Waterfall at Casacade Falls, Mission

Prospera Credit Union

2022 Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY

These consolidated financial statements of Prospera Credit Union have been prepared by management in accordance with the requirements of the *Financial Institutions Act of British Columbia* and International Financial Reporting Standards ("IFRS"). These consolidated statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal accounting, operating and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and safeguarding the assets of the organization.

These consolidated financial statements are approved by the Board of Directors. The Audit and Conduct Review Committee, comprised of four directors of the board, has reviewed the statements with management and the external auditors in detail.

KPMG LLP has been appointed by the membership as independent auditors to examine and report on these consolidated financial statements. They have had full and free access to the internal audit staff, other management staff and the Audit and Conduct Review Committee of the board.

Gavin Toy
President and Chief Executive Officer

Jennifer Scharf
Chief Financial Officer

March 9, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Prospera Credit Union

Opinion

We have audited the consolidated financial statements of Prospera Credit Union (the "Credit Union"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 auditor's report.

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

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 International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 9, 2023

PROSPERA CREDIT UNION

Consolidated statement of financial position
(Expressed in thousands of dollars)

December 31, 2022, with comparative information for 2021

	Notes	2022	2021 (recast - note 3)
Assets			
Cash and cash equivalents	6	$ 96,094	$ 287,809
Investments	7	681,980	834,722
Loans	8(a)	5,737,014	5,287,182
Leases receivable	8(b)	353,651	248,235
Derivative assets	11	2,290	260
Premises and equipment	14	16,477	16,092
Right-of-use assets	15	30,972	35,856
Intangible assets	16	2,642	3,350
Current taxes receivable		2,611	-
Deferred tax assets	27	4,244	2,538
Other assets	17	7,350	7,037
		$ 6,935,325	$ 6,723,081
Liabilities and Members' Equity			
Borrowings	10	$ 50,000	$ -
Members' deposits	9	6,070,262	5,846,180
Accounts payable and accrued liabilities		27,379	49,172
Securitization debt obligations	8(c), 8(d)	309,744	369,675
Derivative liabilities	11	7,110	899
Current taxes payable		-	1,823
Lease liabilities	18	33,909	38,616
Deferred tax liabilities	27	11,311	5,698
Retirement benefit obligations	19	7,463	28,544
		6,517,178	6,340,607
Members' equity:			
Contributed surplus		130,916	130,916
Retained earnings		301,634	272,678
Accumulated other comprehensive income (loss)		(14,403)	(21,120)
		418,147	382,474
		$ 6,935,325	$ 6,723,081

Contingencies and commitments 28

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board:

Art Van Pelt
Chair

Rod Thomson
Audit and Conduct Review Committee Chair

PROSPERA CREDIT UNION

Consolidated statement of income
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
			(recast - note 3)
Interest income	20	$ 248,323	$ 209,070
Interest expense	20	(87,691)	(66,485)
Net interest income		160,632	142,585
Fee and commission income	21	26,207	26,740
Fee and commission expense	21	(5,577)	(5,902)
Net fee and commission income		20,630	20,838
Realized gains (losses) on financial instruments	23	(125)	(2,000)
Unrealized gains (losses) on financial instruments	22	(3,476)	(2,351)
Impairment (losses) recoveries on financial assets	13(a)	(1,967)	2,389
Impairment (losses) recoveries on other assets	17	(190)	(520)
Other income (losses)		(517)	987
Net interest and other income		174,987	161,928
Operating expenses:			
Salary and employee benefits	24	(85,926)	(75,773)
General and administrative	25	(35,822)	(33,862)
Occupancy and equipment	26	(18,856)	(18,900)
		(140,604)	(128,535)
Contribution to Prospera Foundation	29	-	(500)
Income before income taxes		34,383	32,893
(Provision for) recovery of income taxes:			
Current	27	(6,279)	(7,185)
Deferred	27	852	757
		(5,427)	(6,428)
Net income		$ 28,956	$ 26,465

The accompanying notes form an integral part of these consolidated financial statements.

PROSPERA CREDIT UNION

Consolidated statement of comprehensive income
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	Notes		2022		2021
					(recast - note 3)
Net income		$	28,956	$	26,465
Other comprehensive income (loss):					
Items that will be reclassified to net income:					
Net gains (losses) on investments measured at FVOCI			(11,044)		(4,820)
Reclassification of realized losses (gains) on financial instruments measured at FVOCI			71		1,385
Income tax recovery (expense) on investments measured at FVOCI			1,865		584
Net unrealized gains (losses) on effective portion of cash flow hedges	11(a)		(2,774)		-
Income tax recovery (expense) on cash flow hedges			472		-
Items that will never be reclassified to net income:					
Net actuarial gains (losses) on retirement benefit plans	19(f)		22,886		10,986
Income tax recovery (expense) on retirement benefits plans			(4,759)		(1,797)
			6,717		6,338
Total comprehensive income		$	35,673	$	32,803

The accompanying notes form an integral part of these consolidated financial statements.

PROSPERA CREDIT UNION

Consolidated statement of changes in members' equity
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	AOCI					
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans	Contributed surplus	Retained earnings	Total equity
Members' equity, January 1, 2022	$ (2,851)	$ -	$ (18,269)	$ 130,916	$ 272,678	$ 382,474
Net income	-	-	-	-	28,956	28,956
Other comprehensive income (loss), net of tax	(9,108)	(2,302)	18,127	-	-	6,717
Total comprehensive income (loss)	(9,108)	(2,302)	18,127	-	28,956	35,673
Members' equity, December 31, 2022	$ (11,959)	$ (2,302)	$ (142)	$ 130,916	$ 301,634	$ 418,147

	AOCI					
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans	Contributed surplus	Retained earnings	Total equity (recast - note 3)
Members' equity, January 1, 2021	$ -	$ -	$ (27,458)	$ 130,916	$ 246,213	$ 349,671
Net income	-	-	-	-	26,465	26,465
Other comprehensive income (loss), net of tax	(2,851)	-	9,189	-	-	6,338
Total comprehensive income (loss)	(2,851)	-	9,189	-	26,465	32,803
Members' equity, December 31, 2021	$ (2,851)	$ -	$ (18,269)	$ 130,916	$ 272,678	$ 382,474

The accompanying notes form an integral part of these consolidated financial statements.

PROSPERA CREDIT UNION

Consolidated statement of cash flows
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
			(recast - note 3)
Cash flows from (used in) operating activities:			
Net income		$ 28,956	$ 26,465
Items not affecting cash:			
Depreciation and amortization	14, 15, 16	11,849	12,691
Impairment losses (recoveries) on financial assets	13(a)	1,967	(2,389)
Impairment losses (recoveries) on other assets	17	190	520
Net interest income	20	(160,632)	(142,585)
Realized (gains) losses on financial instruments	23	125	2,000
Unrealized (gains) losses on financial instruments	22	3,476	2,351
Provision for (recovery of) income taxes - current	27	6,279	7,185
Provision for (recovery of) income taxes - deferred	27	(852)	(757)
Defined retirement benefit expense	19(b)	6,440	7,188
Defined retirement benefit contributions	19(a)	(4,635)	(4,709)
Interest paid		(77,389)	(80,163)
Interest received		240,562	208,236
Income tax paid		(8,425)	(5,755)
Income tax refund		48	70
		47,959	30,348
Changes in non-cash operating working accounts:			
Loans		(445,022)	79,421
Leases receivable		(106,554)	31,664
Other assets		(504)	1,797
Members' deposits		207,957	(227,914)
Accounts payable and accrued liabilities		(21,793)	10,255
Net cash flows from (used in) operating activities		(317,957)	(74,429)
Cash flows from (used in) financing activities:			
Securitization debt increases		153,608	52,024
Securitization debt retirement		(206,336)	(478,783)
Net proceeds received from borrowing	10	50,000	-
Repayment of lease liabilities		(7,886)	(8,125)
Net cash flows from (used in) financing activities		(10,614)	(434,884)
Cash flows from (used in) investing activities:			
Net sales (purchase) of bid deposits and liquidity investments		106,564	237,486
Net sales (purchase) of investments		34,806	145,319
Net (investment in) premises and equipment	14	(4,514)	(4,447)
Net (investment in) sale of intangible assets	16	-	(164)
Net cash flows from (used in) investing activities		136,856	378,194
Increase (decrease) in cash and cash equivalents		(191,715)	(131,119)
Cash and cash equivalents, beginning of year		287,809	418,928
Cash and cash equivalents, end of year		$ 96,094	$ 287,809

The accompanying notes form an integral part of these consolidated financial statements.

1. General information:

Prospera Credit Union ("Prospera" or the "credit union") is a full-service financial institution providing personal and business banking, and wealth management financial services to the residents of the Greater Vancouver, Lower Mainland, and Okanagan areas. Prospera's corporate office is located on the traditional territories of the Semiahmoo, Katzie, Kwikwetlem, Kwantlen, Qayqayt and Tsawwassen First Nations in Surrey, British Columbia. The credit union is domiciled in Canada with its registered corporate office at Suite 1900, 13450 - 102 Avenue.

The credit union is incorporated under the Credit Union Incorporation Act of British Columbia ("CUIA"), and its subsidiaries are incorporated under the Company Act of British Columbia. The credit union is regulated under the CUIA and the Financial Institutions Act of British Columbia ("FIA") and is authorized to serve members within British Columbia. Prospera has 26 full-service retail branches throughout British Columbia.

Through two of its wholly-owned subsidiaries, WS Leasing Ltd. and Mercado Capital Corporation, Prospera offers vehicle and equipment leasing to individuals and businesses in all provinces and territories in Canada, except Quebec. WS Leasing Ltd. and Mercado Capital Corporation are permitted to conduct financial leasing business extra-provincially under the Credit Union Extra-provincial Business of Subsidiaries Regulations of the CUIA.

These consolidated financial statements for the year ended December 31, 2022 were approved by the Board of Directors on March 9, 2023.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as required by the FIA.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, the functional currency of the credit union and its subsidiaries.

3. Correction of error:

For the year ended December 31, 2021 comparatives within these financial statements, the consolidated statements of financial position, income, comprehensive income, changes in members' equity, and cash flows were adjusted to correct for an immaterial error in the initial classification on January 1, 2021 of mandatory liquidity pool assets from fair value through profit and loss ("FVTPL") to fair value through other comprehensive income ("FVOCI"). The error has been corrected by adjusting each of the affected financial statement line items for the prior period. The following tables summarize the impacts on the consolidated financial statements:

Consolidated statement of financial position			**Impact of correction of error**
	As previously presented December 31, 2021	Adjustment	As currently presented December 31, 2021
Retained earnings	$ 269,827	$ 2,851	$ 272,678
Accumulated other comprehensive income (loss)	(18,269)	(2,851)	(21,120)

Consolidated statement of income			**Impact of correction of error**
	As previously presented December 31, 2021	Adjustment	As currently presented December 31, 2021
Unrealized gains (losses) on financial instruments	$ (5,789)	$ 3,438	$ (2,351)
Other income (losses)	990	(3)	987
Income before income taxes	29,458	3,435	32,893
(Provision for) recovery of income taxes - current	(6,601)	(584)	(7,185)
Net income	23,614	2,851	26,465

Consolidated statement of comprehensive income (loss)			**Impact of correction of error**
	As previously presented December 31, 2021	Adjustment	As currently presented December 31, 2021
Other comprehensive income (loss):			
Items that will be reclassified to net income:			
Net gains (losses) on investments measured at FVOCI	$ -	$ (4,820)	$ (4,820)
Reclassification of realized losses (gains) on financial instruments measured at FVOCI	-	1,385	1,385
Income tax recovery (expense) on investments measured at FVOCI	-	584	584

3. Correction of error (continued):

Consolidated statement of cash flows			Impact of correction of error
	As previously presented December 31, 2021	Adjustment	As currently presented December 31, 2021
Net income	$ 23,614	$ 2,851	$ 26,465
Unrealized (gains) losses on financial instruments	5,789	(3,438)	2,351
Provision for (recovery of) income taxes - current	6,601	584	7,185
Accounts payable and accrued liabilities	10,252	3	10,255

4. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are set out below.

(a) Basis of measurement:

These consolidated financial statements have been prepared using the historical cost basis, except for the following:

- certain financial assets and financial liabilities which are measured at fair value;
- certain assets which have been written down to fair value less cost to sell; and
- retirement benefit obligations, which are measured at the present value of the defined benefit obligation, less the fair value of plan assets, and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

(b) Basis of consolidation:

These consolidated financial statements include the assets, liabilities and the results of operations and cash flows of Prospera Credit Union and its 100% owned subsidiaries, Prospera Insurance Agencies Ltd., Prospera Technologies Inc., Prospera Holdings Ltd., 413297 BC Ltd., Westminster Savings Financial Planning Ltd., WS Leasing Ltd., Mercado Capital Corporation and its subsidiary, Mercado Financing Ltd. Subsidiaries are entities controlled by the credit union.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Upon consolidation, intercompany balances, income, expenses and cash flows arising from intercompany transactions are fully eliminated. Intercompany losses are eliminated unless the transaction provides evidence of impairment of the asset.

4. Significant accounting policies (continued):

(c) Business combination:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the credit union obtained control of the acquiree. The credit union controls an acquiree when it is exposed, or has rights, to variable returns from its involvement with the acquiree and has the ability to affect those returns through its power over the acquiree. In assessing control, the credit union considers factors primarily related to control such as relative size of the organizations, voting rights, and composition of the Board of Directors and senior management.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill is measured as the excess of the consideration transferred, including any amount of non-controlling interest in the acquiree, over the net of the recognized amounts of the identifiable assets acquired and liabilities assumed. Transaction costs are expensed as incurred.

(d) Foreign currency transactions:

Foreign currency transactions are recorded, on initial recognition, in Canadian dollars, using the spot exchange rates on the dates of the transactions. At the end of each reporting period:

- monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the closing exchange rate at the reporting date;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of monetary items denominated in foreign currencies and from translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in net income in the period they arise in accordance with the nature of the foreign exchange gain or loss.

4. Significant accounting policies (continued):

(d) Foreign currency transactions (continued):

Foreign exchange gains or losses related to monetary financial instruments measured at FVTPL are included in the net gains (losses) recognized on financial instruments in the consolidated statement of income. Foreign exchange gains or losses related to monetary financial instruments measured at amortized cost are included in other income (losses) in the consolidated statement of income. For monetary financial assets measured at FVOCI, foreign exchange gains or losses related to the fair value adjustments are recognized in other comprehensive income, while foreign exchange gains or losses related to the amortized cost component are recognized in other income (losses) in the consolidated statement of income.

For non-monetary items for which a gain or loss is recognized in net income, the gain or loss includes any related exchange component. For non-monetary items for which a gain or loss is recognized in other comprehensive income, the gain or loss includes any related exchange component. Foreign exchange gains or losses related to non-monetary financial assets measured at FVTPL are included in the net gains or losses recognized in the consolidated statement of income.

(e) Financial instruments:

The accounting policies below have been applied to financial instruments in these consolidated financial statements.

Recognition:

The credit union recognizes a financial instrument in its consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument. For purchases and sales of investments, this is the settlement date of the transaction. All other financial instruments are recognized on the date they are originated.

Initial measurement:

On initial recognition, a financial instrument, excluding leases receivable, is measured at its fair value plus or minus transaction costs that are directly attributable to its acquisition or issue. Transaction costs incurred on the origination of a financial instrument at FVTPL are expensed as incurred.

4. Significant accounting policies (continued):

(e) Financial instruments (continued):

Classification and subsequent measurement:

Subsequent measurement of financial instruments depends on the classification of the financial assets and financial liabilities.

(*i*) Financial assets:

The credit union’s financial assets, excluding leases receivable, are comprised of cash and cash equivalents, investments in debt and equity instruments, loans and derivative assets.

On initial recognition, financial assets are classified as subsequently measured at amortized cost, FVOCI or FVTPL based on the credit union's business models for managing its financial assets and the contractual cash flow characteristics of the financial assets.

Amortized cost:

A financial asset is subsequently measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“the SPPI criteria”). Principal is defined as the fair value of the financial asset at initial recognition, and interest consists of consideration for the time value of money, for credit risk associated with the principal amount outstanding, and for other basic lending risks and costs.

Financial assets that meet the above criteria are subsequently measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial asset and allocates the effective interest income over the term of the financial asset. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the term of the financial asset to the gross carrying amount of a financial asset, being the amortized cost before adjusting for any loss allowance.

FVOCI:

A financial asset is classified as and subsequently measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the SPPI criteria.

4. Significant accounting policies (continued):

(e) Financial instruments (continued):

Classification and subsequent measurement (continued):

(*i*) Financial assets (continued):

FVOCI (continued):

Investments measured at FVOCI are measured at fair value with fair value gains or losses, net of impairment losses, recognized in other comprehensive income during the period they arise, until the financial asset is derecognized. Fair value gains and losses recognized in other comprehensive income include any related foreign exchange component.

On initial recognition of an equity instrument that is not held for trading, the credit union may irrevocably elect to classify the equity instrument as FVOCI. This election is made on an investment-by-investment basis. The credit union has not applied this election to date.

FVTPL:

Financial assets that are not measured at amortized cost or at FVOCI are measured at FVTPL. Financial assets that are managed and their performance evaluated on a fair value basis are also measured at FVTPL.

On initial recognition, the credit union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The credit union has not designated any financial assets as FVTPL on this basis.

Financial assets measured at FVTPL are measured at fair value with fair value gains or losses recognized in net income during the period they arise. Fair value gains and losses include any related foreign exchange component.

Financial assets are reclassified when, and only when, the credit union changes its business model for managing the financial assets. There were no changes to the credit union’s business models during 2022.

4. Significant accounting policies (continued):

(e) Financial instruments (continued):

Classification and subsequent measurement (continued):

(*ii*) Financial liabilities:

The credit union's financial liabilities are comprised of members' deposits, member shares (included in members' deposits in the consolidated statement of financial position), accounts payable and accrued liabilities, securitization debt obligations, derivative liabilities (note 4(g)) and lease liabilities (note 4(n)).

Financial liabilities are subsequently measured at amortized cost except for derivative liabilities which are subsequently measured at FVTPL. Changes in the fair value of derivative liabilities are recognized in net income in the period they arise for derivatives where hedge accounting has not been applied. The accounting policy for derivatives where hedge accounting has been applied is disclosed in note 4(g).

Derecognition:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the credit union has transferred substantially all the risks and rewards of ownership of the financial asset.

Upon derecognition of a financial asset measured at amortized cost, realized gains or losses are recognized in net income. Upon derecognition of a financial asset debt instrument measured at FVOCI, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from the fair value reserve component of equity to net income as a reclassification adjustment.

A financial liability is derecognized when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

Modifications:

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the modified contractual cash flows, discounted using the original effective interest rate. A modification gain or loss is recognized in net income for the difference between the new carrying amount and the carrying amount prior to modification. Any costs or fees incurred are included in the carrying amount of the modified financial asset and amortized over the remaining term of the modified financial asset.

4. Significant accounting policies (continued):

(e) Financial instruments (continued):

Leases receivable:

The credit union's vehicle and equipment leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of the assets to the lessees. Vehicle and equipment leases receivable are recorded at the credit union's net investment in the leases, which is calculated as the present value of the future minimum lease payments, including the estimated residual value of the vehicles and equipment, net of an allowance for credit losses. Minimum lease payments received during the term of a lease are apportioned between interest income and a reduction of the outstanding lease receivable.

Estimated unguaranteed residual values on closed-end leases are reviewed at the end of each reporting period. If there has been a reduction in an estimated unguaranteed residual value, the credit union's net investment in the lease is recalculated and any difference between the amount recalculated and previous amount recorded is recognized in net income.

(f) Impairment of financial assets:

The credit union recognizes a loss allowance for expected credit losses ("ECL") at each reporting date for all financial assets that are measured at amortized cost and at FVOCI (debt instruments) and leases receivable.

Staging:

At each reporting date, the credit union assesses whether the credit risk on a financial asset has increased significantly since initial recognition. When making the assessment of whether there has been a significant increase in credit risk since initial recognition ("SICR"), the credit union compares the risk of a default occurring over the expected remaining life of the financial asset as at the reporting date with the risk of a default occurring over the life of the financial asset as at the date of initial recognition. In addition, a SICR is considered to have occurred when contractual payments of a financial asset are more than 30 days past due.

When the credit risk of a financial asset has not increased significantly since initial recognition the financial asset is categorized as a Stage 1 financial asset. When the credit risk of a financial asset has increased significantly since initial recognition, the financial asset is categorized as a Stage 2 financial asset. When a financial asset is credit-impaired, it is categorized as a Stage 3 financial asset. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Financial assets that are classified as credit-impaired and as Stage 3 financial assets are consistent with those identified as being in default.

4. Significant accounting policies (continued):

(f) Impairment of financial assets (continued):

Definition of default:

Default is defined and considered by the credit union to have occurred when either or both of the following have occurred:

- the credit union determines that the borrower is unwilling, unable or otherwise unlikely to fulfill its credit obligations in full, without recourse by the credit union to actions such as realizing security (if held); or
- the borrower has been unable to remedy a material breach of its credit agreement for 90 days or more (which includes an outstanding credit obligation being past due 90 days or more).

Calculation of ECL:

The loss allowance recognized for a Stage 1 financial asset is equal to the 12-month ECL. 12-month ECL is calculated as the present value of the lifetime cash shortfalls that will result if a default occurred within 12 months after the reporting date (or a shorter period if the expected remaining life of a financial asset is less than 12 months), weighted by the probability of that default occurring.

The loss allowance recognized for a Stage 2 or Stage 3 financial asset is equal to lifetime ECL. Lifetime ECL for Stage 2 financial assets is calculated as the present value of the lifetime cash shortfalls that would result from all possible default events over the expected remaining life of a financial asset. The discount rate used in calculating the present value of lifetime cash shortfalls of a financial asset is the original effective interest rate.

The 12-month ECL and lifetime ECL for Stage 1 and Stage 2 financial assets, respectively, is calculated based on estimates of the probability of default (“PD”), loss given default (“LGD”), exposure at default (“EAD”) and the impacts of forward-looking information and forecasts of macroeconomic conditions. The maximum period considered when determining the expected remaining life of a financial asset for calculating lifetime ECL for Stage 2 financial assets is the maximum contractual period (including extension options). For revolving credit facilities with no fixed terms (e.g., lines of credit), the expected remaining life represents the period that the credit union expects to be exposed to credit risk. The loss allowance for Stage 3 financial assets is calculated as the difference between the gross carrying amount and the present value of estimated future cash flows.

If the credit union had measured the loss allowance for a financial asset at an amount equal to the lifetime ECL in the previous reporting period, but determines at the current reporting date that there is no longer a SICR associated with the financial asset, the loss allowance recognized is re-measured to equal the 12-month ECL at the current reporting date.

4. Significant accounting policies (continued):

(f) Impairment of financial assets (continued):

Calculation of ECL (continued):

At each reporting date, in the consolidated statement of income, the credit union recognizes, as an impairment loss (or recovery) on financial assets, the amount of ECL (or reversal) that is required to adjust the loss allowance.

Write-offs and repossessed property:

When a financial asset is credit-impaired and the credit union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof, the carrying amount of the unrecoverable portion is written off, constituting a derecognition event. When a loan or lease receivable is in default and the underlying security is repossessed by the credit union, the loan or lease receivable is derecognized and the repossessed collateral is recognized in the consolidated statement of financial position and classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell.

Vehicles and equipment securing leases receivable that have been repossessed are included in other assets in the consolidated statement of financial position. Subsequent to initial recognition, a decrease in the fair value of repossessed collateral, less costs to sell, is recognized in net income, as an impairment loss on other assets. An impairment recovery on other assets is recognized for any subsequent increases in fair value, less costs to sell, but not in excess of the cumulative impairment loss previously recognized on the asset held for sale.

(g) Derivative instruments:

The credit union enters into derivative contracts which primarily consist of interest rate swaps to manage its exposure to interest rate risk. Interest rate swaps are measured at FVTPL and disclosed as derivative assets when they have a positive fair value, and as derivative liabilities when they have a negative fair value in the consolidated statement of financial position.

The credit union designates certain interest rate swaps as hedging instruments in qualifying hedging relationships. Hedge accounting is applied only when all of the following conditions are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio); and

4. Significant accounting policies (continued):

(g) Derivative instruments (continued):

- the hedging relationship meets all of the following hedge effectiveness requirements:
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship; and
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

The credit union elected the accounting policy choice to apply hedge accounting under the framework of IFRS 9, *Financial Instruments* ("IFRS 9").

The credit union has entered into interest rate swaps that are designated and qualify as cash flow hedges during the year of 2022. The credit union has not entered into any fair value hedges at this time.

The effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net interest income. The interest paid or received on the hedging instrument is recorded in net interest income. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated statement of income. However, when a forecast transaction is no longer expected to occur, or when the hedged item expires or is sold, the gain or loss that was accumulated in other comprehensive income is recognized immediately in the consolidated statement of income.

(h) Income taxes:

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities on the consolidated statement of financial position and the amounts attributed to the assets and liabilities for tax purposes. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Significant accounting policies (continued):

(h) Income taxes (continued):

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Income tax expense (recovery) is comprised of current and deferred taxes. Current and deferred income taxes are recognized in the consolidated statement of income except to the extent that they relate to items recognized in other comprehensive income or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or directly in equity, respectively.

(i) Non-financial assets:

Premises and equipment:

Land is carried at cost and is not depreciated. Premises and equipment assets are recorded at cost less accumulated depreciation and any accumulated impairment losses. These assets are depreciated over their estimated useful lives using the following depreciation methods and periods:

Asset	Method	Period
Computer and Automated Teller Machine ("ATM") equipment	Straight-line	3, 5, or 10 years
Furniture and equipment	Straight-line	5 years
	Double declining balance	15 years
Leasehold improvements	Straight-line	Lesser of useful life and the lease term
Building and betterments	Straight-line	7 to 30 years

The estimated useful lives and depreciation methods used are reviewed at the end of each reporting period, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives or depreciation methods resulting from such review are accounted for prospectively.

The credit union assesses at the end of each reporting period, or more frequently where events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, whether there is any indication that a premises or equipment asset is impaired. Impairment is assessed on an individual asset basis when the fair value less costs of disposal or value in use of the asset can be determined reliably.

4. Significant accounting policies (continued):

(i) Non-financial assets (continued):

Premises and equipment (continued):

An asset is impaired when its carrying amount exceeds its recoverable amount. If there is indication that an asset or cash-generating unit is impaired, the credit union estimates the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The carrying amount is reduced to its recoverable amount and the amount of write down is recognized in net income as an impairment loss on non-financial assets. Upon recognition of an impairment loss, subsequent depreciation of the asset is based on the revised carrying amount and remaining useful life.

Intangible assets:

Intangible assets include computer software licenses, core deposit assets acquired through business combinations, and other intangible assets. Intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the following periods:

Asset	Period
Software	2 to 10 years
Core deposits	8 years

The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives or amortization methods resulting from such review are accounted for prospectively.

Intangible assets with finite lives are assessed for impairment annually and whenever there is an indication that an intangible asset may be impaired. When an intangible asset with a finite life is impaired, the excess of its carrying amount over the recoverable amount is recognized in net income as an impairment loss on other assets.

(j) Provisions:

Provisions are liabilities that are uncertain in timing or amount. A provision is recognized if the credit union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the obligation can be estimated reliably. Provisions are measured as the present value of estimated future expenditures required to settle the present obligation at the date of the reporting period. The discount rate used in measuring the present value is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4. Significant accounting policies (continued):

(j) Provisions (continued):

Provisions are reviewed at the date of each reporting period and adjusted or reversed to reflect management's current best estimate of the expenditures required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingent assets and contingent liabilities are possible assets and possible obligations, respectively, that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the credit union. Contingent assets and contingent liabilities are not recognized in the consolidated financial statements. A contingent asset is disclosed when an inflow of economic benefits is probable. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

(k) Retirement benefit obligations:

The credit union provides retirement benefits to its employees through various pension plans and a non-pension post-retirement benefit plan (collectively called "retirement plans"). The plans are funded through employer and employee contributions to trustee-administered funds. Benefits are provided to the credit union's employees through various defined contribution, defined benefit, supplemental retirement and multi-employer defined benefit plans. Other post-retirement benefits including health care, dental benefits or cash alternatives are provided to eligible credit union employees upon or after retirement.

The credit union has both defined benefit and defined contribution retirement plans. A defined benefit retirement plan defines the amount of benefits that an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. Under a defined contribution retirement plan, the credit union pays fixed contributions into a separate fund and has no legal or constructive obligations to pay further contributions.

Defined benefit plans:

The net defined benefit liability (asset) recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the date of the consolidated statement of financial position, less the fair value of the defined benefit plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The credit union uses the projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost and, where applicable, past service cost. The discount rate used in determining the present value of the defined benefit obligation is the interest rate on high-quality corporate bonds that have terms to maturity approximating the terms of the related defined benefit liability.

4. Significant accounting policies (continued):

(k) Retirement benefit obligations (continued):

Defined benefit plans (continued):

Current service cost, including past service cost and any gain or loss on settlement, and net interest on the net defined benefit liability (asset) is recognized in net income, within salaries and employee benefits expense. Past service cost, representing the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment or curtailment, is recognized in net income at the earlier of when the amendment or curtailment occurs or when the credit union recognizes related restructuring or termination costs.

A gain or loss on settlement, representing the difference between the present value of the defined benefit obligation being settled and the settlement price, is recognized in net income when the settlement occurs.

Remeasurements of the net defined benefit liability (asset), are comprised of actuarial gains and losses, the return on defined benefit plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). Under the International Financial Reporting Committee's Interpretation 14 ("IFRIC 14") the credit union is also required to recognize an additional liability if future minimum funding requirements to eliminate a deficit creates a future surplus from which an entity cannot realize an economic benefit. The actuarial gains and losses described above are recognized in other comprehensive income and are not reclassified to net income in a subsequent period.

Defined contribution plans:

Under the credit union's defined contribution retirement plans, contributions are recognized as an employee benefit expense in net income when they are due. Prepaid contributions are recognized within other assets in the consolidated statement of financial position to the extent that the prepayment will result in a cash refund or a reduction in future payments.

Participation in multi-employer retirement plan:

The credit union provides defined retirement benefits to certain employees through a multi-employer plan. There are two divisions within this multi-employer plan, a 1.75% division and a 1.20% division. The credit union is the only remaining participant in the 1.20% division of the plan, whereas a number of member credit unions continue to participate in the 1.75% division of the plan. Plan assets and liabilities are pooled for the 1.75% division of the plan and the actuary does not determine an individual employer's own unfunded liability. Each member credit union is exposed to the actuarial risks of the other employers with the result that, in management's opinion, there is no reasonable way to allocate any defined benefit obligations.

Accordingly, within these consolidated financial statements, the credit union accounts for the 1.75% division of the plan as a defined contribution retirement plan, and the 1.20% division of the plan as a defined benefit retirement plan.

4. Significant accounting policies (continued):

(l) Interest income and interest expense:

Interest income and interest expense earned and incurred on interest-bearing financial assets and financial liabilities are recognized as interest income and interest expense, respectively, in the consolidated statement of income using the effective interest method. Under the effective interest method, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. When a financial asset or a group of financial assets is credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

When calculating the effective interest rate, the credit union estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

(m) Net fee and commission income:

Net fees and commissions are recognized in net income in the period the related performance obligations are satisfied, unless they are considered to be an integral part of the effective interest rate of a financial asset, in which case the net fee and commission is allocated to interest income using the effective interest method.

For performance obligations that are satisfied over time, including monthly members' services and financial planning and wealth management services, revenue is recognized over the period that the promised services are performed.

For performance obligations that are satisfied at a point in time, comprising transaction-based fees and commissions, such as appraisals, registration, prepayment and other loan fees, ATM transaction fees, and insurance and visa commissions, revenue is recognized when the member obtains control of the promised good or service.

(n) Leases:

The credit union accounts for leases using the principles under IFRS 16, *Leases* ("IFRS 16"). At inception of a contract, the credit union assesses whether a contract is, or contains, a lease as defined in IFRS 16. A contract is or contains a lease if the contract allows the right to control the use of an identified asset in exchange for consideration.

4. Significant accounting policies (continued):

(n) Leases (continued):

The credit union recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which is comprised of:

- the initial amount of the lease liability;
- plus any lease payments made at or before the commencement date and any initial direct costs incurred;
- plus 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; and
- less any lease incentives received.

The ROU asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. Depreciation is recorded on a straight-line basis as this most closely reflects the expected pattern of consumption of the future economic benefit. The ROU asset is reduced by accumulated depreciation and 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.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the assessment of whether the credit union will exercise an extension or a termination option in the lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the consolidated statement of income if the carrying amount of the ROU asset has been reduced to zero.

(o) New accounting standards not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2023 with earlier application is permitted. The credit union has not early adopted the amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the credit union's consolidated financial statements:

- Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)
- Classification of Liabilities as Current or Non-current (amendments to IAS 1)

4. Significant accounting policies (continued):

(p) Changes in accounting policy:

Interest Rate Benchmark Reform:

The IASB has issued amendments to financial reporting standards on interest rate benchmark reform, with requirements to commence transition from the Interbank Offer Rates ("IBOR") to Alternative Benchmark Rates ("ABR"). Interest rate benchmarks are referenced in financial instruments globally, including but not limited to derivatives, investments, and loans.

The Canadian Dollar Offer Rates ("CDOR") has been the primary benchmark used by Canadian financial institutions. On December 16, 2021, the Canadian Alternative Reference Rate working group ("CARR") recommended the administrator, Refinitiv Benchmark Services UK Limited ("RBSL"), to cease publication of CDOR immediately after June 28, 2024, using a two-stage transition approach. By the end of the first stage on June 30, 2023, CARR expects that all new derivative contracts and securities will use the Canadian Overnight Repo Rate Average ("CORRA"), with the exception of derivatives that hedge or reduce CDOR exposures from derivatives or securities transacted before June 30, 2023, or loan agreements entered into before June 28, 2024. All remaining CDOR exposures should be transitioned to CORRA by June 28, 2024, marking the end of the second stage. On May 16, 2022, following public consultation, RBSL announced that CDOR will cease publication immediately after June 28, 2024, in line with CARR recommendations.

The credit union has applied the IASB's Phase 1 and 2 Amendments to IFRS 9 *Financial Instruments: Recognition and Measurement,* IAS 39 *Financial Instruments: Recognition and Measurement,* and IFRS 7 *Financial Instruments: Disclosures*.

Phase 1 modified certain hedge accounting requirements to provide relief from the uncertainty arising from IBOR reform during the period prior to replacement of IBORs. The credit union expects the selection of an economically equivalent benchmark rate from the industry, and does not expect a material impact on cashflows.

Phase 2 addresses issues that arise from implementation of IBOR reform. The amendments provide a practical expedient for modification of a financial contract and allow relief from discontinuing hedging relationships, in combination with new disclosures on the nature and extent of risks arising from the reform and how these risks are managed. The assessment of the impact on the credit union's hedging relationships and its mitigation plans are still in progress.

As a result of the transition the credit union is exposed to operational and financial risks. The operational risks include the review and updating of contractual terms where needed, and the revision of controls related to the reform and regulatory risks. Financial risk is mostly related to interest rate risk.

4. Significant accounting policies (continued):

(p) Changes in accounting policy (continued):

Interest Rate Benchmark Reform (continued):

To mitigate these risks, the Asset and Liability Committee of the credit union ("ALCO") will monitor the transition. Transition activities underway with contracted third parties include an evaluation of all instruments that reference IBOR, with the aim of determining whether contracts need to be amended or whether they already include a fallback clause. A contract that is not yet transitioned is referred to as an unreformed contract when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR. Assessments are also being made on the loans and commitments issued by the credit union to its members. As this work progresses, the magnitude of reformed versus unreformed contracts, as well as the expected dates of transition, will be reported to ALCO.

The table below shows the total amount of unreformed financial instruments as at December 31, 2022 for which contracts are indexed to CDOR and will mature after June 28, 2024. The amounts for investments and securitization debt obligations are shown at their carrying amounts, while those of derivative assets and liabilities (interest rate swaps) are shown at their notional amounts.

	Total amount of unreformed contracts	Total amount with appropriate fallback clauses
Investments	$ 69,130	$ 69,130
Securitization debt obligations	444	444
Derivative assets	25,000	25,000
Derivative liabilities	150,000	100,000

5. Judgements and estimates:

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the credit union's accounting policies and the reported amounts of assets, liabilities, income and expenses.

(a) Significant judgements:

The critical judgements that management has made in the process of applying the credit union's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Securitization and derecognition of financial assets:

In determining whether a transferred financial asset should be derecognized, management makes certain judgements to determine whether the credit union has transferred substantially all the risks and rewards of ownership of the financial asset. Management has determined that the credit union has retained substantially all the risks and rewards of ownership of the loans and leases receivable it has securitized and accordingly, the transferred assets continue to be recognized in these consolidated financial statements (notes 8(c) and 8(d)).

(b) Assumptions and estimates:

The preparation of these consolidated financial statements requires that management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the credit union's assets and liabilities at the end of the reporting period. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the credit union's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period are as follows:

Loss allowance for expected credit losses on financial assets:

In determining the amount recognized as a loss allowance for ECL on financial assets measured at amortized cost and at FVOCI and leases receivable as required by IFRS 9, management first assessed whether there has been a SICR for its financial assets. The assessments of SICR reflect management's view of the risk of default occurring in a future period for the financial assets. Actual occurrence of default may differ from these estimates.

The calculation of 12-month ECL for Stage 1 financial assets and lifetime ECL for Stage 2 financial assets and credit-impaired financial assets requires management to make estimates of the probabilities of default, current collateral values and resulting loss given default, exposure at default, impacts of forward-looking information and forecasts of macroeconomic conditions to the credit union's ECL and expected remaining lives of the financial assets (note 13(a)).

5. Judgements and estimates (continued):

(b) Assumptions and estimates (continued):

Changes in any one of the inputs to the ECL calculation can significantly affect the amount of loss allowance recognized in the credit union's consolidated financial statements.

Management overlays to loss allowance for ECL are adjustments which are used in circumstances where management determines that existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic or political factors, along with expected changes to data that are not incorporated in current inputs or forward-looking information are examples of such circumstances.

Fair value measurement:

Certain financial assets and non-financial assets are measured at or based on the fair value of the assets at the reporting date (notes 6, 7, 8, 11 and 17). Fair value measurements are based on quoted market prices when available. When quoted market prices are not available, the credit union uses valuation techniques to estimate fair values. Valuation techniques may involve the use of observable or unobservable inputs. Changes in estimates of inputs used can result in a material adjustment to the carrying amount of the underlying asset.

Deferred income taxes:

The credit union records tax liabilities (assets) based on the amount expected to be paid to (recovered from) taxation authorities. Final income taxes paid (recovered) based on amounts assessed by taxation authorities may differ, resulting in adjustments to income taxes in subsequent periods.

In determining the amount of deferred tax assets to recognize, management makes estimates of future taxable income, deposit balances and expected timing of reversals of existing temporary differences. Deferred tax assets are remeasured at the end of each reporting period which includes a reassessment of the probability of realizing unrecognized income tax assets.

Retirement benefit obligations:

In determining the present value of the credit union's defined benefit obligation and resulting net defined benefit liability (asset) recognized in the statement of financial position, various assumptions about the future are made such as discount rate, mortality rates, salary levels, inflation, and expected return on assets (note 19). Actual experience may differ from these assumptions resulting in actuarial gains or losses recognized in other comprehensive income of subsequent periods.

6. Cash and cash equivalents:

		2022		2021
Measured at FVTPL:				
Bid deposits - original maturities < 91 days	$	64,569	$	187,038
Measured at amortized cost:				
Cash		30,109		42,707
Fixed income investments - original maturities < 91 days		1,416		58,064
	$	96,094	$	287,809

Cash measured at amortized cost includes balances in cash reserve accounts of $2,608 (2021 - $2,635) (note 8(d)).

7. Investments:

		2022		2021
Measured at FVTPL:				
Bid deposits - original maturities > 90 days	$	-	$	100,037
Central 1 shares		1,969		2,266
Preferred shares		12,528		4,130
Other investments in equity instruments		1,690		1,023
Fixed investment investments – original maturities > 90 days		13,195		-
Measured at amortized cost:				
Principal and interest reinvestment accounts (note 8(c))		44,328		114,844
Sub note - junior note		567		1,355
Measured at FVOCI:				
Fixed income liquidity investments – original maturities > 90 days		607,703		611,067
	$	681,980	$	834,722

8. Loans and leases receivable:

(a) Loans:

	2022	2021
Personal mortgages at amortized cost	$ 3,404,607	$ 3,076,935
Personal loans at amortized cost	323,953	349,484
Personal loans at FVTPL	19,767	32,194
Total personal mortgages and loans	3,748,327	3,458,613
Business mortgages at amortized cost	1,359,906	1,334,808
Business loans at amortized cost	626,314	499,665
Total business mortgages and loans	1,986,220	1,834,473
Accrued interest receivable	11,877	7,285
Deferred fees	1,037	(3,154)
Allowance for impairment losses on loans	(10,447)	(10,035)
	$ 5,737,014	$ 5,287,182

Personal mortgages include mortgages which have been securitized for inclusion in the National Housing Act (“NHA”) Mortgage-Backed Securities program and the Canada Mortgage Bond (“CMB”) Program and remain recognized in the consolidated statement of financial position as the securitization transactions did not meet the criteria for derecognition of the financial assets (note 8(c)). At December 31, 2022, the carrying amounts of personal mortgages recognized in the consolidated statement of financial position underlying the issued mortgage-backed securities were $281,989 (2021 - $243,948).

(b) Leases receivable:

	2022	2021
Vehicle leases receivable	$ 297,563	$ 197,958
Equipment leases receivable	54,878	49,920
	352,441	247,878
Deferred fees	3,451	1,491
Allowance for impairment losses on leases receivable	(2,241)	(1,134)
	$ 353,651	$ 248,235

At December 31, 2022, vehicles and equipment collateral which have been repossessed by the credit union amounted to $472 (2021 - $800). These assets are measured at the lower of their carrying amounts and fair value less costs to sell and are included in other assets (note 17) in the consolidated statement of financial position.

At December 31, 2022, equipment leases receivable included $12,290 (2021 - $29,963) of leases receivable which have been securitized and remain recognized in the consolidated statement of financial position as the securitization transactions did not meet the criteria for derecognition of the financial assets (note 8(d)).

8. Loans and leases receivable (continued):

(b) Leases receivable (continued):

The table below sets out the credit union's investment in leases and the present value of the minimum lease payments receivable at December 31, for each of the following periods, and a reconciliation between the two amounts at December 31:

	2022	2021
Gross investment in leases receivable:		
Not later than 1 year	$ 97,328	$ 93,284
Later than 1 year and not later than 5 years	297,419	177,979
Later than 5 years	999	146
	395,746	271,409
Unearned finance income	(43,305)	(23,531)
	$ 352,441	$ 247,878
Present value of minimum lease payments receivable:		
Not later than 1 year	$ 92,624	$ 89,607
Later than 1 year and not later than 5 years	258,852	158,131
Later than 5 years	965	140
	$ 352,441	$ 247,878

(c) Loans securitized:

Periodically, the credit union securitizes personal mortgages primarily to obtain diverse, low cost funding and to manage interest rate risk. Securitization involves selling loans to special purpose vehicles or trusts (securitization vehicles), which buy the loans and in turn, issue interest bearing securities to investors at specified interest rates.

Securitization contracts are assessed to determine whether the transfers of financial assets would result in all or a portion of the transferred mortgage receivables being derecognized from the consolidated statement of financial position.

The derecognition criteria is met when the credit union transfers its contractual rights to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership of the financial assets, including credit risk, prepayment risk and interest rate risk.

8. Loans and leases receivable (continued):

(c) Loans securitized (continued):

At December 31, 2022 and 2021, none of the credit union's mortgage receivables that have been securitized qualified for derecognition as the credit union retained substantially all the risks and rewards of ownership of the transferred financial assets. At December 31, 2022 and 2021, the credit union had no right or obligation to repurchase any of the mortgage receivables that have been securitized and sold.

Contracts with the securitization vehicles provide for the payment to the credit union over time of the excess of the sum of interest and fees collected from the underlying borrowers, in connection with the mortgage receivables sold, over the yield paid to investors by the securitization vehicle.

Mortgage-Backed Securities ("MBS") and the CMB Program:

The credit union is an approved issuer of MBS. MBS are sold directly to third parties and amortize on the same basis as the underlying mortgages.

In addition, MBS can also be sold into the CMB program. Direct participation in the CMB program involves selling MBS to the Canada Housing Trust, a special purpose vehicle, which in turn issues Canada Mortgage Bonds to third party investors. Canada Housing Trust uses the proceeds of CMB issuances to fund the purchase of MBS from the credit union and other approved issuers of MBS.

Transfers of financial assets by the credit union, either directly by selling MBS to third parties or by transferring MBS under the CMB program, do not qualify for derecognition principally due to the credit union retaining risks associated with the transferred mortgages. As such, these transactions are accounted for as financing activities resulting in the recognition of securitization liabilities and are presented as securitization debt obligations in the consolidated statement of financial position. The proceeds received are subsequently measured at amortized cost.

8. Loans and leases receivable (continued):

(c) Loans securitized (continued):

Mortgage-Backed Securities ("MBS") and the CMB Program (continued):

The securitization debt obligations are limited recourse liabilities. Securitization liabilities recognized upon sale of MBS directly to third parties amortize on the same basis as the underlying mortgages. Securitization liabilities recognized upon transfers of MBS under the CMB program are mostly non-amortizing and are repaid in full on the final maturity date of the Canada Mortgage Bonds. Interest payments on MBS sold directly to third parties are made monthly. Under the CMB program, interest payments to the bond holders are made semi-annually. Under the CMB program, collections of principal and interest on the underlying mortgages are retained in principal and interest reinvestment accounts. The balances in these accounts are reinvested to ensure there are sufficient funds available to service the interest coupon on the securitization liabilities and the eventual settlement of the liabilities on maturity of the Canada Mortgage Bonds, which is typically at the end of five years. At December 31, 2022, the total balance of the principal and interest reinvestment accounts related to the CMB program recognized in the consolidated statement of financial position was $44,328 (2021 - $114,844) (note 7).

At December 31, 2022, the balance of mortgage receivables underlying the MBS that have been sold directly to third parties or transferred directly under the CMB Program was $281,989 (2021 - $243,948) (note 8(a)). At December 31, 2022, $12,052 (2021 - $17,631) of mortgage receivables had been utilized to create an MBS but had not been sold to third parties or transferred under the CMB program.

The table below is a continuity schedule showing the change in the carrying amount of mortgage receivables, during the year ended December 31, that are underlying the issued MBS that have been sold to third parties and the CMB program.

	2022	2021
Balance at January 1	$ 243,948	$ 526,798
Securitizations – new	153,608	45,210
Amortization	(8,929)	(13,449)
Prepayments and liquidations	(70,505)	(243,409)
Maturities	(36,133)	(71,202)
Balance at December 31	$ 281,989	$ 243,948

At December 31, 2022, the balance of the securitization debt obligations related to these securitized mortgage receivables was $297,236 (2021 - $339,693).

8. Loans and leases receivable (continued):

(c) Loans securitized (continued):

Mortgage-Backed Securities ("MBS") and the CMB Program (continued):

The table below is a continuity schedule showing the change during the year ended December 31 in the carrying amounts of the securitization debt obligations relating to MBS sold to third parties or transferred under the CMB program.

	2022	2021
Balance at January 1	$ 339,693	$ 743,133
Net cash changes	(35,256)	(408,490)
Other	(7,201)	5,050
Balance at December 31	$ 297,236	$ 339,693

The table below summarizes the carrying amounts of the mortgage receivables securitized and sold and the reinvestment accounts along with the associated securitized debt obligations, for MBS sold directly to third parties or transferred under the CMB Program. None of these securitization transactions qualified for derecognition.

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Mortgage receivables/ securitized debt obligations	$ 281,989	$ 297,192	$ 243,948	$ 339,560
Principal and interest reinvestment accounts	44,328	-	114,844	-
Accrued interest	-	44	-	133
	$ 326,317	$ 297,236	$ 358,792	$ 339,693

(d) Leases receivable securitized:

The credit union securitizes leases receivable to manage funding and interest rate risk. Leases receivable are securitized through Mercado Financing Ltd., a special purpose vehicle wholly-owned by Mercado Capital Corporation. Under this structure, the trust that acquires the leases receivable has no recourse to any other assets of the credit union. Similarly, Mercado Financing Ltd.'s assets are not available to satisfy any claims of creditors of the credit union.

Securitized leases receivable do not qualify for derecognition principally due to the credit union retaining significant exposure to credit and prepayment risks associated with the transferred leases receivable. As such, these transactions are accounted for as financing activities and result in the recognition of securitization debt obligations for the securitization proceeds received which are subsequently measured at amortized cost.

8. Loans and leases receivable (continued):

(d) Leases receivable securitized (continued):

During 2022, the credit union did not enter into a new securitization of leases receivable (2021 - $7,025). The balance of leases receivable recognized in the consolidated statement of financial position that have been securitized at December 31, 2022 was $12,290 (2021 - $29,963). At December 31, 2022, the securitization debt obligations relating to leases receivable securitized were $12,508 (2021 - $29,982).

The table below is a continuity schedule showing the change during the year ended December 31, 2022 in the carrying amounts of the securitization debt obligations relating to leases receivable securitized that did not qualify for derecognition.

	2022	2021
Balance at January 1	$ 29,982	$ 48,345
Net cash changes	(17,472)	(18,269)
Other	(2)	(94)
Balance at December 31	$ 12,508	$ 29,982

Securitization debt obligations associated with leases receivable securitized are limited recourse liabilities. The special purpose vehicles or trusts have recourse against the cash flows on the securitized leases receivable. In addition, the credit union funds a cash reserve account. Credit losses on leases receivable are applied against the cash reserve account. The balance of the cash reserve account is returned to the credit union as the securitized assets amortize. The balance of the cash reserve account is included in cash and cash equivalents in the consolidated statement of financial position. At December 31, 2022, the balance of the cash reserve account was $2,608 (2021 - $2,635) (note 6).

9. Members' deposits:

	2022	2021
Demand deposits	$ 2,395,660	$ 2,748,316
Term deposits	3,190,022	2,604,431
Registered savings plans	449,936	475,838
Member shares	582	585
Accrued interest payable	34,062	17,010
	$ 6,070,262	$ 5,846,180

The number of member shares issued at December 31, 2022 was 581,765 (2021 - 584,580). Each member is required to hold a total of five shares with a par value of $1 per share. These shares entitle the holder to membership in the credit union, access to the products and services offered and to other member entitlements. Member shares do not earn interest or share in the earnings of the credit union and are redeemed at par upon termination of membership.

10. Borrowings:

As at December 31, 2022, the credit union had three approved credit facilities totaling $522,000 (2021 - $558,000).

The first, with Central 1, is secured by a general charge over the assets of the credit union. There were no outstanding amounts at December 31, 2022 and 2021. The credit union also has credit facilities with other financial institutions, where security in the amount of $174,809 (2021 - $141,931) has been provided by a first charge against specific insured personal mortgages which are in priority position in relation to the general charge of Central 1. All borrowings are repayable within 12 months.

During the year ended December 31, 2022, the credit union drew a maximum of $194,000 on its credit facilities (2021 – nil). At December 31, 2022 the credit union had a total amount outstanding under credit facilities with other financial institutions of $50,000 (2021 - nil) with a weighted average rate of 5.15%. The interest rate has a variable component based on CDOR plus a fixed spread. The borrowings have a short-term contract of 30 days, after which the credit union can repay the borrowings or renew for another term. $35,000 of borrowings matured on January 16, 2023 and $15,000 matured on January 30, 2023. Both have been renewed for an additional term.

11. Derivatives:

The table below presents the fair value and notional amounts of the credit union's derivatives which consist solely of interest rate swaps at December 31:

	2022 Notional Amount	2022 Fair value	2021 Notional Amount	2021 Fair value
Pay fixed – derivative assets	$ 60,000	$ 2,120	$ 40,000	$ 260
Receive fixed – derivative assets	25,000	170	-	-
Total derivative assets	$ 85,000	$ 2,290	$ 40,000	$ 260
Pay fixed – derivative liabilities	$ -	$ -	$ 20,000	$ (59)
Receive fixed – derivative liabilities	150,000	(7,110)	50,000	(840)
Total derivative liabilities	$ 150,000	$ (7,110)	$ 70,000	$ (899)

Interest rate swaps are transactions in which two parties exchange interest cash flows on a specified notional amount for a predetermined period, based on an agreed upon fixed rate and an agreed upon index for the floating rates. Notional amounts are the contract amounts used to calculate the cash flow and are not exchanged; they do not represent credit or market risk exposure. The credit union manages credit risk by dealing with counterparties with a minimum credit rating of "A" and setting specific limits for investments with those counterparties.

The credit union is subject to an enforceable master netting arrangement in the form of an International Swaps and Derivatives Association ("ISDA") agreement with a derivative counterparty. Under the terms of that agreement, offsetting of derivative contracts is permitted only

11. Derivatives (continued):

in the event of bankruptcy or default of either party to the agreement. No amounts are offset and presented net on the consolidated statement of financial position. From time to time, the credit union enters into derivative transactions to economically hedge certain business strategies that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement. During the year ended December 31, 2022, a loss of $1,080 (2021 - gain of $48) was recorded in unrealized gains (losses) on financial instruments (note 22).

(a) Cash flow hedges:

Cash flow hedges are a type of hedging relationship used to modify exposure to variability in cash flows for variable rate interest-bearing instruments. The credit union holds a portfolio of loans at variable interest rates in the form of home equity line of credits (“HELOCs”). These HELOCs are subject to financial risks including credit, prepayment and market risk which includes interest rate risk. The credit union enters into interest rate swap transactions and designates them into a hedging relationship with the interest rate swap being the hedging instrument and the HELOCs being the hedged item. The objective of the cash flow hedge is to minimize volatility in net income and to reduce exposure to the interest rate risk impacting the cash flow of the variable rate HELOCs. HELOCs are recorded in loans on the statement of financial position.

To meet hedge effectiveness requirements, the credit union must demonstrate that there is an economic relationship between the hedged item and the hedging instrument. It is demonstrated that an economic relationship exists if there is a high historical correlation of movements in the underlying benchmark rate of the swap and the hedged benchmark rate. Therefore, the credit union has the expectation that the value of the hedging item and the value of the hedged item will systematically change in response to movements in the underlying benchmark rate. The credit union hedges the same amount of the hedged item with the same amount of hedge notional, thereby the hedge ratio is 1:1. The sources of ineffectiveness include:

- movements in the credit union’s or the hedging counterparty’s credit spread; and
- differences in notional values and the payment and reset frequency between the hedged item and the hedging instrument.

11. Derivatives (continued):

(a) Cash flow hedges (continued):

The following table contains information on the credit union's cash flow hedges used to manage interest rate risk. The amounts related to items designated as hedging instruments, excluding accrued interest, and hedge ineffectiveness as at December 31, 2022 as follows:

	2022	2021
Carrying amount of hedging instruments:		
Carrying amount – derivative assets	193	-
Carrying amount – derivative liabilities	(3,014)	-
Hedge effectiveness:		
Decrease in the fair value of the hedging instrument used for calculating effectiveness	2,821	-
Decrease in the fair value of the hedging instrument recognized in OCI	2,774	-
Ineffective portion recorded in interest expense	47	-

The hedging instruments of the credit union's cash flow hedges as at December 31, 2022 had the following notional amounts, average interest rates, and expected maturities:

	Less than one year	One to five years	More than five years
Notional amounts – receive fixed	$ -	$ 125,000	$ -
Average fixed interest rate	-	3.16%	-

12. Financial instruments:

(a) Financial assets and financial liabilities by category:

The following tables summarize the credit union's financial assets and financial liabilities by category at December 31, excluding leases receivable which are measured at the credit union's net investment in leases.

2022	Measured at amortized cost	Measured at FVTPL	Measured at FVOCI	Total
Cash and cash equivalents	$ 31,525	$ 64,569	$ -	$ 96,094
Investments	44,895	29,382	607,703	681,980
Loans	5,717,247	19,767	-	5,737,014
Derivative assets	-	2,290	-	2,290
Borrowings	(50,000)	-	-	(50,000)
Members' deposits	(6,070,262)	-	-	(6,070,262)
Accounts payable and accrued liabilities	(27,379)	-	-	(27,379)
Securitization debt obligations	(309,744)	-	-	(309,744)
Derivative liabilities	-	(7,110)	-	(7,110)
Lease liabilities	(33,909)	-	-	(33,909)
	$ (697,627)	$ 108,898	$ 607,703	$ 18,974

2021	Measured at amortized cost	Measured at FVTPL	Measured at FVOCI	Total
Cash and cash equivalents	$ 100,771	$ 187,038	$ -	$ 287,809
Investments	116,199	107,456	611,067	834,722
Loans	5,254,988	32,194	-	5,287,182
Derivative assets	-	260	-	260
Members' deposits	(5,846,180)	-	-	(5,846,180)
Accounts payable and accrued liabilities	(49,172)	-	-	(49,172)
Securitization debt obligations	(369,675)	-	-	(369,675)
Derivative liabilities	-	(899)	-	(899)
Lease liabilities	(38,616)	-	-	(38,616)
	$ (831,685)	$ 326,049	$ 611,067	$ 105,431

(b) Fair value information:

The fair value hierarchy established under IFRS categorizes inputs to valuation techniques used to measure fair value into three levels as follows:

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

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The following table sets out the fair values of the credit union's financial assets and financial liabilities recognized in the statement of financial position at December 31, and the levels of the fair value hierarchy within which the fair value measurements are categorized, as compared to the carrying amounts:

12. Financial instruments (continued):

(b) Fair value information (continued):

2022	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
Financial assets:					
Measured at FVTPL:					
Cash equivalents	$ -	$ 64,569	$ -	$ 64,569	$ 64,569
Investments	12,528	16,854	-	29,382	29,382
Loans	-	-	19,767	19,767	19,767
Derivative assets	-	2,290	-	2,290	2,290
Measured at FVOCI:					
Investments	-	607,703	-	607,703	607,703
Measured at amortized cost:					
Cash and cash equivalents	30,109	1,416	-	31,525	31,525
Investments	-	45,235	-	45,235	44,895
Loans	-	5,508,711	-	5,508,711	5,717,247
Leases receivable	-	345,199	-	345,199	353,651
	$ 42,637	$ 6,591,977	$ 19,767	$ 6,654,381	$ 6,871,029
Financial liabilities:					
Measured at FVTPL:					
Derivative liabilities	$ -	$ 7,110	$ -	$ 7,110	$ 7,110
Measured at amortized cost:					
Borrowings	-	50,000	-	50,000	50,000
Members' deposits	-	5,743,240	-	5,743,240	6,070,262
Accounts payable and accrued liabilities	-	27,379	-	27,379	27,379
Securitization debt obligations	-	292,119	-	292,119	309,744
	$ -	$ 6,119,848	$ -	$ 6,119,848	$ 6,464,495

12. Financial instruments (continued):

(b) Fair value information (continued):

2021	Fair value Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets:					
Measured at FVTPL:					
Cash equivalents	$ -	$ 187,038	$ -	$ 187,038	$ 187,038
Investments	4,130	103,326	-	107,456	107,456
Loans	-	-	32,194	32,194	32,194
Derivative assets	-	260	-	260	260
Measured at FVOCI:					
Investments	-	611,067	-	611,067	611,067
Measured at amortized cost:					
Cash and cash equivalents	42,707	58,064	-	100,771	100,771
Investments	-	118,101	-	118,101	116,199
Loans	-	5,261,467	-	5,261,467	5,254,988
Leases receivable	-	249,294	-	249,294	248,235
	$ 46,837	$ 6,588,617	$ 32,194	$ 6,667,648	$ 6,658,208
Financial liabilities:					
Measured at FVTPL:					
Derivative liabilities	$ -	$ 899	$ -	$ 899	$ 899
Measured at amortized cost:					
Members' deposits	-	5,774,813	-	5,774,813	5,846,180
Accounts payable and accrued liabilities	-	49,172	-	49,172	49,172
Securitization debt obligations	-	369,998	-	369,998	369,675
	$ -	$ 6,194,882	$ -	$ 6,194,882	$ 6,265,926

During the years ended December 31, 2022 and 2021, there were no transfers between the levels of fair value hierarchy.

Valuation methodologies:

Fair values for financial assets are determined based on quoted market prices ("Level 1") when available. When a financial asset is not quoted in an active market, fair value is determined using quoted prices for similar instruments, other third party evidence or valuation techniques, including discounted future cash flows, that estimate the price at which an orderly transaction to sell the financial asset would take place between market participants at the measurement date under current market conditions. When using valuation techniques, the credit union maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The carrying amounts of cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of the financial assets.

12. Financial instruments (continued):

(b) Fair value information (continued):

Valuation methodologies (continued):

The fair values of loans (other than loans carried at fair value), leases receivable and members' deposits with fixed maturity dates are measured as the present value of future cash flows at current market interest rates offered for financial instruments with similar terms and risks ("Level 2"). Other inputs to the valuation model for measuring fair values of loans and leases receivable include scheduled loan amortization rates and estimated prepayment rates.

The fair values of securitization debt obligations are estimated based on the present value of the future cash flows, discounted using the credit union's current rate of borrowing ("Level 2").

The fair value of derivative financial instruments is determined by using quoted market benchmark rates from an independent source. The valuation method used includes discounted cash flows on the remaining contractual life of a derivative instrument, and valuation models that use observable market data ("Level 2").

The fair values of the preferred share investments are based on quoted market prices ("Level 1"). The fair values of investments that are considered "Level 2" include the following:

- the fair values of investments in bid deposits, principal and interest reinvestment accounts and sub note - junior notes are estimated based on the present value of future cash flows, discounted using current market interest rates for investments with similar risks and maturity dates ("Level 2").
- the fair values of fixed income liquidity investments are valued using discounted cash flows and valuation models that use observable market data such as yield or broker quotes ("Level 2").
- the fair value of investments in Central 1 Class A and Class F shares are based on the redemption amount ("Level 2"), which is equal to par.
- the fair value of investments in Central 1 Class E shares is estimated based on their cost, unless redemption is likely, in which case the fair value equals the redemption amount ("Level 2"). As permitted by IFRS 9, the cost of Central 1 Class E shares is considered an appropriate estimate of the fair value when there is insufficient more recent information available to measure fair value.
- as permitted by IFRS 9 in limited circumstances, the costs of investments in equity securities of other financial service providers are considered appropriate estimates of the fair values ("Level 2") due to insufficient more recent information available to measure fair value.

12. Financial instruments (continued):

(b) Fair value information (continued):

Valuation methodologies (continued):

Included in loans is a portfolio of personal loans held at fair value. Fair value is calculated using a valuation model that considers the present value of the expected net cash flows to be generated from the loan portfolio, taking into account the risk free rate, loss given default, credit spread and prepayment rates.

The following table reconciles the credit union's Level 3 fair value measurement of the loan portfolio from opening balance to closing balance at December 31:

	2022	2021
Balance at January 1	$ 32,194	$ 49,369
Principal payments received	(10,625)	(14,161)
Current year write off experience	(548)	(912)
Current year recoveries	463	470
Change in fair value estimate	(1,717)	(2,572)
Balance at December 31	$ 19,767	$ 32,194

13. Financial risks and risk management:

The nature of Prospera's business activities results in a consolidated statement of financial position that consists primarily of financial instruments. The types of risks arising from these financial instruments to which the credit union is exposed and the credit union's objectives, policies and processes for managing the risks and the methods used to measure the risks are described below.

(a) Credit risk:

Credit risk is the risk of financial loss for the credit union resulting from a borrower's or lessee's inability to repay or from the inability of a counterparty to a financial instrument to complete or fulfill financial obligations to the credit union. Credit risk arises principally from loans, leases receivable and investments. There is also credit risk in cash and cash equivalents, unfunded loan and lease receivable commitments, interest rate swaps, and letters of credit.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Credit risk management:

Management of credit risk is an integral part of the credit union's activities and is managed in accordance with lending and investment policies approved by the Board of Directors.

These policies identify authorized loans, leases receivable and investment types, limit asset concentrations, stipulate credit evaluation standards and delegate approval authorities. Management policies have also been implemented including evaluating a member's ability to repay a loan when it is originally granted and subsequently renewed and regularly monitoring member information such as delinquent and over-limit amounts. Management carefully monitors and manages the credit union's exposure to credit risk by a combination of methods. The overall management of credit risk is centralized in the Management Credit Committee, which reports to the Board's Risk, Investment and Loan Committee, which in turn reports to the Board of Directors. The Risk, Investment and Loan Committee and the Board of Directors are responsible for approving and monitoring the credit union's tolerance for credit exposures which is done through review and approval of the credit union's lending policies and through the monitoring of limits on credit exposures to individual members and across sectors.

As part of its established policies, the credit union employs a range of practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced. The credit union's investment and lending policies impose guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral types for loans and leases receivable are:

- mortgages over residential and commercial properties;
- charges over vehicles, other property, or over business assets such as equipment, inventory, accounts receivable and other assets; and
- charges over financial instruments such as deposits or other securities.
- Credit risk arises from investments held by the credit union to meet regulatory and internal liquidity requirements and for general business purposes. This aspect of credit risk is principally managed by Treasury which reports to the ALCO, which in turn reports to the Risk, Investment and Loan Committee. These investments are limited to approved, reputable counterparties that are monitored on an ongoing basis to ensure that an appropriate risk-return profile is maintained in keeping with the credit union's policies. There are also limits on concentrations of individual asset types to ensure that the portfolio is well diversified.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Inputs and assumptions for measuring expected credit losses:

(ii) Significant increase in credit risk:

A SICR is considered to have occurred when the remaining lifetime probability of default of a financial asset has increased significantly since initial recognition.

For personal loans and personal leases receivable, SICR is assessed based on the movements in credit scores since initial recognition. For business loans, SICR is assessed based on movements in internal risk ratings assigned to each financial asset since initial recognition. For business leases receivable, SICR is assessed based on whether there have been one or more missed payments since initial recognition.

For all loans and leases receivable, a SICR is considered to have occurred when the financial assets are more than 30 days past maturity and outstanding. The credit union also employs qualitative measures to identify loans and leases that have significantly deteriorated in credit quality.

For cash and cash equivalents and investments measured at amortized cost and investments in debt instruments measured at FVOCI, SICR is assessed based on deterioration in the external credit ratings of the financial instruments' counterparties from investment grade to non-investment grade.

(*ii*) Calculating expected credit losses:

As permitted by IFRS 9, the loss allowance for Stage 1 and Stage 2 loans and leases receivable is assessed and measured on a collective basis in groups of financial assets that share credit risk characteristics. For this purpose, the credit union has grouped its financial assets into segments on the basis of shared credit risk characteristics.

Where modeling is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- line of business (personal banking, business banking, personal leasing, and business leasing);
- credit risk ratings, which are based on ranges of similar credit scores (personal loans and leases receivable), internal risk ratings (business loans), or payment history (business leases receivable);
- collateral type;
- insured status; and
- similar expected prepayment rates or draw down rates.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Inputs and assumptions for measuring expected credit losses (continued):

(*ii*) Calculating expected credit losses (continued):

Probability of default:

The 12-month ECL for Stage 1 assets and lifetime ECL for Stage 2 assets are calculated using the 12-month PD and lifetime PD, respectively and are determined as follows:

- personal banking and personal leasing assets – based on credit scores, and the credit union's average historical annual default rate for the relevant PD segment.
- Business banking assets – based on the current internal risk ratings assigned to the assets and the historical bond default rates provided by Moody's Investors Service Inc. ("Moody's"), mapped to the relevant PD segment.
- business leasing assets - based on the number of missed payments for the assets and the credit union's average historical annual default rate for the relevant PD segment.

The lifetime PD for all loans and leases receivable are calculated based on the 12-month PD for the assets and the expected remaining life of the assets, assuming a constant default rate during the lifetime of the assets.

Loss given default:

The LGD reflects the credit union's estimate of cash shortfalls in the event of default. LGD is primarily estimated based on the current collateral values of the financial assets discounted for the time to obtain and collect on the collateral upon default, the estimated costs to obtain and collect on the collateral, and the current book value of the financial asset. Current collateral values are primarily based on external market evidence at the reporting date (e.g., property valuations from Landcor Data Corporation and vehicle valuations from Canadian Black Book). When external market evidence is not available, the current collateral value is based on the appraised value of the collateral at origination or estimated based on the initial capital costs.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Inputs and assumptions for measuring expected credit losses (continued):

(*ii*) Calculating expected credit losses (continued):

Forward-looking information and macroeconomic factors:

The forward-looking component represents management's estimate of the impacts on the ECL of forward-looking information and forecasts of macroeconomic conditions to the credit union's ECL. These macroeconomic factors are based on the credit risk management assessments and are consistent with industry guidelines on typical factors that are relevant to different types of lending products. Management makes forecasts of multiple forward looking and macroeconomic scenarios (base, upside and downside) and their estimated impacts to the ECL. Multiple scenarios are forecasted to ensure that estimates of ECL are unbiased.

The key forward-looking and macroeconomic factors considered in determining the forward-looking inputs to the ECL calculation at December 31, 2022 and December 31, 2021 were GDP, interest rates, house pricing index, unemployment rate, and housing starts.

The primary macroeconomic variables used to estimate ECL are as follows:

Forward-looking information	Next 12 months	Remaining forecast period
GDP[1]	(0.10%) to 1.90%	1.10% to 2.10%
Interest rates - overnight rate	4.50%	3.00%
House pricing index change[2]	(9.50%)	0.70%
Unemployment rate[1]	5.50% to 7.20%	5.60% to 7.50%
Housing starts[2]	(17.78%)	4.32%

[1] Range includes various provinces in which loans and leases receivable are located
[2] Data used is specific to the province of British Columbia

Exposure at default:

The EAD is an estimate of a loan or lease receivable exposure amount at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and payments of interest, prepayments, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan or lease receivable. Expected prepayments (partial or full) prior to maturity is estimated on a portfolio basis.

For lines of credit and multi-advance business loans that allow borrowers to draw down on the loans over time to coincide with construction progress, the EAD is determined based on the credit union's expectations of drawdowns and repayments on the outstanding loan commitments on a portfolio basis.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Inputs and assumptions for measuring expected credit losses (continued):

(ii) Calculating expected credit losses (continued):

Time value of money:

The 12-month and lifetime ECL at the reporting date represent the present value of the expected cash shortfalls resulting from the probability of defaults occurring over the relevant period after the reporting date. The cash shortfalls have been discounted to the reporting date using the effective interest rate of the underlying loans and leases receivable.

Credit-impaired financial assets:

When identifying loans and leases receivable that are credit-impaired for which the loss allowance for ECL is calculated individually, the credit union determines whether indicators of a borrower's unlikeliness to pay exist. Evidence that a financial asset of the credit union is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the credit union, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the credit union would not otherwise consider; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The credit union applies the following quantitative thresholds for identifying loans and leases receivable that are credit-impaired:

- business loans or leases receivable risk rated poor;
- loans or leases receivable that are 90 or more days past due or classified as non-performing loans or recovery loans (lines of credit); and
- loans or leases receivable that are 90 or more days past maturity and outstanding.

Cash and cash equivalents and investments:

The credit union is required to recognize a loss allowance on cash and cash equivalents and investments measured at amortized cost, and investments measured at FVOCI, at each reporting date. The 12-month ECL for Stage 1 financial assets and lifetime ECL for Stage 2 financial assets are based on external credit ratings of the financial instruments' counterparties and historical PD data provided by Moody's. As of December 31, 2022, there is no loss allowance recognized for these assets (2021 - nil).

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Allowance for credit losses:

The following tables show reconciliations from the opening balance to the closing balance of the credit union's ECL allowance on loans and leases receivable, by class of financial asset and stage. The credit union segmented its financial assets into four segments representing shared credit risk characteristics defined as Personal loans and Business loans, representing all mortgages and loans, and Personal leases and Business leases, representing vehicle and equipment leases.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Balance at January 1	$ 115	$ 241	$ 473	$ 829
Change in provision	10	182	86	278
Balance at December 31	$ 125	$ 423	$ 559	$ 1,107
Business loans:				
Balance at January 1	$ 3,299	$ 5,249	$ 658	$ 9,206
Change in provision	814	(1,494)	814	134
Balance at December 31	$ 4,113	$ 3,755	$ 1,472	$ 9,340
Personal leases:				
Balance at January 1	$ 75	$ 102	$ 20	$ 197
Change in provision	52	197	38	287
Balance at December 31	$ 127	$ 299	$ 58	$ 484
Business leases:				
Balance at January 1	$ 598	$ 297	$ 42	$ 937
Change in provision	665	(19)	174	820
Balance at December 31	$ 1,263	$ 278	$ 216	$ 1,757
Total balance at January 1	$ 4,087	$ 5,889	$ 1,193	$ 11,169
Total change in provision	1,541	(1,134)	1,112	1,519
Total balance at December 31	$ 5,628	$ 4,755	$ 2,305	$ 12,688

There were no significant changes to ECL due to changes in gross carrying amounts during the year.

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Allowance for credit losses (continued):

	2021			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Balance at January 1	$ 179	$ 426	$ 464	$ 1,069
Change in provision	(64)	(185)	9	(240)
Balance at December 31	$ 115	$ 241	$ 473	$ 829
Business loans:				
Balance at January 1	$ 3,019	$ 6,478	$ 792	$ 10,289
Change in provision	280	(1,229)	(134)	(1,083)
Balance at December 31	$ 3,299	$ 5,249	$ 658	$ 9,206
Personal leases:				
Balance at January 1	$ 111	$ 251	$ 54	$ 416
Change in provision	(36)	(149)	(34)	(219)
Balance at December 31	$ 75	$ 102	$ 20	$ 197
Business leases:				
Balance at January 1	$ 931	$ 1,052	$ 32	$ 2,015
Change in provision	(333)	(755)	10	(1,078)
Balance at December 31	$ 598	$ 297	$ 42	$ 937
Total balance at January 1	$ 4,240	$ 8,207	$ 1,342	$ 13,789
Total change in provision	(153)	(2,318)	(149)	(2,620)
Total balance at December 31	$ 4,087	$ 5,889	$ 1,193	$ 11,169

There were no significant changes to ECL due to changes in gross carrying amounts during the year.

The amounts recognized in the consolidated statement of income for impairment (losses) recoveries on financial assets during the years ended December 31 were as follows:

	2022	2021
(Increase) decrease in allowance for credit losses – loans	$ (412)	$ 1,323
(Increase) decrease in allowance for credit losses -leases receivable	(1,107)	1,297
Direct write-offs - loans	(417)	(212)
Direct write-offs - leases receivable	(31)	(19)
	$ (1,967)	$ 2,389

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Credit quality and credit risk exposures - loans and leases receivable:

The following tables set out information about the credit quality of the credit union's loans measured at amortized cost, leases receivable, letters of credit and other credit risk exposures, by stage at December 31, 2022 and December 31, 2021. The amounts in the table represent the gross values of the credit union's committed and undrawn exposures to credit risk.

2022	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Excellent	$ 2,769,041	$ 487,381	$ -	$ 3,256,422
Good	611,559	442,645	-	1,054,204
Fair	31,696	115,798	-	147,494
Poor	4,449	34,308	-	38,757
Impaired	-	-	11,136	11,136
	$ 3,416,745	$ 1,080,132	$ 11,136	$ 4,508,013
Business loans:				
Excellent	$ 81,849	$ -	$ -	$ 81,849
Satisfactory	1,370,283	145,082	-	1,515,365
Satisfactory on the watch list	254,513	156,385	-	410,898
Less than satisfactory	1,598	40,612	-	42,210
Impaired	-	-	34,913	34,913
	$ 1,708,243	$ 342,079	$ 34,913	$ 2,085,235
Personal leases:				
Excellent	$ 70,000	$ 14,636	$ -	$ 84,636
Good	21,204	20,790	-	41,994
Fair	1,267	4,995	-	6,262
Poor	-	2,115	-	2,115
Impaired	-	-	268	268
	$ 92,471	$ 42,536	$ 268	$ 135,275
Business leases:				
Excellent	$ 211,222	$ 1,393	$ -	$ 212,615
Good	-	2,824	-	2,824
Fair	-	285	-	285
Poor	-	778	-	778
Impaired	-	-	664	664
	$ 211,222	$ 5,280	$ 664	$ 217,166
Total	$ 5,428,681	$ 1,470,027	$ 46,981	$ 6,945,689

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Credit quality and credit risk exposures - loans and leases receivable (continued):

2021	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Excellent	$ 2,724,631	$ 254,457	$ -	$ 2,979,088
Good	676,352	309,196	-	985,548
Fair	46,818	86,834	-	133,652
Poor	9,414	30,547	-	39,961
Impaired	-	-	10,267	10,267
	$ 3,457,215	$ 681,034	$ 10,267	$ 4,148,516
Business loans:				
Excellent	$ 43,744	$ -	$ -	$ 43,744
Satisfactory	1,366,061	138,590	-	1,504,651
Satisfactory on the watch list	156,087	124,523	-	280,610
Less than satisfactory	2,438	90,352	-	92,790
Impaired	-	-	22,246	22,246
	$ 1,568,330	$ 353,465	$ 22,246	$ 1,944,041
Personal leases:				
Excellent	$ 48,683	$ 2,236	$ -	$ 50,919
Good	17,228	8,964	-	26,192
Fair	1,291	3,050	-	4,341
Poor	16	1,440	-	1,456
Impaired	-	-	239	239
	$ 67,218	$ 15,690	$ 239	$ 83,147
Business leases:				
Excellent	$ 156,790	$ 1,242	$ -	$ 158,032
Good	-	3,665	-	3,665
Fair	-	1,035	-	1,035
Poor	-	1,783	-	1,783
Impaired	-	-	216	216
	$ 156,790	$ 7,725	$ 216	$ 164,731
Total	$ 5,249,553	$ 1,057,914	$ 32,968	$ 6,340,435

Cash equivalents and investments in debt instruments:

At December 31, 2022, the carrying amount of cash equivalents and investments in debt instruments of $686,883 (2021 - $956,206) represents the credit union's maximum exposure to credit risk on these assets. The credit risk exposure on these assets is considered low as the majority of these assets are high quality investments with low risk counterparties. These assets are comprised of government securities, government guaranteed securities, or are rated between "BBB" and "AAA".

13. Financial risks and risk management (continued):

(a) Credit risk (continued):

Collateral held and other credit enhancements:

As part of its lending activities, the credit union takes security as collateral for loans and leases receivable. The credit union maintains guidelines on the acceptability of specific types of collateral. Management monitors the amount of exposure to limit any concentrations of risk and to ensure that the overall loans and leases receivable portfolios are diversified in keeping with the credit union's policies.

For undrawn commitments, the commitment to advance funds is contingent on the pledging of acceptable collateral, in keeping with the credit union's policies.

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.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from the impact that changes in interest rates may have on income and economic values due to the mismatch between positions that are subject to interest rate adjustments in a specified period. Interest rate risk results primarily from differences in the maturity dates or repricing dates of interest-bearing assets and liabilities. The credit union monitors interest rate risk inherent in the portfolio. It employs techniques, including maturity and repricing schedules and portfolio modeling to measure 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. Other types of interest rate risk may involve basis risk, which is the risk of loss arising from changes in the relationship of interest rates, which have similar but not identical characteristics (e.g., the difference between prime lending rates and savings deposit rates). As all premises lease contracts are at fixed rates, the credit union's lease liabilities are not subject to interest rate risk.

Net interest income may increase or decrease in response to changes in market interest rates. Accordingly, the credit union sets limits on the level of interest rate risk exposure. Interest rate risk is managed by Treasury and monitored by ALCO.

Income simulation is used to assess the credit union's interest rate exposure. Interest rate shock analysis involves measuring the impact of a change of 100 basis points or greater in interest rates. Income simulation and interest rate shock analysis are calculated monthly and reported to ALCO quarterly. At December 31, 2022, the credit union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest income by $2,206 (2021 - increase net interest income by $6,312) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest income by $2,696 (2021 - decrease net interest income by $2,474) over the next 12 months.

13. Financial risks and risk management (continued):

(b) Interest rate risk (continued):

Interest rate risk measurement:

The following tables summarize the carrying amounts of the credit union's financial assets and financial liabilities and resulting interest rate sensitivity based on the earlier of the contractual repricing or maturity dates (adjusted for prepayment assumptions):

2022	Effective rate	Within 3 months	3 to 12 months	1 year to 3 years	Over 3 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	2.94%	$ 96,094	$ -	$ -	$ -	$ -	$ 96,094
Investments	2.81%	211,427	191,487	237,677	41,316	73	681,980
Derivative assets	0.00%	-	-	-	-	2,290	2,290
Loans	4.50%	1,946,871	703,770	2,521,640	562,266	2,467	5,737,014
Leases receivable	5.88%	35,311	89,074	210,474	17,582	1,210	353,651
	4.38%	$ 2,289,703	$ 984,331	$ 2,969,791	$ 621,164	$ 6,040	$ 6,871,029
Liabilities							
Members' deposits	2.28%	$ 3,206,480	$ 2,174,440	$ 602,720	$ 51,978	$ 34,644	$ 6,070,262
Borrowings	5.14%	50,000	-	-	-	-	50,000
Securitization debt obligations	1.57%	16,216	69,155	192,448	36,961	(5,036)	309,744
Derivative liabilities	0.00%	-	-	-	-	7,110	7,110
Accounts payable and accrued liabilities	0.00%	-	-	-	-	27,379	27,379
	2.26%	$ 3,272,696	$ 2,243,595	$ 795,168	$ 88,939	$ 64,097	$ 6,464,495
Notional amount of derivatives:							
Pay fixed	1.29%	$ 60,000	$ (40,000)	$ (20,000)	$ -	$ -	$ -
Receive fixed	4.72%	(175,000)	-	125,000	50,000	-	-
Interest rate sensitivity gap	2.12%	$ (1,097,993)	$ (1,299,264)	$ 2,279,623	$ 582,225	$ (58,057)	$ 406,534

2021	Effective rate	Within 3 months	3 to 12 months	1 year to 3 years	Over 3 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	0.33%	$ 287,809	$ -	$ -	$ -	$ -	$ 287,809
Investments	1.59%	136,123	328,506	300,315	69,756	22	834,722
Derivative assets	0.00%	-	-	-	-	260	260
Loans	3.07%	1,819,166	894,494	1,922,127	657,300	(5,905)	5,287,182
Leases receivable	5.51%	31,867	78,687	129,691	7,631	359	248,235
	2.86%	$ 2,274,965	$ 1,301,687	$ 2,352,133	$ 734,687	$ (5,264)	$ 6,658,208
Liabilities							
Members' deposits	0.65%	$ 3,458,150	$ 1,694,774	$ 661,405	$ 14,256	$ 17,595	$ 5,846,180
Securitization debt obligations	1.71%	23,618	165,301	170,791	12,914	(2,949)	369,675
Derivative liabilities	0.00%	-	-	-	-	899	899
Accounts payable and accrued liabilities	0.00%	-	-	-	-	49,172	49,172
	0.71%	$ 3,481,768	$ 1,860,075	$ 832,196	$ 27,170	$ 64,717	$ 6,265,926
Notional amount of derivatives:							
Pay fixed	1.29%	$ (50,000)	$ -	$ 50,000	$ -	$ -	$ -
Receive fixed	0.49%	20,000	40,000	(60,000)	-	-	-
Interest rate sensitivity gap	2.15%	$ (1,236,803)	$ (518,388)	$ 1,509,937	$ 707,517	$ (69,982)	$ 392,281

13. Financial risks and risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result in the credit union being unable to meet financial obligations in a timely manner and at reasonable prices.

To mitigate this risk, the credit union is required by regulation to maintain sufficient levels of liquid assets. Required liquidity levels are expressed as a percentage of members' deposits, borrowings and the portion of securitization debt obligation relating to personal mortgages. The minimum liquidity levels required by regulation are 8% in 2022 (2021 - 8%). At December 31, 2022 and 2021, the credit union's liquidity exceeded the required level.

Liquidity is managed in accordance with a policy approved by the Board of Directors. It is the credit union's policy to maintain prudent levels of liquidity in relation to its members' deposits and other debt obligations, in order to retain customer confidence in the credit union and to enable the credit union to meet all financial obligations. This is achieved through management of loan portfolio growth in relation to deposit growth, asset securitizations, and asset-liability maturity management techniques. The credit union also maintains committed borrowing facilities that it can access to meet liquidity needs (note 10).

Management reviews forecasts of liquidity requirements on a monthly basis as part of its liquidity management program and ensures funding is available to meet cash requirements.

Liquidity risk measurement:

The table below sets out the contractual maturities of the credit union's financial liabilities which shows the undiscounted future cash flows contractually payable by the credit union:

2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Borrowings	$ 50,226	$ -	$ -	$ -	$ -	$ 50,226
Members' deposits	2,971,898	249,206	2,569,946	638,102	54,686	6,483,838
Securitization debt obligations	2,852	8,676	64,664	203,751	56,477	336,420
Accounts payable and accrued liabilities	27,379	-	-	-	-	27,379
Derivative liabilities	151	943	2,887	8,901	586	13,468
Total financial liabilities	$ 3,052,506	$ 258,825	$ 2,637,497	$ 850,754	$ 111,749	$ 6,911,331

2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Members' deposits	$ 3,072,451	$ 403,516	$ 1,718,886	$ 675,816	$ 21,210	$ 5,891,879
Securitization debt obligations	7,613	17,651	172,184	174,078	12,971	384,497
Accounts payable and accrued liabilities	49,172	-	-	-	-	49,172
Derivative liabilities	-	-	286	602	-	888
Total financial liabilities	$ 3,129,236	$ 421,167	$ 1,891,356	$ 850,496	$ 34,181	$ 6,326,436

13. Financial risks and risk management (continued):

(d) Equity price risk:

The credit union's investment portfolio includes equity investments. Fluctuations in the value of equity securities impact the recognition of both realized and unrealized gains and losses on equity investments. The credit union has policies in place to limit and monitor its exposure to individual issuers and classes of securities.

A 10% change in equity prices would have a $1,253 impact on net income for the year ended December 31, 2022 (2021 - $413). This analysis is based on the assumption that all equity investments increase/decrease in price while all other variables are held constant.

(e) Foreign exchange risk:

The credit union is subject to currency risk which arises on financial instruments that are denominated in a foreign currency. Foreign exchange risk is managed in accordance with a policy approved by the Board of Directors. The credit union's policy is to limit the maximum unhedged aggregate exposure to foreign currency to US$5,000. The foreign exchange exposure for the year ended December 31, 2022 is within the policy limit.

During the year ended December 31, 2022, the credit union recognized foreign exchange income of $1,125 (2021 - $1,023) included in unrealized gains (losses) on financial instruments and other income (losses) in the consolidated statement of income.

(f) Capital management:

Capital risk is the potential for adverse changes or an event that creates an inadequate or insufficient capital base required to support the credit union's strategic intent and/or regulatory requirements.

The FIA regulations prescribe the minimum required capital that must be held by the credit union. The level of capital required is based on the risk-weighted value of the assets held by the credit union. The prescribed minimum ratio of capital to risk-weighted assets is 8%, along with a requirement that at least 35% of its capital base consist of retained earnings. Capital is managed in accordance with a policy approved by the Board of Directors. It is the credit union's policy to maintain a prudent relationship between the capital base and the underlying risks of the business, in order to support business growth and expansion of services to members. Credit union policy requires that a capital ratio of 12.5% (2021 – 12.5%) be maintained.

Management regards a strong capital base as an integral part of the credit union's business strategy. The credit union's objectives for capital management include maintaining substantially all credit union capital in the form of retained earnings. The credit union maintains a capital plan to ensure that long-term capital requirements are met. All of the elements of capital are monitored throughout the year, and modifications of capital management strategies are made as appropriate.

At December 31, 2022 and 2021, the credit union's capital ratios were in compliance with the regulatory requirements and with the credit union's internal policy requirements.

14. Premises and equipment:

2022	Computer and ATM equipment	Furniture and equipment	Leasehold improvements	Land and building	Total
Cost					
Balance at January 1	$ 6,608	$ 16,345	$ 17,749	$ 3,450	$ 44,152
Additions	605	3,041	868	-	4,514
Disposals	(3,605)	(10,026)	(6,424)	(10)	(20,065)
Balance at December 31	$ 3,608	$ 9,360	$ 12,193	$ 3,440	$ 28,601
Accumulated depreciation					
Balance at January 1	$ 4,580	$ 12,630	$ 10,643	$ 207	$ 28,060
Depreciation	1,143	1,686	1,201	99	4,129
Disposals	(3,605)	(10,026)	(6,424)	(10)	(20,065)
Balance at December 31	$ 2,118	$ 4,290	$ 5,420	$ 296	$ 12,124
Carrying amounts					
December 31	$ 1,490	$ 5,070	$ 6,773	$ 3,144	$ 16,477

2021	Computer and ATM equipment	Furniture and equipment	Leasehold improvements	Land and building	Total
Cost					
Balance at January 1	$ 6,270	$ 15,868	$ 15,870	$ 3,450	$ 41,458
Additions	1,416	1,032	1,999	-	4,447
Disposals	(1,078)	(555)	(120)	-	(1,753)
Balance at December 31	$ 6,608	$ 16,345	$ 17,749	$ 3,450	$ 44,152
Accumulated depreciation					
Balance at January 1	$ 4,731	$ 11,300	$ 9,575	$ 104	$ 25,710
Depreciation	927	1,885	1,188	103	4,103
Disposals	(1,078)	(555)	(120)	-	(1,753)
Balance at December 31	$ 4,580	$ 12,630	$ 10,643	$ 207	$ 28,060
Carrying amounts					
December 31	$ 2,028	$ 3,715	$ 7,106	$ 3,243	$ 16,092

Depreciation of premises and equipment is recognized in the consolidated statement of income within occupancy and equipment expenses (note 26).

15. Right-of-use assets:

		2022		2021
Balance at January 1	$	35,856	$	36,760
Additions		2,128		6,674
Depreciation		(7,012)		(7,578)
Balance at December 31	$	30,972	$	35,856
At December 31:				
Cost	$	55,827	$	53,699
Accumulated depreciation		(24,855)		(17,843)
Carrying amount	$	30,972	$	35,856

Depreciation of right-of-use assets is recognized in the consolidated statement of income within occupancy and equipment expenses (note 26).

16. Intangible assets:

2022	Computer software licences	Other intangible assets	Core deposit intangibles	Total
Cost				
Balance at January 1	$ 3,206	$ 2,192	$ 3,503	$ 8,901
Additions	-	-	-	-
Disposals	(2,330)	-	(578)	(2,908)
Balance at December 31	$ 876	$ 2,192	$ 2,925	$ 5,993
Accumulated amortization				
Balance at January 1	$ 2,781	$ 2,192	$ 578	$ 5,551
Amortization and impairment	220	-	488	708
Disposals	(2,330)	-	(578)	(2,908)
Balance at December 31	$ 671	$ 2,192	$ 488	$ 3,351
Carrying amounts December 31	$ 205	$ -	$ 2,437	$ 2,642

16. Intangible assets:

2021	Computer software licences	Other intangible assets	Core deposit intangibles	Total
Cost				
Balance at January 1	$ 5,039	$2,192	$ 4,000	$ 11,231
Additions	164	-	-	164
Disposals	(1,997)	-	(497)	(2,494)
Balance at December 31	$ 3,206	$2,192	$ 3,503	$ 8,901
Accumulated amortization				
Balance at January 1	$ 4,411	$ 2,127	$ 497	$ 7,035
Amortization and impairment	367	65	578	1,010
Disposals	(1,997)	-	(497)	(2,494)
Balance at December 31	$ 2,781	$ 2,192	$ 578	$ 5,551
Carrying amounts				
December 31	$ 425	$ -	$ 2,925	$ 3,350

Amortization of intangible assets is recognized in the consolidated statement of income within general and administrative expenses (note 25).

17. Other assets:

	2022	2021
Repossessed property (note 8(b))	$ 472	$ 800
Accounts receivable	1,217	1,872
Prepaid expenses	5,661	4,365
	$ 7,350	$ 7,037

During the year ended December 31, 2022, the credit union recognized impairment losses of $190 (2021 - $520) on repossessed property, included in impairment losses (recoveries) on other assets in the consolidated statement of income. During the year ended December 31, 2022, the credit union recognized recoveries from repossessed property of $413 (2021 - $625), included in fee and commission income in the consolidated statement of income.

18. Lease liabilities:

2022	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,748	$ (900)	$ 6,848
Between one and five years	20,410	(1,880)	18,530
More than five years	8,930	(399)	8,531
Balance at December 31	$ 37,088	$ (3,179)	$ 33,909

2021	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,818	$ (1,024)	$ 6,794
Between one and five years	23,120	(2,306)	20,814
More than five years	11,672	(664)	11,008
Balance at December 31	$ 42,610	$ (3,994)	$ 38,616

19. Retirement benefit obligations:

Retirement benefit plans are provided to the credit union's employees through various defined contribution, defined benefit, supplemental retirement and multi-employer retirement benefit plans. Other post-retirement benefits including health care, dental benefits or cash alternatives are provided to eligible credit union employees upon or after retirement.

The credit union operates eight retirement benefit plans, five of which are funded by the credit union based on actuarially prescribed amounts and three are unfunded where benefits are paid by the credit union at the time of entitlement. The risk characteristics and assumptions are similar for all retirement benefit plans.

The credit union provides retirement benefits through three defined benefit retirement plans that serve a number of active, deferred, and retired employees but are closed to new entrants. These are the Prospera Employee Pension Plan (the "PEPP"), the BC Credit Union Employees Pension Plan 1.20% division (the "1.20% plan") and the Pension Plan for Former Employees of Fraser Valley Credit Union (the "FVPP"). Active participants in these defined retirement benefit plans continue to accrue benefits under the plans.

The credit union also operates a non-pension post-retirement benefits plan (the "PRBP") that provides benefits including health care and dental benefits to a small number of retired employees.

19. Retirement benefit obligations (continued):

Participation in the 1.75% division of the multi-employer plan serves a number of active, deferred and retired employees but is closed to new entrants. There is no retirement benefit obligation reflected in the statement of financial position for this plan (note 4(k)) and does not form part of the figures in the tables below.

The credit union has several defined retirement benefit Supplemental Executive Retirement Plans (“SERP 1”, “SERP 2”, “SERP 3”, collectively referred to as the “SERPs”). SERP 1 serves a small number of retired participants and is closed to new participants. SERP 2 became effective January 1, 2018 and serves a small number of participants. SERP 3 serves a small number of retired or deferred participants with one active member. SERP 2 and 3 are designed as companions to the defined benefit pension plans which are now closed to new entrants. As a result, SERP 2 and 3 are not expected to have any new entrants.

During the year ended December 31, 2022, the credit union established a new SERP (“SERP 4”) to provide additional retirement benefits to a small number of participants. SERP 4 was implemented effective October 1, 2022 and participation was back dated to the participants’ employment start dates. SERP 4 is designed as a companion to the defined contribution retirement benefit of the PEPP.

The defined retirement benefit expense and plan contributions are determined in consultation with independent actuaries. The plans are required to have an actuarial valuation performed, at a minimum, once every three years. For the defined retirement benefit portion of the PEPP, SERP 1, SERP 2, SERP 3, 1.20% plan, and the PRBP, the latest actuarial valuation was performed in 2022 as at December 31, 2021. The benefit obligation and plan assets for all defined retirement benefit plans as at December 31, 2022 have been estimated by the actuaries by extrapolating the results from the latest actuarial valuation performed using the assumptions noted below.

The next actuarial valuations for funding purposes are required to be completed by 2025 (PEPP, SERP 1, SERP 2, SERP 3, SERP 4, 1.20% Plan and PRBP), with an effective date of December 31, 2024. There are no further valuations required for FVPP, as this plan is expected to be wound up in 2023.

(a) Funded status of defined retirement benefit plans:

The credit union’s net defined retirement benefit liability, presented as retirement benefit obligations in the consolidated statement of financial position, reflects the funded status of the defined retirement benefit portion of the plans. The funded status of these plans is calculated as the difference between the fair value of the plan assets and the present value of the retirement benefit obligations as follows:

19. Retirement benefit obligations (continued):

(a) Funded status of defined retirement benefit plans (continued):

	2022	2021
Fair value of plan assets:		
Fair value of plan assets, beginning of year	$ 100,241	$ 97,875
Interest income on plan assets	2,736	2,289
Return on plan assets greater (less) than discount rate	(13,153)	666
Employer contributions	4,635	4,709
Benefit payments	(5,657)	(5,298)
Fair value plan assets, end of year	88,802	100,241
Present value of defined retirement benefit obligations:		
Benefit obligation, beginning of year	128,785	134,926
Service cost	5,571	6,024
Interest cost	3,605	3,453
Benefit payments	(5,657)	(5,298)
Actuarial (gain) loss	(36,039)	(10,320)
Benefit obligation, end of year	96,265	128,785
Deficiency of plan assets over obligations	$ (7,463)	$ (28,544)

The unfunded portion of the defined retirement benefit obligation (SERP 3, SERP 4 and PRBP) is $760 (2021 - $905). The accrued benefit obligation for SERP 3 is secured by an irrevocable letter of credit issued by the credit union in the amount of $83 (2021 - $160).

(b) Defined retirement benefit expense:

The amounts recognized in the consolidated statement of income for the defined retirement benefit expense, included in salary and employee benefits expense, were as follows:

	2022	2021
Service cost	$ 5,571	$ 6,024
Net interest on net defined retirement benefit obligations	869	1,164
Defined retirement benefit expense	$ 6,440	$ 7,188

(c) Investment returns:

The expected return on the defined retirement benefit plan assets is determined by considering the discount rate that is used to measure the defined retirement benefit obligations. Expected yields on fixed interest investments are based on gross redemption yields at the date of the consolidated statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19. Retirement benefit obligations (continued):

(d) Investment composition and diversification:

The actual return on plan assets for the year ended December 31, 2022, including interest income, was a loss of $10,417 (2021 – gain of $2,955).

Assets for the defined retirement benefit plans are held in diversified and balanced funds in which the target asset allocation is mandated by the relative Pension Plan Investment Policies. The objective of these investment policies is to seek acceptable returns with low risk over the expected investment time horizon. The weighted average allocation of the fair value of plan assets, by asset class, at December 31 was as follows:

	2022	2021
Equity securities	47.3%	39.2%
Debt securities	42.6%	49.1%
Other	10.1%	11.7%
	100.0%	100.0%

(e) Actuarial assumptions:

Assumptions regarding future mortality experience are determined based on actuarial advice in accordance with published statistics and experience in Canada. Mortality assumptions are based on the Canadian Pension Mortality ("CPM") tables. These tables translate into an average life expectancy in years of a pensioner retiring at age 65.

The weighted average value of the significant assumptions used in the measurement of the present value of the defined retirement benefit obligations were as follows:

	2022	2021
Discount rate	5.1%	3.0%
Salary scale	2.8%	2.9%
Inflation	2.0%	2.0%

At December 31, 2022, the weighted average duration of the defined benefit obligations was 15.0 years (2021 - 20.0 years).

(f) Actuarial gains and losses:

Actuarial gains and losses comprise the impact to the asset or liability arising from changes in assumptions used to actuarially determine the present value of the benefit obligation and related assets or differences between prior assumptions and actual experience.

19. Retirement benefit obligations (continued):

(f) Actuarial gains and losses (continued):

Actuarial gains and losses on plan liabilities and assets are summarized below:

	2022	2021
Actuarial (gains) losses on plan liabilities	$ (40,220)	$ (10,460)
Actuarial (gains) losses on plan assets	13,153	(666)
Change of asset ceiling/onerous liability	(49)	140
Remeasurement on surplus derecognition	4,230	-
	$ (22,886)	$ (10,986)

(g) Sensitivity to changes in discount rates:

The sensitivity of the credit union's defined benefit obligations to changes in the discount rate assumption is shown below:

	2022	2021
Discount rate:		
Impact of a 1% increase	$ (12,006)	$ (21,660)
Impact of a 1% decrease	15,172	28,020

The results shown in the sensitivity table were determined by recalculating the defined benefit obligations, changing only the assumption for which the sensitivity is required, and calculating the difference between the recalculated obligation and the actual obligation. There have been no changes from the prior period to the methods or assumptions used in preparing the sensitivity analysis.

(h) Defined contribution retirement expense:

During the year ended December 31, 2022, the credit union recognized retirement expense of $1,420 (2021 - $743) in the consolidated statement of income, included in salary and employee benefits expense, representing the contributions to its defined contribution retirement benefit of the PEPP.

19. Retirement benefit obligations (continued):

(i) Participation in multi-employer plan:

The credit union also participates in a multi-employer defined benefit pension plan for certain eligible employees. The credit union is one of several employers that participate in the BC Credit Union Employees' Pension Plan with a 1.75% provision (the "1.75% division") that is a contributory defined benefit pension plan governed by a Board of Trustees. The 1.75% division is funded through contributions as determined through actuarial valuation, collectively, from the participating employers and employees based on the pensionable earnings and age of the respective participating employees. The contributions are expensed as invoiced by the 1.75% division.

During the year ended December 31, 2022, the credit union recognized pension expense of $2,028 (2021 - $2,196) in the consolidated statement of income, included in salary and employee benefits expense, representing the contributions to the 1.75% division.

The latest actuarial valuation for the 1.75% division was performed in 2022 as at December 31, 2021 and the next valuation is required to be completed by 2025 with an effective date of December 31, 2024.

20. Net interest income:

	2022	2021 (recast - note 3)
Interest income:		
Interest from cash and cash equivalents:		
At amortized cost	$ 156	$ 153
At FVTPL	1,027	423
Interest from investments:		
At FVTPL	1,805	2,906
At amortized cost	1,299	1,598
At FVOCI	7,584	3,868
Interest from loans	218,965	185,173
Interest from leases receivable	17,487	14,949
	248,323	209,070
Interest expense:		
Interest expense on borrowings	2,389	6
Interest expense on members' deposits	74,062	48,317
Interest expense on securitization debt obligations	10,152	16,903
Interest expense on derivatives including hedge ineffectiveness	37	33
Interest expense on lease liabilities	1,051	1,226
	87,691	66,485
	$ 160,632	$ 142,585

21. Net fee and commission income:

	2022	2021
Fee and commission income:		
Wealth management fees	$ 14,579	$ 14,090
Member service fees and commissions	7,063	7,042
Insurance, mortgage and visa commissions	2,067	2,348
Loan and leases receivable fees	1,393	1,845
ATM Network fees	588	507
Fee and commission income from contracts with customers	25,690	25,832
Bad debt recoveries	517	908
Total fee and commission income	26,207	26,740
Fee and commission expense:		
Member service expenses	2,408	2,415
Loan and leases receivable expenses	1,507	1,536
Loans and leases receivable securitization fees	247	468
Other fees	1,415	1,483
Total fee and commission expense	5,577	5,902
Net fee and commission income	$ 20,630	$ 20,838

22. Unrealized gains (losses) on financial instruments:

	2022	2021 (recast - note 3)
Measured at FVTPL		
Gains (losses) on investments	$ (2,784)	$ (331)
Foreign exchange gains (losses) on investments	1,642	33
Gains (losses) on derivatives (note 11)	(1,080)	48
Gains (losses) on loans	(1,254)	(2,101)
	$ (3,476)	$ (2,351)

23. Realized gains (losses) on financial instruments:

	2022	2021
Gains (losses) on investments measured at FVTPL	$ (54)	$ (615)
Gains (losses) on investments measured at FVOCI	(71)	(1,385)
	$ (125)	$ (2,000)

24. Salary and employee benefits:

	2022	2021
Salaries and commissions expense	$ 66,034	$ 57,766
Employee benefits expense	18,215	16,069
Other	1,677	1,938
	$ 85,926	$ 75,773

25. General and administrative:

	2022	2021
Digital and technology	$ 13,767	$ 12,339
Professional fees and dues	7,622	7,542
CUDIC and other insurance	5,503	5,663
Marketing and sales expenses	4,028	3,724
Stationary, supplies and other	3,406	2,859
Amortization of intangible assets	708	1,010
Community investment	788	725
	$ 35,822	$ 33,862

26. Occupancy and equipment:

	2022	2021
Depreciation of right-of-use assets	$ 7,012	$ 7,578
Depreciation of premises and equipment	4,129	4,103
Property tax and common area	4,015	3,889
Repairs and maintenance, utilities and security	3,104	2,535
Rent	596	795
	$ 18,856	$ 18,900

27. Income taxes:

		2022		2021
				(recast - note 3)
Current taxes:				
Corporate tax on income for the year	$	6,327	$	7,276
Other		(48)		(91)
		6,279		7,185
Deferred taxes:				
Origination and reversal of temporary difference		(574)		(1,463)
Change in estimated tax rate applied		(278)		706
		(852)		(757)
Income tax expense	$	5,427	$	6,428

The combined federal and provincial corporate income tax rate for 2022 is 27.0% (2021 - 27.0%). The credit union's income tax expense (recovery) differs from the amount that would arise using the combined corporate income tax rate as a result of the following items:

	2022			2021		
		Amount	% of pre-tax income		Amount	% of pre-tax income
						(recast - note 3)
Income taxes based on combined statutory income tax rates	$	9,284	27.0%	$	8,881	27.0%
Credit union rate reduction		(3,144)	(9.1%)		(3,054)	(9.3%)
Non-deductible or taxable items		(214)	(0.6%)		(177)	(0.5%)
Effect of change in estimated tax rate on deferred tax provision		(278)	(0.8%)		706	2.1%
Other		(221)	(0.7%)		72	0.2%
Actual income tax expense	$	5,427	15.8%	$	6,428	19.5%

27. Income taxes (continued):

The effective tax rate for 2022, based on income before tax, was 15.8% (2021 – 19.5%). Deferred taxes are calculated on temporary differences under the liability method using tax rates expected to apply when the liability is settled, or the asset is realized.

Deferred tax assets and liabilities recognized in the statement of financial position at December 31 are attributable to the following items:

	2022	2021
Deferred tax assets:		
Pension	$ 875	$ 5,020
Allowance for losses on loans and leases receivable	2,600	2,342
Deferred revenues	1,349	2,018
Loss carryforward	1,319	103
Premises and equipment	431	574
ROU assets and lease liabilities, net	594	574
Leasing	2,361	1,713
Members' deposits	15	207
	$ 9,544	$ 12,551
Deferred tax liabilities:		
Leasing	$ 13,873	$ 13,536
Deferred expenses	2,245	1,567
Core deposit intangible	493	608
	$ 16,611	$ 15,711
Net deferred tax assets[1]	$ 4,244	$ 2,538
Net deferred tax liabilities[1]	(11,311)	(5,698)

[1] Deferred tax assets and liabilities are assessed by legal entity and presented on a net basis on the statement of financial position.

28. Contingencies and commitments:

As at December 31, 2022, the credit union is involved in various matters arising in the normal course of business, in which the likelihood of a loss and amount of loss, if any, is not readily determinable. The outcome of such matters, individually or in aggregate, may be material to the consolidated financial position or results of operations of the credit union. The credit union has considered contingent liabilities and determined that no amount need to be accrued in respect of such matters.

The credit union is committed to payments for information systems under contracts over the next one to five years of $20,971 (2021 – over the next one to five years of $23,272). The credit union has also funded $1,400 of capital calls during the year for an investment in a limited partnership, with an additional $2,600 in capital calls committed to be funded over the next one to five years.

29. Related party transactions:

Related parties of the credit union include wholly owned subsidiaries, various retirement plans including the PEPP, the FVPP, the PRBP and SERPs (note 19), and the Prospera Foundation, as well as directors and key management personnel and their close family members.

As a sponsor of the retirement plans, the credit union provides support services to the plans. These services are not charged to the plans. For the FVPP, SERP 1, SERP 2 and the PEPP, some of the actuarial and other administrative expenses of these plans are paid directly by the plans. For the services not charged to the plans, as well as the services provided for the PRBP, SERP 3, and SERP 4, the credit union paid $167 (2021 - $113) of actuarial and other administrative expenses.

Deposits maintained on behalf of the Prospera Foundation by the credit union at December 31, 2022 amounted to $212 (2021 - $294). The credit union paid interest of $5 (2021 - $5) during the year ended December 31, 2022 on these deposits.

The credit union donated nil (2021 - $500) to the Prospera Foundation during the year ended December 31, 2022.

(a) Directors and key management personnel:

Directors and key management personnel include all members of the Prospera Board of Directors, and key management who have authority for planning, directing or controlling the activities of the organization, and their close family members.

A number of banking transactions are entered into with directors and key management personnel (and close family members). These include loans, deposits and foreign currency transactions. The volumes of such transactions, outstanding balances at December 31, and related expense and income for the years ended December 31 were as follows:

	Loans		Deposits	
	2022	2021	2022	2021
Balance at January 1	$ 6,970	$ 3,990	$ 2,950	$ 2,432
Net transactions during the year	1,814	2,980	98	518
Balance at December 31	$ 8,784	$ 6,970	$ 3,048	$ 2,950
Interest income earned on loans/ paid on deposits during the year	$ 156	$ 101	$ 22	$ 35

29. Related party transactions (continued):

(a) Directors and key management personnel (continued):

The loans receivable from directors and key management personnel (and close family members) at December 31, 2022 and 2021, are repayable monthly over a range of 1 to 5 years and have interest rates ranging from 1.0% to 6.95% (2021 - nil to 4.45%). The majority of the loans advanced to the directors and key management personnel (and close family members) are secured by real estate or chattels.

The deposits from directors and key management personnel (and close family members) outstanding at December 31, 2022 and 2021 are unsecured, carry interest rates from nil to 4.74% (2021 - nil to 2.5%) and are repayable on demand or up to 5 years for term deposits.

(b) Key management compensation:

Post-employment and termination benefits, representing retirement pension obligations and termination benefit amounts paid or payable to directors and members of key management including those who left the organization during the year ended December 31, recognized in the consolidated statement of income in salary and employee benefits expense, were as follows:

	2022	2021
Salaries and other short-term employee benefits	$ 6,563	$ 5,984
Post-employment and termination benefits	1,501	2,032
	$ 8,064	$ 8,016

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