The future looks bright.
VISION
To create value for members as an innovative, growing and responsive Credit Union.

MISSION STATEMENT
To make a difference in people’s lives. We build mutually supportive relationships to create wealth, enhance quality of life and serve the needs of our communities.

CORPORATE VALUES
• Human Dignity: treating each member as a unique individual
• Excellence: providing the best value for our members
• Governance: continuously being seen as a sound, stable and competent “banking” alternative
• Co-operation: people helping people, being stronger together
• Responsiveness: providing initiatives for the well-being of individuals and communities
• Integrity: acting in an ethical, honest and trustworthy manner
• Social Responsibility: being a positive force in our community

CONTENTS
Message from the Chair of the Board 2
Message from the CEO 4
In Review 6
Management’s Responsibility for Financial Information 12
Summarized Financial Statements 13
Report of the Audit Committee 17
What does it take to operate as a successful Credit Union?

First and foremost it takes people. The right people working together to support the needs of our members, to uphold the objectives of our Credit Union, to ensure we deliver on our promises, to hold us to a higher level of accountability.

It takes planning. To ensure that we are exceeding our members’ expectations, that our processes run smoothly, that rates are attractive in a saturated market, to effect change that will keep us moving forward in a crowded industry.

It takes innovation. To stay on top of industry trends and at the forefront of technology, always to be learning, absorbing and researching, to seek out opportunities to evolve where and when it is deemed right to do so.

It takes vision. The ability to appreciate where we are today, the foresight to see where we want to be tomorrow and the ingenuity to get us there by generating ideas and developing strategies that will propel us forward.

It takes teamwork. Committed and caring professionals working in complete synergy towards the common goal of helping our members achieve financial health and happiness.

It takes growth. The desire to reach higher, to serve a greater purpose, to learn from others and to educate our own. To strive for success, to look for opportunity, to always reach for that next level of excellence.

And at the centre of it all, it takes members. Individuals with a common desire to be heard, to have a say in how their money is managed, who care about their community and want to be connected and supported on their financial journey. Individuals who understand that our Credit Union is more than just another financial institution, it’s well beyond a bank.

At PACE the future looks bright.
Over the past two years PACE has experienced quite an evolution as we welcomed an alliance with three other Credit Unions. Amalgamated PACE now represents more than 36,500 members and their families. These recent partnerships mark a new era for our Credit Union as we move forward stronger together.

When our amalgamation with Etobicoke Teachers Financial Credit Union came about in 2012 it shifted our year-end reporting period from September 30th to December 31st. This meant that we were in a special situation with respect to our financial statements and the annual general meeting. As a result, we did not hold an annual general meeting in early 2013 as the financial reporting period would have encompassed only those three months. Our efforts at that time focused on ensuring a seamless transition and consolidation of our processes while setting a new strategic direction for our combined Credit Union.

The Board of Directors and newly augmented executive team came together to review existing practices, discuss our strengths and challenges, and to set an action plan and agenda that is results-driven, member-focused and community-centric.

Aligning with our new partners has proven to be a major asset for our membership as we have had the rare opportunity to learn from one another and draw on each other’s individual strengths. What once may have set us apart now propels us forward together as a united front.

Team members were energized and enthusiastic to share ideas and insights that quickly turned into actionable items for the strategic direction of our Credit Union.

It is comforting to know that the level of care and commitment that our members have come to rely on remains intact and will not waiver in the wake of these recent changes. It has not escaped our attention that some members might initially have questioned whether a larger Credit Union would alter the personalized service that is PACE’s standard of excellence. I am happy to report that the PACE they have come to know and trust stands stronger and more unified than ever.

We have big plans for our Credit Union and we are excited about what the future holds for all of us. As you may know the roots of PACE trace back over 60 years including the membership of Farm-United Co-op, the first Credit Union incorporated under the new Credit Union Act of 1940.

Later this year that evolution will continue with the further alliance of PACE with the membership of Alterna Savings and Credit Union. By the time we have our next annual meeting we expect to have a combined membership of over 140,000 with a staff of over 600 serving our members in 40 locations throughout the Province of Ontario.

Everyone from our staff to our management team to our Board will continue to work together to ensure we are not only meeting the expectations of our members and our communities, but are doing all we can to exceed them.

Gerry Robin, Chair
Today we stand before you 36,521 members strong and still growing with over $800 million in assets under administration, an increase in capital to approximately $50 million, and 15 locations across southern Ontario as a result of our recent alliance with McMaster Credit Union, Etobicoke Teachers and Peoples Credit Union, collaborations that took a couple of years to complete. Our combined Credit Unions now operate under the PACE name and brand with supporting sub-branding that will help identify branch locations according to their original bonds of association.

Members can be assured that these mergers were based on our shared vision and philosophies of providing exceptional personalized service and support for our members, along with a commitment to better serve our communities through involvement and local career opportunities. We are excited to be part of this forward-thinking coalition that will benefit all.

The integration of our data systems and product processes throughout all 15 locations is complete and we have worked together to develop new service packages and cost effective fee structures.

The Credit Union movement continues to evolve and with it a trend toward mergers with a view to ensuring long term success with scale and membership growth. Our amalgamation is no exception, as it will ensure the resources and efficiencies we need to provide new and improved member services and state of the art delivery channels.

There's strength in numbers. That resonates strongly with both management and our directors. We will continue to grow our Credit Union by aligning with the right people at the right time in order to position ourselves for even greater opportunities for growth.

On April 1st of this year, PACE and Alterna Savings and Credit Union announced their intent to combine resources. By this time next year we expect to have completed many of the steps that are required to make this happen.

Combined, PACE and Alterna will serve some 140,000 members in 40 communities throughout the province, continuing to stay close to our core values, our commitment to co-operative principles, to the communities we serve and to our employees. We will continue to embrace the fast-paced evolution of financial services and the technological developments that drive it.

PACE is proud of its history, proud to be a Credit Union and proud of our results. Our dividend history is a clear indication of our continuing success with an average rate of 5.40% return on investment shares.

This year we were especially excited to announce that an additional 5% dividend would be paid to members on their membership shares. Building equity in our business is good for our members and for our Credit Union.

Last October, PACE Securities Corporation (PSC) was approved becoming the first wholly owned Credit Union securities subsidiary. Assuming the responsibility of owning an investment dealer means we have complete control over every aspect of the services we deliver. Members, as well as the general public, will have access to experienced advisors offering unbiased, ethical and diligent investment services, including retail investment services, option market making, and institutional brokerage services, all at a reasonable cost.
Our partnership with Geranium Homes continues to be a great success. We look forward to the completion of our new branch facility in downtown Stouffville as well as the completion of a six-storey boutique condominium at our current Main Street location all of which will contribute to the rejuvenated and vibrant downtown that the residents of that community have long envisioned. Income from this relationship was in excess of $7 million for the period ending December 31, 2013.

Channelling our efforts and resources towards nurturing local businesses and creating avenues for growth within the communities we serve is something we are quite passionate about at PACE. We will continue to seek opportunities that benefit our membership and our Credit union.

As our Credit Union evolves so does our commitment to our core values, financial stability, service excellence and co-operative principles. At PACE we strive to develop and deliver products and services that are uniquely ours; the success of which takes vision, planning, leadership and the support of a strong management team, a committed Board of Directors and the trust of our member shareholders.

For this, my thanks to our entire team with a special thank you to all of our employees and to you, our members, for your continued support.

Respectfully,

Larry Smith, CEO
IN REVIEW
We’ve seen many changes at PACE since we last reported to you. The coming together of four unique Credit Unions presents a wealth of opportunity for the merging of minds with shared insights, ideas, people and processes. How best to utilize and distribute these strengths takes careful consideration and planning to ensure they are put to their best use and serve the greater whole.

We are happy to report that these mergers are completed and we stand stronger today as a new evolved PACE.

FINANCIAL HIGHLIGHTS
This year’s financial statements are presented in a slightly different reporting manner from previous years due to the change in our financial year-end from September 30 to December 31. As well, we have transitioned from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). These changes are reflected in the presentation of this year’s financial statements. The fiscal year end change was mandated by the Credit Unions and Caisses Populaires Act.

FINANCIAL RESULTS
Our fiscal year-end was effective December 31, 2013. As such the comparisons mentioned herein are measured to the results recorded as of our last report ending September 30, 2011.

- As of December 31, 2013 PACE membership stood at 36,521 compared to 23,656 in 2011.

- The total service holdings of our membership; that is, aggregate deposits, loans and investments increased to $1.3 billion as of December 31, 2013.

- Assets, through merger and growth, increased by $276.4 million to a total of just under $716.0 million or an overall increase of 62.9%.

- Our on balance sheet loans and mortgages to members increased by 107.4% to $329.0 million. While our off balance sheet programs through our affiliate Concentra Financial decreased $20.8 million bringing personal and mortgage loan off balance sheet totals to $18.1 million reflecting the repatriation of certain loans to PACE’s balance sheet.

- Commercial Loans to members increased by $52.4 million to a total of $237.3 million.

- The Board approved dividend payments to members holding Class A and B shares in the amount of $490,430 plus an additional $292,000 on membership shares.

- Overall interest paid to members in 2013 totaled $10.1 million.

- Total Members’ Equity increased to $50 million, or 7.6% of deposits as of December 31, 2013 representing an increase of $16.8 million or nearly 55.3% ($32.2 million – 2011).

- Income before income taxes for 2013 was $3.2 million ($1.9 million - 2011).

MEMBER PROFILE
PACE continues to serve three distinct member groups under the categories of personal, business and organization services. Account Managers work closely within their designated segment to deliver the products and services our members need. We maintain constant communication so that we can evolve with the growing needs of our membership.

ACCESS TO SERVICES
With our recent mergers, PACE now has 15 branch locations spanning from Barrie to Hamilton for servicing our members one-on-one. ATMs are onsite at all locations. Members can also access their accounts surcharge-free through THE EXCHANGE® ATMs at over 2,300 locations across Canada.

Telephone banking and online banking through MemberDirect® provides PACE members with secure access to their accounts 24 hours a day, 7 days a week from virtually anywhere. The PACE website was also updated in 2013 to provide a streamlined online experience with our members’ needs in mind. The website is more responsive with easy access to account information from all smart devices. The most requested information is now prominently visible at all times and upcoming news and
events are front and centre. As with our previous website, pacecu.ca holds a wealth of information, useful tools and calculators, online applications and so much more.

NEW PRODUCT OFFERINGS
As part of the overall amalgamation process, we reviewed our existing product offerings and subsequently released a new streamlined suite of competitive products in 2013. By evaluating and revamping our products and services, with best practices in mind, we were able to augment current offerings and develop comprehensive financial packages that provide members with the products and services they demand. These changes give PACE a competitive edge in the financial services industry.

Last year we launched MemberDirect® Interactive (MDI), a product that two of our new Credit Union partners were actively using. MDI facilitates mobile banking solutions, text messaging, Interac e-Transfer, plus an integrated website. In addition, we introduced a new ACCEL-A-RATE term deposit feature based on a model that had been in place at Peoples Credit Union.

LENDING SERVICES
We are constantly looking for opportunities to provide more value for our members. As a Credit Union we understand that our membership is concerned with personal debt levels. Credit has been relatively inexpensive and very accessible for the past number of years, and in some respects to the detriment of creating individual wealth. It has been our lending department’s mandate to review our members’ unique situations and assist them in eliminating debt and building wealth. In addition, wherever possible, we structure debt and repayment schedules to encompass their wealth-building agendas and to prepare for the possibility of higher interest rate environments in the future.

TOTAL LOAN ACTIVITY AT DECEMBER 31, 2013
The allowance for impaired loans is governed by Board policy, reviewed on an annual basis and approved by the Audit Committee of the Board. The allowance is monitored by Management on a monthly basis with a detailed review on a semi-annual basis. Watch list accounts, delinquencies, credit quality, bankruptcy trends and economic trends are considered during the semi-annual review.

The provision for impaired loans is monitored to ensure compliance with Board policy and regulatory requirements. In 2013 we increased our allowance for doubtful loans by $643 thousand.

Commercial loans are generally secured by a mortgage and the personal guarantees of the business owners. Commercial loans typically have a higher risk rating than personal mortgages and lines of credit. Our overall commercial portfolio has 91.8% of loans rated as satisfactory or superior. These measures and the overall performance of the loan portfolio indicate that PACE has a strong lending operation.

The following is a summary of the loan activity at PACE for the period.

<table>
<thead>
<tr>
<th>Total Loan Activity at December 31, 2013</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Loans</td>
<td>$20,748,827</td>
</tr>
<tr>
<td>Personal Mortgages</td>
<td>$65,003,153</td>
</tr>
<tr>
<td>Personal Lines of Credit</td>
<td>13,598,735</td>
</tr>
<tr>
<td>Commercial Loans/Mortgages</td>
<td>$48,099,073</td>
</tr>
<tr>
<td>Total applications approved</td>
<td>1,990</td>
</tr>
<tr>
<td>Total amount approved</td>
<td>$147,449,788</td>
</tr>
</tbody>
</table>

PACE SECURITIES CORPORATION – WEALTH MANAGEMENT SERVICES
PACE Securities Corp (PSC) was approved by the Investment Industry Regulatory Organization of Canada in June 2013 and by the Deposit Insurance Corporation of Ontario in October 2013.
Since then it has launched its retail business and is steadily onboarding client accounts. We expect to hire a number of investment advisors over the course of the year to expand our capacity to service the membership. PSC is a full service firm and offers clients all account types and a full suite of products such as equities, bonds, options, mutual funds, and other financial products. It has also begun acting as a market maker on the Montreal Exchange and offering advisory and execution services to institutional investors. We expect the business to experience a high rate of growth in the coming years. The current directors of PSC are Joe Thompson (President), Ernie Eves (Board Chair designate), Phillip Smith, Mary Benincasa and Larry Smith.

RISK MANAGEMENT
Enterprise Risk Management (ERM) is a method and operating process used to identify and manage significant risks to overall operations or missed business opportunities that would have negative impact on PACE’s growth or success. This program was fully implemented well in advance of DICO’s timelines and has a structure that includes risk identification, assessment and measurement, response and action, monitoring and reporting, and application of lessons learned. When we identify and address significant risks well in advance, the Credit union can proactively eliminate or mitigate any vulnerability and ensure our members’ funds are fully protected.

With increasingly complex and numerous regulatory requirements for managing risk, a new staff member has been added to our executive team, Gary Lockwood, Chief Risk Officer. He will oversee all of our risk enterprises to efficiently ensure that all compliance issues, which include Anti Money Laundering (AML), are given top priority.

There are several areas that require timely and consistent due diligence to ensure that risk is eliminated or reduced. All have structured processes and procedures. Listed below are some of them:

Credit Risk
The Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans with related policies and lending philosophy detailed in its Credit Risk Management Board policy. The Board, in conjunction with the impact of the changing economic environment, responds with policy changes as necessary to ensure that we address the needs of the borrowers within our membership and ensure the safety of depositors’ funds. The Board provides direction to Management with operational policies that are used to implement a prudent and effective credit granting process that includes collateral requirements, credit assessment and regulatory requirements. The Credit Union mitigates this credit risk by obtaining good quality collateral. The Credit Union monitors its loan concentration in accordance with agreed exposure limits and risk tolerance.

Interest Rate Risk
The potential impact of changes to interest rates on the Credit Union’s earnings and equity when maturities of its financial liabilities are not matched with the maturities of its financial assets is monitored on a monthly basis. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors.

Liquidity
Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis. PACE has implemented policies that address limits on the sources, quality and amount of the assets to meet normal operational, contingency funding for significant deposit withdrawals and regulatory requirements.

Management reports to the Board monthly on the Credit Union’s position in respect to compliance with the policy and regulatory requirements, concentration of large deposits of single/connected depositors as a percentage of total deposits and reports borrowings for liquidity purposes, the level of borrowings and the liquidity less borrowings in relation to the statutory minimum. A stress-testing module is also utilized to further enhance management of the Credit Union’s liquidity.

COMMERCIAL SERVICES
The PACE Commercial Department continued to provide optimum service delivery and professional management support to our commercial members. Our commercial account portfolio achieved strong results for the period ending December 31, 2013. We also had the opportunity to actively engage the commercial members from our merger partners, specifically Peoples Credit Union.
Our knowledgeable and dedicated team of experts provides a multitude of commercial-based banking products to a variety of business types and sizes. By continuing to listen to our members’ specific needs we are confident in our ability to provide ongoing support and exemplary customer service to this segment of our membership.

COMMUNITY INVOLVEMENT
PACE is committed to the communities we serve and we will continue to honour this agenda year after year. We support a wide variety of causes, from kids’ sports team sponsorships to local community festivals, Big Brothers and local hospital foundations to wider known charities like the Canadian Cancer Society.

At PACE, it’s not just about writing the cheque! We walk the talk. Employees are regularly involved in fundraising and charity events, both through PACE and on their own time. This past year they walked, biked and ran for a wide range of events in their communities, all with support from PACE.

Members and staff come together to help raise money, awareness and concern for those neighbours who need a hand. Below are just a few of our sponsored events; a complete listing is found on page 11 of this report:

- **PACE Bursary Awards**
  This program is intended to assist students who are members in financing their postsecondary education. In 2013 the program provided $71,750 in assistance to 124 students.

- **The National Squash Academy**
  Located at Downsview Park, this 10-court public facility caters to school, youth, families, and enthusiasts of all socioeconomic backgrounds. NSA houses programs like Urban Squash which mentors children from at risk communities.

- **Docs on Ice**
  PACE was the title sponsor for Ontario’s largest annual physician’s ice hockey tournament. The event raised $275,000 for the Canadian Mental Health Association.

- **Irun and Rock**
  This event raises awareness of Post-Traumatic Stress Disorder suffered by the first responders in our communities. The event held in Newmarket had runs of 1, 5 and 10 km combined with an evening concert featuring Canadian recording artists Glass Tiger.

- **PACE Golf Classic**
  Our 6th annual event was held at Silver Lakes Golf Course and raised in excess of $41,000 for our Bursary Awards.

- **Covenant House**
  $40,000 was raised through the Benincasa Family / PACE Comedy night event in support of at risk youth.

MARKETING
Positioning PACE in a saturated market requires in-depth strategic planning as we strive for stable and profitable growth moving forward.

In 2013 PACE joined the Association of Large Ontario Credit Unions (ALOCU). An organization representing our province’s 12 largest Credit Unions with the mandate of raising awareness for Credit Unions especially amongst the 32-47 year old demographic.

Collectively ALOCU believes that co-operative banking at a Credit Union is banking that offers you all of the products, services and security you need to successfully manage your financial life with one very powerful difference. Co-operative banking is based on the idea that profits should have a higher purpose. They should be returned to you in the form of great rates and better service. And they should be put back into the community where you live for the greater good.

The ALOCU initiative is a 5-year, $12 million commitment that is intended to raise the profile of Credit Unions significantly. A presence in television, radio and social media was planned in the fall of 2013 and launched in 2014.

Our database continues to be a major resource in developing new business from existing members. Through direct mail marketing initiatives we can target specific member groups with product offers that would be financially appropriate for them.

To support these campaigns, we contact members with a follow up call to speak one on one about the offer, answer questions and determine how we can help serve them better.
HUMAN RESOURCES
PACE continues its long standing commitment to the enhancement and vitalization of our human resources by maintaining and expanding on our overall Performance Management Process.

One of the most comprehensive programs undertaken by PACE is our People Development Strategy Program now in its sixth year. This program continues to refine and enhance all component areas of the plan: recruitment, orientation, training and development, performance planning and management, compensation and rewards, as well as continuity. These initiatives are directly connected to and supportive of PACE’s overall member relationship strategy. In addition, they are aligned with the Credit Union’s overall strategy of pursuing niche markets, mergers and strategic alliances and its long standing commitment to finding what is “unique” to PACE and expanding on that strength as opposed to following the competition.

Additionally we reviewed and updated all job descriptions to reflect the desired level of accountability and language in support of our corporate strategy. PACE also integrated benefits, pensions and compensation levels to encompass the newly merged Credit Union and introduced a Confidential Employee Assistance Program for all staff.

Throughout 2013, staff and management participated in Change Leadership and Sales Training Sessions. These courses were well received by staff and management and will prepare PACE to meet all challenges well into the future.

One of our larger undertakings in 2013 was directed to merging the administrative functions of PACE and Peoples Credit Union. Our staff from the Peoples branches spent many hours training on the PACE data system to prepare for a data conversion that took place on November 30, 2013. The conversion was a great success and we thank all staff who worked so hard to prepare for it.

THE YEAR AHEAD
With our newly expanded branch network, PACE is looking forward to building on our existing member platform by reaching out to the new communities we serve to further grow our membership and business.

Our new partners and future partners, like Alterna, are like-minded, sharing in our unique vision of enriching the lives of our members through financial stability and resilience. With our memberships joining forces we look forward to fresh thinking from all areas of our team and with it new ideas, new ways of delivering those ideas and innovative methodologies of enhancing our market penetration.

In 2014, we will launch our PACE Promotional Awards Program. An exciting new program that is designed to encourage both new and existing members to use PACE products and services and to receive rewards benefits for doing so. The program is unique in that these rewards can be used exclusively at PACE members’ businesses.

We will also continue to review and offer enhancements that are available through MemberDirect® Integrated Services. Some of the features we are currently reviewing include Business Services, Small Business Services and a Product Recommender, that assists members in choosing their required products and services easily.

The opportunity to bring members an added level of service through unique partnerships is always on our radar, as is any future possibility for merger partners. Our focus as we look for continued growth will be to explore affiliations that are low risk, assume a low administration cost and present good, reputable alliances that will benefit PACE as a whole.

We want our members to feel confident in our agenda for future growth. A Credit Union strengthened by the sum of its parts presents greater opportunity for financial stability and wealth for everyone. With this in mind, members can feel confident in the knowledge that ensuring their financial success as individuals is our priority.

It is our goal to ensure that our members feel supported and well served by their Credit Union in all their financial needs. It is our desire to help our members feel inspired to set goals, reach higher and achieve financial success on their terms. With this mission in mind, we want our members to feel confident in their financial journey and encouraged to bring their family and friends along for the ride.

The future of PACE looks bright and we are excited for all that is to come.
In 2013, PACE supported these causes and organizations...

ALCONA BUSINESS ASSOCIATION
ALZHEIMER SOCIETY PEEL
ASSOCIATION FOR ALZHEIMER’S – WALK FOR MEMORIES
AURORA BANTAM HOCKEY
AURORA CHAMBER OF COMMERCE
AURORA FOOD PANTRY
AURORA HOME SHOW
AURORA LEGION
AURORA PANTHERS BANTAM GIRLS HOCKEY
AURORA PANTHERS MIDGET A TEAM
AURORA PRAYER BREAKFAST
AURORA REP BASEBALL TEAM
AURORA SANTA UNDER THE STARS PARADE
AURORA STREET FESTIVAL
AUTISM ONTARIO
BARRIE CHAMBER OF COMMERCE
BARRIE COMMUNITY PANCAKE BREAKFAST
BIG BROTHERS BIG SISTERS BOWLING
BIG BIKE, RIDE TO CONQUER CANCER
BIG BROTHERS, BIG SISTERS OF YORK
BILL SINCLAIR SENIORS CHRISTMAS LUNCH
BOWL FOR KIDS SAKE
BURLINGTON BASKETBALL
CANADIAN CANCER SOCIETY
CANADIAN DIABETES
CANADIAN PULMONARY FIBROSIS FUND
CENTRAL YORK GIRLS HOCKEY
CHATS COMMUNITY& HOME
CITY OF MISSISSAUGA – MUSCULAR DYSTROPHY
COVENANT HOUSE
CURL FOR KIDS SAKE
DAILY FOOD BANK
DAREARTS LEADERSHIP
DOORS OPEN AURORA
DURHAM HIGHLAND GAMES
DOCS ON ICE
ETOBIICOKE PHILHARMONIC ORCHESTRA
GIFT OF GOD CHURCH
GRAND VALLEY ATOM REP HOCKEY
GREATER BARRIE ATOM CHAMBER OF COMMERCE
GREATER INNISFIL CHAMBER OF COMMERCE
HABACHAT INC
HAMILTON MIDGET TIGERS
HEART & STROKE FOUNDATION
HOLY TRINITY GREEK LAKES PHILOPTOHOS SOCIETY
IBM SUMMER PICNIC
IRUN AND ROCK
JENNIFER ASHLEY CHILDREN’S FOUNDATION
JUSTIN EVES FOUNDATION
INNISFIL CHARITY GOLF TOURNAMENT
INNISFIL SOCCER CLUB
INNISFIL ANNUAL CHRISTMAS PARADE
INNISFIL GOLF TOURNAMENT
INNISFIL MINOR SOCCER
INNISFIL MINOR BASEBALL
LEARNING DISABILITIES OF PEEL
LEFROY MINOR HOCKEY
MARKHAM BOARD OF TRADE GOLF TOURNAMENT
MARKHAM FOOD BANK
MARKHAM CANADIAN RUGBY CLUB
MARKHAM SANTA CLAUS PARADE
MARKHAM STOUFFVILLE HOSPITAL
MARKHAM BIG BROTHERS BIG SISTERS
MISSISSAUGA FIRE FIGHTERS MUSCULAR DYSTROPHY
MULTIPLE SCLEROSIS SOCIETY OF CANADA
NATIONAL SQUASH ACADEMY
NEWMARKET CHAMBER OF COMMERCE
NORTH MISSISSAUGA SOCCER CLUB
ONTARIO CREDIT UNION CHARITABLE FOUNDATION
PARTICIPATION HOUSE, MARKHAM
PEEL ASSOCIATION FOR HANDICAPPED ADULTS
PEEL CHILDREN SAFETY VILLAGE
REGION OF PEEL POLICE – TOYS FOR TOTS
RIDE TO CONQUER CANCER
ROTARY CLUB OF UXBRIDGE
ROTARY SENIORS DINNER
ROYAL CANADIAN LEGION
STOUFFVILLE STRAWBERRY FESTIVAL
STROUD CURLING CLUB
TERRY FOX FOUNDATION
THE THOMAS TALLIS FOUNDATION
THE ROGERS SOUTH LAKE PARTNERS IN HEALTH
TORONTO POLICE ASSOCIATION
TREHAVEN MUSCULAR DYSTROPHY
UXBRIDGE DISTRICT LIONS ART IN THE PARK
UXBRIDGE BRUINS HOCKEY ASSOCIATION
WOMEN’S NATIONAL FLOORBALL
WHITBY WILDCATS HOCKEY ASSOCIATION
YELLOW BRICK HOUSE
Management is responsible for the preparation, presentation and consistency of the accompanying summarized financial statements and other information contained in this Annual Report.

The financial statements have been derived from the complete financial statements which were prepared in accordance with International Financial Reporting Standards and have been audited by Deloitte LLP.

Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee and the Board of Directors, in carrying out their responsibility, have reviewed and approved the financial statements.

Larry Smith  
CEO

Kim Colacicco  
Corporate Secretary


To the Members of PACE Savings & Credit Union Limited:
The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2013, and the summarized consolidated statement of comprehensive income, summarized consolidated statement of changes in members’ equity and summarized consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of PACE Savings & Credit Union Limited for the year ended December 31, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 26, 2014. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of PACE Savings & Credit Union Limited.

Management’s Responsibility for the Summarized Consolidated Financial Statements
Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with International Financial Reporting Standards.

Auditor’s Responsibility
Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, “Engagements to Report on Summary Financial Statements”.

Opinion
In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of PACE Savings & Credit Union Limited for the year ended December 31, 2013 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
St. Catharines, Ontario / February 26, 2014
## Summarized Consolidated Statement of Financial Position

*(CDN dollars)*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>15,973,409</td>
<td>24,489,304</td>
</tr>
<tr>
<td>Investments</td>
<td>84,771,101</td>
<td>53,361,471</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>16,261,766</td>
<td>14,630,380</td>
</tr>
<tr>
<td>Loans to members</td>
<td>565,011,625</td>
<td>429,213,430</td>
</tr>
<tr>
<td>Index-linked derivative contracts</td>
<td>655,200</td>
<td>474,402</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>11,064,980</td>
<td>6,935,871</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4,028,179</td>
<td>3,118,090</td>
</tr>
<tr>
<td>Investment property</td>
<td>2,514,988</td>
<td>5,659,442</td>
</tr>
<tr>
<td>Other assets</td>
<td>15,591,731</td>
<td>5,468,554</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>125,000</td>
<td>200,606</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>715,997,979</td>
<td>543,551,550</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from members</td>
<td>657,508,434</td>
<td>497,800,492</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>6,282,075</td>
<td>6,153,508</td>
</tr>
<tr>
<td>Index-linked derivative contracts</td>
<td>655,200</td>
<td>474,402</td>
</tr>
<tr>
<td>Class A profit shares</td>
<td>395,347</td>
<td>398,725</td>
</tr>
<tr>
<td>Class B investment shares</td>
<td>1,186,400</td>
<td>901,870</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>666,027,456</td>
<td>505,728,997</td>
</tr>
<tr>
<td><strong>Members’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership shares</td>
<td>5,849,627</td>
<td>4,391,956</td>
</tr>
<tr>
<td>Class A profit shares</td>
<td>3,558,122</td>
<td>3,588,523</td>
</tr>
<tr>
<td>Class B investment shares</td>
<td>10,677,607</td>
<td>8,116,832</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>3,544,262</td>
<td>3,544,262</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>25,001,156</td>
<td>17,225,853</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>1,339,749</td>
<td>955,127</td>
</tr>
<tr>
<td><strong>Total Members’ equity</strong></td>
<td>49,970,523</td>
<td>37,822,553</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>715,997,979</td>
<td>543,551,550</td>
</tr>
</tbody>
</table>

**APPROVED BY THE BOARD**

*Gerry Robin*

*Chair*

*Neil Williamson*

*Director*
## Summarized Consolidated Statement of Changes in Members’ Equity

*(CDN dollars)*

### As at December 31

<table>
<thead>
<tr>
<th>Member shares</th>
<th>Class A profit shares</th>
<th>Class B investment shares</th>
<th>Contributed surplus</th>
<th>Retained earnings</th>
<th>Accumulated other comprehensive income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at October 1, 2012</strong></td>
<td>$3,821,120</td>
<td>$3,634,127</td>
<td>$8,132,691</td>
<td>$3,544,262</td>
<td>$12,764,704</td>
<td>$953,797</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$818,821</td>
<td>$1,330</td>
</tr>
<tr>
<td>Acquisition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$3,642,328</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Re-classified to retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,642,328)</td>
<td>$3,642,328</td>
<td>-</td>
</tr>
<tr>
<td>Issued shares</td>
<td>614,570</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Redeemed shares</td>
<td>(43,734)</td>
<td>(43,841)</td>
<td>(10,792)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares reclassified to liabilities</td>
<td>- (1,763)</td>
<td>(5,067)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>As at December 31, 2012</strong></td>
<td>$4,391,956</td>
<td>$3,588,523</td>
<td>$8,116,832</td>
<td>$3,544,262</td>
<td>$17,225,853</td>
<td>$955,127</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2,719,363</td>
<td>$384,622</td>
</tr>
<tr>
<td>Acquisition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$5,497,327</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Re-classified to retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,497,327)</td>
<td>$5,497,327</td>
<td>-</td>
</tr>
<tr>
<td>Dividends on Class A profit shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(118,604)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends on Class A profit shares qualifying as liabilities reclassified to expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,860</td>
<td>-</td>
</tr>
<tr>
<td>Dividends re-invested in Class A profit shares</td>
<td>-</td>
<td>362,159</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends on Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(371,826)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends on Class B investment shares qualifying as liabilities reclassified to expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,183</td>
<td>-</td>
</tr>
<tr>
<td>Dividends re-invested in Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>128,272</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issued shares</td>
<td>1,457,671</td>
<td>12,810</td>
<td>2,796,329</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Redeemed shares</td>
<td>- (408,748)</td>
<td>(79,296)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares reclassified to liabilities</td>
<td>-</td>
<td>3,378</td>
<td>(284,530)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>As at December 31, 2013</strong></td>
<td>$5,849,627</td>
<td>$3,558,122</td>
<td>$10,677,607</td>
<td>$3,544,262</td>
<td>$25,001,156</td>
<td>$1,339,749</td>
</tr>
</tbody>
</table>
## Summarized Consolidated Statement of Comprehensive Income

*(CDN dollars)*

**As at December 31**

<table>
<thead>
<tr>
<th></th>
<th>2013 (12 months)</th>
<th>2012 (3 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>27,151,095</td>
<td>5,570,288</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,216,788</td>
<td>616,969</td>
</tr>
<tr>
<td></td>
<td>28,367,883</td>
<td>6,187,257</td>
</tr>
<tr>
<td>Interest expense</td>
<td>10,118,707</td>
<td>1,912,883</td>
</tr>
<tr>
<td>Net interest income</td>
<td>18,249,176</td>
<td>4,274,374</td>
</tr>
<tr>
<td>Provision for impaired loans</td>
<td>4,066,834</td>
<td>90,000</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>14,182,342</td>
<td>4,184,374</td>
</tr>
<tr>
<td>Other operating income (net)</td>
<td>3,668,952</td>
<td>437,181</td>
</tr>
<tr>
<td>Total operating income</td>
<td>17,851,294</td>
<td>4,621,555</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>544,553</td>
<td>86,839</td>
</tr>
<tr>
<td>Deposit insurance premium</td>
<td>634,450</td>
<td>84,509</td>
</tr>
<tr>
<td>Depreciation of capital assets</td>
<td>958,051</td>
<td>6,816</td>
</tr>
<tr>
<td>General and administrative</td>
<td>7,084,008</td>
<td>1,777,150</td>
</tr>
<tr>
<td>Marketing</td>
<td>1,017,993</td>
<td>192,260</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,367,072</td>
<td>253,080</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>10,048,323</td>
<td>3,283,805</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>21,654,450</td>
<td>5,684,459</td>
</tr>
<tr>
<td>Income on investment in associates</td>
<td>(7,065,385)</td>
<td>(2,028,370)</td>
</tr>
<tr>
<td>Dividends on Class A profit shares</td>
<td>11,860</td>
<td>-</td>
</tr>
<tr>
<td>Dividends on Class B investment shares</td>
<td>37,183</td>
<td>-</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>3,213,186</td>
<td>965,466</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>493,823</td>
<td>96,116</td>
</tr>
<tr>
<td>Net income</td>
<td>2,719,363</td>
<td>869,350</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of income taxes</td>
<td>384,622</td>
<td>(49,199)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year, net of income taxes</strong></td>
<td><strong>3,103,985</strong></td>
<td><strong>820,151</strong></td>
</tr>
</tbody>
</table>
### Summarized Consolidated Statement of Cash Flows

*(CDN dollars)*

**As at December 31**

<table>
<thead>
<tr>
<th></th>
<th>2013 (12 months)</th>
<th>2012 (3 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>2,719,363</td>
<td>869,350</td>
</tr>
<tr>
<td>Adjustments for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for impaired loans</td>
<td>4,066,834</td>
<td>90,000</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>(28,367,883)</td>
<td>(6,187,257)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>10,118,707</td>
<td>1,912,883</td>
</tr>
<tr>
<td>Depreciation of capital assets</td>
<td>958,051</td>
<td>6,816</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>544,553</td>
<td>86,839</td>
</tr>
<tr>
<td>Loss on sale of asset held for foreclosure</td>
<td>39,813</td>
<td>-</td>
</tr>
<tr>
<td>Income from investment in associates</td>
<td>(7,065,385)</td>
<td>(2,028,370)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>493,823</td>
<td>96,116</td>
</tr>
<tr>
<td><strong>Changes in operating assets/liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in loans to members</td>
<td>(13,775,310)</td>
<td>(7,746,990)</td>
</tr>
<tr>
<td>Change in deposits from members</td>
<td>19,642,275</td>
<td>8,763,218</td>
</tr>
<tr>
<td>Change in other operating assets</td>
<td>(9,666,688)</td>
<td>46,105</td>
</tr>
<tr>
<td>Change in other operating liabilities</td>
<td>(651,206)</td>
<td>2,005,119</td>
</tr>
<tr>
<td><strong>Change (used) generated from operating activities before interest and taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>28,279,540</td>
<td>6,255,853</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(9,739,538)</td>
<td>(2,001,700)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(860,317)</td>
<td>(40,971)</td>
</tr>
<tr>
<td><strong>(3,263,368)</strong></td>
<td><strong>2,127,011</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,016,338)</td>
<td>5,318,282</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(236,189)</td>
<td>115,483</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(8,515,895)</td>
<td>7,560,776</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of period</td>
<td>24,489,304</td>
<td>16,928,528</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>15,973,409</td>
<td>24,489,304</td>
</tr>
</tbody>
</table>
Report of the Audit Committee

Pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994 and Article 5.03 of the by-laws, the Board of Directors established an Audit Committee. Elected members of the Committee include directors; Neil Williamson, Wendy Mitchell, Jim Tindall, Peter Rebellati, Ian Goodfellow and myself, Deborah Baker, Chair.

The committee has adopted a mandate covering all of the duties, which are specified to be performed by Audit Committees in the Regulations to the Act.

In addition, the Audit Committee contracted the services of an internal auditor to assist in fulfilling those duties.

The committee, which meets at least quarterly, held five meetings throughout the year.

The agenda of those meetings were arranged so that the following duties were performed and appropriate action taken as a result thereof:

- Served as the principal communication link between the external auditors and the Board of Directors and, in particular, reviewed the terms of engagement and scope of the audit and reviewed the Credit Union’s annual financial statements prior to Board approval for issuance to the members.

- Obtained a reasonable understanding of the key elements of internal controls that are important to safeguarding the assets of the Credit Union, ensuring the accuracy of financial reports and ensuring compliance with policies and procedures and regulations.

- Served as the Board’s liaison with the internal auditor and reviewed the internal audit mandate, workplan and reports.

- Reviewed the policies, procedures and controls, which relate to legislative compliance, with a particular focus on requirements for liquidity, capital adequacy and interest rate risk management.

The committee receives full co-operation and support from Management to enable it to play an effective role in improving the quality of financial reporting to the members and enhancing the overall control structure of the Credit Union.

No significant recommendations were made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters which the Audit Committee believes should be reported to the membership, nor are there any further matters which are required to be disclosed pursuant to the Act or the Regulations thereto.

Deborah Baker
Chair, Audit Committee
Branches

15010 Yonge Street, Aurora 905.727.1656
55 Bay Street North, Hamilton 905.523.9086
3600 Steeles Avenue East, Markham 905.474.1885
8555 Woodbine Avenue, Markham 905.477.4311
550 Matheson Boulevard West, Mississauga 905.566.7223
6245 Main Street, Stouffville 905.640.2811
505 Consumers Road, Toronto 416.493.0314
99 Brock Street West, Uxbridge 905.852.3388
1040 Innisfil Beach Road, Innisfil 705.436.6005
1 The East Mall Crescent, Etobicoke 416.622.8500
1005 King Street West, Hamilton 905.522.2903
133 Owen Sound Street, Shelburne 519.925.3204
8034 Yonge Street, Innisfil 705.436.1910
102 – 274 Hurst Drive, Barrie 705.719.4460

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Auto Sales & Leasing Centre

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Vaughan, ON L4K 4L7 905.738.8900

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