizable value.

5. Members' Shares

	2018	2017
	$	$
Liabilities		
Common (Issued: 34,533; 34,592 in 2017)	**172,665**	172,960
Surplus	**1,153,695**	1,124,724
	1,326,360	1,297,684
Members' Equity		
Surplus	**9,463,044**	9,797,926
	10,789,404	11,095,610

Terms and Conditions

As a condition of membership, each member must purchase one common share. No member may hold more than 10% of the total number of shares. Each member of the Caisse has one vote regardless of the number of shares the member holds.

Authorized Shares

Common Shares

Authorized common share capital consists of an unlimited number of common shares with an issue price per share of not less than $5, redeemable at par only when a membership is withdrawn.

Common shares that are available for redemption are classified as a liability. The difference between the total members' shares and the liability amount are classified as members' equity.

The withdrawal of members' shares is subject to the Caisse maintaining adequate regulatory capital.

Surplus Shares

Authorized surplus shares consist of an unlimited number of surplus shares, issued and redeemable at $1 per share at the option of the Caisse. Surplus shares are issued as part of patronage rebates and/or distributions. The withdrawal of surplus shares is subject to the Caisse maintaining adequate regulatory capital, as is the payment of any distributions on these shares.

Surplus shares that are available for redemption are classified as a liability. The difference between the total surplus shares and the liability amount are classified as members' equity.

Patronage rebates and/or distributions are at the discretion of the Board of Directors.

6. Capital Management

Capital is managed in accordance with policies established by the Board of Directors. Management regards a strong capital base as an integral part of the Caisse's strategy. The Caisse has a capital plan to provide a long-term forecast of capital requirements. All of the elements of capital are monitored throughout the year, and modifications of capital management strategies are made as appropriate.

Regulations under The Act require that the Caisse establish and maintain a level of capital that meets or exceeds the following:

(a) Total members' equity as shown on the balance sheet shall not be less than 5% of the book value of its assets;

(b) Retained earnings shall not be less than 3% of the book value of its assets; and

(c) A tiered level of capital shall not be less than 8% of the risk weighted value of its assets as defined in the Regulations.

The Caisse considers its capital to include members' shares and retained earnings which is unchanged from the previous year. All member's shares are included in the calculation of capital regardless of being classified as a liability or equity on the consolidated balance sheet.

As at September 30, 2018, the Caisse met all of the legislated capital requirements as follows:

	2018	2017
	%	%
Members' equity	**7.06**	7.07
Retained earnings	**6.35**	6.32
Risk weighted capital	**11.60**	11.69

7. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and current accounts with Credit Union Central of Manitoba ("CUCM") and Caisse Centrale Desjardins ("CCD") less borrowings that are repayable on demand.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

8. Funds on Hand and on Deposit

The Caisse's current account is held with CUCM. Included in the balance of funds on hand and on deposit is $11,104,741 ($14,424,359 at September 30, 2017) denominated in US dollars.

The carrying amount of the funds on hand and on deposit approximates their fair value.

9. Financial Margin and Interest

The Caisse's major source of income is financial margin, the difference between interest earned on investments and loans to members and interest paid on members' deposits and borrowings. 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.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Caisse management and reported to the Deposit Guarantee Corporation of Manitoba in accordance with the Caisse's matching policy. This policy has been approved by the Board of Directors as required by The Regulations to the Act. For the years ended September 30, 2018 and 2017, the Caisse was in compliance with this policy.

To decrease the exposure of wide fluctuations of income during periods of changing interest rates, the Caisse has policies to maintain the best possible matching of maturity of its loans and deposits. The Caisse also enters into interest rate swap contracts to reduce its exposures to changing interest rates.

As at September 30, 2018, the notional principal amount of swaps totaled $4,000,000. These amounts, however, are not indicative of the underlying credit risk. The credit risk is represented by the cost to replace the swap agreements which are estimated to be $26,763 at September 30, 2018. This cost would be incurred only in the event of failure by the counter party, restricted to major chartered banks, to honor its contractual obligations; it is management's responsibility to assess whether an event of failure is remote and the associated credit risk is minimal.

The following schedule shows the Caisse's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within twelve 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 rate sensitive have been grouped together, regardless of maturity.

	As at September 30, 2018				
Maturity Dates	**Assets**	**Assets Swaps**	**Liabilities**	**Liabilities Swaps**	**Asset and Liability Gap**
(in thousands)	$	$	$	$	$
Interest sensitive					
Variable	**445,317**	**4,000**	**405,735**	**-**	**43,582**
0 - 12 months	**370,664**	**-**	**478,805**	**-**	**(108,141)**
Greater than 1 year	**683,364**	**-**	**355,658**	**4,000**	**323,706**
Interest sensitive	**1,499,345**	**4,000**	**1,240,198**	**4,000**	**259,147**
Non-interest sensitive	**23,550**	**-**	**282,697**	**-**	**(259,147)**
Total	**1,522,895**	**4,000**	**1,522,895**	**4,000**	**-**

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of the Caisse is to intermediate between the expectations of borrowers and depositors.

9. Financial Margin and Interest (continued)

The notional amount of swaps reflected in the above schedule is added to the consolidated balance sheet as variable rate assets of $4,000,000 and fixed rate liabilities of $4,000,000 at September 30, 2018.

An analysis of the Caisse's risk due to changes in interest rates was calculated using financial modelling software and determined that an increase in interest rates of 1% could result in an increase of $913,329 to Caisse's financial margin while a decrease in interest rates of 1% could result in a decrease to its financial margin of $1,082,379.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

10. Derivative Financial Instruments and Hedge Accounting

The Caisse has entered into interest rate swap contracts with CCD to hedge the Caisse's exposure to interest rate risks. As at September 30, 2018, the Caisse had entered into interest rate swap contracts for a total of $4,000,000 of notional principal whereby it has agreed to pay at fixed interest rates and receive at variable interest rates. This swap contract has a fixed interest rate of 2.77% and will mature in August 2021.

Hedge accounting has been applied to the derivative instruments described above, as the criteria for hedge accounting are met:

- Formal designation and documentation of the hedging relationship has been made;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested.

The Caisse has chosen to test the effectiveness of its hedges on a monthly basis.

The derivatives used to preserve the value of its loans to members have been designated as fair value hedges and are presented with loans to members. Gains and losses resulting from changes in the fair value of the derivative financial instrument and the risk associated with the financial instrument hedged are recognized immediately in income as other income.

Derivatives used to manage interest rate risk have been designated as cash flow hedges 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 balance sheet. Gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

If the Caisse closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method.

10. Derivative Financial Instruments and Hedge Accounting (continued)

Fair Value Hierarchy

Assets and liabilities recorded at fair value in the consolidated balance sheet are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The input levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. There are no assets or liabilities measured at fair value classified as Level 1.

- Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

  Level 2 inputs include quoted prices for assets in markets that are considered less active. Assets and liabilities measured at fair value and classified as Level 2 include investments in shares and derivative financial instruments.

- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.

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

There were no transfers between levels for the years ended September 30, 2018 and 2017.

11. Securitized Borrowings

As a complement to its existing capital, liquidity and interest rate risk management strategies, the Caisse periodically enters into asset transfer agreements with third parties, which include securitization of insured residential mortgages through its participation in the National Housing Act Mortgage-Backed Securities (NHA MBS) program.

For securitization transactions, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method.

If the criteria for derecognition has been met, the securitization is treated as a sale and the mortgages are derecognized and removed from the consolidated balance sheet.

11. Securitized Borrowings (continued)

Caisse has determined the funds raised from securitization transactions during the year should be accounted for as securitized borrowings as the Caisse did not transfer substantially all of the risks and rewards of ownership, including principal prepayment, interest rate and credit risk of the mortgages in the securitization transaction. As at September 30, 2018, the carrying amount of the associated residential mortgages held as security and the related liability are as follows:

	2018	2017
	$	$
Securitized consumer mortgages	**32,000,478**	31,759,888
Securitized borrowings	**32,000,478**	31,759,888
Net position	**-**	-

Securitized borrowings represent the funding secured by insured mortgages assigned under the NHA MBS program. As the securitization of mortgages does not lead to derecognition of the mortgages under accounting standards, proceeds received through securitization of these mortgages are recorded as securitized borrowings on the consolidated balance sheet.

The breakdown of the securitized borrowings is as follows:

	2018	2017
	$	$
Current	**9,944,000**	4,566,000
Non current	**22,056,478**	27,193,888
	32,000,478	31,759,888

NHA MBS mortgage pools consist of eight mortgage pools bearing interest rates from 1.33% to 2.00% (from 1.33% to 2.00% in 2017). Mortgage pool maturities range from December 2018 to November 2022.

12. Investments

	2018	2017
	$	$
Liquidity Deposits		
Term deposits	**165,000,000**	158,000,000
Shares		
CUCM shares	**12,612,000**	10,736,000
Other shares	**1,467,858**	1,348,859
	14,079,858	12,084,859
Other		
Securities	**-**	801
Municipal debentures	**1,116,882**	1,052,336
	1,116,882	1,053,137
Accrued interest and dividends	**676,039**	276,696
	180,872,779	171,414,692

Included in liquidity term deposits is an amount of $NIL ($NIL at September 30, 2017) denominated in US dollars.

Liquidity Deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

The term deposits bear interest at rates ranging from 1.63% to 1.85% and have original maturity dates of 6 months or less.

The fair value of the liquidity deposits at September 30, 2018 was $165,199,360 ($158,179,840 in 2017).

The fair market value of liquidity deposits is calculated based on the present value of future cash flows. To determine present value, future cash flows are discounted by the current rate curve by which the asset or liability is originally priced. Rates used vary from 1.63% to 1.85% based on maturity date and type of deposit.

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties, the Caisse normally holds all of its fixed term investments to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates and may not be indicative of the ultimate realizable value.

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12. Investments (continued)

Shares

These instruments are classified as available for sale and are initially recognized at fair value plus transaction costs that are directly attributable to 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 determinable in which case they are carried at cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument that constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

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

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

The shares in CUCM are required as a condition of affiliation and are redeemable upon withdrawal of affiliation or at the discretion of the Board of Directors of CUCM. In addition, the member credit unions and caisse are subject to additional capital calls at the discretion of the Board of Directors of CUCM. CUCM shares are subject to a rebalancing mechanism at least annually and are issued and redeemable at par value. There is no separately quoted market value for these shares. However, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

The Caisse is not intending to dispose of any CUCM shares as the services supplied by CUCM is relevant to the day to day activities of the Caisse. Dividends on these shares are at the discretion of the Board of Directors of CUCM.

Other

These investments are classified as held to maturity as they are considered non derivative financial assets with fixed or determinable payments and fixed maturities that the Caisse management has the positive intention and ability to hold to maturity. These are initially recorded at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest rate method. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized as impairment loss.

The securities and municipal debentures bear interest at rates ranging from 3.90% to 6.5% (3.15% to 6.5% in 2017) and mature between December 2018 and December 2030. There is no separately quoted market value for these investments, however fair value is determined to be equivalent to the carrying amount.

13. Foreign Exchange Risk

The Caisse's foreign exchange risk is related to US dollar deposits denominated in US dollars. Foreign currency changes are continually monitored by management for effectiveness of its foreign exchange mitigation activities and holdings are adjusted according to policy.

The Caisse's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure.

For the years ended September 30, 2018 and 2017, the Caisse's exposure to currency risk is within policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

14. Commitments

Credit Facilities

The Caisse has an approved line of credit with CUCM equal to 10% of its members' deposits. The line of credit is secured by an assignment of shares and deposits in CUCM, as well as by an assignment of loans receivable from members. The balance outstanding at September 30, 2018 was $NIL ($NIL at September 30, 2017).

The Caisse also has a borrowing limit of up to a maximum of $15,000,000 at September 30, 2018 with the CCD to fund its current operations. Any advances made when borrowings are greater than $15,000,000 must have a guarantee of term deposits equivalent to the amount in excess of $15,000,000. The balance outstanding at September 30, 2018 was $NIL ($NIL at September 30, 2017).

Loans to Members

The Caisse has the following commitments to its members at September 30, 2018 on account of undisbursed loans, unutilized lines of credit and letters of credit:

	2018	2017
	$	$
Undisbursed loans	**46,422,312**	37,285,950
Unutilized lines of credit	**203,725,204**	216,629,603
Letters of credit	**3,421,827**	4,469,287
	253,569,343	258,384,840

14. Commitments (continued)

Other

Credit Union Central of Manitoba

Under the terms of a financial services master agreement, CUCM provides banking, trade and other services to the Caisse. By virtue of this agreement, the Caisse is obliged to pay to CUCM the fees and dues specified in the agreement.

Deposit Guarantee Corporation of Manitoba

The Deposit Guarantee Corporation of Manitoba ("DGCM") is a deposit insurance corporation. By legal obligation under the Act, DGCM guarantees the deposits of all members of Manitoba Credit Unions/Caisse. By legislation, the Credit Union/Caisse pays a quarterly levy to DGCM based on a percentage of members' deposits.

15. Income Taxes

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

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

	2018	2017
	$	$
Current Tax Expense		
Based on current year taxable income	**524,724**	646,060
Deferred Tax Expense		
Origination and reversal of temporary differences	**252,485**	752,917
Impact of change in tax rates	**408,953**	-
	661,438	752,917
Total income tax expense	**1,186,162**	1,398,977

The significant components of the tax effect of the amounts recognized in other comprehensive income are composed of:

	2018	2017
	$	$
Deferred Tax		
Change in unrealized gains (losses) on derivative financial instruments	**(18,379)**	4,887

15. Income Taxes (continued)

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

	2018	2017
	%	%
Combined federal and provincial statutory income tax rates	**27.0**	27.0
Credit Union rate reduction	**(11.4)**	(12.2)
Provincial Profits Tax	**0.7**	0.9
Non-deductible and other items	**14.4**	4.3
	30.7	20.0

The tax effects of temporary differences which give rise to the net deferred income tax asset or liability is related to the amortization of property and equipment, and systems software, the allowance for impaired loans, goodwill, losses carried forward and other provisions in the consolidated financial statements.

The components of deferred income tax liabilities and assets are as follows:

	2018	2017
	$	$
Deferred Tax Liabilities		
Property, equipment and systems software	**1,877,378**	618,590
Other	**2,251**	550,400
	1,879,629	1,168,990
Deferred Tax Assets		
Allowance for impaired loans	**233,878**	154,524
Provision for write down of investments	**-**	3,663
Losses carried forward	**-**	28,403
Derivative financial instruments	**-**	16,466
	233,878	203,056
Net deferred tax liability	**(1,645,751)**	(965,934)

16. Property, Equipment and Intangible Assets

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 in net income and is provided on a straight line basis over the estimated useful life of the assets as follows:

Buildings	2.5%
Parking lot	8%
Furniture and equipment	10%
Computer equipment	10% to 33%
Telecommunication equipment	6.7% to 10%
Leasehold improvements	10% to 20%

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

			2018	2017
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
	$	**$**	**$**	$
Land	**2,294,884**	**-**	**2,294,884**	2,309,349
Building and parking lots	**18,547,896**	**6,448,171**	**12,099,725**	12,594,090
Furniture and equipment	**5,860,723**	**5,296,783**	**563,940**	733,950
Computer and telecom equipment	**4,200,475**	**3,080,584**	**1,119,891**	1,006,397
Leasehold improvements	**891,587**	**873,937**	**17,650**	28,594
	31,795,565	**15,699,475**	**16,096,090**	16,672,380

Intangible Assets

Systems Software

Acquired and internally developed systems software are carried at cost, less accumulated depreciation and accumulated impairment losses, if any. Input costs directly attributable to the development or implementation of the asset are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Caisse and the cost can be measured reliably.

Intangible assets available for use are depreciated over their useful lives on a straight line basis at a rate of 6.7% to 33%. The method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

16. Property, Equipment and Intangible Assets (continued)

Goodwill

Goodwill represents the excess of purchase price of certain subsidiaries acquired by the Caisse over the net amount attributable to assets acquired and liabilities assumed. It is carried at original cost less any impairment subsequently incurred. Goodwill is assessed for impairment annually or more frequently if events or circumstances occur that may result in the recoverable amount of the cash generating unit ("CGU") falling below its carrying value. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other groups of assets. The goodwill balances are allocated to either individual or groups of CGU that are expected to benefit from the synergies of the business combination. Goodwill impairment is quantified by comparing a CGU's carrying value to its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. Impairment losses are recognized immediately in net income and may not be reversed in future periods

The Caisse used cash flow projections to assess goodwill impairment. The five year cash flow projections used in its impairment analysis was approved by the Board of Directors. Key assumptions used therein reflect past experience and are consistent with external sources of information. A discount rate of 3.5% was applied to its cash flow projections.

			2018	2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	$	**$**	**$**	$
Goodwill	**1,091,515**	**106,519**	**984,996**	984,996
Systems software	**7,558,440**	**2,597,900**	**4,960,540**	5,379,193
	8,649,955	**2,704,419**	**5,945,536**	6,364,189

17. Related Party Transactions

Key management personnel is defined under IFRS as those persons having authority and responsibility for planning, directing and controlling the activities of the Caisse, directly or indirectly. Key management personnel of the Caisse includes executive management and Board of Directors.

The aggregate compensation of key management personnel during the year is as follows:

	2018	2017
	$	$
Compensation		
Salaries, and other short-term employee benefits	**1,373,303**	1,294,581

Included in compensation above are the following payments to the directors and officers of the Caisse for expenses associated with the performance of their duties:

	2018	2017
	$	$
Honouraria and per diems	**35,500**	41,100
Training and other costs	**2,658**	4,103
	38,158	45,203

The Caisse's policy for lending to key management personnel and for receiving deposits from key management personnel is that the loans are approved and deposits are accepted on the same terms and conditions which apply to members for each class of loan and type of deposit. Loans to key management personnel and deposits from the latter are as follows:

	2018	2017
	$	$
Loans to key management personnel		
Aggregate value of loans advanced	**1,051,113**	960,299
Interest received on loans advanced	**30,806**	42,654
Total value of lines of credit advanced	**85,500**	67,826
Interest received on lines of credit advanced	**3,346**	2,322
Unused value of lines of credit	**221,000**	113,175
Deposits from key management personnel		
Aggregate value of term and savings accounts	**1,657,025**	1,872,125
Total interest paid on term and savings accounts	**16,958**	22,841

18. Personnel Expenses

	2018	2017
	$	$
Salaries and wages	**11,699,046**	11,557,774
Employee benefits	**2,055,843**	2,218,175
Other	**764,001**	738,129
	14,518,890	14,514,078

19. Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Caisse's accounting periods beginning on or after October 1st, 2018 or later periods that the Caisse has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Caisse are:

i. IFRS 9 - Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a simplified hedge accounting model that will allow entities to better reflect their risk management activities. Entities are required to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Caisse is in the process of evaluating the impact of the new standard.

ii. IFRS 16 Leases supersedes IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance lease from the perspective of a lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Caisse is in the process of evaluating the impact of the new standard.