OUR VISION
To create value for members as an innovative, growing and responsive financial co-operative.

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

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SHAPING OUR OWN FUTURE

As a successful financial cooperative it is our constant commitment to put the right people and resources into motion to ensure we operate at an optimum level.

This consistent resolve to reach a little higher, connect a little deeper and always go the distance for our members and our communities ensures we remain so much more than a bank.

It takes focus, commitment and integrity to ensure we never lose sight of who we are. That we are operating with pure and honest intention to educate and inspire our members on their financial journey.

We know aligning ourselves with other credit unions that share our vision will make us stronger as a whole. Together we are shaping the future of our Credit Union.
The transition with our CEO through 2016 has been a smooth one and the Board has been very pleased with Phillip’s contributions to PACE thus far.

Such a shift in responsibility presents a great opportunity to take a fresh look at our business and opens the floor for new discussions within our Executive Team and Board.

He has been eager to build on the success of our Credit Union, by bringing new and innovative ideas to the table, while ensuring we stay true to our roots as a community Credit Union.

The board was pleased to approve a comprehensive 5 year strategic plan that was presented by management in November 2016. We are confident that we are all on the same page to ensure that we are a sustainable and fast growing financial cooperative.

As a Credit Union we have the power to shape our own future. We possess that power because we are made up of a collective of individuals all working towards a common goal and operating under a united vision.

It is our collective purpose to provide our members with opportunities for growth, to remain competitive and innovative in a saturated financial market, and to conduct our business with a focus on integrity, trust and compassion.

As always we will continue to explore opportunities for growth and partnership that will strengthen our Credit Union as a whole. Our recent merger with All Trans Financial is further proof that there is strength in numbers.

In our effort to deliver an exceptional service experience to our members, we will continue to invest in the people that help make this Credit Union great with opportunities for education, training, certification and career enhancement.

One of the strengths of our Credit Union is the broad range of experience and talent that we have on our team. Our members are well represented by my fellow Board members, the PACE staff and management team, who display a great deal of care and commitment to ensure the continued success of our Credit Union.

I am deeply honoured to serve as your Board Chair, and I am genuinely grateful to be a part of our Credit Union’s progress.

Ian Goodfellow, Chair
Board of Directors

- Ian Goodfellow, Chair
- Stan Dimakos, Vice Chair
- Wendy Mitchell, Vice Chair
- Pauline Wainwright, Board Secretary
- Deborah Baker, Audit Committee Chair
- Neil Williamson, Director
- Al Jones, Director
- Peter Rebellati, Director
- George Pohle, Director
- Jim Tindall, Director
- Ken Topping, Director
- Brent Bailey, Director


MEMBERS’ EQUITY

ASSETS
MESSAGE FROM THE CEO

One of the biggest changes, for our membership this past year was our merger with All Trans Financial Services, which was officially sealed in October 2016. Our merger brought our membership up to 35,256 members and our assets grew to $875 million.

Everyone from our front line staff to our Executive Team to our Board has been working diligently to ensure a smooth and seamless transition for our members throughout the merger.

We believe the benefits of our partnership are substantial. This new merger provides significant growth opportunities for our previously independent entities. The All Trans acquisition moves us into a power position in the areas of wealth management and payments among financial institutions in Canada.

This coupled with the growing success of our PACE Securities Division has catapulted our status in the financial industry. With more and more credit unions knocking on our door, the opportunity for future growth is encouraging. In fact, we recently signed into a letter of intent with Durham Educational Employees Credit Union and London Fire Fighters Credit Union.

This expansion of our membership also brings together team members with years of credit union experience. This merging of minds widens our scope of expertise and offers the opportunity to share ideas and strengths.

Along with solid financial results in 2016, we tackled a number of important issues and made advancements in several key areas. On the technology front, we introduced some leading edge software that will improve the lending experience for our members.

We also implemented a Customer Relationship Management System, which allows us to better serve the needs of our members by being proactive with our offerings. Utilizing intuitive software advancements such as this provides the opportunity for our team to reach out to members with solutions before they come to us with a problem.

EXECUTIVE TEAM

Larry Smith
President

Phillip Smith
Chief Executive Officer

Heather MacDonald
Vice President Special Projects

Mary Benincasa
Chief Operating Officer
Our Member Effort Score (MES) program launched with success this past year. As with any new product or service, we’ve been reviewing and refining our model throughout the year to ensure that the opinions of the most important people, our members, are heard. We bumped up our monitoring to a weekly review and are pleased to report we have seen generous improvements since picking up the frequency of these checks.

In addition to the exciting advancements we’ve made in our core retail business, we are engaged in non-traditional credit union endeavors that have and will continue to make significant contributions to our bottom line. A great example of this is our partnership with Geranium Homes and Clublink Corporation to develop land in the heart of Aurora. Thanks to their development expertise, this particular project is well ahead of schedule and will soon be offering a product that will help meet the high demand for family housing in that area. In an increasingly competitive financial services marketplace it's activities like this that will help us stand out and thrive.

We are committed to making a greater contribution to our community through sponsorship, support and donations. This past year was a successful one for our Credit Union and we were proud to share that success with our members and communities.

I would like to personally extend my gratitude to our Board, Executive Team, staff, and to you, our members, for your dedication and support this past year. It is an honour to lead as your CEO and I look forward to our continued growth and success.

Respectfully,

Philip Smith, CEO
IN REVIEW

FINANCIAL RESULTS FROM 2016
• As of December 31, 2016 PACE membership stood at 35,256 members.
• Assets, through growth, increased to a total of $874.7 million or an overall increase of 11.06%
• Income before income taxes for 2016 was $2.3 million ($2.0 million in 2015)
• The total service holdings of our membership; that is, aggregate deposits, loans and investments increased to $1.6 billion as of December 31, 2016.
• Our on balance sheet loans and mortgages to members increased by 6.4% to $379.1 million. Off balance sheet programs through our affiliate Concentra Financial stood at $45.3 million.
• Commercial Loans to members increased by $57.1 million to a total of $309.3 million.
• The Board approved dividend payments to members holding Class A and B shares in the amount of $477,525 plus an additional $189,581 on membership shares.
• Overall interest paid to members in 2016 totaled $10.5 million.
• Total Members’ Equity increased to $57.8 million, or 7.2% of deposits as of December 31, 2016 representing an increase of $4.3 million or nearly 8.0% ($53.6 million – 2015).

MEMBER PROFILE
Our membership is made up of three distinct member groups under the categories of personal, business and organization services. Our staff and management team are uniquely qualified to meet the evolving needs of these individual segments in an ever-changing financial landscape through the products and services we offer.

ACCESS TO SERVICES
PACE currently services its members from 15 locations spanning the GTA. Members can also access their accounts through the onsite ATM at each of these branch locations, or surcharge-free through THE EXCHANGE® Network, Canada’s second largest financial institution ATM network with over 3,300 locations coast to coast.
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 and PACE Mobile App also provides members with quick and secure access to account information and is easily accessible from all smart devices.

NEW PRODUCT OFFERINGS
As a Credit Union we are uniquely positioned as a member owned financial cooperative to have a solid understanding of the individuals who make up our membership, along with deep insights into their specific financial needs.

Our Member Effort Survey (MES) officially launched in 2016 and is designed to measure the amount of effort that a member needs to exert to do a transaction or conduct banking at PACE. Whether it is applying for a loan, accessing mobile banking, calling a branch or cashing a cheque, the data collected provides insight to processes or channels that require more effort and therefore provides tangible data to create internal changes that will streamline processes and make dealing with PACE easy and seamless.

We launched a new website platform in the fourth quarter of 2016, which is more user friendly and works seamlessly across various device platforms. Operating at a higher proficiency than our previous site, our digital marketing campaigns are better suited to this platform and provide a greater opportunity to reach members with financial offers and information that is beneficial to them.

PACE Mobile Banking and our Mobile Banking App continues to be on the leading edge of technology for a financial institution. Our members can be assured that we have world-class technology at their disposal providing fast, secure and convenient access to their accounts from anywhere, at anytime. Our Mobile Banking App is a free software download available for iOS and Android platforms.

LENDING SERVICES
Once again lending rates were at an all time low this past year making it even easier for members to borrow at a low cost to help them reach their goals. As your financial partner it is our responsibility to ensure we are helping you make the kind of choices that will make sense to your entire financial picture.

While we offer our members affordable options for borrowing at a low interest rate, we also practice due diligence to ensure our members can comfortably manage the cost of borrowing both in the short and long term.

The allowance for impaired loans is governed by policy and DICO guidelines, 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 and as well as reviewed by our credit committee.

Commercial loans are generally secured by a mortgage and/or general security agreement and/or the personal guarantees of the business owners. Commercial loans typically have a higher risk rating than personal mortgages and lines of credit. The overall commercial portfolio has 91.91% 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.

**TOTAL LOAN ACTIVITY at December 31, 2016**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,931 Personal Loans</td>
<td>$22,733,712</td>
</tr>
<tr>
<td>497 Personal Mortgages</td>
<td>$129,738,393</td>
</tr>
<tr>
<td>934 Personal Lines of Credit</td>
<td>$12,504,295</td>
</tr>
<tr>
<td>69 Commercial Loans/Mortgages</td>
<td>$92,013,715</td>
</tr>
<tr>
<td>3,431 Total applications approved</td>
<td>$256,990,115</td>
</tr>
</tbody>
</table>

**PACE SECURITIES CORP (PSC)**

PACE Securities Corp (PSC) continued to grow in 2016, increasing its gross revenue by 85% over the previous year and increased its profits by $552,000. PSC services over 500 retail and institutional customers providing with access to stocks, bonds, mutual funds, and structured products. As well as underwriting new issues for public companies and fund management.

In addition to its business as an IIROC dealer, PSC is now registered with the Ontario Securities Commission (OSC) as an investment fund manager and has launched PACE Capital Partners LP, an absolute return fund focused on high yield and convertible debt instruments.

Our newest offering is PACE Insurance Brokerage, a brand that we are looking to leverage in 2017.

The officers of PSC are Joseph Thomson, President & CEO, and Gerald McRae, Chief Compliance Officer. The Board consists of: Ernie Eves (Chairman), Philip Smith, and Larry Smith.

**RISK MANAGEMENT**

Enterprise Risk Management (ERM) includes the methods and processes used to identify and manage significant risks. Significant risk is defined as an event or activity, which may materially interfere with the achievement of the Credit Union's goals or an event or activity which may cause a significant opportunity to be missed.

The ERM process is ongoing and evolving at PACE, headed by the Chief Risk Officer and a committed Executive Management Team that meets on a quarterly basis to provide a framework which involves a number of key steps including risk identification, risk assessment and measurement, risk response and action, monitoring and reporting. By being proactive and identifying any significant risk in advance, we can protect and create value for our members.

**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 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 ensures 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 policy, DICO guidelines 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 DICO.

**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.

**CAPITAL**

Risk Management is essential to protect the Credit Union’s economic survival and to finance new growth opportunities. An adequate capital level is required to provide a safety net for the variety of risks to which the credit union is exposed in the conduct of its business and to overcome losses from unexpected difficulties either in earnings or in asset values. Excess capital also provides the Credit Union with the ability to distribute dividends to members, provide a basis for confidence among members, depositors, creditors and regulatory agencies. Capital forms a solid foundation for business expansion, technology and automation enhancement and continued viable operations.

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**

Our knowledgeable and dedicated team of experts in PACE’s Commercial Department provides a multitude of commercial-based banking products to a variety of business types and sizes.

This past year we 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, 2016.

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 INVESTMENT**

As a community centered Credit Union we exist to meet the financial needs of our members and to give back to our communities where we work and live. We do that through sponsorship, support and donations to a wide number of causes and organizations.

From local food banks to hospital fundraisers, sports team sponsorships to global initiatives, our staff and management are primary motivators in our efforts to support these causes. They are on the front line getting involved to invest their own time and energy into these events. This past year they walked, biked and ran for a wide range of events in their communities, all with support from PACE.

Here are just of few of the community events and organizations we contributed to in 2016:

- **Covenant House** – We raised over $66,250 this year with two major initiatives. Our very own Chief Marketing and Community Relations Officer participated in the Executive Sleep Out spending one night on the streets of Toronto armed only with a sleeping bag and piece of cardboard. We also sponsored a Fun Night of Comedy in Memory of Matthew Benincasa. Funds raised at these events will help youth get off the streets and into the supportive hands of Covenant House.

- **Ride Don’t Hide Event** – $10,000 was donated to the Canadian Mental Health Association in York Region. This event helps to remove the stigma and be more open and supportive about mental health issues.

- **PACE Bursary Awards Program** – This year $71,000 was donated to 97 students to assist them in financing their post-secondary education. A major portion of these funds were raised through the 9th Annual PACE Golf Classic.

- **SouthLake Hospital Foundation** – $20,000 was donated to support this important organization that provides world-class health care to our community.

- **The Justin Eves Foundation** – $25,000 was donated to support students with learning disabilities achieve a post-secondary education at institutions that support them.

- **Co-operative Young Leaders Program** – PACE donated $10,000 in order to send 10 students to this weeklong camp where they learn effective communication and leadership skills they can transfer into their communities and schools when they return home.

A complete listing of the causes and organizations our team supported in 2016 can be found on page 11 of this report.
MARKETING
As a community Credit Union it is important to spread the word about our cooperative banking family and to entice new members to join. This past year we focused our marketing efforts on a number of campaigns promoting various offers that would be of value to our members.

Our Customer Relationship Management (CRM) Tool has been an important motivator in targeting offers directly towards members. The CRM, along with our Electronic Messaging tools provide us with great insights into servicing our members' specific needs and goals. It allows our team to be pro-active when interacting with our members in assessing their financial needs and providing targeted advice.

In an effort to expand our electronic presence we reached out, with the use of our CRM tool, to acquire email addresses from members and were rewarded with 2,420 new email addresses.

Our Fall Lending campaign, “Borrow and Win” was punctuated with a chance to win $5,000 for members who took out a car or consolidation loan. Member Emily Woodhouse was the proud recipient of this grand prize.

Our PACE Rewards referral program brought in 140 new members in 2016. Our campaign “Refer. Reward. Redeem,” that ran from October 1st to December 31, 2016 was helpful in acquiring many of these new members. Both members and the person they referred received a $100 PACE Rewards card when the referral joined the Credit Union.

A direct mail campaign that targeted qualified members and offered them a $2,500 Pre-Approved Line of Credit (LOC) was also driven by CRM and with the use of this tool, 496 members were funded a $2,500 Line of Credit resulting in a $1,240,000 increase in our LOC portfolio.

We launched a new higher performing platform for our website in the fourth quarter of the year making it easier for members to navigate our site. The new site is also multi-device friendly, which allows members to easily navigate our site using a smartphone, tablet or desktop.

The popularity of mobile and on-the-go banking continues to grow among members of all ages. Our Mobile Banking App continues to be at the leading edge app for a financial institution. As more and more members make the move to remote banking this advanced technology will serve us well.

Our social media presence has also grown this past year. We have an active presence on 4 major social networking platforms: Facebook, Twitter, Instagram, and Linkedin. Here are the stats on our followers:
- 384 on Linkedin
- 1,021 on Twitter
- 247 on Facebook
- 68 on Instagram
- 1,720 Total Fans

We anticipate the upcoming All Trans banking conversion will result in an increase in all of these numbers.

Our investment in the Cooperative Young Leaders program in 2016 helped send nine (9) kids from at risk communities within the Toronto District School Board and the York Region District School Board to this week long camp. Year after year we receive such amazing feedback from the kids who take part and many agree this is a life changing experience for them.

HUMAN RESOURCES
At PACE we are committed to taking a comprehensive approach to enhance human resource management practices through establishing, implementing and maintaining an overall People Development Strategy.

This strategy is one we continue to develop year after year in order to refine and enhance all that we offer our team. It involves recruitment, orientation, training and development, performance planning and management, compensation and rewards, continuity, and so much more.

This past year we welcomed 11 new full-time employees and 12 part-time employees, in a wide range of disciplines, to help us meet the growing needs of our membership.

We are committed to empowering the individuals that make up our team with opportunities to learn and grow. We do this by investing in employee training and development that will ensure our staff remain highly engaged in their careers and take an active role in their own success.

Ensuring the members of our team feel recognized and supported in their efforts is an important part of our Credit Union’s success. We rely heavily on their ability to connect and serve the membership. It is their dedication and hard work that our members experience everyday and to us there is no substitution for great customer service.
This past year the following individuals were recognized for their years of dedication and commitment to our financial family with an Employee Service Award.

**20 YEARS**
PETER JNEYARAJAH

**25 YEARS**
DOREEN LAARAKKERS
LINA BENINCASA

**30 YEARS**
BRENDA HEANEY
TAMMY NG

**35 YEARS**
HEATHER MACDONALD
MARY BENINCASA

**40 YEARS**
KIM COLACICCO

The teamwork our staff displays is also another great example of our cooperative community hard at work. A Branch Recognition Award was presented to our Alcona Branch for achieving the highest overall growth at 11.04% in 2016.

All these achievements would not be possible without our members and the communities we serve. Year after year our team goes above and beyond the call of duty to participate in and show support for various community-based organizations, businesses and their causes. We are continually inspired by the dedication and compassion our team shows for their community.

**THE YEAR AHEAD**

In the coming year we are excited about the launch of our new Contact Centre. As the hub of communication for our members our new Contact Centre will expand our operating hours beyond branch service hours, providing members with the opportunity to speak with us directly at a time that may be more convenient. This increase in accessibility is an attractive asset for existing and potential members and the future growth of our Credit Union.

PACE’s Fintech strategy is to leverage technology in the marketplace that can enhance our Credit Union. In the third quarter of 2017 PACE will be launching its Dealertrack program. Dealertrack is a leading provider of software that links automotive dealerships to financial institutions. New and existing PACE members can quickly and easily have their financing approved at the dealership level – often within minutes.

Investing in our brick and mortar facilities is a necessary part of our growth strategy. Several of our branches will be undergoing refurbishments in order to enhance the in-person member service experience. Both are Uxbridge and Hamilton branches have been completed and are excellent examples of our new branch design.

As we look to the year ahead we will place continued emphasis on strengthening our relationships with you, our members. We will do this by engaging our members at every level. By making ourselves aware of your goals, by offering tools and resources that are useful in your pursuit of financial health, by offering strategies and solutions to eliminate debt and grow your wealth, by being a true partner on your financial journey.

As the fast-paced financial industry continues to grow and evolve so will our Credit Union. We will continue to explore and implement technological solutions that provide ease of use and further enhance the way you meet your everyday banking needs.

We will remain competitive and current, offer relevant products and services and always go the distance to deliver more. We will learn from our past and use it to propel us forward on this journey together.

We will continue to invest in and support local business and create avenues for growth within the communities we serve. The PACE Rewards program has been a great success and is driving new customers towards local business, while actively putting funds back into our community.

As your financial cooperative of choice we will continue to share in our united vision of success for our Credit Union. We will forge ahead with innovation, integrity, responsibility, dedication and passion.

We are all responsible for shaping the future of our Credit Union. When we are moving together with a cohesive mission and vision for our shared success then we cannot lose.
IN 2016, PACE SUPPORTED THESE CAUSES AND ORGANIZATIONS

- Aurora Heights
- Aurora Panthers
- Aurora Prayer Breakfast
- Aurora Santa Claus Parade
- Aurora Tigers Minor Hockey
- Big Brothers Big Sisters Winding Roads
- Big Brothers Big Sisters Bowling - Barrie
- Covenant House Toronto
- CMHA York Region
- EatonVille Junior High School
- ErinOak Kids Pride & Joy
- Etobicoke PhilHarmonic Orchestra
- Georgian Bay Club Foundation
- Grimsby Skating Club
- Hamilton Chamber of Commerce
- Heart and Stroke Foundation
- Innisfil Soccer Club
- Innisfil Women’s Baseball
- iRunandRock
- John Howard Society
- Justin Eves Foundation
- Kerry’s Place Autism Services
- Markham Santa Parade
- Nantry Shores Secondary
- Ontario Credit Union Foundation
- PACE Football Club
- Parkinson Superwalk
- Ride Don’t Hide
- Shelburne Minor Hockey
- Shelburne Street Festival
- Shelburne Vets Minor Lacross
- St. Mark’s Building Fundraiser
- SouthLake Hospital Foundation
- Stouffville Terry Fox Run
- Stroud Curling Club
- Superwalk Mississauga
- The Tune in Foundation
- Welcome Wagon Uxbridge
- Whitby Minor Hockey
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the accompanying summarized consolidated financial statements and other information contained in this Annual Report.

The summarized consolidated financial statements have been derived from the audited consolidated 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 consolidated financial statements.

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

Phillip Smith, CEO

Sandra Delabbio, Controller

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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, 2016, 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, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2017. 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, 2016 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 22, 2017
# SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT DECEMBER 31, 2016**

*(CDN DOLLARS)*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>44,403,235</td>
<td>19,987,933</td>
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<tr>
<td>Investments</td>
<td>75,769,985</td>
<td>102,476,131</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>15,019,571</td>
<td>14,475,600</td>
</tr>
<tr>
<td>Loans to members</td>
<td>686,154,182</td>
<td>606,739,124</td>
</tr>
<tr>
<td>Index-linked derivative contracts</td>
<td>201,814</td>
<td>186,807</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>10,372,853</td>
<td>9,339,959</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,859,395</td>
<td>3,470,739</td>
</tr>
<tr>
<td>Investment property</td>
<td>5,119,797</td>
<td>4,345,288</td>
</tr>
<tr>
<td>Other assets</td>
<td>34,034,858</td>
<td>26,115,625</td>
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<tr>
<td>Deferred income tax assets</td>
<td>791,600</td>
<td>459,118</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>874,727,290</td>
<td>787,596,324</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from members</td>
<td>806,560,106</td>
<td>726,385,413</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,489,823</td>
<td>5,858,339</td>
</tr>
<tr>
<td>Index-linked derivative contracts</td>
<td>201,814</td>
<td>186,807</td>
</tr>
<tr>
<td>Class A profit shares</td>
<td>439,974</td>
<td>402,710</td>
</tr>
<tr>
<td>Class B investment shares</td>
<td>1,199,531</td>
<td>1,189,022</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>816,891,248</td>
<td>734,022,291</td>
</tr>
<tr>
<td><strong>Members’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership shares</td>
<td>6,319,599</td>
<td>5,347,632</td>
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<tr>
<td>Class A profit shares</td>
<td>3,959,767</td>
<td>3,624,391</td>
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<tr>
<td>Class B investment shares</td>
<td>10,795,774</td>
<td>10,701,195</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>3,544,262</td>
<td>3,544,262</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>30,788,181</td>
<td>28,348,270</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>2,428,459</td>
<td>2,008,283</td>
</tr>
<tr>
<td><strong>Total Members’ equity</strong></td>
<td>57,836,042</td>
<td>53,574,033</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>874,727,290</td>
<td>787,596,324</td>
</tr>
</tbody>
</table>

Approved by the Board

*Ian Goodfellow, Chair*

*Deborah Baker, Director*
SUMMARIZED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS’ EQUITY

YEAR ENDED DECEMBER 31, 2016

(CDN DOLLARS)

<table>
<thead>
<tr>
<th></th>
<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 January 1, 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,968,273</td>
<td>-</td>
<td>86,205</td>
</tr>
<tr>
<td>Dividends on Class A profit shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(109,960)</td>
<td>-</td>
<td>(109,960)</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>10,996</td>
<td>-</td>
<td>10,996</td>
</tr>
<tr>
<td>Dividends re-invested in Class A profit shares</td>
<td>-</td>
<td>361,783</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>361,783</td>
</tr>
<tr>
<td>Dividends on Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(353,650)</td>
<td>-</td>
<td>(353,650)</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>35,365</td>
<td>-</td>
<td>35,365</td>
<td></td>
</tr>
<tr>
<td>Dividends re-invested in Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>101,827</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>101,827</td>
</tr>
<tr>
<td>Issued shares</td>
<td>24,715</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,715</td>
</tr>
<tr>
<td>Redeemed shares</td>
<td>-</td>
<td>(299,891)</td>
<td>(220,765)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(520,656)</td>
</tr>
<tr>
<td>Shares reclassified to liabilities</td>
<td>-</td>
<td>(6,189)</td>
<td>11,893</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,704</td>
</tr>
<tr>
<td><strong>As at December 31, 2015</strong></td>
<td>5,347,632</td>
<td>3,624,391</td>
<td>10,701,195</td>
<td>3,544,262</td>
<td>28,348,270</td>
<td>2,008,283</td>
<td>53,574,033</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,239,262</td>
<td>420,176</td>
<td>2,659,438</td>
</tr>
<tr>
<td>Business combination</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>630,422</td>
<td>-</td>
<td>630,422</td>
</tr>
<tr>
<td>Dividends on Class A profit shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(120,813)</td>
<td>-</td>
<td>(120,813)</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>12,081</td>
<td>-</td>
<td>12,081</td>
<td></td>
</tr>
<tr>
<td>Dividends re-invested in Class A profit shares</td>
<td>-</td>
<td>372,638</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>372,638</td>
</tr>
<tr>
<td>Dividends on Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(356,712)</td>
<td>-</td>
<td>(356,712)</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>35,671</td>
<td>-</td>
<td>35,671</td>
<td></td>
</tr>
<tr>
<td>Dividends re-invested in Class B investment shares</td>
<td>-</td>
<td>-</td>
<td>104,887</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>104,887</td>
</tr>
<tr>
<td>Issued shares</td>
<td>971,967</td>
<td>1,000</td>
<td>108,602</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,081,569</td>
</tr>
<tr>
<td>Redeemed shares</td>
<td>-</td>
<td>(1,000)</td>
<td>(108,406)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(109,406)</td>
</tr>
<tr>
<td>Shares reclassified to liabilities</td>
<td>-</td>
<td>(37,262)</td>
<td>(10,504)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(47,766)</td>
</tr>
<tr>
<td><strong>As at December 31, 2016</strong></td>
<td>6,319,599</td>
<td>3,959,767</td>
<td>10,795,774</td>
<td>3,544,262</td>
<td>30,788,181</td>
<td>2,428,459</td>
<td>57,836,042</td>
</tr>
</tbody>
</table>
## SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**YEAR ENDED DECEMBER 31, 2016**

*(CDN DOLLARS)*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td>$29,730,136</td>
<td>$28,547,372</td>
</tr>
<tr>
<td><strong>Investment income</strong></td>
<td>$1,848,119</td>
<td>$1,236,281</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>$10,543,470</td>
<td>$10,130,252</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>$21,034,785</td>
<td>$19,653,401</td>
</tr>
<tr>
<td><strong>Provision for impaired loans</strong></td>
<td>$4,860,714</td>
<td>$2,818,319</td>
</tr>
<tr>
<td><strong>Net interest margin</strong></td>
<td>$16,174,071</td>
<td>$16,835,082</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>$5,303,018</td>
<td>$4,672,656</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>$21,477,089</td>
<td>$21,507,738</td>
</tr>
<tr>
<td><strong>Amortization of intangible assets</strong></td>
<td>$673,809</td>
<td>$689,023</td>
</tr>
<tr>
<td><strong>Deposit insurance premium</strong></td>
<td>$611,300</td>
<td>$623,615</td>
</tr>
<tr>
<td><strong>Depreciation of capital assets</strong></td>
<td>$932,398</td>
<td>$698,456</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>$7,412,407</td>
<td>$6,666,148</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>$1,136,983</td>
<td>$1,290,696</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>$1,627,264</td>
<td>$1,503,539</td>
</tr>
<tr>
<td><strong>Personnel expenses</strong></td>
<td>$12,291,022</td>
<td>$10,620,390</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$24,685,183</td>
<td>$22,091,867</td>
</tr>
<tr>
<td><strong>Income on investment in associates</strong></td>
<td>$(4,345,691)</td>
<td>$(2,673,763)</td>
</tr>
<tr>
<td><strong>Gain on sale of investment property</strong></td>
<td>$(1,192,917)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Dividends on Class A profit shares</strong></td>
<td>$12,081</td>
<td>$10,996</td>
</tr>
<tr>
<td><strong>Dividends on Class B investment shares</strong></td>
<td>$35,671</td>
<td>$35,365</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>$2,282,762</td>
<td>$2,043,273</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>$43,500</td>
<td>$75,000</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$2,239,262</td>
<td>$1,968,273</td>
</tr>
<tr>
<td><strong>Other comprehensive income, net of income taxes</strong></td>
<td>$420,176</td>
<td>$86,205</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year, net of income taxes</strong></td>
<td>$2,659,438</td>
<td>$2,054,478</td>
</tr>
</tbody>
</table>
# SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

**YEAR ENDED DECEMBER 31, 2016**

*(CDN DOLLARS)*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>2,239,262</td>
<td>1,968,273</td>
</tr>
<tr>
<td>Adjustments for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for impaired loans</td>
<td>4,860,714</td>
<td>2,818,319</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>(31,578,255)</td>
<td>(29,783,653)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>10,543,470</td>
<td>10,130,252</td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>932,398</td>
<td>698,456</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>673,809</td>
<td>689,023</td>
</tr>
<tr>
<td>Amortization of fair value adjustment on financial assets and liabilities</td>
<td>(215,450)</td>
<td>(263,646)</td>
</tr>
<tr>
<td>Loss on sale of property and equipment</td>
<td>6,638</td>
<td>3,279</td>
</tr>
<tr>
<td>Gain on sale of investment property</td>
<td>(1,192,917)</td>
<td></td>
</tr>
<tr>
<td>Income from investment in associates</td>
<td>(4,345,691)</td>
<td>(2,673,763)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>43,500</td>
<td>75,000</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>(70,548,703)</td>
<td>(2,625,268)</td>
</tr>
<tr>
<td>Change in deposits from members</td>
<td>45,361,402</td>
<td>67,359,829</td>
</tr>
<tr>
<td>Change in other operating assets</td>
<td>(7,765,258)</td>
<td>(4,278,346)</td>
</tr>
<tr>
<td>Change in other operating liabilities</td>
<td>1,015,154</td>
<td>(641,358)</td>
</tr>
<tr>
<td>Change generated (used) from operating activities before interest and taxes</td>
<td>(27,139,465)</td>
<td>63,163,277</td>
</tr>
<tr>
<td>Interest received</td>
<td>31,518,302</td>
<td>29,875,744</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(9,019,661)</td>
<td>(9,137,492)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>331,821</td>
<td>(1,051,372)</td>
</tr>
<tr>
<td><strong>Investing activity</strong></td>
<td>51,056,637</td>
<td>(49,851,478)</td>
</tr>
<tr>
<td><strong>Financing activity</strong></td>
<td>498,130</td>
<td>(449,580)</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td>24,415,302</td>
<td>12,862,219</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of year</strong></td>
<td>19,987,933</td>
<td>7,125,714</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>44,403,235</td>
<td>19,987,933</td>
</tr>
</tbody>
</table>
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; Jim Tindall, Peter Rebellati, George Pohle, Brent Bailey 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 is arranged so that the following duties will be performed and appropriate action taken as a result thereof:

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

Obtain 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, procedures and regulations.

Serve as the Board’s liaison with the internal auditor and review the internal audit mandate, workplan and reports.

Review 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.

Respectfully submitted,

Deborah Baker, Audit Committee Chair
BRANCHES

ALCONA
1040 Innisfil Beach Rd., Innisfil
705.436.6005

AURORA
15010 Yonge St., Aurora
905.727.1656

ETOBIKE
1 The East Mall Cres., Etobicoke
416.622.8500

HAMILTON
1005 King St. West, Hamilton
905.522.2903

MISSISSAUGA
550 Matheson Blvd. W., Unit 109, Mississauga
905.566.7223

SHELBOURNE
133 Owen Sound St., Shelburne
519.925.3204

STOUFFVILLE
6212 Main St. P.O. Box 1019, Stouffville
905.640.2811

STROUD
8034 Yonge St., Innisfil
705.436.1910

TOLLENDALE
274 Hurst Dr. Suite 102, Barrie
705.719.4460

IBM MARKHAM
3600 Steeles Ave. East, Markham
905.474.1885

MARKHAM
8555 Woodbine Ave. Unit 500B, Markham
905.477.4311

UXBRIDGE
99 Brock St. West P.O. Box 490, Uxbridge
905.852.3388

ALL TRANS: HILLCREST
1138 Bathurst St., Operations Building, Toronto
416.937.1708

ALL TRANS: LONDON
450 Highbury Avenue North, London
519.453.2480

CONTACT CENTRE

1.877.588.7223

ADMINISTRATIVE OFFICE

AUTO SALES & LEASING CENTRE
8111 Jane Street, Vaughan, ON L4K 4L7
905.738.8900

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