Mainstreet Credit Union Limited
Financial Statements
For the year ended December 31, 2024

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Management's Responsibility

To the Members of Mainstreet Credit Union Limited:

The accompanying financial statements of Mainstreet Credit Union Limited (the "Credit Union") are the responsibility of management and have been approved by the Board of Directors.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting policies 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 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 financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the 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 Audit Committee and management to discuss their audit findings.

March 5, 2025

Chief Executive Officer

Chief Financial Officer

Independent Auditor's Report

To the Members of Mainstreet Credit Union Limited:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its 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 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 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 Financial Statements

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

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

MNP LLP

London, Ontario
March 5, 2025

Chartered Professional Accountants

Licensed Public Accountants

Mainstreet Credit Union Limited
Statement on Financial Position
As at December 31, 2024

		2024		*2023*
Assets				
Cash and cash equivalents *(Note 6)*	**$**	**47,407,479**	$	49,379,970
Investments *(Note 7)*		**57,202,312**		57,654,702
Derivative financial instruments *(Note 8)*		**659,218**		324,600
Loans to members and accrued interest receivable *(Note 9)*		**995,956,442**		933,672,292
Other assets *(Note 10)*		**2,051,919**		1,901,693
Capital assets *(Note 11)*		**15,022,864**		11,740,446
Right of use assets *(Note 12)*		**485,571**		8,087
Investment property *(Note 13)*		**-**		934,640
Held for sale property (Note 13)		**910,265**		-
Deferred tax assets *(Note 19)*		**182,861**		206,266
Total assets		**1,119,878,931**		1,055,822,696
Liabilities				
Members' deposits and accrued interest payable *(Note 15)*		**963,799,353**		925,758,828
Derivative financial instruments *(Note 8)*		**454,969**		422,459
Other liabilities *(Note 16)*		**4,935,295**		5,042,546
Lease obligations *(Note 17)*		**492,849**		11,812
Membership shares *(Note 20)*		**2,225,371**		2,172,271
Securitized borrowing *(Note 21)*		**82,251,611**		58,372,068
Total liabilities		**1,054,159,448**		991,779,984
Members' equity				
Membership shares *(Note 20)*		**10,899,875**		10,322,862
Retained earnings		**54,503,572**		54,414,384
Accumulated other comprehensive income (loss)		**316,036**		(694,534)
Total members' equity		**65,719,483**		64,042,712
Total liabilities and members' equity	**$**	**1,119,878,931**	$	1,055,822,696

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Mainstreet Credit Union Limited
Statement of Earnings and Comprehensive Income
For the year ended December 31, 2024

		2024		*2023*
Interest revenue				
Interest revenue *(Note 9)*	**$**	**45,700,527**	$	37,678,422
Investment income		**3,030,535**		3,914,442
		48,731,062		41,592,864
Interest expenses *(Note 22)*		**27,915,709**		21,557,699
Financial margin		**20,815,353**		20,035,165
Other operating income *(Note 23)*		**5,266,530**		4,744,703
(Provision for) recovery of doubtful accounts *(Note 9)*		**(220,320)**		350,170
Total operating profit		**25,861,563**		25,130,038
Expenses				
Administrative *(Note 24)*		**7,026,347**		6,384,961
Deposit insurance		**798,631**		789,532
Distributions to members *(Note 20)*		**117,928**		130,106
Employee salaries and benefits		**15,572,162**		13,741,982
Merger due diligence and consulting		**174,021**		-
Occupancy *(Note 25)*		**1,751,596**		1,704,295
Total expenses		**25,440,685**		22,750,876
Income from operations		**420,878**		2,379,162
Other income *(Note 26)*		**298,099**		221,446
Net income before income taxes		**718,977**		2,600,608
Income taxes *(Note 19)*				
Current expense		**95,684**		378,493
Deferred expense		**23,405**		77,454
		119,089		455,947
Net income for the year		**599,888**		2,144,661
Other comprehensive income				
Unrealized gain on marketable securities		**1,235,415**		1,623,898
Income tax effect *(Note 19)*		**(224,845)**		(295,549)
Total other comprehensive income		**1,010,570**		1,328,349
Total comprehensive income for the year	**$**	**1,610,458**	$	3,473,010

The accompanying notes are an integral part of these financial statements

	Membership shares	*Retained earnings*	*Accumulated other comprehensive income (loss)*	*Total members' equity*
Balance January 1, 2023	$ 9,550,692	$ 52,871,698	$ (2,022,883)	$ 60,399,507
Net income for the year	-	2,144,661	-	2,144,661
Other comprehensive income	-	-	1,328,349	1,328,349
Dividends on membership shares (net of income tax recovery of $133,936) *(Note 19)*	-	(601,975)	-	(601,975)
Net increase in membership shares	772,170	-	-	772,170
Balance December 31, 2023	**10,322,862**	**54,414,384**	**(694,534)**	**64,042,712**
Net income for the year	**-**	**599,888**	**-**	**599,888**
Other comprehensive income	**-**	**-**	**1,010,570**	**1,010,570**
Dividends on membership shares (net of income tax recovery of $113,628) *(Note 19)*	**-**	**(510,700)**	**-**	**(510,700)**
Net increase in membership shares	**577,013**	**-**	**-**	**577,013**
Balance December 31, 2024	**$ 10,899,875**	**$ 54,503,572**	**$ 316,036**	**$ 65,719,483**

The accompanying notes are an integral part of these financial statements

Mainstreet Credit Union Limited
Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
Operating activities		
Total comprehensive income for the year	**$ 1,610,458**	$ 3,473,010
Items not requiring cash:		
Interest revenue	**(48,731,062)**	(41,592,864)
Interest expense	**27,915,709**	21,557,699
Unrealized gain on marketable securities	**(1,460,260)**	(1,568,347)
Gain on sale of investments	**(159,809)**	(57,987)
Depreciation of capital assets	**927,421**	804,303
Gain on disposal of fixed assets	**-**	(13,502)
Lease accretion expense	**-**	2,064
Provision for income taxes	**343,934**	751,496
Changes in operating assets and liabilities		
Loan loss provision (recovery)	**220,320**	(368,930)
Net increase in member deposits	**35,612,143**	28,480,336
Net increase in lending activity	**(62,709,063)**	(63,408,756)
Other assets	**249,630**	(279,765)
Other liabilities	**(9,426)**	181,024
Income taxes paid	**(591,306)**	(57,302)
Interest received on member loans	**45,716,622**	37,213,298
Interest received on investments	**2,998,019**	3,983,316
Interest paid	**(25,432,723)**	(16,615,749)
Cash used in operating activities	**(23,499,392)**	(27,516,656)
Financing activities		
Repayment of lease obligations	**(97,368)**	(72,097)
Proceeds of securitization liabilities	**51,545,375**	19,969,307
Repayment of securitization liabilities	**(27,665,832)**	(10,390,690)
Cash from financing activities	**23,782,175**	9,506,520
Investing activities		
Subscription to membership shares	**2,267,258**	2,100,089
Redemption of membership shares	**(1,637,145)**	(1,233,537)
Dividends on membership shares	**(624,398)**	(735,911)
Purchase of capital assets	**(4,106,208)**	(717,823)
Proceeds on disposal of capital assets	**-**	79,668
Purchase of investments	**(52,568,789)**	(43,627,406)
Proceeds on maturity of investments	**54,414,009**	59,706,253
Cash (used in) from investing activities	**(2,255,273)**	15,571,333
Decrease in cash and cash equivalents	**(1,972,491)**	(2,438,804)
Cash and cash equivalents, beginning of year	**49,379,970**	51,818,774
Cash and cash equivalents, end of year	**$ 47,407,479**	$ 49,379,970

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Mainstreet Credit Union Limited (the “Credit Union”) is incorporated under the Credit Unions and Caisses Populaires Act, 1994 (Ontario), subsequently replaced by the Credit Unions and Caisses Populaires Act, 2020, effective March 1, 2022 (the “Act”) and is a member of the Financial Services Regulatory Authority of Ontario (“FSRA”) and of Central 1 Credit Union (“Central 1”).

The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages, personal, HELOC, commercial and agricultural loans, chequing and savings accounts, term deposits, RRSPs, RRIFs, TFSAs, FHSAs, mutual funds, automated banking machines (“ABMs”), safety deposit boxes, debit and credit cards and internet banking.

The Credit Union’s head office is located at 1295 London Road, Sarnia, Ontario.

2. Basis of presentation and statement of compliance

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issuance by the Board of Directors on March 5, 2025.

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value. The Credit Union’s functional and presentation currency is the Canadian dollar.

3. Material accounting policies

Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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.

Classification and subsequent measurement

On initial recognition, financial assets are classified and 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, based on the business model for managing the financial assets and their contractual cash flow characteristics.

3. Material accounting policies *(continued)*

Financial assets *(continued)*

Debt instruments 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.
- 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.
- 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 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
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate 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.

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 and how performance of the portfolio is evaluated.

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 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.

Impairment

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, as well as financial guarantee contracts and loan commitments not measured at fair value through profit or loss. 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.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only pro-rata share of specifically identified cash flows from a financial asset.

3. Material accounting policies *(continued)*

Financial assets *(continued)*

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

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 assets, it evaluates whether it has retained control of the financial asset.

The Credit Union engages in loan securitizations where substantially all risks and rewards of ownership have been retained. For these transactions, the transferred asset continues to be recognized in its entirety and a financial liability is recognized for the consideration received. Income on the transferred asset and expenses incurred on the financial liability are recognized in subsequent periods.

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

Recognition and initial measurement

The Credit Union recognizes financial liabilities 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.

Subsequent to initial recognition, all financial liabilities, apart from derivative financial instruments, are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss. Derivative financial instruments are measure at fair value through profit and loss. The Credit Union's financial liabilities include member deposits, other liabilities, membership shares, derivative financial instruments and securitized borrowing.

Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with banks and liquid investments that are redeemable or with an original maturity date of 90 days or less.

Cash and cash equivalents are classified as fair value through profit and loss.

3. Material accounting policies *(continued)*

Investments

Investments Held for Liquidity

These deposit instruments are classified as fair value through other comprehensive income. These assets are held directly by the Credit Union and held to collect contractual cash flows and to sell the investments.

Other Investments

These instruments are classified as fair value through profit and loss.

Equity Instruments

The Credit Union has made an irrevocable election to classify these instruments as fair value through other comprehensive income and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently, they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

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

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

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

Derivative Financial Instruments and Hedging

Hedges

The Credit Union, in accordance with its risk management strategies, enters into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are classified as fair value through profit and loss and measured at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, shown in both cases on the statement of financial position.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the Credit Union’s risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a monthly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments.

Cash flow hedges modify exposure to variability in cash flows associated with variable rate interest bearing instruments for the forecasted assurance of fixed rate liabilities. The Credit union’s cash flow hedges are primarily hedges for floating rate deposits and floating rate member loans.

For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income. The ineffective portion is recognized immediately in income as other income.

If the Credit Union closes out its hedge position early, the cumulative gains and (losses) recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest rate method. The ineffective portion of gains and (losses) on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

3. Material accounting policies *(continued)*

Other non-hedge derivatives

Derivatives are classified as fair value through profit and loss and measured at fair value and relate to index-linked term deposits and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

Member loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred. Member loans are subsequently measured at amortised cost, using the effective interest rate method, less any provision for impairment.

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

Impairment is measured under an expected credit loss ("ECL") model. The ECL model will result in an allowance for credit losses being recorded on member loans regardless of whether there has been an actual loss event.

The Credit Union considers the following as constituting an event of default:

- the borrower is past due more than 90 days on the credit obligation to the Credit Union; or
- the Credit Union considers the borrower to be unlikely to pay the loan to the Credit Union in full, without recourse by the Credit Union to actions such as realizing security

ECLs are an estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive, discounted at the asset's effective interest rate.

The Credit Union measures ECL on an individual basis. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). The determination of a significant increase in credit risk takes into account many different factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination and certain other criteria such as 30-day past due and watchlist status. The allowance for assets in Stage 2 will be higher than for those in Stage 1 as a result of the longer time horizon associated with this stage. Stage 3 requires lifetime losses for all credit impaired assets.

The Credit Union considers past events, current market conditions and reasonable supportable information about future economic conditions in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected losses. In considering the lifetime of an instrument, the credit union uses the contractual period including pre-payment, extension and other options. For revolving instruments that may not have a defined contractual period, lifetime is based on the historical behaviour.

Bad debts written off

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

3. Material accounting policies *(continued)*

Capital assets and right-of-use assets

Capital assets and right-of-use assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated. Depreciation is recognized in net income and is provided for on a straight-line basis using the following useful lives of the assets:

Buildings	10 to 40 years
Furniture and fixtures	5 to 20 years
Computer equipment	5 to 10 years
Leasehold improvements	5 to 10 years

Right-of-use assets are depreciated over the expected term of the lease.

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

Assets not in use are recorded as capital assets and are not amortized until they are available for use.

Impairment of non-financial assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. The Credit Union has two non-financial assets consisting of the branch network (capital assets and assets under capital lease) and investment property, for which impairment testing is performed.

Impairment charges are included in net income.

Income taxes

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

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for 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 profit or loss.

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

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

Member deposits

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

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

Group savings plan

The Credit Union participates in a multi-employer defined-contribution savings plan. The Credit Union recognizes matching contributions as an expense in the year to which they relate.

3. Material accounting policies *(continued)*

Accounts payable and other payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method.

Members' shares

Members' shares issued by the Credit Union are classified as a financial liability as the shares meet the definition of a financial instrument.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment of IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments.

Patronage distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation which there is little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

Revenue recognition

Revenues are recognized when control of the promised goods and/or services is transferred to the Credit Union's members, in an amount that reflects the consideration the Credit Union expects to be entitled to in exchange for those goods and/or services.

Loan interest income is recognized on the statement of income and comprehensive income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of this method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the year to maturity or repayment.

Interest penalties received as a result of loan prepayments by members are recognized as interest income in the year in which the prepayment is made.

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

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

Other revenue, including service fees and commission revenue are recognized as the related services are performed. The performance obligation for service fees and commission revenues is typically completed at the point in time the transaction is completed as the member has consumed all of the benefits provided by the Credit Union.

The Credit Union does not have any significant arrangements with multiple performance obligations or variable consideration.

Leased assets

Where the contract does not contain an identified asset, the Credit Union does not have the right to obtain substantially all of the economic benefits from the use of the identified asset and the Credit Union does not have the right to direct the use of the identified asset throughout the period of use or the identified asset is insignificant in value, the total rentals payable under the lease are charged to the statement of earnings on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Where the contract contains an identified asset, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost at the commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Credit Union uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. Material accounting policies *(continued)*

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the re-translation of monetary assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses arising from hedged assets are recognized in other comprehensive income.

5. Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuations technique used, for financial instruments that are not quoted in an active market are disclosed in Note 7.

Member loan loss provision

The ECL model requires recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination or are credit-impaired since origination.

The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination and certain other criteria such as 30-day past due and watchlist status. The assessment of significant increase in credit risk requires experienced credit judgment.

In determining whether there have been a significant increase in credit risk and in calculating the amount of expected credit losses, the credit union must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the loan loss provision.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. The credit union has used a model incorporating specific macroeconomic variables that are relevant to each specific portfolio. The credit union exercises experiences credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive in both economic forecast and the probability-weight assigned to each forecast scenario.

5. Critical accounting estimates and assumptions *(continued)*

A number of significant judgments and estimates are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for credit impairment;
- Determining the value and timing of receipts from collateral and other credit risk enhancements;
- Determining the criteria for a significant increase in credit risk;
- Establishing appropriate levels of aggregation for products and business lines for the purposes of expected credit loss modelling;
- Choosing appropriate models and assumptions for the measurement of ECL; and establishing the number, design and relative weightings of forward-looking scenarios to be incorporated into the measurement of ECL
- Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, and assumptions/expectations of future conditions.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

In considering the assumptions used to measure ECLs this year, the Credit Union contemplated the significant uncertainty derived from the impact of elevated interest rates due to efforts to control inflation. Rising interest rates can reduce a member's ability to repay their loan obligations, impacting PD, and can put downward pressure on asset valuations, impacting LGD. While management makes its best estimates and assumptions, actual results could differ from this estimate.

Further details on the estimates used to determine the allowance for impaired loans are provided in Note 9.

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 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.

Deferred taxes and liabilities are measured at the tax rate expected to be in effect when the timing difference reversed. Where the expected tax rate changes, the actual income tax effect may differ from the accrual.

Leases under IFRS 16

Critical judgements required in the application of IFRS 16 Leases include identifying whether a contract (or a part of a contract) includes a lease, and determining whether it is reasonably certain that an extension or termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS 16 include the estimation of the lease terms, determination of the appropriate rate to discount the lease payments, and assessment of whether a right-of-use asset is impaired.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations used in preparing these financial statements are reasonable. Actual results in the future may differ from those reported.

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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations used in preparing these financial statements are reasonable. Actual results in the future may differ from those reported.

6. Cash and cash equivalents

		2024		*2023*
Cash	**$**	**42,404,546**	$	37,378,332
U.S. High Interest Savings Account, bearing interest from 5.08% - 5.38%		**2,302,325**		2,188,500
Liquid Investments, bearing interest at 1.74% - 6.80%		**2,700,608**		9,813,138
	$	**47,407,479**	$	49,379,970

The average yield on the accounts at December 31, 2024 is 2.63% (2023 – 5.03%). Cash includes $2,786,122 (2023 - $2,233,454) denominated in U.S. dollars.

7. Investments

The following tables provide information on the investments by type of security and issuer, recognized FVOCI. The maximum exposure to credit risk would be the fair value as detailed below:

		2024		*2023*
Bonds	**$**	**53,842,033**	$	50,445,098
DUCA loan purchases		**-**		3,175,011
Mortgage-backed securities		**-**		422,541
Treasury bills		**1,944,420**		2,229,674
Accrued interest receivable		**234,286**		201,870
	$	**56,020,739**	$	56,474,194
Central 1 shares - Class A	**$**	**278,773**	$	277,708
Central 1 shares - Class E		**902,800**		902,800
	$	**1,181,573**	$	1,180,508
Total investments	**$**	**57,202,312**	$	57,654,702

Bonds bear interest from 1.25% to 8.50% (2023 – 1.05% to 8.50%) and have a maturity date of March 2025 to September 2028 (2023 – March 2024 to September 2027). Treasury bills bear interest at 0% and mature January 2025 (2023 – 4.79% to 5.18% and mature January 2024 to June 2024).

In the prior year, the Credit Union acquired a residential mortgage portfolio from DUCA Financial Services Credit Union Ltd. (“DUCA”). The loans purchased matured in August 2024.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value of $0.01 per share; however, they are redeemable at $100 per share at the option of Central 1. There is no separately quoted market value for these shares and the fair value could not be measured reliably, as the timing of redemption of these shares cannot be determined; therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonable assured. Therefore, they are recorded at cost.

7. Investments *(continued)*

The Credit Union is not intending to dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

8. Derivative financial instruments

The Credit Union does not hold or issue derivative financial instruments for trading or speculative purposes and controls are in place to prevent and detect these activities.

i) Cash flow hedge of index-linked options

The Credit Union has $3,721,045 (2023 - $4,744,167) in index-linked term deposits issued to its members. The Index-linked term deposits consist of three and five year deposits that pay interest at the end of the term, based on the performance of the S&P TSX 60. The embedded derivative associated with these deposits are presented as derivative financial instruments.

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest at the commencement of the agreement on the face value of the products sold for the term of each Index-linked term deposit. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices.

At year end the value of the derivative related to the deposits with members is $454,969 (2023 - $324,327) and the hedging derivative held with Central 1 is carried as a liability of $454,969 (2023 - $324,327)

ii) Cash flow hedges of interest rate risk

The Credit Union has three overnight index swap contracts for a notional principal of $20,000,000 each whereby it has agreed to pay at a floating rate and receive a fixed rates ranging from 2.57% – 4.68% (2023 – 3.68% - 3.82%).

The Credit Union enters into interest rate swaps with Central 1 to manage exposure to interest rate risk. Interest rate swaps are contractual agreements between two parties to exchange a series of cash flows based on agreed upon rates to a notional amount. Generally, counterparties exchange a fixed and floating interest rate payment to management exposure to interest rate risk by modifying the interest rate characteristics of assets or liabilities.

iii) Cash flow hedges of foreign currency risk

The Credit Union enters into hedge agreements with Central 1 to offset the exposure to foreign currency risk. The Credit Union assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in foreign currency rates.

Under the Credit Union’s policy, to conclude that the hedging relationship is effective, all of the following criteria should be met:

- The fair value or cash flow of the hedged item and the hedging derivative offset each other to a significant extent, within 75% to 125% of the hedging policy.

The Credit Union has implemented a maximum unhedged USD fund policy of $500,000.

In these hedge relationships, the main source of ineffectiveness is fluctuations in the USD/CAD foreign exchange rates during the year.

The Credit Union entered one CDN/USD swap contract for a total of $2,838,472 CDN whereby the Credit Union purchased $2,000,000 USD for $2,838,472 CDN. This contract is measured at fair value. The net position of the hedge is included in Derivative financial instruments.

9. Loans to members and accrued interest receivable

		2024		2023
Residential mortgages and HELOC	$	**640,642,548**	$	616,389,597
Personal loans		**23,171,570**		20,625,718
Agricultural loans		**67,291,286**		60,280,943
Commercial loans		**265,956,284**		237,634,391
		997,061,688		934,930,649
Accrued interest receivable		**1,632,310**		1,343,298
		998,693,998		936,273,947
Allowance for impaired loans		**(2,737,556)**		(2,601,655)
Net loans to members	$	**995,956,442**	$	933,672,292

Bridge Loans

There were no bridge loans outstanding as at December 31, 2024 or December 31, 2023.

Terms and Conditions

Member loans can have either a variable or fixed rate of interest and generally are repayable in monthly blended payments of principal and interest.

Variable rate loans are based on a “prime rate plus” formula, ranging from prime minus 1% to prime plus 7%. The rate is determined by the type of security offered and the member’s credit worthiness. The Credit Union’s prime rate at December 31, 2024 was 5.45% (2023 – 7.2%).

The interest rate offered on fixed rate loans advanced at December 31, 2024 ranges from 1.75% to 13.00% (2023 – 1.75% to 13.00%). The rate offered to a member varies with the type of security offered and the member’s credit worthiness.

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

Personal loans consist of term loans and lines of credit that are non-real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignments only.

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

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

The aggregate balance of syndicated loans purchased as at December 31, 2024 was $21,793,955 (2023 - $21,218,742). The balance is within commercial mortgage loans.

9. Loans to members *(continued)*

Average Yields to Maturity

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

	Principal	**2024 Yield**	Principal	2023 Yield
Variable rate, with maturities as follows:				
within one year	**$ 51,382,047**	**7.33%**	$ 21,293,820	8.95%
between one and five year	**48,164,770**	**6.09%**	50,377,621	8.06%
greater than five years	**88,812**	**7.10%**	353,966	8.53%
Fixed rate, with maturities as follows:				
within one year	**171,364,491**	**4.24%**	131,539,097	4.70%
between one and five year	**682,080,844**	**4.41%**	690,432,806	3.83%
greater than five years	**873,820**	**4.66%**	740,510	4.19%
Overdrafts	**123,607**	**19.90%**	113,409	19.90%
Lines of credit	**42,983,297**	**6.78%**	40,079,420	8.49%
	$ 997,061,688		$ 934,930,649	

The fair value of fixed rate loans is estimated by discounted cash flow techniques using interest rates currently offered for loans with similar risk characteristics and terms to maturity. Fair value is measured at level 2 of the fair value hierarchy.

Accordingly, the estimated fair values of member loans at December 31, are as follows:

	2024	2023
Residential mortgages and HELOC	**$ 636,532,281**	$ 593,680,591
Personal loans	**22,938,718**	20,452,698
Agricultural loans	**66,275,862**	57,514,285
Commercial loans	**264,216,096**	230,078,440
	$ 989,962,957	$ 901,726,014

	2024	2023
Interest revenue:		
Residential mortgages and HELOC	**24,219,530**	21,518,519
Personal loans	**3,495,577**	3,136,045
Agricultural loans	**2,866,712**	2,666,181
Commercial loans	**15,118,708**	10,357,677
	$ 45,700,527	$ 37,678,422

9. Loans to members *(continued)*

Allowance for impaired loans

The analysis of loans, by class, together with related allowances for doubtful loans is as follows:

	Residential Mortgages	*HELOC*	*Personal*	*Agricultural*	*Commercial*	**2024** *Total*	2023 *Total*
Balance, beginning of year	$ **766,144**	$ **40,803**	$ **162,580**	$ **274,396**	$ **1,357,732**	$ **2,601,655**	$ 2,970,585
Balance recovered	**-**	**-**	**7,983**	**-**	**-**	**7,983**	7,440
Accounts written off	**-**	**-**	**(92,402)**	**-**	**-**	**(92,402)**	(26,200)
Provision for (recovery of) doubtful accounts	**(345,210)**	**(30,029)**	**111,903**	**33,878**	**449,778**	**220,320**	(350,170)
Balance, end of year	$ **420,934**	$ **10,774**	$ **190,064**	$ **308,274**	$ **1,807,510**	$ **2,737,556**	$ 2,601,655

As at December 31, 2024, the Credit Union has $9,983,250 (2023 - $12,986,842) of loans delinquent under 30 days, $992,596 (2023 - $1,003,179) in loans delinquent 30-90 days, and $647,486 (2023 - $900,603) in loans delinquent over 90 days.

Key Assumptions in Determining the Allowance for Impaired Loans

ECL is a function of the probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement to reflect factors not captured in ECL models.

The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12 month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default

LGD is the amount that may not be recovered in the event of default and is modeled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Credit Union considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions in calculating the amount of expected losses. In assessing information about possible future economic conditions, the Credit Union utilized multiple economic scenarios including our base case, which represents the most probable outcome and is consistent with its strategic plan, as well as benign and adverse forecasts. Key economic variables used in the determination of the allowance for credit losses reflect the geography of our portfolios, where appropriate.

In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used. For revolving instruments which may not have a defined contractual period, the lifetime is based on historical behavior. The ECL methodology also requires the use of experienced credit judgement to incorporate the estimated impact of factors that are not captured in the modelled ECL results.

The Credit Union maintains an allowance for impaired loans (Stage 3) to reduce their carrying value to the expected recoverable amount. These allowances are recorded for individually identified loans to reduce their carrying value to the expected recoverable amount. The Credit Union reviews its loans on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. The review of individually significant problem loans is conducted at least quarterly by the account managers, each of whom assess the ultimate collectability and estimated recoveries for a specific loan based on all events and conditions that are relevant to the loan.

9. Loans to members *(continued)*

The following table shows the continuity in the loan allowance by each product type.

Residential mortgages

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2024	$ 479,530	$ 185,491	$ 101,123	$ 766,144
Transfer to Stage 1	92,697	(92,697)	-	-
Transfer to Stage 2	(11,791)	11,791	-	-
Transfer to Stage 3	-	(8,447)	8,447	-
Net remeasurement of allowance	(309,591)	(26,567)	(11,370)	(347,528)
Loan originations	68,538	4,865	-	73,403
Derecognitions and maturities	(56,474)	(14,619)	-	(71,093)
Transfer from agriculture	8	-	-	8
Write-offs	-	-	-	-
Balance, December 31, 2024	**$ 262,917**	**$ 59,817**	**$ 98,200**	**$ 420,934**

HELOC

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2024	$ 23,911	$ 16,892	-	$ 40,803
Transfer to Stage 1	12,891	(12,891)	-	-
Transfer to Stage 2	(290)	290	-	-
Transfer to Stage 3	-	(358)	358	-
Net remeasurement of allowance	(24,256)	(757)	(358)	(25,371)
Loan originations	1,901	778	-	2,679
Derecognitions and maturities	(6,659)	(678)	-	(7,337)
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2024	**$ 7,498**	**$ 3,276**	**$ -**	**$ 10,774**

Agricultural

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2024	$ 217,399	$ 56,997	$ -	$ 274,396
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,952)	1,952	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of allowance	(9,571)	(4,564)	-	(14,135)
Loan originations	60,775		-	60,775
Derecognitions and maturities	(12,754)	-	-	(12,754)
Transfer to mortgages	(8)	-	-	(8)
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2024	**$ 253,889**	**$ 54,385**	**$ -**	**$ 308,274**

9. Loans to members *(continued)*

Personal

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2024	$ 101,230	$ 30,744	$ 30,606	$ 162,580
Transfer to Stage 1	16,782	(16,782)	-	-
Transfer to Stage 2	(6,293)	6,293	-	-
Transfer to Stage 3	(158)	(435)	593	-
Net remeasurement of allowance	(50,994)	3,957	34,860	(12,177)
Loan originations	15,289	31,628	26,293	73,210
Derecognitions and maturities	(17,932)	(3,667)	(96,369)	(117,968)
Write-offs	-	-	92,402	92,402
Recoveries of previous write-offs	-	-	(7,983)	(7,983)
Balance, December 31, 2024	**$ 57,924**	**$ 51,738**	**$ 80,402**	**$ 190,064**

Commercial

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2024	$1,108,064	$ 249,668	$ -	$1,357,732
Transfer to Stage 1	4,963	(4,963)	-	-
Transfer to Stage 2	(83,139)	83,139	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of allowance	(122,439)	387,818	-	265,379
Loan originations	253,497	26,124	88,118	367,739
Derecognitions and maturities	(110,926)	(72,414)	-	(183,340)
Transfer to mortgage	-	-	-	-
Write-offs	-	-	-	-
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2024	**$1,050,020**	**$ 669,372**	**$ 88,118**	**$1,807,510**
Total Balance, December 31, 2024	**$1,632,249**	**$ 838,586**	**$ 266,721**	**$2,737,556**

Residential mortgages

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	$ 413,845	$ 154,702	$ 104,482	$ 673,029
Transfer to Stage 1	57,146	(57,146)	-	-
Transfer to Stage 2	(15,431)	15,431	-	-
Transfer to Stage 3	(865)	-	865	-
Net remeasurement of allowance	(65,270)	65,740	(4,224)	(3,754)
Loan originations	138,106	14,700	-	152,806
Derecognitions and maturities	(49,415)	(7,936)	-	(57,351)
Transfer from commercial	1,414	-	-	1,414
Write-offs	-	-	-	-
Balance, December 31, 2023	$ 479,530	$ 185,491	$ 101,123	$ 766,144

9. Loans to members *(continued)*

HELOC

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	$ 27,673	$ 16,722	$ -	$ 44,395
Transfer to Stage 1	9,837	(9,837)	-	-
Transfer to Stage 2	(1,430)	1,430	-	-
Transfer to Stage 3	(105)	-	105	-
Net remeasurement of allowance	(10,756)	13,406	(105)	2,545
Loan originations	5,359	985	-	6,344
Derecognitions and maturities	(6,667)	(5,814)	-	(12,481)
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2023	$ 23,911	$ 16,892	$ -	$ 40,803

Agricultural

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	$ 344,755	$ 126,160	$ -	$ 470,915
Transfer to Stage 1	64,004	(64,004)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(2,305)	-	2,305	-
Net remeasurement of allowance	(193,682)	13,182	(2,305)	(182,805)
Loan originations	34,489	-	-	34,489
Derecognitions and maturities	(29,862)	(18,341)	-	(48,203)
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2023	$ 217,399	$ 56,997	$ -	$ 274,396

Personal

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	$ 92,641	$ 33,662	$ 32,644	$ 158,947
Transfer to Stage 1	15,010	(15,010)	-	-
Transfer to Stage 2	(3,068)	3,068	-	-
Transfer to Stage 3	(434)	-	434	-
Net remeasurement of allowance	(18,604)	14,807	5,530	1,733
Loan originations	34,492	1,563	-	36,055
Derecognitions and maturities	(18,807)	(7,346)	(13,702)	(39,855)
Write-offs	-	-	13,140	13,140
Recoveries of previous write-offs	-	-	(7,440)	(7,440)
Balance, December 31, 2023	$ 101,230	$ 30,744	$ 30,606	$ 162,580

9. Loans to members *(continued)*

Commercial

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	$ 857,921	$ 565,378	$ 200,000	$ 1,623,299
Transfer to Stage 1	304,275	(304,275)	-	-
Transfer to Stage 2	(7,099)	7,099	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of allowance	(308,532)	5,899	-	(302,633)
Loan originations	360,557	-	-	360,557
Derecognitions and maturities	(90,811)	(31,266)	(213,060)	(335,137)
Transfer to mortgage	(1,414)	-	-	(1,414)
Write-offs	-	-	13,060	13,060
Recoveries of previous write-offs	-	-	-	-
Balance, December 31, 2023	$ 1,114,897	$ 242,835	$ -	$ 1,357,732
Total balance, December 31, 2023	$ 1,930,137	$ 539,789	$ 131,729	$ 2,601,655

Credit and Counterparty Risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan. Credit risk arises predominantly with respect to loans. This is the most significant measurable risk that the Credit Union faces.

The following table sets out the Credit Union's credit risk exposure for all loans carried at amortized cost. Stage 1 represents those performing loans carried with a 12 month expected credit loss, Stage 2 represents those performing loans carried with a lifetime expected credit loss, and Stage 3 represents those loans with a lifetime credit loss that are credit impaired. The gross carrying amount of financial assets below, along with the unutilized portion of loan commitments discussed in Note 30, represents the Credit Union's maximum exposure to credit risk on these assets. The Credit Union defines the below categories as follows:

Risk	Personal / HELOC / Residential mortgages (beacon score)	Commerical / Agricultural (risk ratings from 1-10)
Exceptionally low	>750	1 or 2
Low	>725 < =750	3 or 4
Medium	>=675 <=725	5 or 6
High	<675	7,8,9 and 10

Residential mortgages

	Stage 1	Stage 2	Stage 3	2024 Total
Exceptionally low	$ 374,439,236	$ 128,930	$ 218,390	$ 374,786,556
Low	51,381,614	227,269	841,214	52,450,097
Medium	84,347,683	850,714	-	85,198,397
High	57,239,888	15,844,752	1,641,749	74,726,389
Not rated	824,689	-	-	824,689
Allowance for credit losses	(262,917)	(59,817)	(98,200)	(420,934)
Carrying amount	$ 567,970,193	$ 16,991,848	$ 2,603,153	$ 587,565,194

9. Loans to members *(continued)*

HELOC				**2024**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Exceptionally low	$ 34,651,665	$ -	$ -	$ 34,651,665
Low	5,506,617	-	-	5,506,617
Medium	8,594,183	118,930	-	8,713,113
High	2,904,221	805,843	74,961	3,785,025
Not rated	-	-	-	-
Allowance for credit losses	(7,498)	(3,276)	-	(10,774)
Carrying amount	$ 51,649,188	$ 921,497	$ 74,961	$ 52,645,646

Agricultural				**2024**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Exceptionally low	$ -	$ -	$ -	$ -
Low	1,140,161	-	-	1,140,161
Medium	62,859,188	-	-	62,859,188
High	982,364	1,376,779	932,794	3,291,937
Not rated	-	-	-	-
Allowance for credit losses	(253,889)	(54,385)	-	(308,274)
Carrying amount	$ 64,727,824	$ 1,322,394	$ 932,794	$ 66,983,012

Personal				**2024**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Exceptionally low	$ 12,742,887	$ -	$ -	$ 12,742,887
Low	2,273,568	-	24,221	2,297,789
Medium	4,199,288	14,528	5,561	4,219,377
High	2,663,200	1,151,149	50,116	3,864,465
Not rated	47,052	-	-	47,052
Allowance for credit losses	(57,925)	(51,736)	(80,403)	(190,064)
Carrying amount	$ 21,868,070	$ 1,113,941	$ (505)	$ 22,981,506

Commercial				**2024**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Exceptionally low	$ 947,923	$ -	$ -	$ 947,923
Low	6,262,644	-	-	6,262,644
Medium	240,025,381	-	-	240,025,381
High	781,527	15,220,308	2,717,379	18,719,214
Not rated	1,122	-	-	1,122
Allowance for credit losses	(1,050,020)	(669,372)	(88,118)	(1,807,510)
Carrying amount	$ 246,968,577	$ 14,550,936	$ 2,629,261	$ 264,148,774
Total balance, December 31, 2024	**$ 953,183,852**	**$ 34,900,616**	**$ 6,239,664**	**$ 994,324,132**

9. Loans to members *(continued)*

Residential mortgages

	Stage 1	Stage 2	Stage 3	2023 Total
Exceptionally low	$ 317,697,443	$ 187,353	$ 805,501	$ 318,690,297
Low	84,526,319	-	68,959	84,595,278
Medium	79,260,273	370,135	359,275	79,989,683
High	47,661,158	16,425,488	1,441,925	65,528,571
Not rated	13,601,573	662,735	-	14,264,308
Allowance for credit losses	(479,530)	(185,491)	(101,123)	(766,144)
Carrying amount	$ 542,267,236	$ 17,460,220	$ 2,574,537	$ 562,301,993

HELOC

	Stage 1	Stage 2	Stage 3	2023 Total
Exceptionally low	$ 32,140,679	$ -	$ -	$ 32,140,679
Low	9,003,707	-	-	9,003,707
Medium	7,119,393	61,124	-	7,180,517
High	4,010,021	755,406	51,370	4,816,797
Not rated	179,760	-	-	179,760
Allowance for credit losses	(23,911)	(16,892)	-	(40,803)
Carrying amount	$ 52,429,649	$ 799,638	$ 51,370	$ 53,280,657

Agricultural

	Stage 1	Stage 2	Stage 3	2023 Total
Exceptionally low	$ -	$ -	$ -	$ -
Low	2,362,747	-	-	2,362,747
Medium	54,991,643	-	-	54,991,643
High	867,895	1,101,874	956,784	2,926,553
Not rated	-	-	-	-
Allowance for credit losses	(217,399)	(56,997)	-	(274,396)
Carrying amount	$ 58,004,886	$ 1,044,877	$ 956,784	$ 60,006,547

Personal

	Stage 1	Stage 2	Stage 3	2023 Total
Exceptionally low	$ 10,645,836	$ -	$ 14,480	$ 10,660,316
Low	3,163,677	-	-	3,163,677
Medium	3,826,959	3,209	820	3,830,988
High	2,120,747	407,935	31,934	2,560,616
Not rated	410,122	-	-	410,122
Allowance for credit losses	(101,232)	(30,741)	(30,607)	(162,580)
Carrying amount	$ 20,066,109	$ 380,403	$ 16,627	$ 20,463,139

9. Loans to members *(continued)*

Commercial	**Stage 1**	**Stage 2**	**Stage 3**	**2023 Total**
Exceptionally low	$ 831,687	$ -	$ -	$ 831,687
Low	8,471,158	-	-	8,471,158
Medium	221,143,470	15,425	-	221,158,895
High	2,003,925	4,846,415	316,018	7,166,358
Not rated	6,292	-	-	6,292
Allowance for credit losses	(1,108,064)	(249,668)	-	(1,357,732)
Carrying amount	$ 231,348,468	$ 4,612,172	$ 316,018	$ 236,276,658
Total balance, December 31, 2023	$ 904,116,348	$ 24,297,310	$ 3,915,336	$ 932,328,994

Economic Variable Assumptions

The most significant assumptions used for the estimated credit losses are as follows:

	Q1 2025	**Q2 2025**	**Q3 2025**	**Q4 2025**
Best case:				
Unemployment rate	6.62	6.06	5.66	5.64
House price index	$ 335	$ 338	$ 340	$ 345
Domestic GDP (billions)	$ 2,469	$ 2,504	$ 2,530	$ 2,548
Base case:				
Unemployment rate	7.20	7.00	6.70	6.60
House price index	$ 333	$ 334	$ 334	$ 337
Domestic GDP (billions)	$ 2,443	$ 2,454	$ 2,466	$ 2,479
Worst case:				
Unemployment rate	9.60	9.60	9.60	7.97
House price index	$ 332	$ 324	$ 325	$ 328
Domestic GDP (billions)	$ 2,419	$ 2,356	$ 2,365	$ 2,374

10. Other assets

	2024	*2023*
Prepaid expenses	**$ 1,549,603**	$ 1,814,284
Accrued interest on foreign exchange hedge	**1,246**	1,246
Income taxes recoverable	**399,856**	-
Other receivables	**101,214**	$ 86,163
	$ 2,051,919	$ 1,901,693

11. Capital assets

							2024
	Land	***Buildings***	***Furniture and fixtures***	***Computer equipment***	***Leasehold improvements***	***Assets not in use***	***Total***
Cost							
Balance, beginning of year	**$ 3,196,022**	**$ 13,764,618**	**$ 2,646,779**	**$ 2,902,026**	**$ 1,055,988**	**$ 66,225**	**$ 23,631,658**
Additions	**-**	**2,635,961**	**620,478**	**751,395**	**9,619**	**2,755,416**	**6,772,869**
Adjustments	**-**	**-**	**-**	**-**	**-**	**(2,666,661)**	**(2,666,661)**
Disposals	**-**	**-**	**(1,517)**	**-**	**(348)**	**-**	**(1,865)**
Balance, end of year	**3,196,022**	**16,400,579**	**3,265,740**	**3,653,421**	**1,065,259**	**154,980**	**27,736,000**
Accumulated depreciation							
Balance, beginning of year	**$ -**	**$ 6,742,150**	**$ 2,528,291**	**$ 1,833,320**	**$ 787,451**	**$ -**	**$ 11,891,212**
Depreciation	**-**	**$ 380,780**	**$ 89,744**	**$ 304,057**	**$ 47,344**	**$ -**	**$ 821,925**
Balance, end of year	**-**	**$ 7,122,930**	**$ 2,618,035**	**$ 2,137,377**	**$ 834,795**	**$ -**	**$ 12,713,137**
Net book value	**3,196,022**	**$ 9,277,649**	**$ 647,705**	**$ 1,516,044**	**$ 230,464**	**$ 154,980**	**$ 15,022,864**

							2023
	Land	***Buildings***	***Furniture and fixtures***	***Computer equipment***	***Leasehold improvements***	***Assets not in use***	***Total***
Cost							
Balance, beginning of year	$ 3,231,022	$ 13,565,306	$ 2,646,779	$ 2,725,162	$ 1,055,988	$ 12,021	$ 23,236,278
Additions	-	199,312	-	452,286	-	207,402	859,000
Adjustments	-	-	-		-	(153,198)	(153,198)
Disposals	(35,000)	-	-	(275,422)	-	-	(310,422)
Impairment loss	-	-	-	-	-	-	-
Balance, end of year	3,196,022	13,764,618	2,646,779	2,902,026	1,055,988	66,225	23,631,658
Accumulated depreciation							
Balance, beginning of year	$ -	$ 6,387,159	$ 2,470,307	$ 1,845,980	$ 735,298	-	$ 11,438,744
Depreciation	-	354,991	57,984	243,736	52,153	-	708,864
Adjustments	-	-	-	-	-	-	-
Disposals	-	-	-	(256,396)	-	-	(256,396)
Balance, end of year	-	6,742,150	2,528,291	1,833,320	787,451	-	11,891,212
Net book value	3,196,022	7,022,468	118,488	1,068,706	268,537	66,225	11,740,446

11. Capital assets *(continued)*

As at December 31, 2024, the assets not in use were not yet available to the branches for use. These assets were not subject to depreciation in the year.

Depreciation expense is included in administrative and occupancy expenses on the statement of earnings and comprehensive income.

12. Right-of-use assets

		2024 *Building under lease*
Cost		
Balance, beginning of year		**305,887**
Additions		**565,838**
Disposals		**-**
Balance, end of year		**871,725**
Accumulated depreciation		
Balance, beginning of year		**297,800**
Depreciation expense		**88,354**
Disposals		**-**
Balance, end of year		**386,154**
Net book value		**485,571**

		2023 *Building under lease*
Cost		
Balance, beginning of year	$	305,887
Additions		-
Disposals		-
Balance, end of year		305,887
Accumulated depreciation		
Balance, beginning of year	$	226,618
Depreciation expense		71,182
Disposals		-
Balance, end of year		297,800
Net book value		8,087

Depreciation expense is included in administrative and occupancy expenses on the statement of earnings and comprehensive income.

13. Held for sale property

On February 3, 2025, the Credit Union's investment property which is located at 424-430 Exmouth Street was sold to Long Holdings Inc. for $1,417,500. The net book value of this property as of December 31, 2024 was $910,265 and an anticipated gain on the sale is $507,235 is expected.

The investment property consisted of land and buildings leased for commercial use.

Depreciation expense is included in administrative and occupancy expenses on the statement of earnings and comprehensive income.

14. Short-term credit facility

Central 1 has authorized the Credit Union a core clearing facility of $28,000,000 (2023 - $28,000,000) consisting of a $9,500,000 Canadian dollar facility (2023 - $9,500,000), a $500,000 U.S. dollar facility (2023 - $500,000), and a $18,000,000 (2023 - $18,000,000) demand facility expiring July 31, 2025 with the option to renew.

The Credit Union also has a capital market facility of $200,000 (2023 - $200,000), a standby letter of credit facility of $1,000,000 (2023 - $1,000,000), and a financial guarantee facility of $20,000,000 (2023 - $20,000,000). At December 31, 2024, the Credit Union utilized $Nil (2023 - $Nil) of the core clearing facility, $Nil (2023 - $Nil) of the capital market facility, $Nil (2023 - $203,430) of the standby letter of credit facility, and $Nil (2023 - $Nil) of the financial guarantee facility. The demand facility bears interest at a rate of prime less 1.30%. The facilities are secured by a registered assignment of books debts and a general security agreement covering all assets of the Credit Union.

15. Members' deposits and accrued interest payable

		2024		*2023*
Chequing		**185,285,147**		193,280,908
Savings		**223,241,504**		229,990,741
Term		**284,354,914**		251,516,500
Registered savings plan		**259,435,175**		241,916,448
Accrued interest		**11,482,613**		9,054,231
	$	**963,799,353**	$	925,758,828
Interest expense:				
Savings	**$**	**3,570,216**	$	4,094,233
Term		**11,607,665**		8,665,074
Registered savings plan		**10,037,997**		7,506,316
Other		**294,981**		29,427
	$	**25,510,859**	$	20,295,050

Terms and Conditions

Chequing and savings deposits are due on demand and bear interest at variable rates ranging from 0.00% to 2.25% (2023 – 0.00% to 0.55%) at December 31, 2024. Interest is calculated daily and paid on the accounts monthly, semi-annually or annually.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2024 range from 0.35% to 6.05% (2023 – 0.35% to 6.19%).

Registered savings plans consist primarily of registered retirement savings plan (RRSPs) and tax-free savings accounts (TFSAs). These accounts can be fixed or variable rate. The fixed rate accounts have terms and rates similar to the term deposit accounts described above. The variable rates range from 1.0% to 5.75% at December 31, 2024 (2023 – 1.6% to 5.75%).

15. Members' deposits and accrued interest payable *(continued)*

Registered income funds consist primarily of registered retirement income funds (RRIFs) at both fixed and variable rates with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

Fair value

The fair value of member deposits and accrued interest at December 31, 2024 was $1,029,955,031 (2023 - $983,534,179). Fair value is measured at level 2 of the fair value hierarchy.

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these deposits are repriced to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

Average yields to maturity

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

	Principal	**2024 Yield**	Principal	2023 Yield
Demand deposits	**$ 434,318,050**	**0.89%**	$ 450,098,912	1.00%
Fixed rate due in less than one year	**334,794,088**	**4.40%**	262,129,740	3.83%
Fixed rate due between 1 and 5 years	**183,204,602**	**4.22%**	204,475,945	4.23%
	$ 952,316,740		$ 916,704,597	

Concentration of Risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments.

Credit Union policy states that any deposits being held by an individual or their connected persons that will have a significant impact on required operational liquidity if withdrawn, requires 60 days notice for withdrawal. Management will define "large deposits" for these purposes and advise the Board of Directors.

The Credit union was not exposed to any individual or related groups of members that would have significant impact on required operational liquidity at December 31, 2024 (2023 - $Nil).

Most members deposits are from members located in and around Southwestern Ontario.

16. Other liabilities

	2024	*2023*
Accounts payable and accrued liabilites	**$ 3,559,613**	$ 3,568,118
Certified cheques	**633,426**	499,795
Accrued investment share dividend payable	**401,339**	412,963
Income taxes payable	**-**	97,825
Accrued patronage return (*Note 20*)	**340,917**	463,845
	$ 4,935,295	$ 5,042,546

The accrued patronage return represents an estimated patronage to be paid to members in the form of patronage shares in the first quarter of 2025. The patronage return will be calculated based on a member's usage of Credit Union services during 2024.

17. Lease obligations

		2024		*2023*
2.50% lease payable in monthly instalments of $3,970, secured by real property with a carrying value of $56,610, matured March 2024	**$**	**-**	$	11,812
4.00% lease payable in monthly instalments of $791, secured by real property with a carrying value of $1,553, maturing January 2025		**788**		-
4.29% lease payable in monthly instalments of $2,995, secured by real property with a carrying value of $129,621, maturing November 2028		**129,341**		-
4.29% lease payable in monthly instalments of $2,326, secured by real property with a carrying value of $100,318 maturing January 2029		**108,260**		-
4.29% lease payable in monthly instalments of $5,123, secured by real property with a carrying value of $254,078, maturing June 2029		**254,460**		-
	$	**492,849**	$	11,812

Minimum future lease payments including interest of $47,210 are as follows:

2025	**$**	**126,108**
2026		**125,317**
2027		**125,317**
2028		**110,693**
2029		**52,624**
	$	**540,059**

Interest expense for the year of $16,292 (2023 - $2,064) has been recorded to the statement of earnings and comprehensive income.

The total cash outflow for principal payments on leases amounted to $97,368 (2023 - $72,097).

18. Group savings plan

The Credit Union contributes to a defined-contribution group savings plan for its employees. Employees can contribute up to 5% of their gross salary, which is matched by the Credit Union. The amount contributed during the year was $501,090 (2023 - $458,909) and is included in Employees salaries and benefits expense for the year.

19. Income taxes

The provision for income taxes reported for the year ended December 31 differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

		2024		2023
Net income before income taxes	**$**	**718,976**	$	2,600,608
Income tax expense based on statutory rate of 18.2% (2023 - 18.2%)		**130,854**		473,311
Timing differences on capital assets		**(23,962)**		(26,320)
Effect of non-deductible expenses		**3,575**		2,213
Tax effect of other items		**(14,783)**		(70,711)
Total current income tax expense	**$**	**95,684**	$	378,493

The tax effect of differences between book and tax basis is accounted for in the deferred tax expense (recovery). These differences consist of the difference between depreciation expense and capital cost allowance, in the deductibility of the allowance for impaired loans, and in the inclusion of unrealized gains and losses on investments through other comprehensive income.

		2024		2023
Deferred tax (income) expense:				
Origination and reversal of temporary differences	**$**	**23,405**	$	77,454

Tax amounts related to current year OCI are as follows:

		2024		2023
Tax on unrealized loss on investments	**$**	**(224,845)**	$	(295,549)

Tax amounts recorded directly in the current year retained earnings are as follows:

		2024		2023
Tax on dividends on membership shares	**$**	**(113,628)**	$	(133,936)

Temporary differences which give rise to the following deferred income tax assets (liabilities) as at December 31 are as follows:

		2024		2023
Deferred income tax assets (liabilities)				
Capital assets		**(263,724)**		(237,067)
Loan provision		**454,546**		451,950
Leases		**1,324**		668
Unrealized losses		**(9,285)**		(9,285)
Deferred income tax assets, net	**$**	**182,861**	$	206,266

20. Membership shares

		2024		*2023*
	Liability	**Equity**	Liability	Equity
Membership shares	**$ 1,014,273**	**$ -**	$ 1,025,286	$ -
Class A special patronage shares	**449,823**	**4,048,400**	$ 424,074	3,816,662
Class B special investment shares	**761,275**	**6,851,475**	722,911	6,506,200
	$ 2,225,371	**$ 10,899,875**	$ 2,172,271	$ 10,322,862

Patronage on membership 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. If they are recognized as a liability, they are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. The fair value of the membership shares approximates their carrying value.

During the year, 34,815 (2023 – 76,275) membership shares were issued for proceeds of $174,074 (2023 - $381,376). During the year, 37,017 (2023 – 74,558) membership shares were redeemed for $185,086 (2023 - $372,791).

Terms and Conditions

Membership shares

Membership shares are subscribed for at an issue price of $5 per share. Each adult member is entitled to one vote. The minimum number of shares required as a condition of membership for adults and businesses is 10 shares. These membership shares are redeemable at cost 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 FSRA. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see note 26), as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.

Patronage shares

Class A patronage shares are issued as part of patronage rebates. They are non-voting, can be issued only to members of the Credit Union, and are redeemable at par only when a membership is withdrawn. There is no limit on the number of shares which can be held by a member. The withdrawal of patronage shares is subject to the Credit Union maintaining adequate regulatory capital, as is the payment of any distributions on these shares. Patronage shares that are available for redemption are classified as a liability. Patronage rebates are at the discretion of the Board of Directors.

Investment shares

Class B investment shares are non-voting, can be issued only to members of the Credit Union, and pay dividends at the discretion of the Board of Directors in the form of cash or additional shares. These shares, initially in two offerings: Series 1 in March 1997 and Series 2 in July 2002 are redeemable subject to board approval and the Credit Union maintaining adequate regulatory capital.

Where the Credit Union has met its regulatory capital requirements, through subordinate classes of shares, the investment shares are deemed to be a compound instrument. The liability component is measured at the present value of the amount redeemable and the equity component which represents the discretionary dividends, is measured as the residual.

Distribution to Members

		2024		*2023*
	Expense	**Equity**	Expense	Equity
Patronage distributions	**$ 77,794**	**$ 263,123**	$ 88,810	$ 364,748
Dividends on investment shares	**40,134**	**361,205**	$ 41,296	371,667
	$ 117,928	**$ 624,328**	$ 130,106	$ 736,415

21. Securitized borrowing

The Credit Union periodically securitizes mortgages through the transfer of mortgage loans to a special purpose entity as described below through programs sponsored by the Canada Mortgage and Housing Corporation (CMHC).

As part of its program of liquidity, capital and interest rate risk management, the Credit Union enters into arrangements to fund growth by entering into mortgage securitization arrangements. These arrangements allow the Credit Union to transfer fully insured residential mortgages to unrelated third parties, generally through the transfer of these assets to multi-seller conduits which issue securities to investors.

These transactions are derecognized from the statement of financial position when the transaction meets the derecognition criteria below:

1. The Credit Union derecognizes financial assets when contractual rights to the cash flows from the asset have expired, or when substantially all of the risks and rewards of ownership are transferred. If the Credit Union has neither transfer nor retained substantially all of the risks and rewards of ownership, it assesses whether it has retained control over the transferred asset.
2. The Credit Union derecognizes financial liabilities when it is extinguished, discharged, cancelled or expired.

During the year, the Credit Union has outstanding mortgage securitization liabilities pertaining to the use of a securitization vehicle to access liquidity.

Under the securitization vehicle, the Credit Union packages insured mortgage loan receivables into NHA Mortgage-Backed Securities (MBS) and in turn sells the MBS to Canada Housing Trust (CHT) directly through the Canada Mortgage Bonds (CMB) Program. CHT is financed through the issuance of government-guaranteed mortgage bonds, which are sold to third party investors. Proceeds of the issuances are used by CHT to purchase the government-guaranteed MBS from approved issuers.

The Credit Union issues MBS to CHT under the terms of the CMB Program. Central 1, on behalf of the Credit Union, acts as counterparty to interest rate swap agreements under which Central 1 pays CHT the interest due to investors on the government-guaranteed mortgage bonds and received the interest on the MBS sold to CHT. The terms of the interest rate swap agreements are mirrored back exactly between Central 1 and the Credit Union, resulting in the Credit Union ultimately paying CHT the interest due to investors on the government-guaranteed mortgage bonds and receiving the interest on the MBS sold to CHT. Accordingly, because the derecognition criteria of MBS liabilities have not been met, these interest rate swap agreements are not recognized.

As all mortgages securitized by the Credit Union are required to be fully insured prior to sale, they pose minimal to no credit risk to the Credit Union immediately before or any time after the securitization transaction. The Credit Union remains exposed to interest rate and timely payment risks associated with the underlying assets.

As such, securitized residential mortgages generally do not meet the derecognition requirements of IFRS 9 and as a result, all loans are classified as loans and receivables and measured at amortized cost in the statement of financial position. The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method. The Credit Union retains mortgage serving responsibilities but does not receive an explicit servicing fee. Furthermore, revenues and expenses have not been derecognized and the transactions are accounted for as financing transactions in the Credit Unions statement of comprehensive income.

(a) Securitization activity

The following table summarizes the Credit Union’s securitization activity in the year:

		2024		*2023*
Residential mortgages securitized	**$**	**52,409,071**	$	30,584,526
Net cash proceeds received		**51,545,375**		19,969,307
Outstanding balance of securitized mortgages		**82,171,755**		60,149,439
Unscheduled principal payment (UPP) reserve		**480,112**		893,101

21. Securitized borrowing *(continued)*

There were no mortgage loans that were delinquent as at December 31, 2024. In addition, there were no credit losses incurred on the mortgages transferred in 2024. The fair value of residential mortgages securitized at December 31, 2024 is $83,965,700 (2023 - $59,180,473).

The Credit Union also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2024 residential mortgages of $12,098,191 (2023 - $13,339,677) with a fair value of $11,962,143 (2023 - $11,960,717) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported as loans to members on the consolidated statement of financial position.

(b) Securitized borrowing

		2024		2023
Current portion	**$**	**13,891,155**	$	8,546,217
Non-current portion		**70,308,688**		51,603,222
Discount on securitization		**(1,948,232)**		(1,777,371)
	$	**82,251,611**	$	58,372,068

The Credit Union retains a securitization liability for mortgages transferred. The liability bears an average fixed interest rate of 4.05%, (2023 – 2.42%) and bears a weighted average maturity date of 2027 (2023 – 2025). As at December 31, 2024, the liability was $82,251,611 (2023 - $58,372,068).

A discount of $2,792,499 (2023 - $2,186,640) on the securitization of mortgages in the current year is to be amortized over the life of the securitization liability. During the current year $844,267 (2023 - $409,269) of this expense was recognized into earnings and comprehensive income through service charges expense. The ending balance at December 31, 2024 of the deferred discount is $1,948,232 (2023 - $1,777,371).

22. Interest expenses

		2024		2023
Member deposits *(Note 15)*	**$**	**25,510,859**	$	20,295,049
Securitized borrowings		**2,404,850**		1,262,650
	$	**27,915,709**	$	21,557,699

23. Other operating income

		2024		2023
Service charge and other revenue	**$**	**2,895,417**	$	2,641,616
Commission and third party revenue		**2,371,113**		2,103,087
	$	**5,266,530**	$	4,744,703

24. Administrative expenses

		2024		2023
Administrative assessment	$	**625,368**	$	441,110
Advertising and promotion		**420,743**		428,053
Board and committee		**163,590**		176,458
Data processing		**2,731,586**		2,380,241
Depreciation of office equipment		**389,829**		289,254
Education and conferences		**169,775**		292,495
Equipment maintenance		**170,601**		76,902
Insurance		**282,826**		261,608
League dues		**154,130**		16,907
Miscellaneous		**82,768**		100,490
Office		**460,500**		520,861
Professional services		**316,516**		129,579
Service charges		**639,575**		716,571
Strategic initiatives		**69,824**		210,714
Telephone		**164,470**		134,486
Travel		**184,246**		209,232
	$	**7,026,347**	$	6,384,961

25. Occupancy expenses

		2024		2023
Depreciation of buildings	$	**537,592**	$	502,700
Maintenance and repairs		**507,546**		562,055
Municipal taxes		**205,392**		227,913
Other occupancy costs		**93,141**		61,075
Utilities		**407,925**		350,552
	$	**1,751,596**	$	1,704,295

26. Other income

		2024		2023
Rental income	$	**138,290**	$	149,956
Gain on sale of investments		**159,809**		57,987
Realized gain on disposal of capital assets		**-**		13,503
	$	**298,099**	$	221,446

27. Capital management

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

Regulations to the Credit Unions and Caisses Populaires Act ("The Act") require that the Credit Union establish and maintain a level of capital that meets or exceeds the standards outlined below.

The Credit Union considers its capital to include membership shares (member shares, patronage shares, investment shares), contingency reserve and accumulated other comprehensive income. 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 Credit Unions and Caisses Populaires Act, 2020 which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at December 31, 2024 $586,500,463 (2023 - $544,204,803).

As at December 31, 2024, the Credit Union met the capital requirements of the Act. See below for capital ratios:

	Regulatory Standards	*Policy Standards*
Tier 1 capital ratio (Tier 1 capital / RWA)	**6.50%**	**7.50%**
Retained earnings ratio (Retained earnings / RWA)	**3.00%**	**4.00%**
Total capital ratio (Sum of tier 1 & 2 capital / RWA)	**8.00%**	**9.00%**
Capital conservation buffer ratio (Excess of Tier 1 capital to meet minimum requirements)	**2.50%**	**3.00%**
Total supervisory capital ratio (Total capital / RWA)	**10.50%**	**11.00%**
Leverage ratio (Total capital / Net assets)	**3.00%**	**4.00%**

Regulatory capital consists of the following:	**2024**	2023
Tier 1 Capital		
Membership shares	**$ 1,014,274**	$ 1,025,285
Other membership shares - non-redeemable portion	**10,899,875**	10,322,862
Retained earnings	**54,503,572**	54,414,384
AOCI	**316,036**	(694,534)
	66,733,757	65,067,997
Tier 2 Capital		
Loan provision for stage 1 and stage 2 loans	**2,470,835**	2,469,925
Other membership shares - redeemable portion	**1,211,097**	1,146,985
	3,681,932	3,616,910
Total regulatory capital	**$ 70,415,689**	$ 68,684,907

Capital Ratios - December 31, 2024:

Tier 1 capital ratio	**11.43%**
Retained earnings ratio	**9.33%**
Total capital ratio	**12.06%**
Capital conservation buffer ratio	**4.06%**
Total supervisory capital ratio	**12.06%**
Leverage ratio	**6.09%**

27. Capital management *(continued)*

Capital Ratios - December 31, 2023:	
Tier 1 capital ratio	**11.95%**
Retained earnings ratio	**9.99%**
Total capital ratio	**12.61%**
Capital conservation buffer ratio	**4.61%**
Total supervisory capital ratio	**12.61%**
Leverage ratio	**6.31%**

28. Nature and extent of risks arising from financial instruments

General Objectives, Policies and Processes

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

Credit Risk

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

Risk Measurement

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

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

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

a) General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;

b) Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;

c) Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;

d) Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;

e) Loan delinquency controls regarding procedures followed for loans in arrears; and

f) Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly. For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $Nil (2023 - $Nil).

28. Nature and extent of risks arising from financial instruments *(continued)*

A sizeable portfolio of the loan book is secured by residential property in Strathroy, Goderich, Lambton County and Chatham-Kent in the province of Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LTV) cover should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

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

Risk Measurement

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

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions. Provisions of the Credit Unions and Caisse Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 6%.

The Credit Union manages liquidity risk by:

a) Continuously monitoring actual daily cash flows and longer term forecasted cash flows;

b) Monitoring the maturity profiles of financial assets and liabilities;

c) Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and

d) Monitoring the liquidity ratios weekly.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity. As at December 31, 2024, the Credit Union was in compliance with the liquidity requirements, as follows:

Qualifying liquid assets on hand:		**2024**		2023
Cash and cash equivalents	**$**	**47,407,479**	$	49,379,970
Investments		**57,202,312**		57,654,702
Less: non-qualifying shares and investments		**(1,181,573)**		(1,180,508)
		103,428,218		105,854,164
Total required liquidity at 6%		**62,056,931**		63,421,923
Excess liquidity	**$**	**41,371,287**	$	42,432,241

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

28. Nature and extent of risks arising from financial instruments *(continued)*

FSRA Requirements

The Credit Union is required to maintain its liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) at a minimum of 100% to be compliant with FSRA liquidity standards.

The Credit Union had the following LCR and NSFR ratios as at December 31, 2024:

Metric	Mainstreet Actual	Board Limit	Management Limit	FSRA Limit
LCR	243%	125%	200%	100%
NSFR	141%	110%	120%	100%

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

Market Risk

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

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.

Risk Measurement

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients.

Objectives, Policies and Procedures

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

Scheduling of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Financial Services Regulatory Authority of Ontario in accordance with Credit Union's policy. This policy

has been approved by the Board of Directors and filed with the Financial Services Regulatory of Ontario as required by Credit Union regulations. For the year ended 2024, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts 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.

28. Nature and extent of risks arising from financial instruments *(continued)*

2024

(In thousands of dollars)	0-3 months	4-12 months	1-2 years	2-5 years	More than 5 years	Non-rate sensitive	Total	interest rate
	$	$	$	$	$	$	$	%
Cash and cash equivalents	39,398	-	-	-	-	8,009	47,407	3.25%
Investments	10,838	-	10,191	10,244	24,514	1,415	57,202	2.59%
Loans to members	46,036	176,711	215,187	515,058	963	42,001	995,956	4.62%
	96,272	176,711	225,378	525,302	25,477	51,425	1,100,565	
Members' deposits	93,609	241,185	76,342	76,342	67	476,254	963,799	4.33%
Derivative financial instruments	455	-	-	-	-	-	455	0.00%
Other liabilities	4,935	-	-	-	-	-	4,935	0.00%
Lease obligations	493	-	-	-	-	-	493	0.00%
Membership shares	-	-	-	-	-	2,225	2,225	5.10%
Securitized borrowing	-	-	7,384	25,569	49,299	-	82,252	3.06%

2023

(In thousands of dollars)	0-3 months	4-12 months	1-2 years	2-5 years	More than 5 years	Non-rate sensitive	Total	interest rate
	$	$	$	$	$	$	$	%
Cash and cash equivalents	46,728	-	-	-	-	2,652	49,380	3.98%
Investments	6,294		14,569	13,111	23,681	-	57,655	3.67%
Loans to members	16,511	136,322	158,744	582,066	1,094	38,935	933,672	4.32%
	69,533	136,322	173,313	595,177	24,775	41,587	1,040,707	
Members' deposits	81,224	180,906	109,939	94,530	8	459,152	925,759	4.01%
Derivative financial instrument	422	-	-	-	-	-	422	0.00%
Other liabilites	5,043	-	-	-	-	-	5,043	0.00%
Lease obligations	12	-	-	-	-	-	12	0.00%
Membership shares	-	-	-	-	-	2,172	2,172	5.71%
Securitized borrowing	-	-	6,205	8,438	43,729	-	58,372	2.76%

The contractual maturity information for lease liabilities is disclosed in Note 17 which is not exposed to interest rate risk. 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 rising 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.

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors. An analysis of the Credit Union's risk due to changes in interest rates at a 100-basis-point swing is included below:

		2024		*2023*
100-basis-point increase in interest rate:				
Impact on net income	**$**	**169,000**	$	54,000
100-basis-point decrease in interest rate:				
Impact on net income		**(38,000)**		(42,000)

28. Nature and extent of risks arising from financial instruments *(continued)*

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk. Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve-month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates.

Currency Risk

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

The Credit Union's foreign exchange risk is related to United States dollar deposits and investments. Foreign currency changes are continually monitored by management for effectiveness of its foreign exchange mitigation activities and holdings are adjusted when offside of the investment policy. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets.

Net foreign exchange gains of $387,921 (2023 - $357,755) have been included in other operating income.

Risk Measurement

The Credit Union's position is measured weekly. Measurement of risk is based on the level of foreign currency assets versus liabilities and the current exchange rates available.

Objectives, Policies and Procedures

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to $500,000 in U.S. funds.

For the year ended December 31, 2024, the Credit Union's exposure to foreign exchange risk is within policy.

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

29. Financial instruments

The Credit Union's financial instruments consist of cash and cash equivalents, investments, derivatives, loans to members and accrued interest receivable, other assets excluding income taxes and prepaids, members' deposits and accrued interest payable, and other liabilities excluding income taxes payable.

The Credit Union's major source of income is financial margin, which is the difference between interest earned on investments and loans and interest paid on deposits and borrowings. The Credit Union has established policies and related reporting processes to manage its exposure to fluctuating interest rates, (interest rate risk) and exposure to financial loss resulting from the failure of a party to honour its financial or contractual obligations, (credit risk).

The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.

30. Commitments

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

		2024		*2023*
Unadvanced loans	**$**	**118,125,735**	$	113,222,383
Unused lines of credit	**$**	**114,084,502**	$	112,016,630
Letters of credit	**$**	**11,146,454**	$	1,272,346

30. Commitments *(continued)*

Contractual Obligations

The Credit Union has an agreement with CDSL Canada Ltd., referred to as CGI, regarding technology and banking system fees, which is in effect until December 31, 2025. The Credit Union is required to pay a monthly fee per member which ranged from $2.41 to $2.60 as at December 31, 2024. The Credit Union is also responsible for paying monthly fees based on additional services used. These additional fees are not included in the above per member fee. Total annual costs for 2024 were $841,286 (2023 - $803,482).

31. Related party transactions

Compensation		***2024***		*2023*
Salaries and other short-term employee benefits	**$**	**2,976,825**	$	2,547,489
Total pension and other post employment benefits		**222,683**		159,491
	$	**3,199,508**	$	2,706,980

Loans to key management personnel and restricted parties		***2024***		*2023*
Aggregate value of loans advanced	**$**	**6,280,757**	$	6,999,438
Interest received on loans advanced		**172,207**		188,191
Total value of lines of credit advanced		**167,034**		121,980
Interest received on lines of credit advanced		**8,000**		9,332
Unused value of lines of credit		**814,966**		515,020

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to all employees for each class of loan and deposit.

Deposits from key management personnel and restricted parties		***2024***		*2023*
Aggregate value of term and savings deposits	**$**	**1,308,486**	$	1,451,597
Interest paid on term and savings deposits	**$**	**33,381**	$	16,262

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.

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

31. Related party transactions *(continued)*

Remuneration of Officers and Employees

2024

	Salary and bonus	Benefits	Total
Christopher Inniss, CEO	**$ 349,884**	**$ 22,326**	**$ 372,210**
Kevin Boersma, Chief Experience Officer	**$ 212,146**	**$ 16,649**	**$ 228,795**
Holly Gawne, Chief People Officer	**$ 212,146**	**$ 18,649**	**$ 230,795**
Sandra Ferguson, CFO	**$ 212,164**	**$ 14,009**	**$ 226,173**
Jamie Kruspel, Chief Transformation Officer	**$ 205,570**	**$ 14,188**	**$ 219,758**

2023

	Salary and bonus	Benefits	Total
Christopher Inniss, CEO	$ 322,478	$ 22,509	$ 344,987
Kevin Boersma, Senior Vice President	$ 205,234	$ 15,528	$ 220,762
Holly Gawne, Senior Vice President	$ 205,234	$ 16,163	$ 221,397
Sandra Ferguson, CFO	$ 205,234	$ 11,596	$ 216,830
Jamie Kruspel, Chief Transformation Officer	$ 171,664	$ 10,412	$ 182,076

32. Financial instruments classification

	Amortized Cost	Fair value through profit or loss	Fair value through Other Comprehensive Income	Cash Flow Hedges	Fair Value Hedges	Total
2024						
Cash and cash equivalents	$ -	$ 47,407,479	$ -	$ -	$ -	$ 47,407,479
Investments	-	1,181,573	56,020,739	-	-	57,202,312
Derivative financial assets	-	-	-	659,218	-	659,218
Loans to members	995,956,442	-	-	-	-	995,956,442
Other assets	2,051,919	-	-	-	-	2,051,919
Member deposits	963,799,353	-	-	-	-	963,799,353
Derivative financial liabilities	-	-	-	454,970	-	454,970
Securitization	82,251,611	-	-	-	-	82,251,611
Other liabilities	4,935,295	-	-	-	-	4,935,295

32. Financial instruments classification *(continued)*

	Amortized Cost	Fair value through profit or loss	Fair value through Other Comprehensive Income	Cash Flow Hedges	Fair Value Hedges	Total
2023						
Cash and cash equivalents	$ -	$ 49,379,970	$ -	$ -	$ -	$ 49,379,970
Investments	-	4,355,519	53,299,183	-	-	57,654,702
Derivative financial assets	-	-	-	324,600	-	324,600
Loans to members	933,672,292	-	-	-	-	933,672,292
Other assets	1,901,693	-	-	-	-	1,901,693
Member deposits	925,758,828	-	-	-	-	925,758,828
Derivative financial liabilities	-	-	-	422,459	-	422,459
Securitization	58,372,068	-	-	-	-	58,372,068
Other liabilities	5,042,546	-	-	-	-	5,042,546

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price.

As many of the Credit Union's financial instruments lack an available trading market, the fair value of loans and member deposits with fixed rates are estimated using discounted cash flow models with discount rates based on current market interest rates for similar types of instruments. The Credit Union adjusts the fair value of loans and deposits with fixed terms to take account of any significant changes in credit risk using observable market inputs in determining the counterparty credit risk of loans and entity level credit risk of deposits respectively.

The inputs to the valuation model for fixed rate loans include scheduled loan amortization rates, estimated rates of repayment with the future cash flows discounted using current market rates for equivalent groups of mortgages or loans. The future cash flows on fixed rate deposits and fixed rate borrowings are discounted to their estimated present value using a discount rate based on an appropriate interest yield curve. Other inputs may include the addition of an interest rate spread to incorporate an appropriate risk premium over market rates with a subsequent adjustment for any significant changes in credit risk.

The fair values of member deposits with variable rates of interest approximate their carrying values since these instruments re price to market frequently and are repayable on demand. On that basis fair value of each individual deposit approximates carrying value, since the fair value cannot be less than the maturity amount which is repayable on demand.

The fair values of items that are highly liquid or short-term in nature are considered to approximate their carrying values which consist of cost plus accrued interest, where applicable. This includes certain components of cash, investments, other financial assets and accounts payable and other liabilities.

The fair value of loans with variable rates of interest approximates their carrying values since the interest rates of these instruments re price for changes in prime interest rates frequently. The Credit Union adjusts its valuation model to take account of changes in credit spreads, net of any general or specific loan loss provision.

The fair value of over the counter derivatives which the Credit Union periodically uses for risk management purposes incorporates changes in the appropriate interest yield curve or appropriate market rate in the estimation of fair value. The fair values are also adjusted to take account of significant changes in credit risk.

Fair value hierarchy

The following table summarizes the valuation methods used to measure the fair value of financial instruments which are accounted for at fair value on the Credit Union's statement of financial position, as at December 31, 2024.

The following table provides an analysis of financial instruments that are measured at fair value subsequently to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

32. Financial instruments classification *(continued)*

2024	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial assets				
Cash	47,407,479			47,407,479
Investments		56,020,739	1,181,573	57,202,312
Derivative financial instruments		659,218		659,218
Financial liabilities				
Derivative financial instruments		454,970		454,970

2023	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial assets				
Cash	49,379,970			49,379,970
Investments		56,474,194	1,180,508	57,654,702
Derivative financial instruments		324,600		324,600
Financial liabilities				
Derivative financial instruments		577,133		577,133

The fair value of financial instruments traded in active markets is obtained by reference to quoted market prices at the statement of financial position date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which use market-based inputs, when available, or an alternative valuation technique when market-based inputs are not available.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Class A, E and F Central 1 shares and certain other investments with shares held in private entities are classified as Level 3 fair value financial instruments on the fair value hierarchy.

32. Financial instruments classification *(continued)*

	Central 1, Class A and E shares	Concentra shares	Total Level 3 financial instruments
Balance, December 31, 2022	1,189,072	12,478	1,201,550
Redemption of shares	- 8,564	- 12,478	- 21,042
Balance, December 31, 2023	1,180,508	-	1,180,508
Net issuances	1,065	-	1,065
Balance, December 31, 2024	1,181,573	-	1,181,573

33. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. There is no impact to earnings as a result of this.

34. Subsequent event

Subsequent to year end, property with a net book value of $1,650,707 was listed for sale and the Credit Union has accepted a conditional offer.