Ladysmith & District Credit Union
Consolidated Financial Statements
December 31, 2024

Contents

For the year ended December 31, 2024

Management's Responsibility

To the Members of Ladysmith & District Credit Union:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

e-Signed by John De Leeuw
2025-03-20 10:25:02:02 PDT

Chief Executive Officer

To the Members of Ladysmith & District Credit Union:

Opinion

We have audited the consolidated financial statements of Ladysmith & District Credit Union and its subsidiaries (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit, other comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Credit Union’s financial reporting process.

MNP LLP
600 - 32988 South Fraser Way, Abbotsford BC, V2S 2A8 1.877.853.9471 T: 604.853.9471 F: 604.850.3672

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Abbotsford, British Columbia

MNP LLP

March 20, 2025

Chartered Professional Accountants

Ladysmith & District Credit Union
Consolidated Statement of Financial Position
As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents *(Note 4)*	**18,025,984**	15,887,021
Financial investments *(Note 5)*	**47,205,394**	33,072,764
Trade and other receivables *(Note 6)*	**1,207,787**	1,201,515
Loans to members *(Note 7)*	**241,829,166**	238,185,030
Premises and equipment *(Note 8)*	**6,569,016**	6,370,072
Intangible assets *(Note 9)*	**1,908,523**	2,055,812
	316,745,870	296,772,214
Liabilities		
Member deposits *(Note 10)*	**296,407,440**	277,772,915
Other liabilities *(Note 11)*	**628,988**	681,248
Lease liability *(Note 15)*	**63,589**	89,137
Income taxes payable *(Note 13)*	**66,551**	88,518
Deferred tax liabilities *(Note 13)*	**1,020,000**	1,047,000
	298,186,568	279,678,818
Commitments *(Note 21)*		
Members' equity		
Retained earnings	**15,515,236**	14,049,330
Accumulated other comprehensive income (AOCI) - Revaluation surplus	**3,044,066**	3,044,066
	18,559,302	17,093,396
	316,745,870	296,772,214

Approved on behalf of the Board of Directors

e-Signed by Elaine Layman
2025-03-21 08:24:28:28 PDT
Director

e-Signed by Ross Davis
2025-03-20 20:08:20:20 PDT
Director

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union
Consolidated Statement of Profit
For the year ended December 31, 2024

	2024	*2023*
Financial income		
Interest on member loans	**13,055,796**	11,277,031
Interest on investments	**2,303,335**	1,408,176
	15,359,131	12,685,207
Financial expense		
Interest on member deposits	**9,628,508**	7,572,556
Interest on borrowed funds	**19,730**	26,201
	9,648,238	7,598,757
Financial margin	**5,710,893**	5,086,450
Impairment on loans to members *(Note 21)*	**37,143**	117,016
	5,673,750	4,969,434
Other income *(Note 16)*	**3,022,338**	2,614,463
Operating margin	**8,696,088**	7,583,897
Operating expenses *(Note 17)*	**6,806,211**	6,094,240
Income from operations	**1,889,877**	1,489,657
Distribution to members *(Note 14)*	**57,171**	55,463
Income before income taxes	**1,832,706**	1,434,194
Provision for (recovery of) income taxes *(Note 13)*		
Current	**393,800**	314,600
Deferred	**(27,000)**	(5,100)
	366,800	309,500
Profit for the year	**1,465,906**	1,124,694

Ladysmith & District Credit Union
Consolidated Statement of Other Comprehensive Income
For the year ended December 31, 2024

	2024	*2023*
Profit for the year	**1,465,906**	1,124,694
Other comprehensive income		
Unrealized losses on derivatives designated as cash flow hedges, net of income tax recovery of $nil (2023 - $11,230)	**-**	54,828
Unrealized gains on revaluation of land and buildings, net of deferred income tax of $nil (2023 - $254,000)	**-**	730,838
Other comprehensive income for the year, net of income tax	**-**	785,666
Total comprehensive income for the year	**1,465,906**	1,910,360

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union
Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2024

	AOCI - Revaluation surplus	Retained earnings	AOCI - Other	Total equity
Balance December 31, 2022	**2,313,228**	**12,924,636**	**(40,089)**	**15,197,775**
Profit for the year	**-**	**1,124,694**	**-**	**1,124,694**
Realized gain on derivatives designated as cash flow hedges	**-**	**-**	**40,089**	**40,089**
Unrealized gains on revaluation of land and buildings	**730,838**	**-**	**-**	**730,838**
Balance December 31, 2023	**3,044,066**	**14,049,330**	**-**	**17,093,396**
Profit for the year	**-**	**1,465,906**	**-**	**1,465,906**
Balance December 31, 2024	**3,044,066**	**15,515,236**	**-**	**18,559,302**

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union
Consolidated Statement of Cash Flows
For the year ended December 31, 2024

	2024	*2023*
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	**1,465,906**	1,124,694
Depreciation of premises and equipment	**174,292**	158,041
Depreciation of intangible assets	**229,752**	220,544
Depreciation of right-of-use buildings	**30,336**	30,143
Interest expense on lease liability	**1,072**	1,408
Deferred income taxes	**(27,000)**	(5,100)
Gain on disposal of premises and equipment	**-**	(2,952)
Impairment on loans to members	**37,143**	117,016
Change in fair value of derivative financial instruments	**-**	(27,283)
	1,911,501	1,616,511
Changes in working capital accounts		
Trade and other receivables	**(6,272)**	23,022
Income taxes payable	**(21,969)**	183,323
Other liabilities	**(52,259)**	(128,150)
Accrued interest on loans to members	**44,327**	(233,689)
Accrued interest on member deposits	**520,438**	1,015,022
Accrued interest on derivative financial instruments	**-**	(30,796)
Accrued interest on borrowings	**-**	(2,382)
	2,395,766	2,442,861
Financing activities		
Repayments of borrowings	**-**	(4,000,000)
Net change in member deposits	**18,114,087**	33,962,484
Repayments of lease liability	**(31,251)**	(31,178)
	18,082,836	29,931,306
Investing activities		
Net change in loans to members	**(3,725,606)**	(15,952,379)
Net change in financial investments	**(14,132,630)**	(7,241,531)
Purchases of premises and equipment	**(398,940)**	(223,023)
Purchases of intangible assets	**(82,463)**	(6,400)
Proceeds from disposal of premises and equipment	**-**	5,619
	(18,339,639)	(23,417,714)
Increase in cash and cash equivalents	**2,138,963**	8,956,453
Cash and cash equivalents, beginning of year	**15,887,021**	6,930,568
Cash and cash equivalents, end of year	**18,025,984**	15,887,021

1. Reporting entity

Ladysmith & District Credit Union (the “Credit Union”) was formed pursuant to the Credit Union Incorporations Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia (“the Act”).

The Credit Union serves members in Ladysmith, BC and the surrounding community and operates two Credit Union branches. The address of the Credit Union’s registered office is Box 430, Ladysmith, BC.

The consolidated financial statements of the Credit Union as at and for the year ended December 31, 2024 comprise the Credit Union and its wholly owned subsidiaries L.C.U. Insurance Agencies Ltd., LDCU Financial Management Ltd., and True Mortgage Specialists Ltd. Together, these entities are referred to as the Credit Union.

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements for the year ended December 31, 2024 were approved by the Board of Directors on March 20, 2025.

2. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates include fair value of financial instruments not traded on active markets, income taxes, and key assumptions in determining the allowance for expected credit losses.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

During the current year, inflation and fiscal tightening, which places pressure on interest rates, have resulted in a heightened measurement of uncertainty, primarily related to the estimates, assumptions and judgments used in the measurement of the allowance for expected credit losses. For the year ended December 31, 2024, the Credit Union has included all information available to the date of these financial statements in the estimates. The economic response and impacts continue to remain unknown and may reasonably require adjustment within the next twelve months

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future years could be material.

Financial instruments not traded in active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

2. Basis of preparation *(Continued from previous page)*

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates
- Declining revenues, working capital deficiencies, increases in balance sheet leverage, liquidity, etc.
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Inflation
- Loan to Value ratios

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Impact of current economic environment:

Following a period of elevated interest rates and inflation, recent declines are influencing the Credit Union's assessment of credit risk associated with the fair values of its financial instruments. Although rates have decreased, they remain above recent historical averages, which may continue to pressure borrowers. Consequently there remains a potential impact on credit risk that could necessitate an increase in the Credit Union's estimate of it's allowance for loan impairment.

2. Basis of preparation *(Continued from previous page)*

Key assumptions in determining the allowance for expected credit losses *(Continued from previous page)*

The current environment is subject to rapid change and to the extent that certain effects of inflation and interest rates are not fully incorporated into the model calculations, increased temporary quantitative and qualitative adjustments have been considered and applied where necessary. The Credit Union has performed certain additional qualitative portfolio and loan level assessments if significant changes in credit risk were identified.

3. Summary of material accounting policies

The accounting policies determined to be material to the users of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and its 100% owned subsidiaries (L.C.U. Insurance Agencies Ltd., LDCU Financial Management Services, and True Mortgage Specialists Ltd.).

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Any balances, unrealized gains and losses or income and expenses arising from intra-Company transactions, are eliminated upon consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union's interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits, marketable securities and term deposits with maturities of three months or less.

Financial investments

Financial investments are classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Term deposits, marketable securities and guranteed investment certificates

Term deposits, marketable securities and guaranteed investment certificates are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost using the effective interest method which approximates fair value.

Portfolio investments

Investments in securities are measured at fair value, with adjustments recognized in profit or loss. Investments are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive.

3. Summary of material accounting policies *(Continued from previous page)*

Loans to members

Loans to members are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Premises and equipment

Equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Premises (land and buildings) are initially recognized at cost, including any cost directly attributable to the acquisition of these assets. Subsequent to initial recognition, these assets are stated at their revalued amount at each reporting date.

Any revaluation increase is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is recognized in profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation increase of that asset.

Fair value is determined based on available market evidence at the reporting date. The fair value of properties is based on valuation by a combination of independent appraisers and management estimates.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition.

The Credit Union uses straight-line depreciation and the useful life applicable for each class of asset during the current and comparative period are as follows:

	Years
Buildings	40 to 47 years
Automotive	3 years
Equipment	2 to 10 years
Leaseholds	5 years
Right-of-use buildings	Term of the lease

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Intangible assets

Intangible assets are recorded at cost and are subsequently measured at cost less accumulated amortization and accumulated impairment losses.

The Credit Union uses straight-line amortization and the useful lives applicable for each class of intangible asset during the current and comparative period are as follows:

	Years
Banking system	10 years
Website	5 years

3. Summary of material accounting policies *(Continued from previous page)*

Intangible assets *(Continued from previous page)*

Included in intangible assets is a customer list. The customer list with an indefinite useful life is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Member deposits

Members deposits are initially recognized at fair value, net of transaction costs directly attributable to the issuance of the instrument, and are subsequently measured at amortized cost using the effective interest rate method.

Member shares

Member shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Other liabilities

Other liabilities are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Short-term employee benefits

Short-term employee benefits expected to be paid in exchange for services rendered by employees in the year are recognized as current liabilities, measured at the undiscounted amount of the benefits the Credit Union expects to pay.

The Credit Union’s participates in a Group Registered Savings Plan, recognizing contributions as an expense in the year during which services are rendered by employees. The Credit Union has no legal or constructive obligation to pay further amounts beyond these contributions.

3. Summary of material accounting policies *(Continued from previous page)*

Provisions

Provisions are recognized, if, as a result of a past event, the Credit Union has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

Distributions to members

Dividends on member shares classified as other liabilities are recognized in total comprehensive income.

Income taxes

Current and deferred income taxes are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

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

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. Summary of material accounting policies *(Continued from previous page)*

Leases *(Continued from previous page)*

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Financial instruments - financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

3. Summary of material accounting policies *(Continued from previous page)*

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of loans receivable, term deposits, marketable securities, guranteed investment certificates, accrued interest and trade and other receivables.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash, Central 1 shares and certain other investments.

- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets measured at fair value through profit and loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss except where the entity has irrevocably elected on initial recognition to present in other comprehensive income the fair value gains and losses of an equity investment that is neither held for trading nor contingent consideration acquired in a business combination. In such cases, the cumulative gains and losses recognized in other comprehensive income are not reclassified to profit or loss on derecognition of the investment.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated, risks affecting the performance of the business model, how managers of the business are compensated, the significance and frequency of sales in prior periods.

3. Summary of material accounting policies *(Continued from previous page)*

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union’s claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

Expected credit loss model

The Credit Union's allowance for credit losses follows an expected credit loss ("ECL") impairment model. The ECL impairment model reflects the present value of cash shortfalls related to default events either over the following twelve months, or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased and probability-weighted amount which considers a variety of scenarios based on reasonable and supportable information. Forward -looking-information ("FLI") is incorporated into the estimation of ECL allowances, which involves significant judgement (see note 7 for additional details). The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Credit Union expects to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;

- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and

- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

ECL stage development

On initial recognition of the financial instrument, a loss allowance is recognized and maintained equal to 12 months of ECL. 12-month ECL is defined as the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within 12 months after the reporting date.

If credit risk increases significantly relative to initial recognition of the financial instrument, the loss allowance is increased to cover full lifetime ECL. In assessing whether credit risk has increased significantly, the Credit Union compares the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument as at the date of initial recognition. Evidence of increased credit risk is observed when the financial instrument is 30 days or more past due on its contractual payment obligations or the financial instrument has had an unfavourable movement in internal risk ratings. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Credit Union reverts to recognizing 12 months of ECL.

When a financial instrument is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. The Credit Union considers a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears is automatically considered impaired.

3. Summary of material accounting policies *(Continued from previous page)*

Recognition

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For member loans receivable the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either transfers the right to receive the contractual cash flows of the financial asset, or retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities - financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

3. Summary of material accounting policies *(Continued from previous page)*

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

Revenue recognition

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The ‘gross carrying amount’ of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Other revenue

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are recognized using the effective interest method over the estimated repayment term of the related loan.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

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

Commission revenue is recognized in profit for the year on an accrual basis upon the provision of services from acting in the capacity of an agent rather than as the principal in a transaction.

4. Cash and cash equivalents

	2024	*2023*
Cash on hand	**13,195,941**	9,286,286
Term deposits callable or maturing in three months or less	**3,310,243**	4,529,232
Marketable securities maturing in three months or less	**1,519,800**	2,071,503
	18,025,984	15,887,021

Total cash and cash equivalents include $1,186,123 (2023 - $1,295,555) in foreign currencies denominated in Canadian dollars.

5. Financial investments

	2024	*2023*
Investments carried at amortized cost, maturing between 3 months and 5 years:		
Term deposits	**9,500,000**	11,500,000
Guaranteed investment certificates	**14,750,000**	1,272,309
Marketable securities	**22,437,225**	20,045,667
Accrued interest	**439,865**	182,200
Other financial investments, carried at fair value through profit or loss:		
Shares - Central 1 Class A	**78,162**	72,446
Shares - Central 1 Class E	**38**	38
Shares - STAB Central	**104**	104
	47,205,394	33,072,764

6. Trade and other receivables

	2024	*2023*
Commissions and premiums receivable	**801,929**	770,838
Prepaid expenses	**193,220**	174,188
Deferred broker fee expenses	**199,698**	241,559
Other accounts receivable	**12,940**	14,930
	1,207,787	1,201,515

7. Loans to members

Principal and allowance by loan type:

	Principal	Allowance for impaired loans (Note 21)	Net carrying value
			2024
Residential mortgages	180,665,313	236,132	**180,429,181**
Personal loans	19,194,984	62,056	**19,132,928**
Commercial mortgages	39,138,844	17,662	**39,121,182**
Commercial loans	2,529,620	1,142	**2,528,478**
Accrued interest on loans to members	617,397	-	**617,397**
	242,146,158	316,992	**241,829,166**

	Principal	Allowance for impaired loans (Note 21)	Net carrying value
			2023
Residential mortgages	173,089,192	219,886	172,869,306
Personal loans	18,140,144	62,903	18,077,241
Commercial mortgages	43,295,038	12,412	43,282,626
Commercial loans	3,295,078	945	3,294,133
Accrued interest on loans to members	661,724	-	661,724
	238,481,176	296,146	238,185,030

8. Premises and equipment

	Land	*Buildings*	*Automotive*	*Equipment*	*Leaseholds*	*Right-of-use buildings*	*Total*
Cost							
Balance at January 1, 2023	1,450,968	3,618,435	46,582	1,424,572	90,001	232,009	6,862,567
Additions	19,425	71,495	-	132,103	-	-	223,023
Disposals	-	-	(20,000)	-	-	-	(20,000)
Revaluation adjustment	778,398	116,280	-	-	-	-	894,678
Balance at December 31, 2023	2,248,791	3,806,210	26,582	1,556,675	90,001	232,009	7,960,268
Balance at January 1, 2024	2,248,791	3,806,210	26,582	1,556,675	90,001	232,009	**7,960,268**
Additions	15,818	178,750	-	204,372	-	-	**398,940**
Additions to right-of-use buildings	-	-	-	-	-	4,632	**4,632**
Revaluation adjustment	-	(98,923)	-	-	-	-	**(98,923)**
Balance at December 31, 2024	**2,264,609**	**3,886,037**	**26,582**	**1,761,047**	**90,001**	**236,641**	**8,264,917**
Depreciation							
Balance at January 1, 2023	-	-	22,192	1,285,280	88,084	113,950	1,509,506
Depreciation expense	-	90,160	7,131	60,260	490	-	158,041
Depreciation, right-of-use buildings	-	-	-	-	-	30,143	30,143
Disposals	-	-	(17,334)	-	-	-	(17,334)
Revaluation adjustment	-	(90,160)	-	-	-	-	(90,160)
Balance at December 31, 2023	-	-	11,989	1,345,540	88,574	144,093	1,590,196
Balance at January 1, 2024	-	-	11,989	1,345,540	88,574	144,093	**1,590,196**
Depreciation expense	-	98,923	3,798	71,082	489	-	**174,292**
Depreciation, right-of-use buildings	-	-	-	-	-	30,336	**30,336**
Revaluation adjustment	-	(98,923)	-	-	-	-	**(98,923)**
Balance at December 31, 2024	-	-	**15,787**	**1,416,622**	**89,063**	**174,429**	**1,695,901**
Net book value							
At December 31, 2023	2,248,791	3,806,210	14,593	211,135	1,427	87,916	6,370,072
At December 31, 2024	**2,264,609**	**3,886,037**	**10,795**	**344,425**	**938**	**62,212**	**6,569,016**

9. Intangible assets

	Banking system and website	*Customer list*	*Total*
Cost			
Balance at January 1, 2023	2,545,687	1,164,836	3,710,523
Additions	6,400	-	6,400
Balance at December 31, 2023	2,552,087	1,164,836	3,716,923
Balance at January 1, 2024	**2,552,087**	**1,164,836**	**3,716,923**
Additions	**82,463**	**-**	**82,463**
Balance at December 31, 2024	**2,634,550**	**1,164,836**	**3,799,386**
Amortization			
Balance at January 1, 2023	1,440,567	-	1,440,567
Amortization for the year	220,544	-	220,544
Balance at December 31, 2023	1,661,111	-	1,661,111
Balance at January 1, 2024	**1,661,111**	**-**	**1,661,111**
Amortization for the year	**229,752**	**-**	**229,752**
Balance at December 31, 2024	**1,890,863**	**-**	**1,890,863**
Net book value			
At December 31, 2023	890,976	1,164,836	2,055,812
At December 31, 2024	**743,687**	**1,164,836**	**1,908,523**

10. Member deposits

	2024	*2023*
Demand deposits	**141,851,561**	133,446,991
Term deposits	**109,151,890**	100,726,064
Tax free savings accounts	**16,906,749**	15,552,734
Registered savings plans	**12,786,195**	13,075,963
Registered retirement income funds	**11,463,340**	11,214,664
Member deposits (*Note 14*)	**1,449,229**	1,478,462
Accrued interest savings and deposits	**2,798,476**	2,278,037
	296,407,440	277,772,915

Total member deposits include $1,009,950 (2023 - $899,789) in foreign currencies denominated in Canadian dollars.

11. Other liabilities

	2024	*2023*
Payables and accruals	**497,325**	539,638
Deferred income	**131,663**	141,610
	628,988	681,248

12. Credit facilities

The Credit Union has authorized lines of credit with Central 1 as follows:

Canadian funds	$ 2,550,000
US dollar funds	$ 50,000
Demand loan facility	$ 5,250,000
Capital markets facility	$ 100,000

At December 31, 2024, the Credit Union has utilized $nil (2023 - $nil) of the demand loan facility.

13. Income taxes

Reasons for the difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 27% (2023 - 27%) are as follows:

	2024	*2023*
Income tax expense at the statutory rate	**494,831**	387,232
Items not deductible for tax purposes	**314,752**	289,145
Items deductible for tax purposes	**(253,372)**	(493,911)
Small business deduction	**(18,845)**	(20,243)
Taxes on other comprehensive income	**-**	272,512
Credit Union preferred rate deduction	**(143,566)**	(120,135)
	393,800	314,600

The movement in 2024 deferred income tax assets and liabilities are:

	Jan 1, 2024	**Change for the year**	**Dec 31, 2024**
Deferred income tax liabilities:			
Premises, equipment and intangible assets	(731,000)	27,000	**(704,000)**
Allowance for impaired loans	(50,000)	(4,000)	**(54,000)**
Deferred income	(12,000)	4,000	**(8,000)**
Unrealized gain on revaluation of land and building	(254,000)	-	**(254,000)**
	(1,047,000)	27,000	**(1,020,000)**

13. Income taxes *(Continued from previous page)*

The movement in 2023 deferred income tax assets and liabilities are:

	Jan 1, 2023	Change for the year	Dec 31, 2023
Deferred income tax liabilities:			
Premises, equipment, and intangible assets	(768,100)	37,100	(731,000)
Allowance for impaired loans	(30,000)	(20,000)	(50,000)
Deferred income	-	(12,000)	(12,000)
Unrealized gain on revaluation of land and building	-	(254,000)	(254,000)
	(798,100)	(248,900)	(1,047,000)

14. Member shares

An unlimited number of Member shares are authorized for issuance.

	2024	*2023*
Balance, beginning of year	**1,478,462**	1,557,965
Issued during the year	**18,651**	17,362
Distribution to members	**57,171**	55,463
Redeemed during the year	**(105,055)**	(152,328)
Balance, end of year *(Note 10)*	**1,449,229**	1,478,462

Member shares are recognized as a liability, equity or compound instrument based on the terms and in accordance with *IAS 32, Financial Instrument Presentation* and *IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments*. All of the Credit Union's member shares are classified as financial liabilities and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Terms and conditions

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold $5 in membership shares. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by the Credit Union Deposit Insurance Corporation (CUDIC). The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 19), as is the payment of dividends on these shares.

15. Lease liability

Leases as lessee

The Credit Union leases one building. The current lease term is the third of three lease renewals.

Right-of-use assets

Right-of-use assets of the Credit Union have been presented with premises and equipment in the consolidated statement of financial position.

Lease liabilities

The following table sets out a maturity analysis of the lease liability:

	2024	*2023*
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**33,623**	31,178
One to five years	**30,821**	59,758
Total undiscounted lease liability	**64,444**	90,936
Total discounted lease liability	**63,589**	89,137

During 2024, the Credit Union recognized $1,072 (2023 - $1,408) in interest expense on its lease liability.

16. Other income

	2024	*2023*
General insurance commissions	**1,522,340**	1,258,318
Financial management commissions	**434,399**	435,306
Account service charges	**414,890**	443,834
Loan processing fees	**572,734**	312,683
Other	**77,975**	161,370
Gain on disposal of premises and equipment	**-**	2,952
	3,022,338	2,614,463

17. Operating expenses

	2024	*2023*
Advertising and member relations	**196,180**	230,013
Data processing	**409,057**	370,530
Depreciation	**434,380**	408,727
Dues and assessments	**142,048**	171,343
Insurance	**81,430**	88,111
Premises and office	**491,698**	454,254
Professional fees and dues	**404,853**	386,423
Salaries and benefits	**4,124,214**	3,501,750
Service charges	**254,553**	242,753
Training, meetings and travel	**267,798**	240,336
	6,806,211	6,094,240

18. Related party transactions

Key management compensation of the Credit Union

Key management personnel of the Credit Union and its subsidiaries are comprised of the Chief Executive Officer, Manager Financial Services, VP Finance*, VP Human Resources*, Manager LCU Insurance Agencies Ltd., Manager LDCU Financial Management Ltd., Senior Manager Operations, and Members of the Board of Directors.

*Indicates new position in 2024

	2024	2023
Salaries and benefits	**1,130,681**	826,864

Transactions with key management personnel

Loans to key management personnel including their related parties must meet the same qualification requirements and general conditions which apply to Members and must be approved by the Board of Directors and reviewed by the Conduct Review Committee. Loans to key management personnel including their related parties may bear preferential rates of interest.

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

	2024	2023
Loan balances outstanding	**2,070,581**	1,680,108
Lines of credit outstanding	**1,219,952**	490,003
Unfunded lines of credit	**1,308,849**	1,429,223
	4,599,382	3,599,334

	2024	2023
Interest and other revenue earned on loans and revolving credit facilities to KMP	**117,736**	33,278
Total interest paid on deposits to KMP	**71,172**	30,177
The total value of member deposits from KMP as at the year-end:		
Term and savings deposits	**2,012,331**	1,425,655

Directors' fees and expenses

	2024	2023
Directors fees and committee remuneration	**65,345**	63,413
Honorarium	**26,750**	19,500
Directors expenses	**12,948**	14,282

18. Related party transactions *(Continued from previous page)*

The Board's compensation is designed to attract and retain experienced directors who are aligned with the Credit Union's values and can lead the long-term success of the Credit Union. This requires that directors be adequately and competitively compensated. The amount of compensation is reviewed every three years by comparing to the annual director’s survey conducted by Central 1. When considering the appropriate level of compensation, the committee considers:

- LDCU’s values, mission, vision and culture;
- The level of responsibility and time commitment required of directors; and
- The need to attract and retain directors with the skills and attributes required to advance the Credit Union’s business model and strategic plans, and to control its risks.

The current compensation period began on May 10, 2022. Although the three year period for review had not passed, there was a review completed in early 2024 with the intent to ensure directors were adequately compensated based on actual Credit Union board experience. This Compensation review was presented to the membership and approved at the 2024 Annual General Meeting on May 7, 2024. The compensation Credit Union provides directors with the following compensation:

- Annual honorarium for the Board President - $3,000
- Annual honorarium for directors based on years of service:
    - $2,500 Term 1 (1-3 years)
    - $3,000 Term 2 (4-6 years)
    - $3,500 Term 3 (7-9 years)
    - $4,000 Term 4 (10-12 years)
    - $4,500 Term 5 (13-15 years)
    - $4,500 Term 6 (16-18 years)
- Board President board meetings attended - $200 (includes AGM and Strategic Planning)
- Director board meetings attended - $175 each (includes AGM and Strategic Planning)
- Director committee meetings attended - $150 (includes audit, ILC, CRC, etc.)
- Director donation and credit committee meetings attended - $100
- Reimbursement for expenses including training, travel, hotel, etc. while attending Credit Union meetings or courses

19. Capital management

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

The Credit Union considers its capital to include membership shares and retained earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of the Financial Institutions Act which establishes the applicable percentage for each class of assets.

The Financial Institutions Act (British Columbia) regulations prescribe that the minimum required capital ratio exceeds 8.0% for the Credit Union's fiscal year. As at December 31, 2024, the Credit Union met the capital requirements of its capital plan with a calculated members' capital ratio of 17.33% (2023 - 15.77%).

Regulatory capital consists of the following:

	2024	*2023*
Primary Capital		
Membership shares (non-consolidated)	**1,449,229**	1,478,411
Retained earnings	**15,515,236**	14,049,330
Deferred income tax (non-consolidated)	**789,000**	820,000
	17,753,465	16,347,741
Secondary capital		
Proportion of system retained earnings	**3,156,701**	2,699,921

19. Capital management *(Continued from previous page)*

	2024	*2023*
Deductions from capital		
Goodwill and intangibles (non-consolidated)	**(743,687)**	(888,953)
Gains on own-use property	**(1,257,109)**	(1,257,109)
	(2,000,796)	(2,146,062)
Capital base	**18,909,370**	16,901,600

20. Fair value measurements

Recurring fair value measurements

The Credit Union's assets and liabilities measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

In thousands	***Fair Value***	***Level 1***	***Level 2***	***2024 Level 3***
Assets				
Cash and cash equivalents - cash on hand	**13,196**	**13,196**	**-**	**-**
Financial investments - shares	**78**	**-**	**-**	**78**
Total recurring fair value measurements	**13,274**	**13,196**	**-**	**78**

In thousands	*Fair Value*	*Level 1*	*Level 2*	*2023 Level 3*
Assets				
Cash and cash equivalents - cash on hand	9,286	9,286	-	-
Financial investments - shares	73	-	-	73
Total recurring fair value measurements	9,359	9,286	-	73

Level 2 fair value measurements

Valuation techniques and inputs for recurring Level 2 fair value measurements are as follows:

Line item	***Valuation technique(s)***	***Inputs***
Derivative financial instruments	Fair value is determined using the net present value of cash flows attributable to the derivative financial liability.	Discount rates based on CDOR and swap rates

Level 3 fair value measurements

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to the amortized cost.

20. Fair value measurements *(Continued from previous page)*

Non-recurring fair value measurements

The following table analyzes within the fair value hierarchy the Credit Union's assets and liabilities (by class) not measured at fair value, but for which fair value is disclosed:

In thousands	***Fair Value***	***Level 1***	***Level 2***	***2024 Level 3***
Assets				
Financial investments - term deposits	**11,485**	**-**	**11,485**	**-**
- marketable securities	**24,363**	**-**	**24,363**	**-**
- guaranteed investment certificates	**16,022**	**-**	**16,022**	**-**
Loans to members	**243,179**	**-**	**243,179**	**-**
Trade and other receivables	**815**	**-**	**815**	**-**
Total non-recurring fair value measurements	**295,864**	**-**	**295,864**	**-**
Liabilities				
Member deposits	**301,372**	**-**	**301,372**	**-**
Other liabilities	**761**	**-**	**761**	**-**
Lease liability	**65**	**-**	**65**	**-**
Total non-recurring fair value measurements	**302,198**	**-**	**302,198**	**-**

In thousands	*Fair Value*	*Level 1*	*Level 2*	*2023 Level 3*
Assets				
Financial investments - term deposits	15,747	-	15,747	-
- marketable securities	22,177	-	22,177	-
- guaranteed investment certificates	1,293	-	1,293	-
Loans to members	232,903	-	232,903	-
Trade and other receivables	784	-	784	-
Total non-recurring fair value measurements	272,904	-	272,904	-
Liabilities				
Member deposits	277,385	-	277,385	-
Other liabilities	540	-	540	-
Lease liability	89	-	89	-
Total non-recurring fair value measurements	278,014	-	278,014	-

21. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

21. Financial instruments *(Continued from previous page)*

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from loans to members.

Overall monitoring and processes will change as deemed necessary in response to the ongoing economic impact of the rapid changes in interest rates and high inflation environment. This has and will continue to include changes to the existing processes to ensure the overall portfolio is secured and that the Credit Union continues to support members find their optimal credit solutions.

Risk management process

Credit risk management is integral to the Credit Union's activities. The Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual and related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes.

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

21. Financial instruments *(Continued from previous page)*

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers loans to members to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union’s internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union’s past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses for loans to members on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union consider items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

21. Financial instruments *(Continued from previous page)*

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Significant increase in credit risk - interest rate and inflationary environment impacts

There are judgments involved in determining whether or not there is a significant increase in credit risk resulting in loans moving between stages of expected credit loss and being subject to different expected credit loss models. The Credit Union will continue to monitor the impact that increased interest rates and inflation may have on its members and their ability to repay their debt obligations. Where appropriate, the Credit Union may deem a change in credit risk to have occurred for certain members due to the current environment and will adjust their staging and expected credit losses as necessary.

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

21. Financial instruments *(Continued from previous page)*

	12-month ECL	2024 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	**166,277,840**	**-**	**-**	**166,277,840**
Medium risk	**-**	**14,387,473**	**-**	**14,387,473**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount of residential mortgages	**166,277,840**	**14,387,473**	**-**	**180,665,313**
Less: allowance for impaired loans	**45,032**	**191,100**	**-**	**236,132**
Total carrying amount of residential mortgages	**166,232,808**	**14,196,373**	**-**	**180,429,181**
Personal loans				
Low risk	**16,521,149**	**-**	**-**	**16,521,149**
Medium risk	**-**	**2,673,835**	**-**	**2,673,835**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount of personal loans	**16,521,149**	**2,673,835**	**-**	**19,194,984**
Less: allowance for impaired loans	**4,784**	**57,272**	**-**	**62,056**
Total carrying amount of personal loans	**16,516,365**	**2,616,563**	**-**	**19,132,928**
Commercial mortgages				
Low risk	**39,138,844**	**-**	**-**	**39,138,844**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount of commercial mortgages	**39,138,844**	**-**	**-**	**39,138,844**
Less: allowance for impaired loans	**17,662**	**-**	**-**	**17,662**
Total carrying amount of commercial mortgages	**39,121,182**	**-**	**-**	**39,121,182**
Commercial loans				
Low risk	**2,529,620**	**-**	**-**	**2,529,620**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount of commercial loans	**2,529,620**	**-**	**-**	**2,529,620**
Less: allowance for impaired loans	**1,142**	**-**	**-**	**1,142**
Total carrying amount of commercial loans	**2,528,478**	**-**	**-**	**2,528,478**
Total gross carrying amount				**241,528,761**
Less: allowance for impaired loans				**316,992**
Add: accrued interest				**617,397**
Total carrying amount				**241,829,166**

21. Financial instruments *(Continued from previous page)*

	2023			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Residential mortgages				
Low risk	162,084,328	-	-	162,084,328
Medium risk	-	10,229,414	-	10,229,414
Default	-	-	775,450	775,450
Total gross carrying amount of residential mortgages	162,084,328	10,229,414	775,450	173,089,192
Less: allowance for impaired loans	78,979	140,907	-	219,886
Total carrying amount of residential mortgages	162,005,349	10,088,507	775,450	172,869,306
Personal loans				
Low risk	15,691,681	-	-	15,691,681
Medium risk	-	2,448,463	-	2,448,463
Default	-	-	-	-
Total gross carrying amount of personal loans	15,691,681	2,448,463	-	18,140,144
Less: allowance for impaired loans	8,277	54,626	-	62,903
Total carrying amount of personal loans	15,683,404	2,393,837	-	18,077,241
Commercial mortgages				
Low risk	43,295,038	-	-	43,295,038
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount of commercial mortgages	43,295,038	-	-	43,295,038
Less: allowance for impaired loans	12,412	-	-	12,412
Total carrying amount of commercial mortgages	43,282,626	-	-	43,282,626
Commercial loans				
Low risk	33,295,078	-	-	33,295,078
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount of commercial loans	33,295,078	-	-	33,295,078
Less: allowance for impaired loans	945	-	-	945
Total carrying amount of commercial loans	33,294,133	-	-	33,294,133
Total gross carrying amount				237,819,452
Less: allowance for impaired loans				296,146
Add: accrued interest				661,724
Total carrying amount				238,185,030

21. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the allowance for impaired loans

The following tables show a reconciliation of the opening to the closing balance of the loss allowance from loans to members.

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Allowance for impaired loans				
Balance at January 1, 2023	**118,514**	**60,328**	**-**	**178,842**
Transfer to Lifetime ECL (not credit impaired)	**(134,918)**	**134,918**	**-**	**-**
Recovery of impairment on loans to members	**117,017**	**-**	**-**	**117,017**
Recoveries of loans previously written off	**-**	**288**	**-**	**288**
Balance at December 31, 2023	**100,613**	**195,533**	**-**	**296,146**
Balance at January 1, 2024	**100,613**	**195,533**	**-**	**296,146**
Transfer to Lifetime ECL (not credit impaired)	**(52,839)**	**52,839**	**-**	**-**
Provision of impairment on loans to members	**37,143**	**-**	**-**	**37,143**
Loans to members written off during the year	**(16,297)**	**-**	**-**	**(16,297)**
Balance at December 31, 2024	**68,620**	**248,372**	**-**	**316,992**

Credit commitments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

(a) guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party;

(b) commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans, (including lines of credit), guarantees or letters of credit.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2024	*2023*
Unadvanced lines of credit	**29,028,633**	27,900,473
Guarantees and standby letters of credit	**400,997**	405,997
Commitments to extend credit	**2,574,465**	2,743,516

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes.

21. Financial instruments *(Continued from previous page)*

Liquidity risk *(Continued from previous page)*

The regulated minimum liquidity ratio is 8%. At year-end, the Credit Union’s liquidity exceeded the required regulatory minimum.

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

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

The Credit Union manages liquidity risk by:

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

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

Foreign Currency Risk

Foreign currency risk is the risk that movement in foreign exchange rates will have an adverse effect on the financial condition of the Credit Union. Foreign currency risk arises in the ordinary course of business as the Credit Union meets members demands for foreign currency banking transactions. The impact of foreign currency risk is influenced by the volatility of exchange rate changes, the mix of foreign currency assets and liabilities, and exposure the currency market. The Credit Union’s business is predominantly conducted in Canadian currency with nominal deposits and funds held in US dollars. The Credit Union is not significantly exposed to currency risk.

Interest rate risk

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

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

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to members as well as funds transfer pricing rates.

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans (assets) and interest paid on member deposits (liabilities). The objective of asset/liability management is to match interest-sensitive assets with interest-sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Investment Lending Committee in accordance with the Credit Union's policy.

Contractual repricing and maturity

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

21. Financial instruments *(Continued from previous page)*

	(In thousands)					
					2024	*2023*
	Within one year	***One to four years***	***Over four years***	***Non-Interest Sensitive***	***Total***	*Total*
Assets						
Cash and cash equivalents	18,883	-	-	(857)	**18,026**	15,887
Average yield %	*3.58*	-	-	-	*3.58*	*4.51*
Financial investments	12,586	34,101	-	518	**47,205**	33,072
Average yield %	*3.62*	*3.06*	-	-	*3.18*	*2.85*
Loans to members	89,479	127,234	24,816	300	**241,829**	238,185
Average yield %	*5.99*	*5.72*	*5.45*	-	*5.78*	*5.92*
Trade and other receivables	-	-	-	1,208	**1,208**	1,202
Other assets	-	-	-	8,478	**8,478**	8,426
Subtotal	**120,948**	**161,335**	**24,816**	**9,647**	**316,746**	296,772
Liabilities						
Member deposits	139,987	67,452	2,342	86,626	**296,407**	277,773
Average yield %	*3.77*	*4.85*	*3.81*	-	*3.08*	*3.57*
Other liabilities	-	-	-	695	**695**	770
Average yield %	-	-	-	-	-	*5.43*
Lease liability	33	31	-	-	**64**	89
Average yield %	*1.34*	*1.34*	-	-	*1.34*	*1.34*
Deferred tax liabilities	-	-	-	1,020	**1,020**	798
Members' equity	-	-	-	18,560	**18,560**	17,093
	140,020	**67,483**	**2,342**	**106,901**	**316,746**	296,772
Net mismatch	**(19,072)**	**93,852**	**22,474**	**(97,254)**	**-**	-

During the year ended December 31, 2024, the Credit Union's effective interest rates rose on the majority of financial assets and liabilities as a result of a changing interest rate environment due to efforts to control inflation through government monetary policy. As fixed financial instruments renew, they are exposed to higher interest rates.

Based on the current financial instruments, it is estimated that a 1.0% increase in the interest rate would increase (decrease) financial margin by ($140,000) or (0.8%) (2023 - $203,000 or 1.2%). A 1.0% decrease in the interest rate would increase (decrease) financial margin by $83,000 or 0.5% (2023 - ($228,000) or (1.4)%).