KINDRED
Credit Union

OUR COMMUNITY *Inspires* OUR FUTURE

Kindred Credit Union | Annual Report
For the year ended December 31, 2024

The Kindred team is the heart of our cooperative, bringing our values to life every day. More than financial professionals, we are trusted guides, community builders, and champions of mutual aid. Our dedication ensures that every member experience is shaped by care, integrity, and expertise. Whether offering financial guidance or strengthening community connections, we embody what it means to connect values and faith with finances — **working together to INSPIRE PEACEFUL, JUST, AND PROSPEROUS COMMUNITIES.**

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A message from our Chief Executive Officer, Jason Daly

It is an honour to share my first Annual Report letter as CEO of Kindred Credit Union. Since joining Kindred in September, I have had the privilege of getting to know our members, our dedicated team, and the communities we serve. What has stood out most is the deep sense of purpose that guides this Credit Union—our commitment to values-based banking, mutual aid, and financial solutions that make a real difference.

This commitment is nothing new. In 2024, we celebrated 60 years of community-rooted financial service – serving the common good by helping individuals and communities support one another in both times of need and times of plenty.

This past year was not just about looking back. It was about continuing to build a stronger, values-driven future together. We strengthened our impact through:

- A renewed focus on social impact priorities: housing, hunger, and mental health;
- The Kindred Charitable Fund, which provided $100,000 in grants to 15 organizations;
- Our second annual food drive, raising $67,000 for local food banks; and
- Ongoing partnerships with organizations like ShelterCare and Coldest Night of the Year, supporting those facing housing insecurity and poverty.

And we continued to grow our membership and assets, so we can continue to grow our impact. In 2024:

- Membership grew by 1,028 new members to 29,340, allowing us to reach more values-centred Ontarians;
- Core Earnings were $9.3 million, reflecting the resiliency of business during uncertain economic times;
- Assets reached $2.28 billion and Return on Average Assets (ROAA) was 0.66%, reinforcing our financial strength;
- Our earnings allowed us to share a total of $1.3 million with members through our Profit Shares program; and
- Charitable contributions totaled $660,000, demonstrating our deep commitment to mutual aid and supporting the communities we serve.

As I step into this role, I find myself asking: *How can Kindred do even more?*

Kindred has always been a financial institution with a strong social conscience, and the challenges facing our communities call us to step beyond being contributors; to also be catalysts for change. The work ahead is about leaning further into our purpose, ensuring that Kindred is more than simply doing good for our communities, we are actively driving it.

Our commitment to purpose-driven innovation was reinforced in 2024. One example is expanding the availability of our Affordable Housing GIC, Canada's first investment product designed to directly support housing initiatives, to all of the communities we serve. Programs like these allow us to go beyond financial contributions and play a more active role in community solutions.

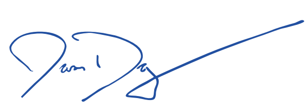
Looking ahead, we are committed to refining how we define and measure our impact—ensuring that the work we do translates into visible, sustainable change. This means continuing to grow our values-based financial products, deepening key partnerships, and aligning our teams around clear, measurable objectives that serve our members, our community, our future.

At the heart of all this work is our team. Kindred's strength lies in its people, and every member, community partner, and Kindred team member plays a role in making a difference. By working together around a shared purpose, we can amplify our impact and continue fostering financial well-being in the communities we serve.

At Kindred, our community inspires our future. For 60 years, we have built a strong foundation together, guided by shared values, mutual aid, and a commitment to financial solutions that serve the common good. That same spirit will continue to shape our path forward as we embrace new opportunities to create meaningful impact.

I want to extend my deepest gratitude to our members, team, and community partners for your trust, collaboration, and shared vision for what banking can be. I am excited for what lies ahead, and I look forward to working alongside you to continue making a difference.

With appreciation,



Jason Daly
CEO

A message from our Board Chair, Henry Paetkau

A year ago I stepped into the role of Board Chair, and it has truly been a privilege to serve in this capacity. Over these past months, I have been inspired by the dedication of our Board, the passion of our leadership team, and, most importantly, the unwavering commitment of our members to the values that make Kindred Credit Union unique.

Kindred is now entering its seventh decade, a milestone that speaks to the deep roots we have in our communities. The theme of our annual general meeting this year, "Our Community Inspires Our Future," captures the essence of what motivates and inspires us. Strong communities are not just something we support; they are foundational to our future. A core principle of cooperatives is concern for community, and for Kindred, that means being accountable to one another and recognizing that the future we build is shaped by the investments we make today.

This past year brought new leadership to Kindred, and I have been energized by the opportunity to work alongside Jason, our new CEO. The CEO search process reaffirmed Kindred's foundational heritage and values, which have guided our service to members and the community since 1964. Jason brings deep financial expertise and a strong commitment to Kindred's purpose, ensuring that we continue to serve our members with integrity and compassion. Building on this strong foundation, we strive to respond in ever new ways to our members' needs, shaping our strategic direction to meet new and more complex challenges, and exploring new opportunities for growth that fosters more peaceful, just, and prosperous communities.

In 2024, we focused on housing, food security, and mental health, putting our values into action in tangible ways. Through the Kindred Charitable Fund, we have supported organizations that make a meaningful impact, reinforcing the belief that together, we can accomplish far more than we ever could alone. This is the power of cooperation—mobilizing our resources to serve the greater good. We can do more together than each of us can individually.

The Board plays a key role in ensuring that Kindred's commitment to social impact remains at the heart of our decisions and helps direct charitable support where it's needed most. We take seriously our responsibility to advance economic justice – reinforcing initiatives such as continuing to be a Living Wage leader and champion, and encouraging the development of products and services that support those who are too often overlooked. Our faith tradition calls us to use finances as a tool for justice, supporting individuals, families, and communities so they can thrive.

At the same time, as a financial institution, we are accountable to regulators and responsible for strong governance. The Board is committed to managing risk wisely and making sound financial decisions that keep Kindred safe, secure, and sustainable. It is important for us to focus on the "how" and "why" of our decision-making. Every decision we make is guided by Kindred's purpose and long-standing commitment to values-centred banking. This approach isn't just about financial security—it's about building more peaceful and compassionate communities.

Looking ahead, I am deeply grateful—to you, our members, for your trust and engagement; to the 280 dedicated Kindred employees who serve with integrity and care; and to my fellow Board members for their thoughtful leadership. I also want to express my sincere appreciation to John Klassen for his dedicated service as Interim CEO during this past year of transition. His steady leadership ensured that Kindred remained on course and faithful to our purpose.

While the financial landscape continues to shift, Kindred remains steadfast in supporting our members and ensuring our Credit Union is well-positioned for the future. Thank you for being part of this journey. Together, we are building something greater than ourselves: a financial cooperative rooted in faith and values, working toward a future where communities thrive.

With gratitude,

Henry Paetkau
Chair, Board of Directors

Financial Position Summary

Year ended December 31, 2024 with comparative figures for 2023.

Detailed audited financial statements are found on page 23.

Thousands of dollars

		December 31, 2024		December 31, 2023
Assets				
Cash resources	**$**	**31,509**	$	32,892
Investments		**249,110**		153,074
Loans to members		**1,969,818**		1,866,275
Property and equipment		**17,246**		17,399
Other assets		**11,392**		9,241
Total Assets	**$**	**2,279,075**	**$**	**2,078,881**

Liabilities and Members' Equity				
Total deposits of members	**$**	**1,962,659**	$	1,780,088
Mortgage securitization liabilities		**79,752**		76,889
Lease liability		**14,231**		13,667
Other liabilities		**11,542**		10,841
Member Shares		**644**		621
Profit Shares		**22,616**		21,832
Investment Shares		**103,969**		99,496
Accumulated other comprehensive income (loss)		**1,030**		(298)
Retained earnings		**82,632**		75,745
Total Liabilities and Members' Equity	**$**	**2,279,075**	**$**	**2,078,881**

Assets and Core Earnings

Year ended December 31, 2024 with comparative figures for 2023.
Detailed audited financial statements are found on page 23.

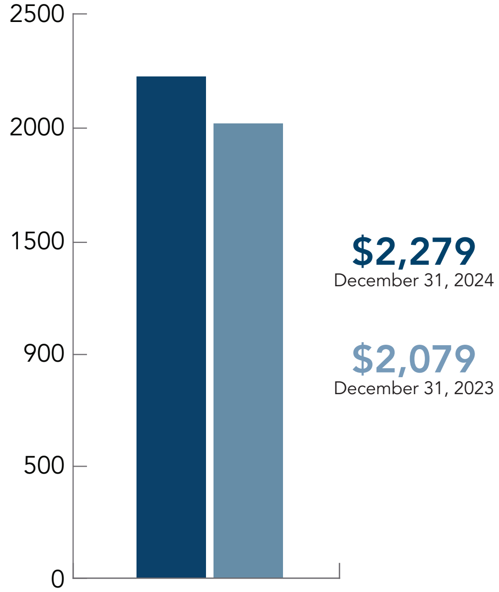
		Thousands of dollars December 31, 2024		December 31, 2023
Income from interest and investments	**$**	**108,962**	$	**89,987**
Other revenue		**8,451**		8,396
Total Income	**$**	**117,413**	$	**98,383**
Less:				
Interest expense on member deposits	**$**	**57,292**	$	42,395
Profit Shares (patronage return)		**1,325**		1,490
Gain (loss) on derivative financial instruments		**(139)**		642
Mortgage securitization cost of funds		**2,475**		1,957
Interest on external borrowings		**153**		65
Personnel expense		**25,448**		22,762
Occupancy expense		**1,030**		1,025
Lease finance cost		**608**		376
Administration expense		**9,158**		8,472
Amortization of property and equipment		**2,167**		2,178
Insurance expense		**1,628**		1,597
Provision for loan losses (gains)		**2,174**		(46)
Charitable giving		**660**		650
Income tax provision		**1,110**		1,708
Net earnings	**$**	**12,324**	$	13,112
Other comprehensive income net of tax	**$**	**875**	$	1,348
Comprehensive income	**$**	**13,199**	$	**14,460**

Net Earnings

	Thousands of dollars			
		December 31, 2024		December 31, 2023
Earnings from core operations	$	9,306	$	10,556
Profit Shares (patronage return)		(1,325)		(1,490)
Adjustment for Investment Shares dividend expense[1]	$	4,984		5,674
Net earnings after above		12,965		14,740
Unrealized fair market value gain	$	469	$	80
Earnings from operations before tax		13,434		14,820
Income tax provision	$	(1,110)	$	(1,708)
Net earnings from operations		12,324		13,112
Other comprehensive income net of tax	$	875		1,348
Comprehensive income	$	13,199	$	14,460

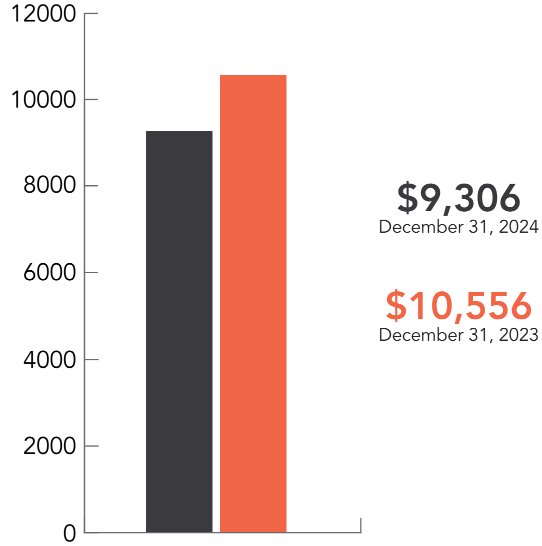
Assets

(millions of dollars)



Core Earnings[1]

(thousands of dollars)



[1]Core earnings include Investment Shares dividend expense while excluding the impact of unrealized fair market value adjustments, taxes, Profit Shares (patronage return), and extraordinary items.

Highlights from our Financials

This report refers to the financial summaries and graphs found on page 4 through 6 for the fiscal year ended December 31, 2024 and highlights healthy growth across fundamental business lines, solid earnings, and continued organizational development. For your reference, year-end 2024 Audited Financial Statements, complete with the auditor's opinion and all of the associated note disclosures, are included beginning on page 23.

While there was uncertainty from an economic and interest rate perspective, 2024 proved to be another successful year for our Credit Union. We continued to make steady progress on financial objectives and achieved key financial milestones for the year. We once again saw growth in areas of loans, deposits, and memberships as existing and new members continued to deepen their relationship with Kindred.

As shown on page 4, Kindred assets grew by 9.6% to $2.28 billion by year-end. Overall loan growth was $104 million (5.5%) while deposit growth was $175 million (10.0%). Kindred's asset growth (9.6%) in 2024 is notably higher than our long-term average of approximately 7.0%, driven by growth in member deposits.

The earnings summary on page 5 shows overall comprehensive income of $13.2 million. Page 6 contains a reconciliation between comprehensive income and Kindred's core earnings amount of $9.3 million. This core earnings figure most accurately represents the operational earnings picture for the Credit Union. Kindred uses this figure for management and comparative purposes as we review previous years, conduct peer group comparisons, and develop future projections. The year over year decrease in core earnings was due mainly to an increase in loan loss provisions as credit conditions deteriorated across the economy, particularly in the latter part of the year. It is important to note that these provisions do not represent actual loan losses but are amounts set aside as a cushion should actual losses occur in the future.

This level of earnings allowed us to share with members a total of $1.3 million of our 2024 earnings through our Profit Shares program. This distribution to members in the form of Profit Shares adds to the capital base of the Credit Union.

The next item on page 6, is an adjustment to add-back the 5% return paid on Investment Shares for 2024 – an expense that is included in our core earnings calculation. Net earnings after this adjustment were $13.0 million.

The next adjustment to 2024 earnings was an increase of $469 thousand due to fair market value adjustments. This represents the change in market value of a series of interest rate swap contracts that Kindred is engaged in, which help mitigate the risk to declines in earnings associated with changes in market interest rates.

After accounting for the above adjustments, taxes owing of $1.1 million, and other comprehensive income (OCI) of $875 thousand related to fair market value changes in our invesment portfolio - we arrive back at the $13.2 million in comprehensive income. This is the earnings figure that appears in the audited financial statements. This 2024 level of earnings has allowed us to maintain capital levels well above regulatory and internally set minimums.

With respect to profitability, 2024 core earnings generated a return on average assets of 0.66% – this represents the continuation of solid organizational earnings as we continue to ensure Kindred's sustainability in a time of uncertain interest rates and mixed economic outlook.

In summary, 2024 was a positive year achieving sustainable growth levels and delivering strong earnings that position us well to face the challenges and capitalize on the opportunities of 2025 and beyond.

Fostering the Real Economy:
Enhancing our Relationships

The Global Alliance for Banking on Values (GABV) is a group of more than 70 financial institutions from around the world working together to redefine banking by prioritizing social, environmental, and economic sustainability.

Our membership in GABV provides a window into the crucial conversations and innovative ideas taking root in visionary financial institutions around the world. We're a small player on the global scale, yet our commitment to values-centred, faith-inspired banking propels us to speak loudly and to act locally.

GABV uses the term 'real economy' as a principle to help ground us in community and focus our service on members' direct needs. This contrasts with the layered financial economy, where an investment or loan may pass through several institutions before eventually being used by a business in service to a community. While some of these layers are important at a macro level to our economy, focusing on closer connections reinforces real relationships.

At Kindred, we're committed to being good stewards of our members' resources. This includes financial assets as well as human connections, local knowledge, digital infrastructure, and physical spaces. As we build the technologies and systems that improve the speed and efficiency of our services, we're working to enhance the relationships with our members and community partners so that we become better equipped to live out our purpose. We're connecting values and faith with finances in a real economy of real relationships, **INSPIRING PEACEFUL, JUST, AND PROSPEROUS COMMUNITIES.**

Real Economy

The real economy relates to economic activities that generate goods and services as opposed to the financial economy that is concerned exclusively with activities in the financial markets. GABV defines financial economy as more than one layer away from a real economy activity.

	December 31, 2024 Thousands of dollars			December 31, 2023 Thousands of dollars		
Assets	**On-book[1]**	**% of total**	**Off-book[2]**	**On-book[1]**	**% of total**	**Off-book[2]**
Financial Economy (Cash, impact investments, accruals, taxes, leases)	**$304,110**	13.3%		$257,829	10.1%	
Real Economy (Loans to members, receivables)	**$1,974,965**	86.7%	$24,570	$1,715,947	89.9%	$48,398
Total Assets	**$2,279,075**		$24,570	$2,078,881		$48,398
Liabilities/Equity						
Financial Economy (reserves, net income, taxes, leases)	**$215,258**	9.4%	$333,138	$195,886	9.4%	$303,037
Real Economy (savings/combinations, deposits, shares)	**$2,063,817**	90.6%		$1,882,995	90.6%	
Total Liabilities/Equity	**$2,279,075**		$333,138	$2,078,881		$303,037

This view of Kindred's financial activities is intended only to show trends from financial to real, highlighting how we're working to increase the amount of business that supports our members and communities directly.

[1]'On-book' assets are deposits placed with Kindred, such as chequing accounts and GICs.

[2]'Off-book' assets are investments with a third party, such as Aviso Wealth.

Kindred is a *Financial Cooperative!*

As a credit union, we share the seven **cooperative principles** that have been in practice for more than one hundred years.

1. VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Those serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3. MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. EDUCATION, TRAINING, AND INFORMATION

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of cooperation.

6. COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7. CONCERN FOR COMMUNITY

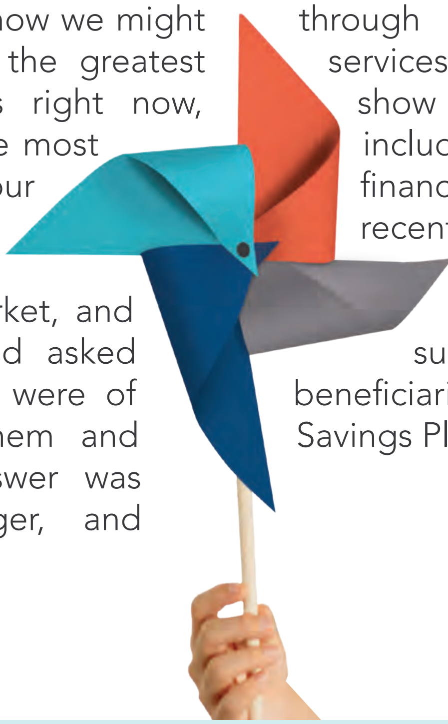
Cooperatives work for the sustainable development of their communities through policies approved by their members.

Source: [International Cooperative Alliance]

Engaging Our Community

Throughout 2024, Kindred remained committed to our values of integrity, compassion, and stewardship through community-driven focus with meaningful, innovative products and programs like the Affordable Housing GIC and Loan, designed to promote mutual aid and compassion, and the Kindred Charitable Fund, which helps us accomplish our purpose through community partnerships.

Late in 2023, we considered how we might focus our efforts and have the greatest impact in our communities right now, addressing the issues that are most pressing to folks. Through our first Social Impact Study, we consulted with members, community partners, the market, and Kindred team members, and asked them to tell us what issues were of the greatest concern to them and their communities. The answer was very clear: housing, hunger, and mental health.



As a financial institution, in partnership with our members and community organizations, these are areas where we know we can have a positive impact. These three Social Impact themes are deeply connected to each other, and we know that by making an impact in one area, there will be indirect impact in the other two.

To be sure, Kindred will continue to support congregations and faith communities through our values products and services. Financial health continues to show up in all aspects of our business, including the Each One Teach One financial literacy program, and more recently in the expanded eligibility of our Generations Account for those who qualify for income support payments or who are the beneficiaries of a Registered Disability Savings Plan (RDSP).

Our Social Impact Focus Themes

Housing

Hunger

Mental Health

Our journey has always been about more than banking—it's about connecting values and faith with finances to inspire peaceful, just, and prosperous communities. In terms of community impact, we accomplished a lot in 2024! The Kindred Charitable Fund issued over $100,000 in grants to 15 organizations actively serving their communities with creative and impactful projects.

We completed our funding commitment to House of Friendship with the second of two $30,000 contributions to their ShelterCare Adopt-a-Room program. Kindred teammates participated in the Coldest Night of the Year in February, raising over $12,000 for a variety of community organizations serving those living in poverty. We also celebrated the 10th anniversary with our friends at the Kindred Credit Union Centre for Peace Advancement, highlighting a decade of impactful work.

Kindred team members at the Interfaith Breakfast

Kindred team members attend Inspiring Peace: A Fundraiser Gala for The Ripple Effect Education

The team from our Aylmer Branch visited the Co-operative Young Leaders (CYL) camp to present an Introduction to Financial Literacy for teenagers!

MCC Photo/Brenda Burkholder

Developed by KAIROS: The Blanket Exercise

Our learning and growth journey didn't stop there. We:

- Partnered with MCC to hold two Blanket Exercises, which aims to build understanding about our shared history as Indigenous and non Indigenous peoples in Canada;
- Collaborated with House of Friendship to offer training on how we can better serve underbanked populations in Waterloo Region; and
- Finally, in November, we held our 2nd annual food drive, contributing a total of $67,000 to several local food banks. What a way to end 2024!

We're deeply grateful to our members, team members, and community partners for their trust and collaboration. Your unwavering support has been the foundation of our shared purpose, enabling us to foster mutual aid and create opportunities for peace and prosperity.

House of Friendship Dinner

Kindred team members sorting food donations

KINDRED IN OUR COMMUNITY


PLINKO
Make Peace
WITH YOUR MONEY
KINDRED Credit Union


TAVISTOCK


MEDA

Governance at Kindred

The Council of Members (Council) is a committee of 8-20 members with representation from all eight Kindred branches. Each year the Council seeks individuals for governance roles on the Board of Directors (Board). This approach to discerning qualified candidates has resulted in diverse and competent boards for Kindred that have served the membership well and been excellent guardians of our values.

Appointments to the Board are for three-year terms and require a ratification vote with a two-thirds majority at the Annual General Meeting. We are currently seeking candidates to fill vacancies on our Council of Members. If you are interested in serving on either the Council, or the Board, please speak with your Branch Manager, one of the Council representatives for your branch, or email Tithi Thakkar, Corporate Secretary, at corporate.secretary@kindredcu.om for more information.

NEW BOARD NOMINEES

Doug Woodburn*, Janet Peddigrew

*Following the resignation of a Director last year, the Board appointed Doug Woodburn on November 1, 2024 to fill the vacancy. In accordance with our By-laws, Doug's appointment must be presented to the members for approval at the upcoming AGM to ratify his position on the Board and serve the remainder of the unexpired term.

OUTGOING BOARD MEMBERS

On behalf of Kindred's Board of Directors, the Council of Members, and members, thanks to Carolyn Albrecht for her important contributions over the last 12 years.

Thanks to all Board and Council representatives for their valuable and ongoing contributions to the governance of our Credit Union.

Board of Directors – New

Doug Woodburn

Joined Board in November 2024

- Certified Management Accountant with over 23 years of experience in corporate services, insurance and financial planning.
- Director of Corporate Services and CFO at Huntington Society of Canada.
- Well-versed in investment management, SOX, business continuity planning, and operational restructuring, as well as a Six Sigma practitioner.
- Active in his local community where he builds, manages, and coaches intermediate and senior women's hockey programs.

Janet Peddigrew

- Consultant and Board Director with over 39 years of combined experience in the Banking and Insurance sectors.
- Expert in leading diverse business lines including Personal and Commercial Banking, Wealth Management, National Retail Sales Programs, Insurance Brokerage, Pension and Benefits, as well as Third-party Administration.
- Board Member at:
    - Enova Power Corp.;
    - Alliance Metering Solutions, Chair;
    - Grand River Hospital, Operating Board; and
    - Waterloo Regional Health Network (newly merged KW hospital).

2024 Board of Directors

Henry Paetkau
Board Chair

Carolyn Albrecht
Board Vice-Chair,
Governance Committee

Doug Woodburn
Audit and Risk
Committee

Gerry Frey
Finance and Loan
Committee Chair

James Schenk
Governance
Committee

Kaylie Tiessen
Finance and Loan Committee,
Audit and Risk Committee

Rick Martin
Audit and Risk
Committee

Rosemary McCrie
Audit and Risk
Committee Chair

Stephen Funk
Finance and Loan
Committee

Susan Taves
Governance Committee
Chair

Wanda Wagler-Martin
Finance and Loan
Committee

Photos of the Board of Directors were taken by Hannah Marie of KW Headshots, a member at our Waterloo branch. You can learn more by visiting kwheadshots.ca.

2024 Council of Members by Branch

Aylmer
(two vacancies)

Elmira
Dennis Frey,
Erla Bauman

Kitchener
Brent Charette,
Dan Driedger (Chair)

Leamington
(two vacancies)

Milverton
Sandra Kuepfer,
(one vacancy)

Mount Forest
Miles Wiederkehr (Vice-Chair),
(one vacancy)

New Hamburg
Dawna Whitehead,
Norman Size

Waterloo
Kevin Dwarte,
(one vacancy)

Management's Responsibility for Financial Reporting

The accompanying financial statements of Kindred Credit Union Limited are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When required, Management has used reasonable and informed judgments and estimates in order to ensure that the financial statements are presented fairly and accurately in all material respects.

To meet its responsibility for the integrity and fairness of the financial statements, Management has designed and maintains accounting processes and systems of internal controls to provide reasonable assurance regarding the accuracy of financial records and to establish reliable data for the preparation of financial statements, and the necessary safeguarding of Credit Union assets.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its regular review of financial results and operations, and through the Board-appointed Audit and Risk Committee. The Audit and Risk Committee has the responsibility of meeting with management and external auditors to discuss internal controls over the financial reporting process, matters arising from periodic audits, and other financial reporting issues. The Audit and Risk Committee regularly reports its findings to the Board for consideration.

The financial statements have been audited on behalf of the membership by PricewaterhouseCoopers LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit and Risk Committee. The Auditor's Report outlines the nature of their audit and expresses their opinion on the financial statements of the Credit Union.

Jason Daly MBA, CIM
Chief Executive Officer

John Klassen CPA, CMA
Chief, Finance and Compliance

Audit and Risk Committee Report

The Audit and Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities. It does this by reviewing the financial information and reporting processes, including the risks and controls related to those processes which management and the Board have established. The committee is comprised of four directors and has a mandate that includes all of the duties specified for an audit committee in the Credit Union and Caisses Populaires Act, 2020 (The Act) and the associated regulations.

The Audit and Risk Committee met four times during 2024 to complete its responsibilities. Key activities included:

- Reviewing the financial statements and results of the year-end audit with the external auditor;
- Reviewing the performance of the external auditor and their proposed engagement letter;
- Reviewing the Credit Union's policies, procedures, and controls for legislative compliance;
- Reviewing the disaster recovery and business continuity plans;
- Monitoring the adherence of Directors, Officers, and employees with the Credit Union's policies and code of conduct;
- Reviewing management's identification of the Credit Union's significant risks and ensuring that enterprise risk management processes are in place to measure, monitor, manage, and mitigate them;
- Approving the annual internal audit plan and reviewing internal audit activities; and
- Completing a self-assessment on the effectiveness of the Committee and taking the necessary steps to ensure effectiveness.

Based on its findings, the Audit and Risk Committee provides reports and makes recommendations to the Board of Directors or senior management, as appropriate. These recommendations are reviewed to ensure they are considered and appropriate action taken.

The Audit and Risk Committee is pleased to report to the members of Kindred Credit Union that, pursuant to The Act and its regulations, it continues to meet the requirements of its mandate. The committee receives full cooperation and support from management, thus enabling it to play an effective role in improving the quality of financial reporting to its members, and enhancing the overall control environment at Kindred.

In addition, there are no other matters that the Audit and Risk Committee believes should be reported to the members, nor are there any further matters that are required to be disclosed pursuant to The Act or its regulations.

Respectfully submitted,

Rosemary McCrie

Rosemary McCrie, Audit and Risk Committee Chair

Committee: Doug Woodburn, Kaylie Tiessen, Rick Martin

Kindred Credit Union Limited

Financial Statements
December 31, 2024

Independent auditor's report

To the Members of Kindred Credit Union Limited

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kindred Credit Union Limited (the Credit Union) as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Credit Union's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of income and comprehensive income for the year then ended;
- the statement of changes in members' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 28, 2025

Kindred Credit Union Limited

Statement of Financial Position

As at December 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Assets		
Cash	31,509	32,892
Investments – liquidity reserve (note 5)	136,286	125,133
Loans to members (note 6)	1,969,818	1,866,275
Investments – other (note 5)	112,824	27,941
Prepaid expenses	5,066	4,481
Derivative financial assets (note 19)	237	-
Other receivables	5,071	3,917
Property and equipment (note 7)	17,246	17,399
Deferred income tax asset (note 16)	1,018	843
Total assets	2,279,075	2,078,881
Liabilities		
Deposits of members		
Members' deposits (note 8)	1,936,588	1,761,046
Accrued interest payable	26,071	19,042
	1,962,659	1,780,088
Liabilities to non-members		
Accounts payable and accrued charges (note 11)	11,099	10,414
Income taxes payable	443	195
Derivative financial liabilities (note 19)	-	232
Lease liabilities (note 10)	14,231	13,667
Mortgage securitization liabilities (note 20)	79,752	76,889
	105,525	101,397
Liabilities qualifying as regulatory capital		
Profit shares (note 12)	22,616	21,832
Member shares (note 12)	644	621
	23,260	22,453
Total liabilities	2,091,444	1,903,938
Members' Equity		
Investment shares (note 12)	103,969	99,496
Retained earnings	82,632	75,745
Accumulated other comprehensive income (loss)	1,030	(298)
Total members' equity	187,631	174,943
	2,279,075	2,078,881

Approved by the Board of Directors

Rosemary McCrie Director Director

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

Kindred Credit Union Limited

Statement of Income and Comprehensive Income

For the year ended December 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Revenue		
Interest income	101,245	82,234
Investment income	7,717	7,753
	108,962	89,987
Interest expense		
Interest on members' deposits	57,292	42,395
Patronage refund (note 15)	1,325	1,490
Interest on external borrowings	153	65
(Gain) loss on derivative financial instruments (note 19(b))	(139)	642
Mortgage securitization cost of funds	2,475	1,957
Lease finance cost	608	376
	61,714	46,925
Financial margin	47,248	43,062
Fee revenue	6,109	5,985
Commission revenue	2,342	2,411
	8,451	8,396
(Provision for) recovery of loan losses (note 6)	(2,174)	46
Income before the undernoted	53,525	51,504
Operating expenses		
Personnel (note 14)	25,448	22,762
Administration	9,158	8,472
Occupancy	3,197	3,203
Insurance	1,628	1,597
	39,431	36,034
Income before charitable giving	14,094	15,470
Charitable giving	(660)	(650)
Income before income taxes	13,434	14,820
Provision for income taxes (note 16)	1,110	1,708
Net income for the year	12,324	13,112
Other comprehensive income – net of taxes		
Net change in unrealized gain on investments (note 5)	1,328	1,348
Net actuarial loss on post-retirement benefit plan (note 11)	(453)	-
	875	1,348
Comprehensive income for the year	13,199	14,460

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

Kindred Credit Union Limited

Statement of Changes in Members' Equity

For the year ended December 31, 2024

(in thousands of dollars)

	Investment shares $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $
Balance – December 31, 2022	94,375	68,367	(1,705)	161,037
Net income before the following	-	13,112	-	13,112
Other comprehensive income (loss) – net of taxes (note 16(c))	-	(60)	1,407	1,347
Net shares issued (note 12)	5,121	-	-	5,121
Dividend on investment shares	-	(5,674)	-	(5,674)
Balance – December 31, 2023	99,496	75,745	(298)	174,943
Net income before the following	-	12,324	-	12,324
Net change in unrealized gain on investments – net of taxes (note 16(c))	-	-	1,328	1,328
Net actuarial loss on post-retirement benefit plan – net of taxes (note 16(c))	-	(453)	-	(453)
Net shares issued (note 12)	4,473	-	-	4,473
Dividend on investment shares	-	(4,984)	-	(4,984)
Balance – December 31, 2024	103,969	82,632	1,030	187,631

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

Kindred Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2024

(in thousands of dollars)

	2024 $	2023 $
Cash provided by (used in)		
Operating activities		
Net income for the year	12,324	13,112
Adjustments for		
Interest and investment income	(108,962)	(89,987)
Interest expense	62,429	48,134
Lease finance cost	608	376
Provision for income taxes	1,110	1,708
Patronage refund	1,325	1,490
Recovery of (provision for) loan losses	2,174	(46)
Amortization of property and equipment (note 7)	2,167	2,179
Net change in unrealized losses on derivative instruments	(469)	229
Change in non-cash working capital	(572)	(4,048)
Changes in member activities – net		
Change in loans to members	(105,717)	(153,332)
Change in members' deposits	175,542	65,034
Cash flows relating to interest and income taxes		
Interest received on loans to members	107,808	88,985
Interest paid on members' deposits	(55,911)	(39,834)
Income taxes paid	(1,114)	(1,375)
	92,742	(67,375)
Financing activities		
Repayments of lease liabilities	(1,182)	(1,081)
Net increase on mortgage securitization	2,863	16,499
Redemption of profit shares (note 12)	(541)	(445)
Net increase in member shares (note 12)	23	29
	1,163	15,002
Investing activities		
Net (purchase) redemption of investments	(94,412)	56,572
Purchase of property and equipment (note 7)	(876)	(1,294)
	(95,288)	55,278
(Decrease) increase in cash during the year	(1,383)	2,905
Cash – Beginning of year	32,892	29,987
Cash – End of year	31,509	32,892

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

(tabular amounts in thousands of dollars)

1 Reporting entity

Kindred Credit Union Limited (the Credit Union) is incorporated under the Credit Unions and Caisses Populaires Act 2020 (the Act) of Ontario and is a member of Central 1 Credit Union Limited (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, commercial and agricultural loans, chequing and savings accounts, guaranteed investment certificates (GICs), RRSPs, RRIFs, TFSAs, FHSAs, automated banking machines, debit and credit cards and internet banking. The Credit Union head office is located at 1265 Strasburg Rd., Kitchener, Ontario.

The financial statements have been authorized for issue by the Board of Directors on February 27, 2025.

2 Basis of presentation

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

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

The financial statements' values are presented in Canadian dollars ($), which is the functional and presentation currency of the Credit Union.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Credit Union's financial statements therefore present its financial position and performance fairly.

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. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are the fair value of financial instruments and the member loan loss provisions. These areas are further disclosed in note 4.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3 Material accounting policies

a) Allowance for expected credit loss

At initial recognition, the Credit Union recognizes allowances for expected credit loss (ECL) on all debt instruments measured at amortized cost and fair value through other comprehensive income (FVOCI). ECLs are also recognized for loan commitments and financial guarantees.

(tabular amounts in thousands of dollars)

IFRS 9, Financial Instruments (IFRS 9), outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Credit Union.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on ECLs on a lifetime basis.

At each reporting date, the Credit Union assesses whether financial assets that are debt instruments carried at amortized cost or FVOCI, loan commitments and financial guarantees are credit impaired.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

ECLs are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The PD represents the likelihood of a member defaulting on its financial obligation, either over the next 12 months or the remaining lifetime of the financial instrument (depending on the stage to which the financial asset belongs). The EAD is based on the amounts the Credit Union expects to be owed at the time of default. For example, on revolving facilities, the Credit Union considers the amount that is expected to be drawn on leading up to default. On term facilities, the Credit Union considers the amount it expects to be paid down leading up to default. The LGD represents the Credit Union's expectation of the extent of a loss on a defaulted exposure. The LGD is expressed as a percentage of EAD.

These inputs are combined to project ECL over either the next 12 months or the entire lifetime of a credit exposure and discounted back to present using the instrument's effective interest rate.

When determining whether the risk of default on a loan has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and expert credit assessment and including forward-looking information.

The Credit Union uses the following when determining whether there has been a significant increase in credit risk:

- quantitative criteria: 30 days overdue is classified as Stage 2 and 90 days overdue is designated as Stage 3; and

(tabular amounts in thousands of dollars)

- qualitative indicators including but not limited to: deteriorating or lack of financial statements, adverse management changes, covenant breaches, frequent overdrafts or arrears, debt service shortfalls, deterioration of security, cessation of operations, receivership or bankruptcy and deteriorating credit scores for residential loans as indicated by Equifax data.

The Credit Union allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Credit Union collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

Loan writeoffs

The Credit Union writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Credit Union's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

b) Fees and commission

Fee and commission revenue and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see (c) below). Other fee and commission revenue from contracts with members or other third parties is measured based on the consideration specified in a contract with the counterparty. The Credit Union recognizes revenue as the related performance obligation is satisfied, either over time or at a point in time.

The Credit Union provides retail and corporate banking services to its members, including account management, provision of overdraft facilities, foreign currency transactions and credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees for foreign currency transactions and overdrafts are charged to the member's account when the transaction takes place.

Servicing fees for the administration of loans that have been sold to a third party are based on fixed rates outlined in the respective contract and are recorded monthly.

The Credit Union receives commission revenue primarily through its relationship with Aviso Wealth resulting from sales of mutual fund and insurance products. Commission income is recognized monthly when received.

(tabular amounts in thousands of dollars)

c) Financial assets and liabilities

The Credit Union has applied IFRS 9 and classifies its financial assets in the following measurement categories: fair value through profit or loss (FVTPL), FVOCI or amortized cost. Management determines the classification of its financial instruments at initial recognition. The Credit Union uses trade date accounting for regular way contracts when recording financial asset transactions. All financial assets and liabilities, including derivative financial instruments, are recognized in the statement of financial position and measured in accordance with their assigned category.

The accounting policies related to financial assets and liabilities are as follows:

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortized cost before any loss allowance) or to the amortized cost of a financial liability. The calculation includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Credit Union revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in net income.

Interest income and expense

Interest income and expense are calculated by applying the effective interest rate to the gross carrying amount of financial assets and liabilities, except for financial assets that have subsequently become credit impaired (or Stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e., net of the ECL provision).

Classification and subsequent measurement

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

(tabular amounts in thousands of dollars)

At initial recognition, the Credit Union measures a financial asset or financial liability at its fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in net income.

Classification and subsequent measurement

Financial assets

Financial assets are initially recognized at fair value and are classified and are subsequently measured at amortized cost, FVOCI or FVTPL. A financial asset which is a debt instrument and is not determined to be measured at FVTPL is classified as amortized cost if it meets both of the following conditions:

i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

On initial recognition, an equity investment is measured at fair value, with subsequent changes in fair value recorded in net income, unless the Credit Union irrevocably elects to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment by investment basis.

Financial assets which are debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets are classified as FVOCI if they meet the requirements of being SPPI.

For debt instruments, the business model reflects how the Credit Union manages the assets in order to generate cash flows, which is based on whether the Credit Union's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (i.e., financial assets are held for trading purposes), then the financial assets are classified as part of another business model and measured at FVTPL. Factors considered by the Credit Union in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed. For example, the Credit Union's business model for the mortgage loan book is to hold to collect contractual cash flows.

(tabular amounts in thousands of dollars)

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Credit Union considers:

i) contingent events that would change the amount and timing of cash flows;
ii) leverage features;
iii) prepayment and extension terms;
iv) terms that limit the Credit Union's claim to cash flows from specified assets; and
v) features that modify consideration of the time value of money.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

For equity instruments measured at fair value, the Credit Union's policy is measure these as FVOCI when those investments are not held for trading. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to net income, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in net income as other income when the Credit Union's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in investment income in the statement of income and comprehensive income.

The measurement categories of financial assets in accordance with IFRS 9 are as follows:

Financial asset	Measurement category
Cash	Amortized cost
Loans to members	Amortized cost
Excess liquidity deposits	Amortized cost
Loans to MEDA	Amortized cost
Derivatives	FVTPL
Shares in Central 1	FVOCI
Liquidity reserves	FVOCI
Oikocredit shares	FVTPL
Canadian Cooperative Investment Fund	FVOCI

Financial liabilities

The Credit Union classifies and subsequently measures its financial liabilities at amortized cost or FVTPL. Financial liabilities are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

(tabular amounts in thousands of dollars)

Derecognition

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI for debt instruments classified as FVOCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as FVOCI is not recognized in profit or loss on derecognition of such securities.

In certain transactions, the Credit Union retains the obligation to service the transferred financial asset for a fee. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. Any remaining interest in transferred financial assets that qualify for derecognition by the Credit Union is recognized as a separate asset or liability.

In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

CEBA loans

The Government of Canada (GoC) launched the Canada Emergency Business Account (CEBA) program to provide interest-free loans to qualifying small businesses and not-for-profits to help cover their operating costs during a period where their revenues have been temporarily reduced. The Credit Union is an administrator of the program. Recent program revisions require that any unpaid CEBA loans as of January 18, 2024 will begin to accrue interest, payable monthly by the member. Loans advanced to borrowers do not appear on the statement of financial position for the Credit Union as substantially all the risks and rewards associated with the loans, including exposure to payment defaults and principal forgiveness, are assumed by the GoC.

The Credit Union receives a loan administration fee, which is recognized in the statement of income and comprehensive income.

(tabular amounts in thousands of dollars)

Modification of financial assets

The Credit Union sometimes modifies the terms of loans measured at amortized cost provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that scheduled repayments will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. If a substantial modification has occurred the original loan is derecognized and a new loan is recognized. The difference is recognized as a gain or loss through profit and loss. If the loan is not derecognized a modification gain or loss is also recognized if considered substantial.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Credit Union monitors the subsequent performance of modified assets.

The Credit Union continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

d) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on the straight-line method over the expected useful lives of the assets as follows:

Assets	**Useful life**
Buildings	40 years
Leasehold improvements	Term of lease
Furniture and fixtures and computer equipment	3-10 years

Land is not subject to amortization and is carried at cost.

An item of property and equipment is derecognized on disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and comprehensive income in the year the asset is derecognized.

e) Leases

When the Credit Union enters into lease agreements, it recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(tabular amounts in thousands of dollars)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally, the Credit Union uses its incremental borrowing rate as the discount rate of 0.75% to 5.50%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;

- amounts expected to be payable under a residential value guarantee; and

- the exercise price under a purchase option that the Credit Union is reasonably certain to exercise, lease payments in an optional renewal period if the Credit Union is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Credit Union is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Credit Union's estimate of the amount expected to be payable under a residential value guarantee, or if the Credit Union changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union presents right-of-use assets in property and equipment and lease liabilities as lease liabilities in the statement of financial position.

(tabular amounts in thousands of dollars)

The Credit Union has elected not to recognize the right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Credit Union recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

f) Impairment of non-financial assets

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than its carrying value. The recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized in the statement of income and comprehensive income when there is objective evidence that a loss event has occurred that has impaired future cash flows of an asset. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the statement of income and comprehensive income at that time.

g) Derivative financial instruments

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments at a future date and by which their value changes in response to a change in specified rates, prices or indices and do not require an initial net investment or whose initial net investment is smaller than would be required for other similar types of contracts. The Credit Union uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate risk exposure. The Credit Union's policy is not to utilize derivative financial instruments for speculative purposes. The Credit Union provides index-linked deposits to its members. The embedded options in the index-linked term deposit products are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

Derivative financial instruments are carried at fair value and are reported in the statement of financial position as derivative financial instrument assets, where they have a positive fair value, and as derivative financial instrument liabilities, where they have a negative fair value. Changes in the fair value of the derivative instruments are recognized in the statement of income and comprehensive income as net unrealized gain on derivative financial instruments. The Credit Union does not apply hedge accounting on its derivative portfolio.

h) Member entitlements

Member shares, profit shares and investment shares have certain characteristics that are outlined in note 12 that require them to be classified as liabilities on the statement of financial position. Accordingly, any dividends authorized on these shares are recorded as interest expense.

(tabular amounts in thousands of dollars)

i) Foreign currency

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in other revenue in the statement of income and comprehensive income.

j) Income taxes

The Credit Union uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Deferred income tax assets are recognized to the extent that realization is considered more likely than not.

k) Employee benefit plan

The Credit Union accrues its obligations under the post-retirement benefit plan and the related costs and has the following policy:

- the cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected future costs, discount rate and retirement ages of employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in OCI with an immediate allocation to retained earnings. Past-service costs are recognized immediately in income.

New standards and interpretations not yet adopted

All pronouncements will be adopted in the Credit Union's accounting policies after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Credit Union's financial statements is provided below. Certain other new standards, amendments and interpretations to existing standards were not relevant nor would they significantly impact the Credit Union's net earnings or financial position.

IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18)

Effective for the annual financial statements relating to fiscal years beginning on or after January 1, 2027, the IASB issued a new standard replacing IAS 1, Presentation of Financial Statements (IAS 1). Although the new standard carries forward many requirements from IAS 1 unchanged, IFRS 18 introduces three sets of new

(tabular amounts in thousands of dollars)

requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. Management is currently assessing the impact that these amendments will have on the financial statements.

IFRS 9 and IFRS 7, Financial Instruments – Disclosure (IFRS 7) – Amendments to the Classification and Measurement of Financial Instruments

Effective for annual periods beginning on or after January 1, 2026, the IASB issued amendments related to IFRS 9 and IFRS 7. These amendments include clarity on the dates of recognition and derecognition of some financial assets and liabilities, guidance on assessing financial assets definitions for SPPI and new disclosures around contractual terms and equity instruments designated at FVOCI. Management is currently assessing the impact that these amendments will have on the financial statements.

4 Critical accounting estimates and judgments

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 the statement of income and comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates, assumptions and judgments 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.

a) 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, fair value multipliers 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 valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 21.

b) Allowance for ECL

The measurement of the allowance for ECL for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses).

(tabular amounts in thousands of dollars)

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

- determining the criteria for identifying a significant increase in credit risk;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECLs.

The judgments, inputs, methodology and assumptions used for estimating the ECL allowance are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The methods and assumptions applied and the valuation techniques used are disclosed in notes 6 and 22.

Due to ongoing economic changes, there is estimation uncertainty with respect to the recoverability of loans to members and the measurement of ECLs. Certain of the inputs and assumptions related to the model are impacted by this uncertainty.

5 Investments

	2024 $	2023 $
Shares in Central 1 (a)	2,634	2,628
Excess liquidity deposits (c)	109,267	24,389
Oikocredit shares (d)	250	250
Loans to MEDA (e)	600	600
Canadian Cooperative Investment Fund (f)	73	74
	112,824	27,941
Liquidity reserves (b)	136,286	125,133
	249,110	153,074

a) Shares in Central 1

As a condition of maintaining membership in Central 1, the Credit Union is required to hold an investment in Central 1 shares as determined by the Central 1 Board of Directors from time to time. These shares are held by the Credit Union principally for the benefits of membership with Central 1, including realization of savings through cost sharing and other operational synergies, as well as access to a variety of products and services, and not for the purpose of selling in the near term. Accordingly, the shares have been designated as FVOCI.

(tabular amounts in thousands of dollars)

Central 1 Class A shares are subject to an annual rebalancing mechanism based on credit union asset growth and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis. The Credit Union's holding of Central 1 Class A shares had a net increase from $542,003 to $547,524 during 2024 as a result of capital calls.

Central 1 Class E shares were issued with a par value of $0.01 per share; however, they are redeemable at $1 per share. There is no separately quoted market value for these shares, the shares are not subject to rebalancing and new members are not required to subscribe to this class of shares. There has not been a sufficient volume of redemptions of Class E shares nor has a communication plan been released by Central 1 to redeem these shares that could be used to reliably estimate a fair value for the Class E shares. As such, the Credit Union has measured these shares at a par value of $2,086,100 (2023 – $2,086,100).

b) Liquidity reserves

The Credit Union is required to maintain liquidity reserves with Central 1 equal to 6.00% of the Credit Union's total assets. The amount of the required liquidity reserve is determined monthly based on the amount of total assets in the previous month's financial statements. The instruments bear interest at fixed and variable rates, which averaged approximately 3.65% (2023 – 3.98%) at year-end. These are measured at FVOCI, on the basis by which the business model is achieved, by both collecting contractual cash flows and selling financial assets.

c) Excess liquidity deposits

The Credit Union has invested excess funds in term deposits, GICs and short-term funds with Central 1 and Manulife. These excess liquidity deposits are measured at amortized cost.

d) Oikocredit shares

Oikocredit, Ecumenical Development Cooperative Society U.A. (Oikocredit) provides financial services and supports organizations internationally to improve the quality of life of low-income people and communities. Oikocredit mobilizes the capital needed to carry out its mission by issuing shares to its member organizations.

As at December 31, 2024, the Credit Union's holdings of these shares are $250,200 (2023 – $250,200).

Oikocredit shares are classified as FVTPL. Par value has been determined by management to be representative of fair value due to the fact that share issue and redemption transactions occur at par value on a regular and recurring basis.

e) Loans to MEDA

MEDA is an international economic development organization whose mission is to create business solutions to poverty. The Credit Union supports this work through the provision of fixed-term promissory notes to the organization, which are classified and measured at amortized cost.

(tabular amounts in thousands of dollars)

f) Canadian Cooperative Investment Fund (CCIF)

Supported by selected cooperative organizations across Canada, the CCIF is designed to address a gap in the cooperative sector's access to financing. The fund invests in the cooperative sector in the form of loans, equity and quasi-equity investments. The Credit Union has a maximum $150,000 commitment to the fund to be invested over the next several years. CCIF shares are classified as FVOCI.

6 Loans to members

a) The Credit Union's loan portfolio and related allowance for ECL

An analysis of the Credit Union's loan portfolio and related allowance for ECL is as follows:

					December 31, 2024
	Gross amount	ECL allowance			Carrying amount
		Stage 1	Stage 2	Stage 3	
	$	$	$	$	$
Residential	668,414	(293)	(109)	(110)	667,902
Personal	8,611	(85)	(26)	(30)	8,470
Agricultural	954,526	(711)	(106)	(1,611)	952,098
Commercial	343,414	(276)	(73)	(1,717)	341,348
	1,974,965	(1,365)	(314)	(3,468)	1,969,818

					December 31, 2023
	Gross amount	ECL allowance			Carrying amount
		Stage 1	Stage 2	Stage 3	
	$	$	$	$	$
Residential	658,596	(273)	(75)	(366)	657,882
Personal	8,320	(78)	(15)	(5)	8,222
Agricultural	911,087	(210)	(24)	(1,459)	909,394
Commercial	291,270	(95)	(15)	(383)	290,777
	1,869,273	(656)	(129)	(2,213)	1,866,275

The Credit Union has an agreement in place to sell loans to Farm Credit Canada (FCC). The Credit Union continues to service all of these loans as an agent for FCC. Cumulatively, the balance of loans that continue to be serviced by the Credit Union on behalf of FCC is approximately $24,569,906 (2023 – $29,138,816).

During the year, the Credit Union sold $nil (2023 – $nil) of agricultural loans to FCC.

(tabular amounts in thousands of dollars)

b) Allowance for ECL

The following table shows the reconciliation from the opening to the closing balance of the ECL allowance by class of loans to members:

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Residential				
Opening balance – December 31, 2023	(273)	(75)	(366)	(714)
Movement	(20)	(34)	256	202
Writeoffs	-	-	-	-
Ending balance – December 31, 2024	(293)	(109)	(110)	(512)
Personal				
Opening balance – December 31, 2023	(78)	(15)	(5)	(98)
Movement	(7)	(11)	(40)	(58)
Writeoffs	-	-	15	15
Ending balance – December 31, 2024	(85)	(26)	(30)	(141)
Agricultural				
Opening balance – December 31, 2023	(210)	(24)	(1,459)	(1,693)
Movement	(501)	(82)	(152)	(735)
Writeoffs	-	-	-	-
Ending balance – December 31, 2024	(711)	(106)	(1,611)	(2,428)

(tabular amounts in thousands of dollars)

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Commercial				
Opening balance – December 31, 2023	(95)	(15)	(383)	(493)
Movement	(181)	(58)	(1,344)	(1,583)
Writeoffs	-	-	10	10
Ending balance – December 31, 2024	(276)	(73)	(1,717)	(2,066)
Total				
Opening balance – December 31, 2023	(656)	(129)	(2,213)	(2,998)
Movement	(709)	(185)	(1,280)	(2,174)
Writeoffs	-	-	25	25
Ending balance – December 31, 2024	(1,365)	(314)	(3,468)	(5,147)

The Credit Union is holding security against the Stage 3 loans in the estimated amounts of $2,348,003 (2023 – $1,062,981) for personal loans, $5,578,236 (2023 – $9,642,981) for residential mortgages, $49,766,210 (2023 – $43,060,287) for agricultural loans and $54,588,444 (2023 – $68,162,808) for commercial loans.

The Credit Union is holding security in the form of member deposits in the estimated amount of $15,307,760 (2023 – $14,069,550) as security for loans to members.

The Credit Union may write off financial assets that are still subject to enforcement activity. The outstanding contractual amount of such assets written off during the year ended December 31, 2024 was $27,974 (2023 – $10,962). The Credit Union still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of full recovery. Further information on credit impairment can be found in note 22.

c) Allowance for ECL

The allowance for ECL recognized in the period is impacted by a variety of factors, such as:

- transfers between Stage 1 and Stages 2 or 3 due to loans to members experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent step up (or step down) between 12-month and lifetime ECLs (see note 3);
- additional allowances for new loans to members recognized during the period, as well as releases for financial instruments derecognized in the period;
- impact on the measurement of ECL due to changes in probability of default, exposure at default and loss given default in the period, arising from regular refreshing of inputs to models;

(tabular amounts in thousands of dollars)

- impacts on the measurement of ECLs due to changes made to models and assumptions;
- discount unwind within ECLs due to the passage of time, as ECLs are measured on a present value basis; and
- loans to members derecognized during the period and writeoffs of allowances related to loans that were written off during the period.

The key inputs into the measurement of ECLs are the following variables:

- probability of default;
- loss given default; and
- exposure at default.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month probability of default by the loss given default and exposure at default. Lifetime ECL is calculated by multiplying the lifetime probability of default by the loss given default and exposure at default.

The methodology of estimating the PD is discussed above in note 3.

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios as described in note 22 and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The exposure at default (EAD) represents the expected exposure in the event of default. EAD is calculated for loans with regular instalments (payments) by using the loan's amortization schedule to estimate the outstanding loan amount remaining in future years. This is done by using the current outstanding balance (principal and interest) and deducting from it future payments, producing a list of outstanding balances that decrease over time.

(tabular amounts in thousands of dollars)

d) Loan portfolio by maturity date

The following table analyzes the Credit Union's loan portfolio by maturity date.

	Variable rates $	Fixed rates less than 1 year $	Fixed rates 1-5 years $	2024 Total $	2023 Total $
Total loans	336,513	588,734	1,049,718	1,974,965	1,869,273
Average effective yield	6.33%	5.73%	4.53%	5.19%	5.03%

e) Impaired loans

The following table identifies the portion of the Credit Union's loan portfolio that is past due but not considered Stage 3 at December 31, 2024. For each loan type, the aging category, the carrying value of the loan and the value of the security held have been presented. There were no residential, agricultural or commercial loans that were past due but not considered Stage 3.

	Past due	Carrying amount $	Security held $
Residential	30-60 days	813	1,095
	60-90 days	174	275
	90-120 days	-	-
	120+ days	-	-
Personal	30-60 days	7	2
	60-90 days	6	-
	90-120 days	-	-
	120+ days	-	-
Agricultural	30-60 days	118	1,000
	60-90 days	-	-
	90-120 days	-	-
	120+ days	-	-
Commercial	30-60 days	-	-
	60-90 days	689	1,840
	90-120 days	-	-
	120+ days	227	227
		2,034	4,439

(tabular amounts in thousands of dollars)

7 Property and equipment

The movements in property and equipment were as follows:

	Right-of-use assets $	Land $	Buildings $	Leasehold improvements $	Computers $	Furniture and fixtures $	Total $
Cost							
Balance on December 31, 2022	11,977	777	2,388	2,397	1,904	2,839	22,282
Additions	3,957	-	60	130	739	365	5,251
Disposals	-	-	-	29	152	128	309
Balance on December 31, 2023	15,934	777	2,448	2,498	2,491	3,076	27,224
Additions	1,138	-	-	111	563	202	2,014
Disposals	-	-	-	348	241	60	649
Balance on December 31, 2024	17,072	777	2,448	2,261	2,813	3,218	28,589
Accumulated amortization							
Balance on December 31, 2022	2,943	-	991	1,647	819	1,555	7,955
Amortization	823	-	118	229	700	309	2,179
Disposals	-	-	-	29	152	128	309
Balance on December 31, 2023	3,766	-	1,109	1,847	1,367	1,736	9,825
Amortization	861	-	122	139	752	293	2,167
Disposals	-	-	-	348	241	60	649
Balance on December 31, 2024	4,627	-	1,231	1,638	1,878	1,969	11,343
Net book value							
December 31, 2023	12,168	777	1,339	651	1,124	1,340	17,399
December 31, 2024	12,445	777	1,217	623	935	1,249	17,246

Amortization expense of $2,167,000 (2023 – $2,179,000) is included in occupancy expense in the statement of income and comprehensive income.

The right-of-use assets consist entirely of leases for premises.

(tabular amounts in thousands of dollars)

8 Members' deposits

The following table provides a breakdown and analysis of the Credit Union's member deposit portfolio by maturity date:

	Variable rates $	Fixed rates less than 1 year $	Fixed rates 1-5 years $	2024 Total $	2023 Total $
Chequing and savings accounts	738,983	-	-	738,983	680,850
GICs		547,909	236,752	784,661	714,669
RRSP and other registered plans	8,349	58,673	62,072	129,094	123,772
RRIF	2,483	37,622	51,165	91,270	80,633
TFSAs	19,952	108,703	63,925	192,580	161,122
Total	769,767	752,907	413,914	1,936,588	1,761,046
Average effective interest rates	0.92%	4.64%	4.26%	3.08%	2.85%

Average effective interest rates are based on book values of deposits and contractual interest rates. All types of member deposits are financial liabilities and are carried at amortized cost using the effective interest method.

Concentra Trust Company of Canada acts as trustee in connection with Registered Plans.

9 Demand loan

The Credit Union has access to a line of credit facility totalling $2,500,000 and US$250,000 at Central 1. These facilities are included in demand loan facilities totalling $58,610,000 (2023 – $58,860,000) with interest rates to be agreed on when amounts are drawn. The facilities are secured by an assignment of loans to members and a general security agreement covering all assets of the Credit Union. At year-end, the Credit Union had drawn $nil under its line of credit facility (2023 – $nil) and had borrowings of $nil under the demand loan facility (2023 – $nil).

The Credit Union also has access to a standby letter of credit line of $800,000 (2023 – $800,000), of which $323,327 (2023 – $612,284) was utilized at year-end and a financial guarantee line of $20,000,000, of which $nil (2023 – $nil) was utilized at year-end.

In the ordinary course of business, the Credit Union is temporarily allowed to exceed the maximum line of credit facility due to the timing of clearing outstanding deposits and cheques.

(tabular amounts in thousands of dollars)

10 Lease liabilities

The Credit Union has various leases that are included in property and equipment.

	Minimum lease payments		Present value of minimum lease payments	
	2024 $	**2023 $**	**2024 $**	**2023 $**
Not later than 1 year	1,233	1,055	632	536
Later than 1 year and not later than 5 years	6,333	5,619	3,717	3,270
Later than 5 years	13,642	13,966	9,882	9,861
	21,208	20,640	14,231	13,667
Less: Future finance charges	6,977	6,973	-	-
Present value of minimum lease payments	14,231	13,667	14,231	13,667

11 Post-retirement employee future benefits

The Credit Union sponsors a post-retirement benefit plan providing health, dental and life insurance coverage to eligible employees. The Credit Union's post-retirement benefit plan is administered by Canada Life Assurance Company.

Actuarial valuations of the plan are made based on market-related discount rates. The following table presents information related to the Credit Union's benefit plan as at December 31, including the amounts recorded in accounts payable and accrued charges on the statement of financial position and the components of the net benefit plan expense:

a) Accrued benefit obligation

	2024 $	**2023 $**
Balance – Beginning of year	2,716	2,533
Current service cost	70	94
Interest cost	154	134
Benefits paid	(97)	(118)
Remeasurements		
Loss from change in assumptions	554	73
Balance – End of year, included in accounts payable and accrued charges	3,397	2,716

There are no separate plan assets.

(tabular amounts in thousands of dollars)

The Credit Union's benefit plan expenses, included in personnel expenses in the statement of income and comprehensive income, were as follows:

	2024 **$**	**2023** **$**
Current service cost	70	94
Interest cost	154	134
Net benefit plan expense	224	228

Through its post-employment medical plan, the Credit Union is exposed to a number of risks, the most significant of which are detailed below:

- changes in bond yields – a decrease in corporate bond yields will increase plan liabilities; and
- trend rates – an increase in expected health care and dental care costs will increase plan liabilities.

The assumptions used in the measurement of the accrued benefit obligation are as follows:

i) the discount rate was established at 4.50% (2023 – 5.70%). The rate of increase in expected health care rates is presumed to be 6.50% and this rate will reduce linearly to 5.00% after six years. Dental care costs are presumed to increase 5.00% per year.

b) Sensitivity of assumptions

	2024 **$**	**2023** **$**
Liability change resulting from		
1% increase in trend rate	379	303
1% decrease in trend rate	(303)	(242)
1-year increase in retirement age	(53)	(42)
1% increase in discount rate	(435)	(348)
1% decrease in discount rate	550	440

Each sensitivity analysis above is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected benefit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

The most recent actuarial valuation was prepared as at December 31, 2023. The average remaining service period of the active employees covered by the benefit plan is 7.0 years.

The weighted average duration of the defined benefit obligation is 14.5 years.

(tabular amounts in thousands of dollars)

12 Liabilities and equity qualifying as regulatory capital

	2024 $	2023 $
Investment shares – 103,968,870 (2023 – 99,495,986)	103,969	99,496
Profit shares – 21,290,767 (2023 – 20,342,138)	21,291	20,342
Provision for the issuance of profit shares – 1,325,000 (2023 – 1,490,000)	1,325	1,490
Member shares – 128,884 (2023 – 124,172)	644	621
	23,260	22,453

a) Investment shares

An unlimited number of non-voting, non-cumulative Class B special shares have been authorized with a stated value of $1 per share. The holder of investment shares may request redemption five years following issuance. All redemptions are subject to the discretion of the Board of Directors. These special shares are issuable in series and rank ahead of owner shares and member shares. Investment shares form part of regulatory capital and have been classified as equity on the basis of their redemption features. During the year, the Credit Union issued 4,472,885 in new investment shares for net proceeds of $4,472,885.

b) Profit shares

An unlimited number of Class A non-voting, non-cumulative patronage shares have been authorized with a stated value of $1 per share. Profit shares, which represent cumulative patronage refunds for existing members, form part of regulatory capital. These shares rank ahead of member shares and are payable to members on termination of membership, or at the discretion of the Board of Directors. Profit shares form part of regulatory capital and have been designated as other liabilities.

It is the Credit Union's practice at year-end to accrue a provision for the issuance of profit shares in February of the following year. This provision is presented as a liability qualifying as regulatory capital.

(tabular amounts in thousands of dollars)

c) Member shares

An unlimited number of voting, non-cumulative member shares have been authorized with a stated value of $5 per share. Member shares are the minimum share deposit requirement for membership and form part of regulatory capital. These shares are non-interest bearing and are payable to members on termination of membership. Member shares form part of regulatory capital and have been designated as other liabilities.

	Opening balance 2024 $	Issued $	Redeemed $	Closing balance 2024 $
Investment shares	99,496	4,473	-	103,969
Profit shares	21,832	1,325	(541)	22,616
Member shares	621	56	(33)	644

	Opening balance 2023 $	Issued $	Redeemed $	Closing balance 2023 $
Investment shares	94,375	5,121	-	99,496
Profit shares	20,787	1,490	(445)	21,832
Member shares	593	57	(29)	621

13 Capital and liquidity management

The Act requires credit unions to maintain minimum levels of liquidity and regulatory capital. Liquidity is measured as cash resources and liquidity term deposits, expressed as a percentage of the total of members' deposits and demand loan. Beginning for fiscal years ended December 31, 2021, the Act required credit unions to maintain regulatory capital not less than 3% of total assets, and not less than 8% of risk-weighted assets. Regulatory capital, comprised of Tier 1 and Tier 2 capital, includes investment shares, profit shares, member shares, retained earnings and accumulated other comprehensive income, adjusted for certain items under the Regulations to the Act. In accordance with the Act, no payments shall be made from regulatory capital that would cause regulatory capital to fall below regulatory requirements. The Credit Union's capital management objective is to maintain sufficient capital to protect the Credit Union and ensure viability. The Financial Services Regulatory Authority of Ontario (FSRA) rules require further capital ratios be calculated, which include a 2.50% capital conservation buffer. The Credit Union has established an internal policy to maintain compliance that includes Board limits that are higher with respect to regulatory capital outlined as follows:

	Board target %	Regulatory limit %
Capital ratio		
Consolidated Tier 1 Capital Ratio*	10.00	6.50/*9.00
Consolidated Retained Earnings to Risk-Weighted Capital Ratio	4.50	3.00
Consolidated Total Capital Ratio	11.50	8.00/*10.50
Consolidated Leverage Ratio	6.50	3.00

* Inclusive of 2.50% FSRA Capital Buffer Amount

(tabular amounts in thousands of dollars)

As at December 31, 2024, the Credit Union maintained compliance with minimum statutory requirements for regulatory capital:

	2024 $	2023 $
Tier 1 capital		
Membership shares	644	621
Non-redeemable portion of Tier 1 investment capital	98,228	97,007
Retained earnings	82,633	75,740
Non-redeemable portion of patronage shares	14,194	13,745
Accumulated other comprehensive income	1,030	(298)
Net Tier 1 Capital	196,729	186,815
Tier 2 capital		
Redeemable portion of profit shares	1,577	1,527
Redeemable portion of investment shares	11,901	8,393
Stage 1 and 2 ECL	1,679	784
Total Tier 2 Capital	15,157	10,704
Total regulatory capital	211,886	197,519
Tier 1 capital ratio	13.96%	14.38%
Total capital ratio	15.03%	15.21%
Leverage ratio	9.25%	9.45%
Liquidity	14.31%	10.36%

14 Required disclosures under the Act and related party transactions

a) Outstanding loans to key management personnel, their spouses, dependants, children and related corporations amounted to $3,700,095 (2023 – $5,327,040). None of these loans are considered impaired.

Outstanding deposits from key management personnel, their spouses, dependants, children and related corporations amounted to $80,651,563 (2023 – $85,635,828).

b) Remuneration paid to directors of the Credit Union is $325,759 (2023 – $342,412). Other expenses of the Board amounted to $8,412 (2023 – $15,033).

c) The Act requires credit unions to disclose remuneration paid during the year to employees whose total remuneration exceeds $175,000. If there are more than five employees in this category, the five employees with the highest total remuneration for the year are disclosed. The table below provides this information for the current year.

(tabular amounts in thousands of dollars)

Name	Position	Salary $	Benefits $	Bonus $	Total $
Jason Daly*	Chief Executive Officer	115	13	30	158
John Klassen	Chief, Finance and Compliance / Interim Chief Executive Officer	339	37	88	464
Nolan Andres	Chief, Technology and Innovation	246	29	63	338
Rebecca Smith	Vice-president, Engagement and Values	204	25	42	271
Max Bentz	Vice-president, Member Relationships	195	24	40	259

*Partial year remuneration

d) Compensation of key management personnel

Key management personnel of the Credit Union include all directors, officers and key management. The summary of compensation for key management personnel is as follows:

	2024 $	2023 $
Salaries and other short-term employee benefits	1,937	1,980
Other long-term benefits	196	135
Bonus	242	246
	2,375	2,361

15 Patronage refund

The patronage refund is authorized by the Board of Directors and is allocated to members in two ways. Firstly, members were allocated a dividend of 3.31% (2023 – 3.18%) on their December 31, 2024 profit shares. Secondly, members received an allocation based on the volume of business conducted with the Credit Union during the year. The patronage refund is classified as part of interest expense in the statement of income and comprehensive income as outlined in note 12(b).

(tabular amounts in thousands of dollars)

16 Income taxes

a) Income tax expense is calculated as follows:

	2024 $	2023 $
Income before income taxes	13,434	14,820
Combined Canadian federal and provincial income tax rate applicable to the Credit Union	18.2%	18.2%
Income tax provision based on combined federal and provincial income tax rate	2,445	2,697
Differences from statutory rate		
Investment share dividend	(907)	(1,032)
Other	(428)	43
	1,110	1,708
Provision for (recovery of) income taxes		
Current	1,480	1,570
Deferred	(370)	138
	1,110	1,708

b) Deferred income taxes resulted from the following:

	2024 $	2023 $
Deferred tax asset (liability) arising from the following		
Property and equipment and leases	264	101
Allowance for impaired loans	369	183
Post-retirement employee future benefit plan	618	494
Liquidity reserve	(233)	63
Other	-	2
	1,018	843
Deferred tax asset		
To be recovered after more than 12 months	649	660
To be recovered within 12 months	369	183
	1,018	843

(tabular amounts in thousands of dollars)

	Opening balance – December 31, 2023 $	Recognized in statement of income and comprehensive income $	Recognized in other comprehensive income (loss) $	Closing balance – December 31, 2024 $
Deferred tax asset				
Property and equipment and leases	101	163	-	264
Allowance for impaired loans	183	186	-	369
Post-retirement employee future benefit plan	494	124	-	618
Liquidity reserve	63	-	(296)	(233)
Other	2	(2)	-	-
Net deferred tax asset	843	471	(296)	1,018

	Opening balance – December 31, 2022 $	Recognized in statement of income and comprehensive income $	Recognized in other comprehensive income (loss) $	Closing balance – December 31, 2023 $
Deferred tax asset				
Property and equipment and leases	203	(102)	-	101
Allowance for impaired loans	238	(55)	-	183
Post-retirement employee future benefit plan	461	19	14	494
Liquidity reserve	377	-	(314)	63
Other	2	-	-	2
Net deferred tax asset	1,281	(138)	(300)	843

c) Tax amounts related to other comprehensive income (loss) are as follows:

		2024	
	Gross $	Taxes $	Net of taxes $
Net tax expense (recovery) on investments designated as FVOCI	1,624	(296)	1,328

(tabular amounts in thousands of dollars)

			2023
	Gross $	Taxes $	Net of taxes $
Net tax expense (recovery) on investments designated as FVOCI	(1,647)	300	(1,347)

17 Commitments and contingencies

The Credit Union has made commitments to members for loans of approximately $62,242,753 (2023 – $50,402,633), which have not been disbursed by December 31, 2024. In addition, unutilized portions of lines of credit extended to members as at December 31, 2024 amounted to approximately $349,209,614 (2023 – $332,059,291).

18 Pension plan

The Credit Union has a defined contribution pension plan for qualifying employees. The Credit Union matches employee contributions up to 5% of the employee's salary (7% for staff hired pre-January 1, 2017). The expenses and payments for the year ended December 31, 2024 were $127,285 (2023 – $392,396). The Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

19 Derivative financial instruments

a) Index-linked purchase option agreements

Included in GICs, RRSPs and tax-free savings accounts is a total of $3,203,814 (2023 – $484,261) of index-linked deposits. The index-linked deposits are for a three or five-year period, with the return based on the performance of various stock market indices.

The Credit Union has entered into purchase option agreements with Central 1 for a notional amount of $320,521 (2023 – $479,216) and Desjardin Investments Inc. of $3,203,820 to offset the exposure to the various indices associated with these products, whereby the Credit Union pays Central 1 and Desjardin Investments Inc. a fixed amount of interest at the start of the contract based on the face value of the index-linked deposits sold. At the end of the three or five-year term, Central 1 and Desjardin Investments Inc. pays to the Credit Union an amount equal to the amount that will be paid to the depositor based on the performance of the particular indices.

The purpose of these purchase option agreements is to provide an economic hedge against market fluctuations. These agreements have fair values that vary based on changes in various indices. The fair value of these purchase option agreements included in other receivables amounted to $102,735 as at December 31, 2024 (2023 – $25,641). The fair value of the options embedded in the index-linked deposits included in members' deposits amounted to $102,375 as at December 31, 2024 (2023 – $25,641). The gain or loss recognized as a result of these options is $nil (2023 – $nil).

(tabular amounts in thousands of dollars)

b) Interest rate swaps

The Credit Union enters into interest rate swap agreements in order to provide an economic hedge against exposure to interest rate fluctuations. As at December 31, 2024, the Credit Union was party to two interest rate swap agreements. The agreements in aggregate represent a notional principal amount of $75,000,000 (2023 – $125,000,000), which is used as the basis for determining payments under the contracts and is not actually exchanged between the Credit Union and Central 1, its counterparty.

Under the term of the agreements, the Credit Union has contracted with the counterparty to pay interest at a variable rate to be re-priced daily, monthly or quarterly, while receiving interest at a fixed rate on the notional principal amount.

These derivative instruments are recorded in the statement of financial position at fair value. Interest rate swaps have a fair value that varies based on the particular contract, considering such factors as the notional value, the term to maturity and change in interest rates. As at December 31, 2024, the fair value of these agreements was an asset of $237,424 (2023 – $232,029). Included as components of loss on derivative financial instruments in the statement of income and comprehensive income is (gain) loss on derivative financial instruments of net interest revenue of $329,990 (2023 – net interest revenue of $722,319) and net unrealized losses on interest rate swap transactions of $237,424 (2023 – net realized losses of $232,029).

Notional amount $	Maturity date	Receiving rate %	Paying rate %	Fair value $
50,000	January 15, 2026	3.02	Daily CORRA	94
25,000	June 15, 2025	4.38	Daily CORRA	143
				237

20 Mortgage securitizations

The following table summarizes the carrying and fair values of mortgages of the Credit Union that have been securitized and sold by the Credit Union to third parties, as well as the carrying and fair values of the corresponding mortgage securitization liabilities.

	Carrying value $	Fair value $
Securitized mortgages sold as NHA MBS	78,721	78,760
Principal payments to be applied (included in cash)	1,025	1,025
Total securitized assets	79,746	79,785
Mortgage securitization liabilities	79,752	79,791
Net amount	(6)	(6)

(tabular amounts in thousands of dollars)

All mortgages securitized by the Credit Union are required to be fully insured prior to sale and therefore give rise to minimal credit risk. However, the Credit Union remains exposed to interest rate risk, timely payment and prepayment risk associated with the underlying assets. Accordingly, the assets, liabilities, revenue and expenses have not been derecognized and the transactions are accounted for as secured financing transactions in the Credit Union's statement of financial position and statement of income and comprehensive income as outlined in note 3(f).

21 Fair value of financial instruments

The fair values of the Credit Union's financial instruments were estimated using the valuation methods and assumptions described below. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in interest rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Fair values of floating rate loans and deposits approximate book value as the interest rates on these instruments automatically re-price to market insofar as the spread remains appropriate. Fixed rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks. Fixed rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms. A credit valuation adjustment is applied to the calculated fair value of uninsured deposits to account for the Credit Union's own risk.

Derivative financial instruments are recorded at fair value in the statement of financial position. The fair value is determined based on prevailing market rates and notional value.

The fair value for the Credit Union's investments (as detailed in note 5), profit and member shares are determined as follows:

- membership shares in Central 1 and Oikocredit do not trade in a public market. Fair value approximates par value as the shares are subject to regular rebalancing across the membership;

- liquidity reserves are traded in a public market and are measured using the closing fair value;

- excess liquidity deposits and loans to MEDA are fair valued by discounting the contractual future cash flows at current market rates of similar financial instruments with similar terms;

- Canadian Cooperative Investment Fund does not trade in a public market. Fair value is based on the Credit Union's share of net asset value;

- Class E membership shares in Central 1 do not trade in a public market, redemptions are infrequent and no clear plan of redemption by Central 1 has been communicated. As such, the shares are measured at par value, which approximates fair value at December 31, 2024; and

- the fair values of profit and member shares approximate carrying values.

(tabular amounts in thousands of dollars)

Fair value hierarchy

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly.

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

Estimated fair values of financial instrument assets and liabilities are described in the following table:

		2024		2023	
	Fair value hierarchy	Carrying value $	Fair value $	Carrying value $	Fair value $
Recurring measurements					
Financial assets					
Shares in Central 1 Class A	Level 2	548	548	542	542
Shares in Central 1 Class E	Level 2	21	21	2,086	2,086
Shares in Oikocredit	Level 2	250	250	250	250
Shares in CCIF	Level 2	52	52	52	52
Fair values disclosed					
Financial assets					
Liquidity reserves	Level 2	136,286	136,286	125,133	125,133
Loans to MEDA	Level 2	600	600	600	600
Loans to members	Level 3	1,969,818	1,969,819	1,866,275	1,820,044
Excess liquidity deposits	Level 2	109,267	109,267	24,389	24,389
Financial liabilities					
Deposits of members	Level 3	1,936,588	1,945,546	1,761,046	1,752,303
Mortgage securitization liabilities	Level 2	78,722	76,889	76,889	78,519
Profit shares	Level 2	22,616	22,616	21,832	21,832
Member shares	Level 2	644	644	621	621

Fair values for items that are short-term in nature are approximately equal to book value. These include cash, accrued interest payable and accounts payable and accrued charges.

22 Financial risk management

The Credit Union's risk management policies are designed to identify and analyze risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date

(tabular amounts in thousands of dollars)

information systems. The Credit Union follows an enterprise risk management framework, which involves identifying particular events or circumstances relevant to its objectives, assessing them in terms of probability and magnitude, determining a response strategy and monitoring progress. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets, products and emerging best practices.

Risk management is carried out by a number of delegated committees reporting to the Board of Directors. The Board of Directors provides written principles for risk tolerance and overall risk management. Management reports to the Board of Directors on compliance with the risk management policies of the Credit Union. In addition, the Credit Union utilizes a variety of resources to undertake various internal audit activities and reports to the responsible senior leader and Board of Directors the results of these activities.

Financial instruments comprise the majority of the Credit Union's assets and liabilities. The Credit Union accepts deposits from members at both fixed and variable rates for various periods and seeks to earn an interest rate margin by investing these funds in high-quality financial instruments – principally loans and mortgages. The primary types of financial risk that arise from these activities are interest rate risk, credit risk, liquidity risk, foreign exchange risk and other price risk.

The following table describes the significant financial instrument activity undertaken by the Credit Union, the risks associated with such activities and the methods used in managing those risks.

Activity	**Risks**	**Method in managing risks**
An imbalance in the amount of variable rate loans to members compared to variable rate members' deposits	Sensitivity to changes in interest rates	Asset-liability matching, sales of selected loan portfolios and periodic use of derivatives
Index linked deposit products	Sensitivity to changes in underlying equity indices	Options are used to mitigate this risk

a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. The financial margin reported in the statement of income and comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by the Credit Union's management and reported to the Board, which is responsible for managing interest rate risk.

In managing interest rate risk, the Credit Union relies primarily on use of the asset-liability and interest rate sensitivity models. Periodically, the Credit Union may enter into interest rate swaps to adjust the exposure to interest rate risk by modifying the re-pricing of the Credit Union's financial instruments. The full extent of the interest rate swaps that the Credit Union has in place are included in note 19(b).

Interest rate shock analysis is used to assess the change in value of the Credit Union's financial instruments when an immediate increase or decrease to interest rates is introduced and the resulting

(tabular amounts in thousands of dollars)

changes in income are computed over a 12-month period. This shock analysis is calculated on a monthly basis and is reported to the asset-liability committee (ALCO) and subsequently to the Board. Based on current differences between financial assets and financial liabilities, the Credit Union estimates that an immediate and sustained 50 basis point increase (decrease) in interest rates would increase (decrease) net interest income for the year by approximately $(795,000) (2023 – $240,000).

The ALCO also looks at other aspects of interest rate risk such as basis risk, which is the risk of loss arising from changes in the relationship of interest rates that have similar but not identical characteristics (for example the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk, which is the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans, to ensure they are appropriate and takes actions to ensure these are within acceptable levels.

The following schedule shows the Credit Union's sensitivity to interest rate changes as at December 31, 2024. Amounts with variable rates, or due or payable on demand, are classified as maturing within less than one year, regardless of maturity. Member loans and deposits subject to fixed rates are based on contractual terms. Amounts that are not interest sensitive have been grouped together.

	Assets $	Liabilities and members' equity $	Interest rate swaps $	Net asset/ liability gap $
Expected re-pricing or maturity date				
Less than one year	1,068,866	(1,537,000)	(75,000)	(543,134)
1 to 2 years	453,730	(175,818)	75,000	352,912
2 to 3 years	276,848	(155,268)	-	121,580
3 to 4 years	167,596	(92,243)	-	75,353
4 to 5 years or more	171,110	(81,539)	-	89,571
Non-interest sensitive	3,975	(236,543)	-	(232,568)
	2,142,125	(2,278,411)	-	(136,286)

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 expectation of borrowers and depositors. The average rate of interest bearing assets is 5.12% and interest bearing liabilities is 3.05%.

(tabular amounts in thousands of dollars)

b) Credit risk

Credit risk is the risk that a credit union member or counterparty will be unable to pay amounts in full when due. Credit risk arises principally from lending activities that result in member loans and advances and investing activities that result in investments in cash resources. Counterparty risk is also a key consideration with respect to derivative contracts, which the Credit Union enters into from time to time with Central 1. Significant changes in the economy of the Province of Ontario or deteriorations in lending sectors that represent a concentration within the Credit Union’s loan portfolio may result in losses that are different from those provided for at the statement of financial position date. Management of credit risk is an integral part of the Credit Union’s activities. Concentration of loans is managed by the implementation of sectoral and member specific limits as well as the periodic use of syndications with other financial institutions to limit the potential exposure to any one member. Management carefully monitors and manages the Credit Union’s exposure to credit risk by a combination of methods.

The Credit Union maintains levels of borrowing approval limits and, prior to advancing funds to a member, an assessment of the credit quality of the member is made. The Credit Union emphasizes responsible lending in its relationships with members and establishes that loans are within the member’s ability to repay, rather than relying exclusively on collateral.

As at December 31, 2024, the classes of financial instruments for which the Credit Union is most exposed to credit risk are as follows:

Credit risk exposure	Outstanding $
Liquidity reserves	136,286
Investments	112,824
Loans to members	1,974,965
	2,224,075

Beyond the credit risk associated with the above financial assets, the Credit Union is also exposed to credit risk associated with undrawn lines of credit and undisbursed commitments to members for loans as at year-end, as disclosed in note 17.

Loan impairment

At each reporting date, the Credit Union assesses whether a loan or groups of loans are credit impaired (referred to as Stage 3 loans). A loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following data:

i) significant financial difficulty of the borrower or issuer;

ii) a breach of contract such as a default or past due event;

(tabular amounts in thousands of dollars)

iii) the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise; and

iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The Credit Union incorporates forward-looking information into both the assessment of whether the credit risk of a loan or groups of loans has increased significantly since its initial recognition and the measurement of ECL.

The Credit Union formulates three economic scenarios: a base case, which is the median scenario assigned 80% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 10% probability of occurring. External information considered includes economic data and forecasts published by government bodies and monetary authorities in the jurisdictions in which the Credit Union operates such as:

- real GDP;
- unemployment rates;
- three-month bankers' acceptance rate;
- three-month Government of Canada bond rate;
- debt to income ratio; and
- housing price index.

The key drivers considered for credit risk are unemployment rates, interest rates and real estate prices. None are considered to have a material impact on the loan loss provision at this time. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Loans to members

Loans to members consist of loans, some of which are supported by specific collateral such as residential properties, and charges over business assets such as premises, inventory and accounts receivable. The Credit Union maintains guidelines on the acceptability of specific types of collateral. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral. In the case of loans that are conventional mortgages, Maximum loan to value (Max. LTV) ratios have been established by policy. The following chart gives a profile of these maximums and identifies the amount of conventional mortgages for each loan portfolio that are subject to these maximums:

(tabular amounts in thousands of dollars)

Portfolio	Total loans $	Conventional mortgage loans $	Max. LTV %
Residential	668,454	618,445	80
Personal	8,571	-	-
Agricultural	954,526	836,270	75
Commercial	343,414	225,194	60
	1,974,965	1,679,909	

The Credit Union's lending (measured as a percentage of the total loan portfolio) is diversified by portfolio sectors as follows:

	Board maximum %	2024 %	2023 %
Residential	No limit	33.8	35.2
Personal	No limit	0.4	0.4
Agricultural	55	48.8	48.8
Commercial	25	16.0	14.2
Institutional	10	0.9	0.8
Unincorporated association	5	0.4	0.6

Board policy also requires that the maximum combined exposure for total commercial and agricultural lending (excluding institutional and unincorporated association loans) be less than 65.0% of assets. At December 31, 2024, commercial and agricultural loan exposure on this basis was 63.0%.

Furthermore, within the above-noted portfolio sectors, the Board has also established maximum loan concentrations within industry sectors to ensure an appropriate diversification as the Board considers appropriate within these portfolios. Actual concentrations by industry sector were well below the maximums at year-end.

The credit quality of the commercial and agricultural loan portfolio for those loans that are neither past due nor impaired can be assessed by reference to the Credit Union's internal risk rating system. The Credit Union assesses the relative risk of the account using internal rating tools and taking into account statistical analysis as well as the experience and judgment of the credit department. Loans subject to ratings are assigned a risk score from 1 to 6 (1 = low risk, 6 = watch account). Loans are regularly reviewed and updated as appropriate. With respect to the personal loan and residential mortgage portfolio, procedures are in place to ensure the regular monitoring and review of loans in addition to scheduled audits at the branch and head office levels.

(tabular amounts in thousands of dollars)

Risk scale	Stage 1 $	Stage 2 $	Stage 3 $	2024 Total $	2023 Total $
1 – Low	9,653	-	-	9,653	38,168
2 – Medium low	124,930	-	13,807	138,737	290,928
3 – Medium	340,880	-	-	340,880	640,315
4 – Medium high	294,152	3,607	-	297,759	154,364
5 – High	217,716	11,415	62,068	291,199	50,321
6 – Watch	-	163,710	3,252,080	3,415,790	-
	987,331	178,732	3,327,955	4,494,018	1,174,096

The carrying value of all loans restructured for members during the year, where a concession in terms was granted with the loan remaining in good standing, is $24,446,865 (2023 – $23,722,680).

c) Liquidity risk

Liquidity risk is the risk the Credit Union will encounter difficulty to meet its obligations to members and other creditors. To mitigate this risk, the Credit Union is required to maintain, in the form of cash and liquidity reserves, a board policy set minimum liquidity at all times, based on total members' deposits and demand loan. The Credit Union's own risk management policies require it to maintain sufficient liquid resources to cover cash flow imbalances, to retain member confidence in the Credit Union and to enable the Credit Union to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets, through management control of the growth of the loan portfolio, sale of loan portfolios and asset-liability maturity management techniques. Management monitors projections of the Credit Union's liquidity requirements on the basis of expected cash flows as part of its liquidity management. The Credit Union also maintains a borrowing facility with Central 1 of $58,610,000 (2023 – $58,860,000) as an integral part of its liquidity management strategy as disclosed in note 9.

The remaining contractual maturity of recognized financial liabilities and loan commitments is as follows:

	Payable on demand $	Less than 1 year $	1 to 5 years $	More than 5 years $	Total $
Deposits of members	769,766	752,907	413,915	-	1,936,588
Accrued interest payable	-	26,071	-	-	26,071
Accounts payable and accrued charges	-	11,100	-	-	11,100
Lease liabilities	-	1,233	6,333	13,642	21,208
Mortgage securitization liabilities	-	7,684	71,038	-	78,722
Unadvanced loan commitments	-	37,776	-	-	37,776
	769,766	836,771	491,286	13,642	2,111,465

(tabular amounts in thousands of dollars)

d) Foreign exchange risk

Foreign exchange risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financial investments for an extended period. The nature of the foreign exchange risk at the Credit Union is that members can maintain US dollar deposit accounts and GICs for which the Credit Union will generally hold an equivalent amount of US dollar denominated assets in the form of cash and investments. The Board has established that the Credit Union must ensure that the difference between the US dollar denominated assets and liabilities must be less than 10%. The Credit Union has traditionally dealt with unwanted levels of foreign exchange risk by taking actions related to US dollar denominated assets and liabilities rather than entering into any foreign exchange derivative contracts. The impact of a 10.00% strengthening (weakening) of the Canadian dollar against the US dollar is considered insignificant.

e) Other price risk

The Credit Union is exposed to other price risk on certain of its investments and deposits, but given the limited amount of these deposits and investments, the price risk exposure is considered insignificant.

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