





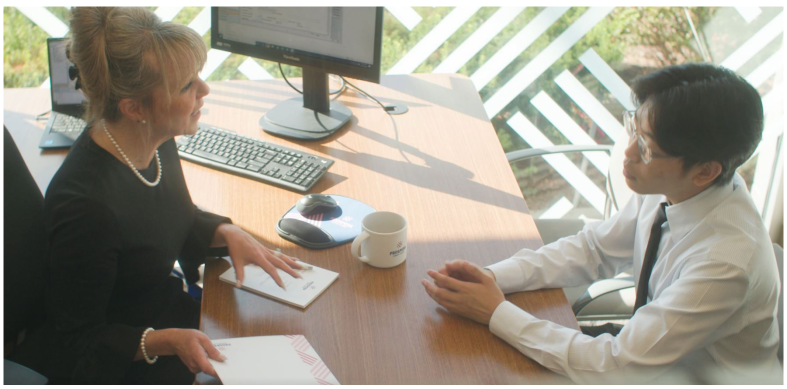
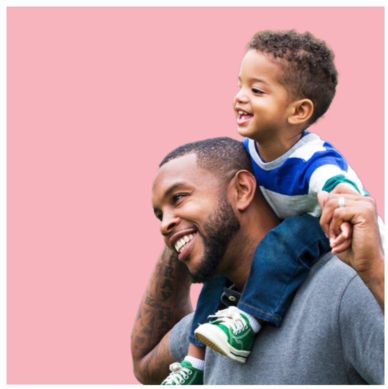




THE POWER OF LOCAL

2024 Consolidated Financial Statements

PROSPERA CREDIT UNION

Consolidated Financial Statements
(Expressed in thousands of dollars)

PROSPERA CREDIT UNION

And Independent Auditor’s Report thereon

Year ended December 31, 2024

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 IFRS Accounting Standards. 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 12, 2025

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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, 2024
- 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 material accounting policy information

(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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 12, 2025

PROSPERA CREDIT UNION

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

December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Cash and cash equivalents	5	$ 116,324	$ 200,553
Investments	6	786,311	761,245
Loans	7(a)	5,941,713	6,096,221
Leases receivable	7(b)	379,668	410,019
Derivative assets	10	1,071	680
Premises and equipment	13	8,546	14,151
Right-of-use assets	14	21,581	25,556
Intangible assets	15	1,519	2,062
Current taxes receivable		-	3,001
Deferred tax assets	26	5,921	4,922
Other assets	16	13,248	15,584
		$ 7,275,902	$ 7,533,994
Liabilities and Members' Equity			
Borrowings and securities under repurchase agreements	9	$ 88,627	$ -
Members' deposits	8	6,329,099	6,635,374
Accounts payable and accrued liabilities		26,815	30,772
Securitization debt obligations	7(c), 7(d)	336,154	380,625
Derivative liabilities	10	662	5,371
Lease liabilities	17	24,330	28,477
Current taxes payable		2,067	-
Deferred tax liabilities	26	13,077	11,513
Retirement benefit obligations	18	3,145	7,858
		6,823,976	7,099,990
Members' equity:			
Retained earnings		444,401	441,589
Accumulated other comprehensive income (loss)		7,525	(7,585)
		451,926	434,004
		$ 7,275,902	$ 7,533,994

Contingencies and commitments 27

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

Approved on behalf of the Board:

Director
Gina Arsens, Chair

Director
Ingrid Leong, Audit and Conduct Review Committee Chair

PROSPERA CREDIT UNION

Consolidated statement of income
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Interest income	19	$ 375,149	$ 332,596
Interest expense	19	(263,617)	(210,280)
Net interest income		111,532	122,316
Fee and commission income	20	28,542	27,021
Fee and commission expense	20	(5,171)	(6,391)
Net fee and commission income		23,371	20,630
Realized gains (losses) on financial instruments	22	4,920	(703)
Unrealized gains (losses) on financial instruments	21	2,760	(1,489)
Impairment (losses) recoveries on financial assets	12(a)	(2,696)	(2,657)
Impairment (losses) recoveries on other assets	16	(2,772)	(993)
Other income (losses)		15	2,749
Net interest and other income		137,130	139,853
Operating expenses:			
Salary and employee benefits	23	(80,746)	(78,627)
General and administrative	24	(36,427)	(33,318)
Occupancy and equipment	25	(17,373)	(18,191)
		(134,546)	(130,136)
Income before income taxes		2,584	9,717
(Provision for) recovery of income taxes:			
Current	26	(2,340)	(1,026)
Deferred	26	1,922	348
		(418)	(678)
Net income		$ 2,166	$ 9,039

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, 2024, with comparative information for 2023

	Notes	2024	2023
Net income		$ 2,166	$ 9,039
Other comprehensive income (loss):			
Items that will be reclassified to net income:			
Net gains (losses) on debt instruments measured at FVOCI		9,748	9,868
Reclassification of realized losses (gains) on debt instruments measured at FVOCI		(3,042)	(7)
Income tax recovery (expense) on debt instruments measured at FVOCI		(1,140)	(1,676)
Net unrealized gains (losses) on effective portion of cash flow hedges	10(a)	2,674	842
Income tax recovery (expense) on cash flow hedges		(455)	(144)
Items that will never be reclassified to net income:			
Net gains (losses) on equity investments designated at FVOCI		5,396	(1,862)
Income tax recovery (expense) on equity investments designated at FVOCI		(917)	316
Net actuarial gains (losses) on retirement benefit plans	18(f)	4,441	(646)
Income tax recovery (expense) on retirement benefit plans		(949)	127
		15,756	6,818
Total comprehensive income		$ 17,922	$ 15,857

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, 2024, with comparative information for 2023

	AOCI					
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans	Contributed surplus	Retained earnings	Total equity
Members' equity, January 1, 2024	$ (5,320)	$ (1,604)	$ (661)	$ -	$ 441,589	$ 434,004
Net income	-	-	-	-	2,166	2,166
Other comprehensive income (loss), net of tax	10,045	2,219	3,492	-	-	15,756
Total comprehensive income (loss)	10,045	2,219	3,492	-	2,166	17,922
Realized gains on equity instruments transferred to retained earnings	(646)	-	-	-	646	-
Members' equity, December 31, 2024	$ 4,079	$ 615	$ 2,831	$ -	$ 444,401	$ 451,926

	AOCI					
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans	Contributed surplus	Retained earnings	Total equity
Members' equity, January 1, 2023	$ (11,959)	$ (2,302)	$ (142)	$ 130,916	$ 301,634	$ 418,147
Transfer of contributed surplus to retained earnings[1]	-	-	-	(130,916)	130,916	-
Net income	-	-	-	-	9,039	9,039
Other comprehensive income (loss), net of tax	6,639	698	(519)	-	-	6,818
Total comprehensive income (loss)	6,639	698	(519)	-	9,039	15,857
Members' equity, December 31, 2023	$ (5,320)	$ (1,604)	$ (661)	$ -	$ 441,589	$ 434,004

1 On January 1, 2020 (the "acquisition date"), Westminster Savings Credit Union and Legacy Prospera Credit Union combined their respective operations by way of an amalgamation to form Prospera Credit Union ("Prospera"). On the acquisition date, the net assets of Legacy Prospera Credit Union acquired of $130,916 were recognized by Prospera as contributed surplus on the consolidated statement of changes in members' equity. During the year ended December 31, 2023, Prospera transferred the full amount of the contributed surplus into retained earnings. This transfer did not have an impact on net income, comprehensive income, or total equity.

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, 2024, with comparative information for 2023

	Notes	2024	2023
Cash flows provided by (used in):			
Operating activities:			
Net income		$ 2,166	$ 9,039
Items not affecting cash:			
Depreciation and amortization	13, 14, 15	10,861	11,576
Impairment losses (recoveries) on financial assets	12(a)	2,696	2,657
Impairment losses (recoveries) on other assets	16	2,772	993
Net interest income	19	(111,532)	(122,316)
Realized (gains) losses on financial instruments	22	(4,920)	703
Unrealized (gains) losses on financial instruments	21	(2,760)	1,489
Provision for (recovery of) income taxes - current	26	2,340	1,026
Provision for (recovery of) income taxes - deferred	26	(1,922)	(348)
Defined retirement benefit expense	18(b)	3,405	3,193
Gain on sale of land and building	13	(2,310)	-
Defined retirement benefit contributions	18(a)	(3,592)	(3,368)
Defined retirement benefit payments		(85)	(74)
Net proceeds received (paid) on derivatives		(1,303)	(948)
Interest paid		(253,342)	(153,674)
Interest received		363,349	324,341
Dividends received		2,886	3,035
Income tax paid		(3,310)	(5,136)
Income tax refund		2,553	2,218
		7,952	74,406
Changes in non-cash operating working accounts:			
Loans		155,418	(356,451)
Leases receivable		27,296	(56,686)
Other assets		(435)	(9,227)
Members' deposits		(314,163)	511,239
Accounts payable and accrued liabilities		(1,445)	3,393
Net cash flows provided by (used in) operating activities		(125,377)	166,674
Financing activities:			
Securitization debt increases		87,746	159,077
Securitization debt retirement		(135,180)	(88,552)
Net cash received (paid) from borrowings and securities under repurchase agreements	9	88,627	(50,000)
Repayment of lease liabilities		(7,673)	(7,994)
Net cash flows provided by (used in) financing activities		33,520	12,531
Investing activities:			
Net sales (purchases) of bid deposits and liquidity investments		32,532	226
Purchase of investments		(89,010)	(107,334)
Sale of investments		57,153	34,007
Net investment in premises and equipment	13	(1,098)	(1,645)
Sale of land and building		5,407	-
Net cash flows provided by (used in) investing activities		4,984	(74,746)
Foreign exchange gain on cash and cash equivalents		2,644	-
Increase (decrease) in cash and cash equivalents		(84,229)	104,459
Cash and cash equivalents, beginning of year		200,553	96,094
Cash and cash equivalents, end of year		$ 116,324	$ 200,553

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 24 full-service retail branches throughout British Columbia.

Through two of its wholly-owned subsidiaries, WS Leasing Ltd. (doing business as Prospera Auto Leasing) and Mercado Capital Corporation (doing business as Prospera Equipment Finance), 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, 2024 were approved by the Board of Directors on March 12, 2025.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

(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. Material accounting policies:

The material 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.

(c) Foreign currency transactions:

Foreign currency transactions are recorded, on initial recognition, in Canadian dollars, using the 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.

3. Material accounting policies (continued):

(c) Foreign currency transactions (continued):

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.

Foreign exchange gains or losses related to monetary financial instruments measured at fair value through profit and loss ("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 fair value through other comprehensive income ("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.

(d) 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.

3. Material accounting policies (continued):

(d) 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.

3. Material accounting policies (continued):

(d) 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.

During the year ended December 31, 2023, the credit union purchased certain equity investments that were not held for trading and made an irrevocable election to present subsequent changes in the investment's fair value at FVOCI. These elections are made on an investment-by-investment basis. There were no such purchases during the year ended December 31, 2024.

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.

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 2024.

(*ii*) Financial liabilities:

The credit union's financial liabilities are comprised of members' deposits, members' shares (included in members' deposits in the consolidated statement of financial position), accounts payable and accrued liabilities, borrowings and securities under repurchase agreements, securitization debt obligations, derivative liabilities (note 3(f)) and lease liabilities (note 3(l)).

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 3(f).

3. Material accounting policies (continued):

(d) Financial instruments (continued):

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. Upon derecognition of a financial asset equity instrument designated at FVOCI, the cumulative gain or loss previously recognized in other comprehensive income is not recyclable into net income but remains permanently in equity.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled, or expires.

Repurchase agreements:

Repurchase agreements are short-term funding transactions in which securities are sold with a commitment to repurchase the same securities at a specified price on a specified future date. Substantially all the risks and rewards associated with the pledged securities are retained, and as such, remain on the credit union's balance sheet. The obligation to repurchase these securities is recorded as securities under repurchase agreements, at the amount owing.

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.

(e) 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.

3. Material accounting policies (continued):

(e) Impairment of financial assets (continued):

Staging:

At each reporting date, the credit union assesses whether there has been a significant increase in credit risk ("SICR") on financial assets since initial recognition.

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.

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 would 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.

3. Material accounting policies (continued):

(e) Impairment of financial assets (continued):

Calculation of ECL (continued):

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. 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.

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 expectation 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 lease receivable is in default and the underlying security is repossessed by the credit union, the 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.

(f) 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.

3. Material accounting policies (continued):

(f) Derivative instruments (continued):

The credit union uses some interest rate swaps as part of an economic hedge, and for these relationships the change in fair value of the derivative is recorded immediately in the consolidated statement of income in unrealized gains (losses) on financial instruments.

The credit union has also elected to apply hedge accounting to some of its hedging relationships under the framework of IFRS 9, *Financial Instruments* (“IFRS 9”). The credit union has designated certain interest rate swaps as cash flow hedges. The credit union has not entered into any fair value hedges to date.

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 into net income 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.

(g) 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.

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.

3. Material accounting policies (continued):

(h) 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 to 15 years
Building and betterments	Straight-line	7 to 30 years
Leasehold improvements	Straight-line	Lesser of useful life and the lease term

Intangible assets:

Intangible assets include computer software licenses and core deposit assets acquired through business combinations. 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

(i) 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. The defined benefit and defined contributions plans are registered in the province of British Columbia. Other post-retirement benefits including health care and dental benefits are provided to eligible credit union employees upon or after retirement.

3. Material accounting policies (continued):

(i) Retirement benefit obligations (continued):

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.

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.

3. Material accounting policies (continued):

(i) Retirement benefit obligations (continued):

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.

(j) 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.

3. Material accounting policies (continued):

(k) 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.

(l) 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.

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.

3. Material accounting policies (continued):

(l) Leases (continued):

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.

(m) New accounting standards not yet effective:

A number of new standards are effective for annual periods beginning on or after January 1, 2025. The credit union has not early adopted any amended or new standards in preparing these consolidated financial statements.

Presentation and Disclosure in Financial Statements (“IFRS 18”) will be effective for annual periods beginning on or after January 1, 2027. Retroactive application is required with a reconciliation for the comparative period. This standard will replace International Accounting Standard 1 (“IAS 1”) and provide a defined structure for the consolidated statement of income, required disclosures for management-defined performance measures, and enhanced principles of aggregation and disaggregation on the financial statements and notes in general. This standard is expected to have a material impact on the credit union’s consolidated financial statements.

Amendments to *Classification and Measurement of Financial Instruments* (“IFRS 7” and “IFRS 9”) and *Lack of Exchangeability* (“IAS 21”) are not expected to have a material impact on the credit union’s consolidated financial statements.

(n) Changes in material accounting policies:

There are no new standards effective for annual periods beginning on or after January 1, 2024 that have a material impact on these consolidated financial statements.

4. 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 7(c) and 7(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 assesses 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 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 12(a)).

4. Judgements and estimates (continued):

(b) Assumptions and estimates (continued):

Loss allowance for expected credit losses on financial assets (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 5, 6, 7, 10 and 16). 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 18). Actual experience may differ from these assumptions resulting in actuarial gains or losses recognized in other comprehensive income of subsequent periods.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

5. Cash and cash equivalents:

	2024	2023
Measured at FVTPL:		
Bid deposits - original maturities < 91 days	$ 95,787	$ 132,434
Measured at amortized cost:		
Cash	6,082	30,436
Fixed income investments - original maturities < 91 days	14,455	1,913
	20,537	32,349
Measured at FVOCI:		
Fixed income investments - original maturities < 91 days	-	35,770
	$ 116,324	$ 200,553

6. Investments:

	2024	2023
Measured at FVTPL:		
Central 1 shares	$ 1,989	$ 1,909
Other investments in equity instruments	2,717	2,111
Preferred shares	-	14,133
Fixed income investments - original maturities > 90 days	-	12,355
	4,706	30,508
Measured at amortized cost:		
Principal and interest reinvestment accounts (note 7(c))	2,140	18,730
Deposit at financial institution - original maturities > 90 days	92,196	-
Sub note - junior note	-	2,245
	94,336	20,975
Measured at FVOCI:		
Fixed income liquidity investments - original maturities > 90 days	647,367	667,240
Designated at FVOCI:		
Preferred shares - financial services	29,180	33,785
Preferred shares - power and utilities	10,722	8,737
	39,902	42,522
	$ 786,311	$ 761,245

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Loans and leases receivable:

(a) Loans:

	2024	2023
Personal mortgages at amortized cost	$ 3,425,133	$ 3,736,851
Personal loans at amortized cost	278,433	299,214
Personal loans at FVTPL	5,867	11,769
Total personal mortgages and loans	3,709,433	4,047,834
Business mortgages at amortized cost	2,078,992	1,717,465
Business loans at amortized cost	153,743	327,376
Total business mortgages and loans	2,232,735	2,044,841
Accrued interest receivable	14,859	15,459
Deferred fees	(4,414)	348
Allowance for impairment losses on loans	(10,900)	(12,261)
	$ 5,941,713	$ 6,096,221

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 7(c)). At December 31, 2024, the carrying amounts of personal mortgages recognized in the consolidated statement of financial position underlying the issued mortgage-backed securities were $352,786 (2023 - $334,650).

(b) Leases receivable:

	2024	2023
Vehicle leases receivable	$ 334,520	$ 350,286
Equipment leases receivable	44,174	57,375
	378,694	407,661
Deferred fees	3,701	4,615
Allowance for impairment losses on leases receivable	(1,545)	(1,849)
Allowance for losses on unguaranteed lease residual value	(1,182)	(408)
	$ 379,668	$ 410,019

At December 31, 2024, vehicles and equipment collateral which have been repossessed by the credit union amounted to $2,152 (2023 - $1,471). 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 16) in the consolidated statement of financial position.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. 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, along with a reconciliation between the two amounts at December 31:

	2024	2023
Gross investment in leases receivable:		
Not later than 1 year	$ 111,984	$ 123,247
Later than 1 year and not later than 5 years	318,764	341,446
Later than 5 years	141	562
	430,889	465,255
Unearned finance income	(52,195)	(57,594)
	$ 378,694	$ 407,661
Present value of minimum lease payments receivable:		
Not later than 1 year	$ 106,541	$ 117,041
Later than 1 year and not later than 5 years	272,015	290,072
Later than 5 years	138	548
	$ 378,694	$ 407,661

(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.

As of December 31, 2024 and 2023, the credit union did not qualify for derecognition of its securitized mortgage receivables because it retained substantially all of the risks and rewards of ownership. There were no obligations to repurchase these receivables at those dates.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Loans and leases receivable (continued):

(c) Loans securitized (continued):

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.

Transfers of financial assets by the credit union, whether through direct MBS sales or the CMB program, do not result in derecognition due to retained mortgage-related risks. Consequently, these transactions are treated as financing activities, leading to the recognition of securitization liabilities, presented as securitization debt obligations in the consolidated statement of financial position and the proceeds are measured at amortized cost.

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 for MBS sold directly to third parties are made monthly, while under the CMB program, bondholders receive semi-annual interest payments. Balances created because of timing differences are continuously reinvested for servicing the interest coupons and eventual maturity of the obligation. At December 31, 2024, the total balance of the principal and interest reinvestment accounts related to the CMB program recognized in the consolidated statement of financial position was $2,140 (2023 - $18,730) (note 6).

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.

	2024	2023
Balance at January 1	$ 334,650	$ 281,989
Securitizations - new	87,757	113,108
Principal repayments	(14,846)	(12,065)
Prepayments and liquidations	(25,892)	(22,899)
Maturities	(28,883)	(25,483)
Balance at December 31	$ 352,786	$ 334,650

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. 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.

	2024	2023
Balance at January 1	$ 330,443	$ 297,236
Changes from financing cash flows:		
Securitization - new	87,746	113,108
Principal repayments	(13,167)	(8,820)
Prepayments and liquidations	(18,619)	(22,958)
Maturities	(53,423)	(48,223)
Other changes:		
Non-cash	3,174	100
Balance at December 31	$ 336,154	$ 330,443

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.

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Mortgage receivables/ securitized debt obligations	$ 352,786	$ 336,154	$ 334,650	$ 330,428
Principal and interest reinvestment accounts	2,140	-	18,730	-
Accrued interest	-	-	-	15
	$ 354,926	$ 336,154	$ 353,380	$ 330,443

(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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Loans and leases receivable (continued):

(d) Leases receivable securitized (continued):

On November 1, 2024, Mercado Capital Corporation completed a buyback transaction in which the securitized leases receivables in the securitization trust were bought back by Mercado Capital Corporation as leases receivable. With this transaction, the securitization debt obligation was also settled. There was no gain or loss on sale recognized in the consolidated statement of income for this transaction.

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 leases receivable securitized.

	2024	2023
Balance at January 1	$ 50,182	$ 12,508
Securitizations - new	-	45,969
Buyback	(33,390)	-
Principal repayments	(16,581)	(8,551)
Non-cash changes	(211)	256
Balance at December 31	$ -	$ 50,182

The balance of leases receivable recognized in the consolidated statement of financial position that have been securitized at December 31, 2024 was nil (2023 - $46,174).

8. Members' deposits:

	2024	2023
Demand deposits	$ 2,080,383	$ 2,117,511
Term deposits	3,691,443	3,954,865
Registered savings plans	460,818	474,444
Members' shares	564	578
Accrued interest payable	95,891	87,976
	$ 6,329,099	$ 6,635,374

The number of member shares issued at December 31, 2024 was 564,215 (2023 - 578,170). 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. Members' shares do not earn interest or share in the earnings of the credit union and are redeemed at par upon termination of membership.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

9. Borrowings and securities under repurchase agreements:

The credit union had a total amount of outstanding and authorized credit facilities with other financial institutions at December 31:

	2024		2023	
	Carrying value	Authorized limit	Carrying value	Authorized limit
Revolving facilities	$ 39,000	$ 238,624	$ -	$ 238,624
Term facilities	-	200,000	-	200,000
Repurchase agreements	49,627	N/A	-	N/A
	$ 88,627	$ 438,624	$ -	$ 438,624

As at December 31, 2024, the credit union had two approved credit facilities. One of these facilities is the Central 1 revolving credit facility, which is secured by a general charge on the assets of the credit union. The credit union also has a term facility, where security in the amount of $200,012 (2023 - $128,635) 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. Under both facilities, the credit union possesses a contractual option to convert outstanding short-term debt obligations into long-term financing.

During 2024, the credit union drew a maximum of $127,000 on its credit facilities (2023 - $227,000).

As at December 31, 2024, the carrying value of the repurchase agreements was $49,627 (2023 - nil). The pledged assets related to this transaction were $52,647 (2023 - nil) and consisted of securitized mortgage receivables.

10. Derivatives:

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

	2024		2023	
	Notional amount	Fair value	Notional amount	Fair value
Pay fixed - derivative assets	$ -	$ -	$ 20,000	$ 354
Receive fixed - derivative assets	100,000	1,071	100,000	326
Total derivative assets	$ 100,000	$ 1,071	$ 120,000	$ 680
Receive fixed - derivative liabilities	75,000	(662)	275,000	(5,371)
Total derivative liabilities	$ 75,000	$ (662)	$ 275,000	$ (5,371)

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.

10. Derivatives (continued):

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 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.

During the year ended December 31, 2024, a loss of $241 (2023 - loss of $460) was recorded in realized gains (losses) on financial instruments for derivatives that had been unwound or matured during the year (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 in the form of variable rate mortgages ("VRMs") and home equity lines of credit ("HELOCs"). These portfolios 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 and VRMs being the hedged item. The objective of the cash flow hedge is to minimize volatility in net interest income and to reduce exposure to interest rate risk.

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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

10. 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 are as follows:

	2024	2023
Carrying amount of hedging instruments:		
Carrying amount - derivative assets	$ 1,069	$ 326
Carrying amount - derivative liabilities	(360)	(2,436)
	$ 709	$ (2,110)
Opening carrying amount of hedging instruments used for calculating effectiveness	$ (2,110)	$ (2,821)
Effective portion of the hedging instruments recognized in OCI	2,674	842
Ineffective portion recorded in interest expense	145	(131)
Closing carrying amount of hedging instruments	$ 709	$ (2,110)

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

2024	Less than one year	One to five years	More than five years
Notional amounts – receive fixed	$ 50,000	$ 125,000	$ -
Weighted average fixed interest rate	4.36%	3.17%	-

2023	Less than one year	One to five years	More than five years
Notional amounts – receive fixed	$ 170,000	$ 175,000	$ -
Weighted average fixed interest rate	4.71%	3.51%	-

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

11. 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.

2024	Measured at amortized cost	Measured at FVTPL	Measured at FVOCI	Designated at FVOCI	Total
Cash and cash equivalents	$ 20,537	$ 95,787	$ -	$ -	$ 116,324
Investments	94,336	4,706	647,367	39,902	786,311
Loans	5,935,846	5,867	-	-	5,941,713
Derivative assets	-	1,071	-	-	1,071
Borrowings and securities under repurchase agreements	(88,627)	-	-	-	(88,627)
Members' deposits	(6,329,099)	-	-	-	(6,329,099)
Accounts payable and accrued liabilities	(26,815)	-	-	-	(26,815)
Securitization debt obligations	(336,154)	-	-	-	(336,154)
Derivative liabilities	-	(662)	-	-	(662)
Lease liabilities	(24,330)	-	-	-	(24,330)
	$ (754,306)	$ 106,769	$ 647,367	$ 39,902	$ 39,732

2023	Measured at amortized cost	Measured at FVTPL	Measured at FVOCI	Designated at FVOCI	Total
Cash and cash equivalents	$ 32,349	$ 132,434	$ 35,770	$ -	$ 200,553
Investments	20,975	30,508	667,240	42,522	761,245
Loans	6,084,452	11,769	-	-	6,096,221
Derivative assets	-	680	-	-	680
Members' deposits	(6,635,374)	-	-	-	(6,635,374)
Accounts payable and accrued liabilities	(30,772)	-	-	-	(30,772)
Securitization debt obligations	(380,625)	-	-	-	(380,625)
Derivative liabilities	-	(5,371)	-	-	(5,371)
Lease liabilities	(28,477)	-	-	-	(28,477)
	$ (937,472)	$ 170,020	$ 703,010	$ 42,522	$ (21,920)

(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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

11. Financial instruments (continued):

(b) Fair value information (continued):

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:

	Fair value				Carrying
2024	Level 1	Level 2	Level 3	Total	amount
Financial assets:					
Measured at FVTPL:					
Cash equivalents	$ -	$ 95,787	$ -	$ 95,787	$ 95,787
Investments	154	1,846	2,706	4,706	4,706
Loans	-	-	5,867	5,867	5,867
Derivative assets	-	1,071	-	1,071	1,071
Measured at FVOCI:					
Investments	-	647,367	-	647,367	647,367
Designated at FVOCI:					
Investments	39,902	-	-	39,902	39,902
Measured at amortized cost:					
Cash and cash equivalents	6,083	14,454	-	20,537	20,537
Investments	-	94,683	-	94,683	94,336
Loans	-	-	5,963,004	5,963,004	5,935,846
Measured at net investment in leases:					
Leases receivable	-	-	379,318	379,318	379,668
	$ 46,139	$ 855,208	$ 6,350,895	$ 7,252,242	$ 7,225,087
Financial liabilities:					
Measured at FVTPL:					
Derivative liabilities	$ -	$ 662	$ -	$ 662	$ 662
Measured at amortized cost:					
Borrowings and securities under repurchase agreements	-	88,652	-	88,652	88,627
Members' deposits	-	6,116,368	-	6,116,368	6,329,099
Accounts payable and accrued liabilities	-	26,815	-	26,815	26,815
Securitization debt obligations	-	334,176	-	334,176	336,154
	$ -	$ 6,566,673	$ -	$ 6,566,673	$ 6,781,357

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

11. Financial instruments (continued):

(b) Fair value information (continued):

2023	Fair value Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets:					
Measured at FVTPL:					
Cash equivalents	$ -	$ 132,434	$ -	$ 132,434	$ 132,434
Investments	14,148	14,270	2,090	30,508	30,508
Loans	-	-	11,769	11,769	11,769
Derivative assets	-	680	-	680	680
Measured at FVOCI:					
Cash equivalents	-	35,770	-	35,770	35,770
Investments	-	667,240	-	667,240	667,240
Designated at FVOCI:					
Investments	42,522	-	-	42,522	42,522
Measured at amortized cost:					
Cash and cash equivalents	30,436	1,913	-	32,349	32,349
Investments	-	20,975	-	20,975	20,975
Loans	-	-	5,682,364	5,682,364	6,084,452
Measured at net investment in leases:					
Leases receivable	-	-	399,309	399,309	410,019
	$ 87,106	$ 873,282	$ 6,095,532	$ 7,055,920	$ 7,468,718
Financial liabilities:					
Measured at FVTPL:					
Derivative liabilities	$ -	$ 5,371	$ -	$ 5,371	$ 5,371
Measured at amortized cost:					
Members' deposits	-	6,307,247	-	6,307,247	6,635,374
Accounts payable and accrued liabilities	-	30,772	-	30,772	30,772
Securitization debt obligations	-	368,038	-	368,038	380,625
	$ -	$ 6,711,428	$ -	$ 6,711,428	$ 7,052,142

During the years ended December 31, 2024 and 2023, 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, borrowings and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of the financial assets and liabilities.

11. Financial instruments (continued):

(b) Fair value information (continued):

Valuation methodologies (continued):

The fair values of 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").

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, deposit at financial institution, 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.

The fair values of securities under repurchase agreements are estimated based on the present value of future cash flows, discounted using current market interest rates for borrowings with similar risks and maturity dates ("Level 2").

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

11. Financial instruments (continued):

(b) Fair value information (continued):

Valuation methodologies (continued):

Included in investments is an investment of $2,706 (2023 - $2,090) in a venture capital fund ("Level 3"). The fair value of this investment reflects the credit union's interests in the net asset value of the fund. The fund applies judgment in determining the unobservable inputs used to calculate fair value of the individual Level 3 investments which primarily includes the revenue multiple applied to the sustainable revenue of the business.

The calculation of fair value of loans and leases receivable held at amortized cost include inputs that are not based on observable market data and are therefore considered to be Level 3. Unobservable inputs to the valuation model for measuring fair value of loans and leases receivable include estimated prepayments, default rates and loss severity, market liquidity and yield curve assumptions.

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 personal loan portfolio described above from opening balance to closing balance at December 31:

	2024	2023
Balance at January 1	$ 11,769	$ 19,767
Principal payments received	(5,964)	(7,651)
Current year write off experience	(328)	(427)
Current year recoveries	176	346
Change in fair value estimate	214	(266)
Balance at December 31	$ 5,867	$ 11,769

12. Financial risks and risk management:

The nature of the credit union'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.

12. 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 Asset and Liability Committee ("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.

12. Financial risks and risk management (continued):

(a) Credit risk (continued):

Inputs and assumptions for measuring expected credit losses:

(i) 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 delinquent and outstanding. The credit union also employs qualitative measures to identify loans and leases that have significantly deteriorated in credit quality, including loans past maturity greater than 90 days.

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:

The credit union has grouped its financial assets into segments on the basis of shared credit risk characteristics, including:

- 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 residential mortgages 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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. 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:

PD is determined as follows:

- personal banking and personal leasing assets - based on credit scores;
- business banking assets - based on the current internal risk ratings assigned to the assets; and
- business leasing assets - based on the number of missed payments.

Loss given default:

The LGD reflects estimates of cash shortfalls in the event of default. LGD is primarily estimated based on the collateral values of the financial assets, the estimated costs to obtain and collect on the collateral, and the current book value of the financial asset.

Forward-looking information and macroeconomic factors:

The forward-looking component represents estimates of the impacts on the ECL of forward-looking information and forecasts of macroeconomic conditions to the credit union's ECL. The primary macroeconomic variables used to estimate ECL are as follows:

	Base Case Scenario	
Forward-looking information	Next 12 months	Remaining forecast period
Interest rates – 3 month	3.29%	2.95%
Unemployment rate[1]	6.58%	5.33%
Change in house pricing index[2]	3.95%	9.27%
Change in real GDP[1]	1.87%	6.34%

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

Forecasts are made of multiple forward looking and macroeconomic scenarios and their estimated impacts to the ECL. The scenario probability weightings applied in measuring ECL are as follows:

	2024	2023
Base (most likely)	60%	55%
Upside	10%	5%
Downside	30%	40%

12. 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 (continued):

The reported ECL for financial assets in Stage 1 and Stage 2 solely under the base case scenario of macroeconomic conditions, with all other assumptions held constant, would be $10,434 (2023 - $9,274) compared to reported allowance for performing loans of $10,970 (2023 - $11,048). The reported ECL for financial assets in Stage 1 and Stage 2 solely under the downside case of macroeconomic conditions, with all other assumptions held constant, would be $12,367 (2023 - $15,328) compared to reported allowance for performing loans of $10,970 (2023 - $11,048).

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, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan or lease receivable.

For lines of credit the EAD is determined based on expectations repayments on the outstanding loan commitments.

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.

12. 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):

Credit-impaired financial assets (continued):

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 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 less than satisfactory or poor; and
- loans or leases receivable that are 90 or more days past due or classified as non-performing loans or recovery loans (lines of credit).

Past maturity status of the loan or lease receivable of 90-days or more has been removed as an indicator of credit impairment in the current year after a detailed assessment by management.

Cash and cash equivalents and investments:

As of December 31, 2024, there is no loss allowance recognized for cash and cash equivalents, and investments measured at amortized cost and FVOCI (2023 - nil) due to the high credit quality of the instruments' counterparties.

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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(a) Credit risk (continued):

Allowance for credit losses (continued):

	2024			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Balance at January 1	$ 145	$ 242	$ 375	$ 762
Change in provision	931	885	39	1,855
Balance at December 31	$ 1,076	$ 1,127	$ 414	$ 2,617
Business loans:				
Balance at January 1	$ 4,503	$ 4,542	$ 2,454	$ 11,499
Change in provision	568	(2,390)	(1,394)	(3,216)
Balance at December 31	$ 5,071	$ 2,152	$ 1,060	$ 8,283
Personal leases:				
Balance at January 1	$ 113	$ 330	$ 103	$ 546
Change in provision	(5)	20	(103)	(88)
Balance at December 31	$ 108	$ 350	$ -	$ 458
Business leases:				
Balance at January 1	$ 911	$ 262	$ 130	$ 1,303
Change in provision	(139)	53	(130)	(216)
Balance at December 31	$ 772	$ 315	$ -	$ 1,087
Total balance at January 1	$ 5,672	$ 5,376	$ 3,062	$ 14,110
Total change in provision	1,355	(1,432)	(1,588)	(1,665)
Total balance at December 31	$ 7,027	$ 3,944	$ 1,474	$ 12,445

During the year, the credit union adopted changes to its model used in calculating ECL on personal and business loans, which has resulted in a net remeasurement of the ECL provision by stage, and some adjustments to the thresholds which trigger a SICR for both portfolios. The impact of these adjustments is shown in the change in provision in the table above.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(a) Credit risk (continued):

Allowance for credit losses (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Balance at January 1	$ 125	$ 423	$ 559	$ 1,107
Change in provision	20	(181)	(184)	(345)
Balance at December 31	$ 145	$ 242	$ 375	$ 762
Business loans:				
Balance at January 1	$ 4,113	$ 3,755	$ 1,472	$ 9,340
Change in provision	390	787	982	2,159
Balance at December 31	$ 4,503	$ 4,542	$ 2,454	$ 11,499
Personal leases:				
Balance at January 1	$ 127	$ 299	$ 58	$ 484
Change in provision	(14)	31	45	62
Balance at December 31	$ 113	$ 330	$ 103	$ 546
Business leases:				
Balance at January 1	$ 1,263	$ 278	$ 216	$ 1,757
Change in provision	(352)	(16)	(86)	(454)
Balance at December 31	$ 911	$ 262	$ 130	$ 1,303
Total balance at January 1	$ 5,628	$ 4,755	$ 2,305	$ 12,688
Total change in provision	44	621	757	1,422
Total balance at December 31	$ 5,672	$ 5,376	$ 3,062	$ 14,110

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

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(a) Credit risk (continued):

Allowance for credit losses (continued):

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:

	2024	2023
(Increase) decrease in allowance for credit losses - loans	$ 1,361	$ (1,814)
(Increase) decrease in allowance for credit losses - leases receivable	304	392
Direct write-offs - loans	(1,003)	(525)
Direct write-offs - leases receivable	(2,176)	(302)
(Increase) decrease in loss allowance for unguaranteed lease residual values	(1,182)	(408)
	$ (2,696)	$ (2,657)

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, 2024 and December 31, 2023.

2024	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Excellent	$ 3,139,893	$ 29	$ -	$ 3,139,922
Good	940,386	25,564	-	965,950
Fair	88,652	55,383	-	144,035
Poor	10,814	47,023	-	57,837
Impaired	-	-	6,691	6,691
	$ 4,179,745	$ 127,999	$ 6,691	$ 4,314,435
Business loans:				
Excellent	$ 50,902	$ -	$ -	$ 50,902
Good	1,636,007	5,499	-	1,641,506
Fair	481,519	13,529	-	495,048
Poor	-	62,037	-	62,037
Impaired	-	-	62,765	62,765
	$ 2,168,428	$ 81,065	$ 62,765	$ 2,312,258
Personal leases:				
Excellent	$ 77,602	$ 9,137	$ -	$ 86,739
Good	26,933	18,070	-	45,003
Fair	1,286	7,784	-	9,070
Poor	-	4,274	-	4,274
Impaired	-	-	-	-
	$ 105,821	$ 39,265	$ -	$ 145,086
Business leases:				
Excellent	$ 224,561	$ 3,133	$ -	$ 227,694
Good	-	3,613	-	3,613
Fair	-	1,240	-	1,240
Poor	-	1,061	-	1,061
Impaired	-	-	-	-
	$ 224,561	$ 9,047	$ -	$ 233,608
Total	$ 6,678,555	$ 257,376	$ 69,456	$ 7,005,387

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(a) Credit risk (continued):

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

2023	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Excellent	$ 3,139,886	$ 371,570	$ -	$ 3,511,456
Good	678,011	430,248	-	1,108,259
Fair	28,965	118,838	-	147,803
Poor	2,976	54,907	-	57,883
Impaired	-	-	7,943	7,943
	$ 3,849,838	$ 975,563	$ 7,943	$ 4,833,344
Business loans:				
Excellent	$ 73,655	$ -	$ -	$ 73,655
Satisfactory	1,260,291	126,040	-	1,386,331
Satisfactory on the watch list	407,251	155,627	-	562,878
Less than satisfactory	3,529	75,525	-	79,054
Impaired	-	-	56,000	56,000
	$ 1,744,726	$ 357,192	$ 56,000	$ 2,157,918
Personal leases:				
Excellent	$ 84,154	$ 15,839	$ -	$ 99,993
Good	27,210	23,461	-	50,671
Fair	744	6,953	-	7,697
Poor	-	2,745	-	2,745
Impaired	-	-	371	371
	$ 112,108	$ 48,998	$ 371	$ 161,477
Business leases:				
Excellent	$ 240,083	$ 985	$ -	$ 241,068
Good	-	3,586	-	3,586
Fair	-	783	-	783
Poor	-	334	-	334
Impaired	-	-	413	413
	$ 240,083	$ 5,688	$ 413	$ 246,184
Total	$ 5,946,755	$ 1,387,441	$ 64,727	$ 7,398,923

Cash equivalents and investments in debt instruments:

At December 31, 2024, the carrying amount of cash equivalents and investments in debt instruments of $855,887 (2023 - $849,712) 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”.

12. 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, 2024, the credit union estimates that an immediate and sustained 100 basis point increase in interest rates would decrease net interest income by $598 (2023 - decrease net interest income by $4,033) over the next 12-months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest income by $304 (2023 - increase net interest income by $2,943) over the next 12-months.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. 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):

2024	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	3.52%	$ 116,324	$ -	$ -	$ -	$ -	$ 116,324
Investments	3.50%	57,887	217,468	281,024	224,274	5,658	786,311
Loans	6.33%	2,052,494	978,424	2,706,435	204,958	(598)	5,941,713
Leases receivable	6.73%	32,223	87,260	246,100	13,111	974	379,668
Other	0.00%	-	-	-	-	51,886	51,886
	5.96%	$ 2,258,928	$ 1,283,152	$ 3,233,559	$ 442,343	$ 57,920	$ 7,275,902
Liabilities							
Borrowings and securities under repurchase agreements	3.85%	$ 88,627	$ -	$ -	$ -	$ -	$ 88,627
Members' deposits	2.97%	3,113,354	2,270,639	779,969	68,681	96,456	6,329,099
Securitization debt obligations	1.57%	18,926	61,904	265,841	3,269	(13,786)	336,154
Other	0.00%	-	-	-	-	70,096	70,096
	2.88%	$ 3,220,907	$ 2,332,543	$ 1,045,810	$ 71,950	$ 152,766	$ 6,823,976
Notional amount of derivatives:							
Pay fixed	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
Receive fixed	3.77%	(175,000)	50,000	125,000	-	-	-
Interest rate sensitivity gap	3.08%	$ (1,136,979)	$ (999,391)	$ 2,312,749	$ 370,393	$ (94,846)	$ 451,926

2023	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	3.35%	$ 200,553	$ -	$ -	$ -	$ -	$ 200,553
Investments	3.93%	41,301	206,145	346,510	183,471	(16,182)	761,245
Loans	4.93%	1,820,913	890,801	3,126,322	254,639	3,546	6,096,221
Leases receivable	6.64%	37,981	103,884	245,892	19,904	2,358	410,019
Other	2.54%	-	-	-	-	65,956	65,956
	4.86%	$ 2,100,748	$ 1,200,830	$ 3,718,724	$ 458,014	$ 55,678	$ 7,533,994
Liabilities							
Members' deposits	3.47%	$ 3,273,762	$ 2,556,235	$ 620,212	$ 96,611	$ 88,554	$ 6,635,374
Securitization debt obligations	2.43%	20,370	75,468	277,698	12,970	(5,881)	380,625
Other	1.39%	-	-	-	-	83,991	83,991
	3.39%	$ 3,294,132	$ 2,631,703	$ 897,910	$ 109,581	$ 166,664	$ 7,099,990
Notional amount of derivatives:							
Pay fixed	1.73%	$ 20,000	$ (20,000)	$ -	$ -	$ -	$ -
Receive fixed	5.28%	(325,000)	120,000	205,000	-	-	-
Interest rate sensitivity gap	1.47%	$ (1,498,384)	$ (1,330,873)	$ 3,025,814	$ 348,433	$ (110,986)	$ 434,004

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(b) Interest rate risk (continued):

Interbank Offered Rates ("IBOR") reform:

The Canadian Dollar Offered Rate ("CDOR") officially ceased on June 30, 2024, marking a significant change in the financial sector, especially for credit unions that relied on CDOR as a primary reference rate. On July 1, 2024 the credit union re-benchmarked all treasury products that were previously tied to CDOR to the Canadian Overnight Repo Rate Average ("CORRA") benchmark. This involved updating pricing models and contractual terms for all relevant products, including derivatives, investment securities, and securitization debt obligations, aligning them with the CORRA standard.

For the year ended December 31, 2024, there was no impact on the consolidated statement of income as a result of the IBOR transition (2023 - nil).

The table below shows the total exposure to IBOR instruments as of December 31, 2023 for which financial instruments referenced remaining CDOR rates. 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. As of December 31, 2024, all financial instruments that once referenced CDOR have either been fully transitioned or disposed.

	2023
Investments	$ 68,888
Securitization debt obligations	435
Derivative assets (notional)	100,000
Derivative liabilities (notional)	175,000

(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 2024 (2023 - 8%). At December 31, 2024 and 2023, the credit union's liquidity exceeded the required level.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Financial risks and risk management (continued):

(c) Liquidity risk (continued):

In addition to ensuring sufficient liquidity levels, the credit union generates stress testing reports, including the Net Cumulative Cash Flow and Liquidity Coverage Ratio reports, as part of its regulatory compliance framework.

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 9).

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:

2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Borrowings and securities under repurchase agreements	$ 88,788	$ -	$ -	$ -	$ -	$ 88,788
Members' deposits	2,570,931	640,861	2,396,429	848,956	71,794	6,528,971
Securitization debt obligations	7,386	13,464	67,148	272,552	3,288	363,838
Accounts payable and accrued liabilities	26,815	-	-	-	-	26,815
Derivative liabilities	-	192	38	-	-	230
Total financial liabilities	$ 2,693,920	$ 654,517	$ 2,463,615	$1,121,508	$ 75,082	$ 7,008,642

2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Members' deposits	$ 2,900,525	$ 615,522	$ 2,841,818	$ 681,065	$ 101,538	$ 7,140,468
Securitization debt obligations	6,471	10,509	64,556	304,776	23,260	409,572
Accounts payable and accrued liabilities	30,772	-	-	-	-	30,772
Derivative liabilities	215	1,704	2,736	1,602	-	6,257
Total financial liabilities	$ 2,937,983	$ 627,735	$ 2,909,110	$ 987,443	$ 124,798	$ 7,587,069

(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 no impact on net income for the year ended December 31, 2024 (2023 - $1,413). This analysis is based on the assumption that all equity investments increase/decrease in price while all other variables are held constant.

12. Financial risks and risk management (continued):

(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, 2024 is within the policy limit.

During the year ended December 31, 2024, the credit union recognized foreign exchange income of $76 (2023 - $1,082) 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 12.2% (2023 - 12.0%) 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.

As at December 31, 2024 and 2023, the credit union's capital ratios were in compliance with the regulatory requirements and with the credit union's internal policy requirements.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

13. Premises and equipment:

2024	Computer and ATM equipment	Furniture and equipment	Leasehold improvements	Land and building	Total
Cost:					
Balance at January 1	$ 3,734	$ 9,883	$ 12,800	$ 3,439	$ 29,856
Additions	300	684	114	-	1,098
Disposals	(755)	(1,732)	(675)	(3,439)	(6,601)
Balance at December 31	$ 3,279	$ 8,835	$ 12,239	$ -	$ 24,353
Accumulated depreciation:					
Balance at January 1	$ 2,666	$ 6,029	$ 6,617	$ 393	$ 15,705
Depreciation	661	1,512	1,370	63	3,606
Disposals	(724)	(1,649)	(675)	(456)	(3,504)
Balance at December 31	$ 2,603	$ 5,892	$ 7,312	$ -	$ 15,807
Carrying amounts:					
December 31	$ 676	$ 2,943	$ 4,927	$ -	$ 8,546

2023	Computer and ATM equipment	Furniture and equipment	Leasehold improvements	Land and building	Total
Cost:					
Balance at January 1	$ 3,608	$ 9,360	$ 12,193	$ 3,440	$ 28,601
Additions	364	644	637	-	1,645
Disposals	(238)	(121)	(30)	(1)	(390)
Balance at December 31	$ 3,734	$ 9,883	$ 12,800	$ 3,439	$ 29,856
Accumulated depreciation:					
Balance at January 1	$ 2,118	$ 4,290	$ 5,420	$ 296	$ 12,124
Depreciation	786	1,860	1,227	98	3,971
Disposals	(238)	(121)	(30)	(1)	(390)
Balance at December 31	$ 2,666	$ 6,029	$ 6,617	$ 393	$ 15,705
Carrying amounts:					
December 31	$ 1,068	$ 3,854	$ 6,183	$ 3,046	$ 14,151

During the year ended December 31, 2024, the credit union disposed of a building and the related land. The disposition resulted in a net gain of $2,310 (2023 - nil) which was recognized in the consolidated statement of income within other income. Depreciation of premises and equipment is recognized in the consolidated statement of income within occupancy and equipment expenses (note 25).

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

14. Right-of-use assets:

	2024	2023
Cost:		
Balance at January 1	$ 60,992	$ 59,387
Additions	2,737	1,605
Disposals	(1,319)	-
Balance at December 31	$ 62,410	$ 60,992
Accumulated amortization:		
Balance at January 1	$ 35,436	$ 28,411
Amortization and impairment	6,712	7,025
Disposals	(1,319)	-
Balance at December 31	$ 40,829	$ 35,436
Carrying amounts:		
December 31	$ 21,581	$ 25,556

Depreciation of right-of-use assets is recognized in the consolidated statement of income within occupancy and equipment expenses (note 25).

15. Intangible assets:

2024	Computer software licences	Core deposit intangibles	Total
Cost:			
Balance at January 1	$ 369	$ 2,925	$ 3,294
Additions	-	-	-
Disposals	(106)	-	(106)
Balance at December 31	$ 263	$ 2,925	$ 3,188
Accumulated amortization:			
Balance at January 1	$ 257	$ 975	$ 1,232
Amortization and impairment	56	487	543
Disposals	(106)	-	(106)
Balance at December 31	$ 207	$ 1,462	$ 1,669
Carrying amounts:			
December 31	$ 56	$ 1,463	$ 1,519

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

15. Intangible assets (continued):

2023	Computer software licences	Core deposit intangibles	Total
Cost:			
Balance at January 1	$ 876	$ 2,925	$ 3,801
Additions	-	-	-
Disposals	(507)	-	(507)
Balance at December 31	$ 369	$ 2,925	$ 3,294
Accumulated amortization:			
Balance at January 1	$ 671	$ 488	$ 1,159
Amortization and impairment	93	487	580
Disposals	(507)	-	(507)
Balance at December 31	$ 257	$ 975	$ 1,232
Carrying amounts:			
December 31	$ 112	$ 1,950	$ 2,062

Amortization of intangible assets is recognized in the consolidated statement of income within general and administrative expenses (note 24).

16. Other assets:

	2024	2023
Repossessed property (note 7(b))	$ 2,152	$ 1,471
Accounts receivable	5,714	7,680
Prepaid expenses	5,382	6,433
	$ 13,248	$ 15,584

During the year ended December 31, 2024, the credit union recognized impairment losses of $2,772 (2023 - $993) on repossessed property, included in impairment losses (recoveries) on other assets in the consolidated statement of income. During the year ended December 31, 2024, the credit union recognized recoveries from repossessed property of $563 (2023 - $271), included in fee and commission income in the consolidated statement of income.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

17. Lease liabilities:

2024	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 6,623	$ (643)	$ 5,980
Between one and five years	16,089	(1,151)	14,938
More than five years	3,483	(71)	3,412
Balance at December 31	$ 26,195	$ (1,865)	$ 24,330

2023	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,566	$ (745)	$ 6,821
Between one and five years	17,409	(1,465)	15,944
More than five years	5,910	(198)	5,712
Balance at December 31	$ 30,885	$ (2,408)	$ 28,477

18. 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 and dental benefits are provided to eligible credit union employees upon retirement.

The credit union operates a number of retirement benefit plans, some of which are funded by the credit union based on actuarially prescribed amounts and some 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 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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

18. Retirement benefit obligations (continued):

The credit union's retirement benefit plans are as follows:

Plan name	Plan type	Open/ closed to new entrants	Funded status	Last actuarial valuation effective date	Year latest actuarial valuation performed
Prospera Employee Pension Plan ("DC PEPP")	Defined Contribution	Open	Unfunded	N/A	N/A
Prospera Employee Pension Plan ("DB PEPP")	Defined Benefit	Closed	Funded	December 31,2023	2024
BC Credit Union Pension Plan ("1.2% plan")	Defined Benefit	Closed	Funded	December 31,2021	2022
BC Credit Union Pension Plan ("1.75% plan")	Defined Contribution	Closed	Funded	December 31,2021	2022
Former Fraser Valley Credit Union ("FVPP")	Defined Benefit	Closed	Funded	August 31,2022	N/A[1]
Supplemental Executive Retirement Plan ("SERP 1")	Defined Benefit	Closed	Funded	December 31,2021	N/A[2]
Supplemental Executive Retirement Plan ("SERP 2")	Defined Benefit	Closed	Funded	December 31,2023	2024
Supplemental Executive Retirement Plan ("SERP 3")	Defined Benefit	Closed	Unfunded	N/A	N/A
Supplemental Executive Retirement Plan ("SERP 4")	Defined Contribution	Open	Unfunded	N/A	N/A

[1] In July 2024 an annuity was purchased to terminate the FVPP. Pension benefits were paid by the FVPP until September 30, 2024 after which the plan obligation was transferred to the purchaser. Final plan settlement will occur in April 2025.

[2] In 2025 SERP 1 is expected to be wound down with the liability completely transferred into SERP 2, therefore no actuarial valuation was performed in 2024.

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

There is no retirement benefit obligation reflected in the statement of financial position for the 1.75% plan (note 3(i)) and does not form part of the figures in the tables below.

(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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

18. Retirement benefit obligations (continued):

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

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:

	2024	2023
Fair value of plan assets:		
Fair value of plan assets, beginning of year	$ 96,043	$ 88,802
Interest income on plan assets	4,097	4,209
Return on plan assets greater (less) than discount rate	9,851	4,486
Employer contributions	3,592	3,368
Benefit payments	(4,445)	(4,822)
Settlement of plan windup	(1,251)	-
Fair value plan assets, end of year	107,887	96,043
Present value of defined retirement benefit obligations:		
Benefit obligation, beginning of year	101,216	91,940
Service cost	3,181	2,802
Interest cost	4,322	4,379
Benefit payments	(4,530)	(4,896)
Actuarial (gain) loss	2,315	6,991
Gain upon settlement of plan windup	(126)	-
Settlement of plan windup	(1,251)	-
Benefit obligation, end of year	105,127	101,216
Surplus (deficiency) of plan assets over obligations	2,760	(5,173)
Impact of surplus derecognition	(5,905)	(2,685)
Net retirement benefit obligation	$ (3,145)	$ (7,858)

The unfunded portion of the defined retirement benefit obligation (SERP 3, SERP 4 and PRBP) is $891 (2023 - $830). The accrued benefit obligation for SERP 3 is secured by an irrevocable letter of credit issued by the credit union in the amount of $95 (2023 - $91).

(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:

	2024	2023
Service cost	$ 3,181	$ 2,802
Net interest on net defined retirement benefit obligations	225	170
Interest on surplus derecognition	125	221
Gain upon settlement of plan windup	(126)	-
Defined retirement benefit expense	$ 3,405	$ 3,193

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

18. Retirement benefit obligations (continued):

(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.

(d) Investment composition and diversification:

The actual return on plan assets for the year ended December 31, 2024, including interest income, was $13,948 (2023 - $8,695).

Assets for the defined retirement benefit plans are held in diversified and balanced funds in which the target asset allocation is mandated by the relevant 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:

	2024	2023
Equity securities	46.1%	50.0%
Debt securities	35.3%	43.3%
Other	18.6%	6.7%
	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:

	2024	2023
Discount rate	4.7%	4.6%
Salary scale	2.9%	2.8%
Inflation	2.0%	2.0%

At December 31, 2024, the weighted average duration of the defined benefit obligations was 15.0 years (2023 - 16.0 years).

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

18. Retirement benefit obligations (continued):

(f) Actuarial gains and losses:

Actuarial gains and losses are comprised of 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.

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

	2024	2023
Actuarial (gains) losses on plan liabilities	$ 2,315	$ 6,991
Actuarial (gains) losses on plan assets	(9,851)	(4,486)
Change of asset ceiling/onerous liability	(8)	(43)
Remeasurement on surplus derecognition	3,103	(1,816)
	$ (4,441)	$ 646

(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:

	2024	2023
Discount rate:		
Impact of a 1% increase	$ (13,856)	$ (13,828)
Impact of a 1% decrease	17,559	17,070

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, 2024, the credit union recognized retirement expense of $1,795 (2023 - $1,768) in the consolidated statement of income, included in salary and employee benefits expense, representing the contributions to the DC PEPP.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

18. Retirement benefit obligations (continued):

(i) Participation in multi-employer plan:

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"). This is a contributory defined benefit pension plan governed by a Board of Trustees, who are responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits. The 1.75% division is funded through participating employers and employee contributions as determined through an actuarial valuation based on the pensionable earnings and age of the respective participating employees.

During the year ended December 31, 2024, the credit union recognized pension expense of $1,473 (2023 - $1,477) in the consolidated statement of income, included in salary and employee benefits expense, representing the contributions to the 1.75% division.

19. Net interest income:

	2024	2023
Interest income:		
Interest from cash and cash equivalents:		
At amortized cost	$ 2,704	$ 1,817
At FVTPL	9,127	2,601
At FVOCI	615	110
Interest from investments:		
At amortized cost	2,841	289
At FVTPL	163	310
At FVOCI	26,138	21,523
Interest from loans:		
At amortized cost	306,125	280,862
At FVTPL	877	1,662
Interest from leases receivable	26,559	23,422
	375,149	332,596
Interest expense:		
Interest expense on borrowings and securities under repurchase agreements	170	4,378
Interest expense on members' deposits	244,378	190,830
Interest expense on securitization debt obligations	15,765	11,032
Interest expense on derivatives including hedge ineffectiveness	2,516	3,090
Interest expense on lease liabilities	788	950
	263,617	210,280
	$ 111,532	$ 122,316

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

20. Net fee and commission income:

	2024	2023
Fee and commission income:		
Wealth management fees	$ 14,687	$ 14,564
Member service fees and commissions	7,516	7,311
Insurance, mortgage and visa commissions	3,001	2,664
Loan and leases receivable fees	2,207	1,545
ATM Network fees	404	467
Fee and commission income from contracts with customers	27,815	26,551
Bad debt recoveries	727	470
	28,542	27,021
Fee and commission expense:		
Member service expenses	2,491	3,700
Other fees	1,254	1,013
Loan and leases receivable expenses	1,095	1,411
Loans and leases receivable securitization fees	331	267
	5,171	6,391
	$ 23,371	$ 20,630

21. Unrealized gains (losses) on financial instruments:

	2024	2023
Measured at FVTPL:		
Gains (losses) on investments	$ 155	$ (703)
Foreign exchange gains (losses)	2,644	(1,018)
Gains (losses) on loans	(39)	4
Gains (losses) on derivatives	-	228
	$ 2,760	$ (1,489)

22. Realized gains (losses) on financial instruments:

	2024	2023
Gains (losses) on investments measured at FVTPL	$ 2,119	$ (250)
Gains (losses) on investments measured at FVOCI	3,042	7
Gains (losses) on derivatives measured at FVTPL (note 10)	(241)	(460)
	$ 4,920	$ (703)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

23. Salary and employee benefits:

	2024	2023
Salaries and commissions expense	$ 64,342	$ 62,291
Employee benefits expense	14,983	14,794
Other	1,421	1,542
	$ 80,746	$ 78,627

24. General and administrative:

	2024	2023
Digital and technology	$ 15,727	$ 15,675
Professional fees and dues	8,752	6,218
CUDIC and other insurance	4,031	5,069
General business and other	3,685	1,371
Marketing and sales expenses	3,118	3,728
Community investment	571	677
Amortization of intangible assets	543	580
	$ 36,427	$ 33,318

25. Occupancy and equipment:

	2024	2023
Depreciation of right-of-use assets	$ 6,712	$ 7,025
Property tax and common area	4,086	4,030
Depreciation of premises and equipment	3,606	3,971
Repairs and maintenance, utilities and security	2,529	2,730
Rent	440	435
	$ 17,373	$ 18,191

26. Income taxes:

	2024	2023
Current taxes expense (recovery):		
Corporate tax on income for the year	$ 2,413	$ 1,034
Other	(73)	(8)
	2,340	1,026
Deferred taxes expense (recovery):		
Origination and reversal of temporary difference	(2,975)	(156)
Change in estimated tax rate applied	1,053	(192)
	(1,922)	(348)
Income tax expense	$ 418	$ 678

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

26. Income taxes (continued):

The combined federal and provincial corporate income tax rate for 2024 is 27.0% (2023 - 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:

	2024		2023	
	Amount	% of pre-tax income	Amount	% of pre-tax income
Income taxes based on combined statutory income tax rates	$ 697	27.0%	$ 2,624	27.0%
Credit union rate reduction	(37)	(1.4%)	(796)	(8.2%)
Non-deductible or taxable items	(967)	(37.4%)	(946)	(9.7%)
Effect of change in estimated tax rate on deferred tax provision	1,053	40.8%	(192)	(2.0%)
Other	(328)	(12.8)%	(12)	(0.1%)
Actual income tax expense	$ 418	16.2%	$ 678	7.0%

The effective tax rate for 2024, based on income before tax, was 16.2% (2023 - 7.0%). 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:

	2024	2023
Deferred tax assets:		
Pension	$ 22	$ 954
Allowance for losses on loans and leases receivable	2,971	2,918
Deferred revenues	787	725
Loss carryforward	2,312	2,072
Premises and equipment	980	496
Lease liabilities	5,278	5,666
Leasing	3,152	2,405
Members' deposits	-	5
	$ 15,502	$ 15,241
Deferred tax liabilities:		
Leasing	$ 16,903	$ 14,446
ROU assets	4,682	5,085
Deferred expenses	756	1,046
Deferred revenues	-	867
Core deposit intangible	317	388
	$ 22,658	$ 21,832
Net deferred tax assets[1]	$ 5,921	$ 4,922
Net deferred tax liabilities[1]	(13,077)	(11,513)

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

27. Contingencies and commitments:

As at December 31, 2024, 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 the results of operations of the credit union. The credit union has considered contingent liabilities and determined that no amount needs to be accrued in respect of such matters.

The credit union is committed to payments for information systems under contract over the next one to five years of $31,517 (2023 - over the next one to five years of $22,339). The credit union has also funded $400 (2023 - $800) of capital calls during the year for an investment in a limited partnership, with an additional $1,400 (2023 - $1,800) in capital calls committed to be funded over the next four years.

28. Related party transactions:

Related parties of the credit union include wholly owned subsidiaries, various retirement plans including the DB PEPP and DC PEPP, the FVPP, the PRBP and SERPs (note 18), 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 DB 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 $149 (2023 - $82) of actuarial and other administrative expenses.

The Prospera Foundation is considered a related party due to the credit union's representation on the Prospera Foundation's board. The credit union also currently provides most personnel, facilities and administrative services necessary for its operation. Deposits maintained on behalf of the Prospera Foundation by the credit union at December 31, 2024 amounted to $202 (2023 - $202). The credit union paid interest of $9 (2023 - $10) during the year ended December 31, 2024 on these deposits.

(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.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

28. Related party transactions (continued):

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

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	
	2024	2023	2024	2023
Balance at January 1	$ 8,431	$ 8,784	$ 3,118	$ 3,048
Net transactions during the year	(1,295)	(353)	40	70
Balance at December 31	$ 7,136	$ 8,431	$ 3,158	$ 3,118
Interest income earned on loans/ paid on deposits during the year	$ 225	$ 218	$ 104	$ 61

The loans receivable from directors and key management personnel (and close family members) at December 31, 2024 and 2023, are repayable monthly over a range of one to five years and have interest rates ranging from 1.0% to 7.5% (2023 - 1.0% to 7.7%). 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, 2024 and 2023 are unsecured, carry interest rates from nil to 5.55% (2023 - nil to 5.66%) and are repayable on demand or up to five 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:

	2024	2023
Salaries and other short-term employee benefits	$ 6,442	$ 7,542
Post-employment and termination benefits	610	813
	$ 7,052	$ 8,355