

Assiniboine Credit Union Limited

Consolidated Financial Statements

December 31, 2024

(in thousands of dollars)



Independent auditor's report

To the Members of Assiniboine Credit Union Limited

Our opinion

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

What we have audited

The Credit Union's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of net income and 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
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

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Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Credit Union as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba

March 4, 2025

Assiniboine Credit Union Limited

Consolidated Statement of Financial Position

As at December 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Assets		
Cash on hand and on deposit	860,115	145,778
Investments (note 6)	86,343	766,241
Loans to members (note 7)	5,244,294	5,090,412
Other assets (note 8)	20,624	23,847
Property, equipment and intangible assets (note 9)	30,508	32,625
Right-of-use assets (note 10)	6,436	8,222
Deferred income tax assets (note 14)	953	606
Total assets	<u>6,249,273</u>	<u>6,067,731</u>
Liabilities		
Members' deposits (note 11)	5,612,744	5,419,752
Accounts payable (note 12)	29,553	29,107
Lease liabilities (note 10)	7,135	8,921
Mortgage securitization liabilities (note 13)	115,036	135,809
Income taxes payable	-	720
Members' shares (note 16)	724	9,719
Shares to be issued (note 17)	-	311
Total liabilities	<u>5,765,192</u>	<u>5,604,339</u>
Members' Equity		
Members' shares (note 16)	18,480	18,972
Shares to be issued (note 17)	924	1,138
Contributed surplus	70,571	70,571
Retained surplus	394,106	372,711
Total equity	<u>484,081</u>	<u>463,392</u>
Total liabilities and equity	<u>6,249,273</u>	<u>6,067,731</u>

Approved by the Board of Directors

P. M. Shah .

Director



Director

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

Assiniboine Credit Union Limited

Consolidated Statement of Net Income and Comprehensive Income

For the year ended December 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Revenues		
Interest from loans to members	224,141	197,361
Investment interest income	58,024	61,965
	<u>282,165</u>	<u>259,326</u>
Cost of funds		
Interest paid to members and other	182,999	163,238
	<u>182,999</u>	<u>163,238</u>
Financial margin	99,166	96,088
Other income	28,920	28,306
	<u>28,920</u>	<u>28,306</u>
Financial margin and other income	<u>128,086</u>	<u>124,394</u>
Operating expenses		
Administration	28,156	23,610
Member security	4,866	4,761
Occupancy	9,564	9,550
Organizational	2,619	2,539
Personnel	50,454	45,721
	<u>95,659</u>	<u>86,181</u>
Gross operating margin	32,427	38,213
Allowance for loan loss (note 7)	(2,900)	(2,720)
Dividends on surplus shares (note 17)	-	(311)
	<u>-</u>	<u>(311)</u>
Net income before income taxes	<u>29,527</u>	<u>35,182</u>
Provision for income taxes (note 14)		
Current	7,555	9,219
Deferred	(347)	(319)
	<u>7,208</u>	<u>8,900</u>
Net income and comprehensive income for the year	<u>22,319</u>	<u>26,282</u>

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

Assiniboine Credit Union Limited

Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2024

(in thousands of dollars)

	Members' shares \$	Shares to be issued \$	Contributed surplus \$	Retained surplus \$	Total members' equity \$
Balance at January 1, 2024	18,972	1,138	70,571	372,711	463,392
Net income and comprehensive income for the year	-	-	-	22,319	22,319
Dividends on preference shares (note 17)	-	924	-	(924)	-
Members' shares Issued	849	(1,138)	-	-	(289)
Redeemed	(1,341)	-	-	-	(1,341)
Balance at December 31, 2024	18,480	924	70,571	394,106	484,081
	Members' shares \$	Shares to be issued \$	Contributed surplus \$	Retained surplus \$	Total members' equity \$
Balance at January 1, 2023	20,293	1,015	70,571	347,567	439,446
Net income and comprehensive income for the year	-	-	-	26,282	26,282
Dividends on preference shares (note 17)	-	1,138	-	(1,138)	-
Members' shares Issued	724	(1,015)	-	-	(291)
Redeemed	(2,045)	-	-	-	(2,045)
Balance at December 31, 2023	18,972	1,138	70,571	372,711	463,392

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

Assiniboine Credit Union Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the year	22,319	26,282
Items not affecting cash		
Depreciation on property, equipment and intangible assets	3,898	3,836
Depreciation on right-of-use assets	2,043	2,034
Allowance for loan loss	2,900	2,720
Deferred income taxes	(347)	(319)
Dividends on surplus shares	-	311
Fair value adjustment on loans	366	662
Fair value adjustment on deposits	219	312
Loss on disposal of property and equipment	4	-
	<u>31,402</u>	<u>35,838</u>
Net change in non-cash working capital items		
Investments – accrued interest	4,466	(930)
Loans to members – accrued interest	(146)	(2,312)
Other assets	3,467	3,700
Income taxes	(964)	(2,455)
Members' deposits – accrued interest	10,524	25,314
Accounts payable	446	5,677
	<u>17,793</u>	<u>28,994</u>
Loans to members – net of repayments	(157,002)	(157,942)
Members' deposits – net of withdrawals	182,249	(53,782)
Net change in investments	675,432	199,488
	<u>700,679</u>	<u>(12,236)</u>
	<u>749,874</u>	<u>52,596</u>
Investing activities		
Purchase of property, equipment and intangible assets	(1,794)	(1,226)
Proceeds on disposal of property and equipment	9	-
	<u>(1,785)</u>	<u>(1,226)</u>
Financing activities		
Principal payments of lease liabilities	(2,043)	(1,955)
Proceeds of issued mortgage securitization	28,977	9,316
Repayments of mortgage securitization	(49,750)	(47,661)
Net increase in common shares	4	13
Redemption of surplus shares	(9,310)	(392)
Redemption of preference shares – net of taxes	(1,341)	(2,045)
Payment of preferred share dividends	(289)	(291)
	<u>(33,752)</u>	<u>(43,015)</u>
Net increase in cash on hand and on deposit	714,337	8,355
Cash on hand and on deposit – Beginning of year	145,778	137,423
Cash on hand and on deposit – End of year	860,115	145,778
Interest received	286,119	255,422
Interest paid	172,368	137,910
Income taxes paid	8,519	11,674

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

Assiniboine Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2024

(in thousands of dollars)

1 General information

Assiniboine Credit Union Limited (the Credit Union) is incorporated under the Credit Union Incorporation Act of Manitoba and its operations are subject to the Credit Unions and Caisses Populaires Act (Manitoba) (the Act). The Credit Union serves members principally in Manitoba. Its wholly owned subsidiaries include Assiniboine Credit Union Limited Holdings, Winnipeg Insurance Brokers, 6173927 Manitoba Ltd. and 6169385 Manitoba Ltd. The Credit Union's registered office is located at 200 Main Street, Winnipeg, Manitoba, Canada, R3C 2G1.

These consolidated financial statements have been approved for issue by the Board of Directors (the Board) on March 4, 2025.

2 Basis of presentation and basis of measurement

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

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Credit Union.

The Credit Union presents its consolidated statement of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the year-end date (current) and more than 12 months after the year-end date (non-current) presented in the notes. The Credit Union classifies its expenses by the nature of expenses method.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period in which the assumptions changed. The areas involving a higher degree of judgment or complexity, where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

3 Summary of material accounting policy information

Principles of consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated.

The Credit Union controls an entity when it is exposed to, or has the rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over those entities.

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Subsidiaries are fully consolidated from the date on which control is obtained by the Credit Union and are de-consolidated from the date that control ceases.

Cash on hand and on deposit

Cash consists of cash on hand and deposits with other financial institutions. Cash is carried at amortized cost.

Financial instruments

Financial assets and liabilities

The Credit Union applies IFRS 9, Financial Instruments (IFRS 9) and classifies its financial instruments in the following measurement categories: FVTPL, FVOCI or amortized cost. Management determines the classification of its financial instruments at initial recognition. The Credit Union uses trade date accounting for regular way contracts when recording financial asset transactions.

Measurement methods

- *Amortized cost and effective interest rate*

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any loan loss allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Credit Union revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognized in net income and comprehensive income.

- *Interest income*

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

- *Initial recognition and measurement*

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

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At initial recognition, the Credit Union measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in net income and comprehensive income. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in net income and comprehensive income when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

Classification and subsequent measurement

- *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, and would include term deposits held by the Credit Union.

Classification and subsequent measurement of debt instruments depend on:

- the business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Credit Union classifies its debt instruments into one of the following measurement categories:

- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in net income and comprehensive income and presented in the consolidated statement of net income and comprehensive income within investment fair value gain (loss) in the period in which it arises.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest (SPPI) and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost, which are recognized in net income and comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income and recognized in investment fair value gain (loss).

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- **Amortized cost:** Financial assets that are held in order to collect contractual cash flows, where the assets' cash flows represent SPPI and are not designated as FVTPL, are measured at amortized cost. Interest income on investments is presented in the consolidated statement of net income and comprehensive income within investment interest income.

- *Business model*

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

- *Solely payments of principal and interest*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Credit Union assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Credit Union considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

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

The Credit Union reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none have occurred during the period.

- *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. An example of equity instruments includes the Credit Union's investment in shares of Credit Union Central of Manitoba (Central).

The Credit Union subsequently measures all equity investments at FVTPL, except where the Credit Union's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to net income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in net income and comprehensive income as investment income when the Credit Union's right to receive payments is established.

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Notes to Consolidated Financial Statements

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(in thousands of dollars)

Impairment

The Credit Union assesses, on a forward-looking basis, ECL associated with its assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Credit Union recognizes a loss allowance for such losses as at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 18 provides more detail of how the ECL allowance is measured.

Modification of loans

The Credit Union sometimes renegotiates or otherwise modifies the contractual cash flows of loans to members. When this happens, the Credit Union assesses whether or not the new terms are substantially different than the original terms. The Credit Union does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; or
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Credit Union derecognizes the original financial asset, recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Credit Union also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed upon payments. Differences in the carrying amount are also recognized in net income and comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Credit Union recalculates the gross carrying amount based on the revised cash flows of the financial

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(in thousands of dollars)

asset and recognizes a modification gain or loss in net income and comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Credit Union transfers substantially all the risks and rewards of ownership; or (ii) the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and the Credit Union has not retained control.

The Credit Union enters into transactions where it retains the contractual rights to receive cash flows from assets, but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as pass through transfers that result in derecognition if the Credit Union:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities

The Credit Union designates members' deposits, accounts payable and secured borrowing as financial liabilities. In both the current and prior period, financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, except for financial guarantee contracts and loan commitments (note 18).

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of members to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance; and

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- the premium received on initial recognition less income recognized in accordance with the principles of IFRS 15, Revenue from Contracts with Customers.

Loan commitments provided by the Credit Union are measured as the amount net of any loss allowance. The Credit Union has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and for which the Credit Union cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognized as a provision.

Derivatives and hedging activities

The Credit Union enters into derivative transactions to hedge interest rate risk. Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument and, if so, the nature of the item being hedged. The Credit Union designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges); or
- hedges of highly probable future cash flows attributable to a recognized asset or liability (cash flow hedges).

The Credit Union documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Credit Union also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives' hedging relationship meets the hedge effectiveness requirements, including the economic relationship, the conclusion that credit risk does not dominate the value changes from that economic relationship and the hedge ratio is appropriate.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of net income and comprehensive income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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(in thousands of dollars)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to net income over the period to maturity and recorded as interest income.

Cash flow hedge

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of net income and comprehensive income.

Amounts accumulated in equity are recycled to the consolidated statement of net income and comprehensive income in the periods in which the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedged instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the periods in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognized hedged asset is disposed of), the cumulative gain or loss previously recognized in OCI is immediately reclassified to the consolidated statement of net income and comprehensive income.

Loans to members

Loans and receivables are initially recognized at fair value, which is the cash consideration to originate or purchase the loan, including any transaction costs, and are measured subsequently at amortized cost using the effective interest rate method. Interest on loans is included in the consolidated statement of net income and comprehensive income and is reported as interest from loans to members. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the consolidated statement of net income and comprehensive income as allowance for loan loss.

Property held for resale is valued at the lower of cost and estimated net realizable value.

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

Government grants

Government grants are recognized when there is reasonable assurance that the Credit Union has complied with the conditions associated with the relevant government program. These programs are recorded as other income in the consolidated statement of net income and comprehensive income. Government grants receivable are recorded in other assets in the consolidated statement of financial position.

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Property and equipment

Property and equipment are carried at acquisition cost, less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5% and 7%
Furniture, equipment and signs	20%
Computers	20% – 33%
Leasehold improvements	shorter of the remaining term of the lease or estimated useful life

Land is not subject to depreciation and is carried at cost. Construction-in-progress assets are not depreciated until available for use, at which time they become subject to depreciation. The residual value, the method of depreciation and the useful lives of the assets are reviewed annually and adjusted if appropriate. Depreciation is recognized in the consolidated statement of net income and comprehensive income within administration and occupancy expenses.

Impairment reviews are performed when there are indicators that the recoverable amount of an asset may be less than the carrying value. The recoverable amount is determined as the higher of an asset's or cash generating unit's (CGU) fair value less cost of disposal and value in use. Impairment is recognized in the consolidated statement of net income and comprehensive income when there is an indication that an asset may be impaired. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the consolidated statement of net income and comprehensive income at that time.

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

Intangible assets

Intangible assets consist of certain assets acquired in a business combination and acquired or internally developed computer systems and software. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. Input costs directly attributable to the development or implementation of the asset are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Credit Union and the cost can be measured reliably. Finite life intangible assets are tested for impairment when events or circumstances indicate that the carrying value may not be recoverable.

The recoverable amount is determined as the higher of an asset's or CGU's fair value less cost of disposal and value in use. When the recoverable amount is less than the net carrying value, an impairment loss is recognized.

Intangible assets available for use are amortized over their useful lives on a straight-line basis at a rate of 10% to 33%. The method of amortization and useful lives of the intangible assets are reviewed annually and adjusted if appropriate.

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There are no indefinite-life intangible assets.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business unit over the amount allocated to assets acquired less liabilities assumed, based on their fair values. Assets are grouped at the lowest level for which there are separately identifiable cash inflows or CGUs. Goodwill is tested annually for impairment at the goodwill CGU level, which represents the lowest level at which management monitors goodwill; however, such level cannot be larger than an operating segment as defined by IFRS Accounting Standards. Goodwill is determined to be impaired when the recoverable amount of the goodwill CGU is less than its carrying amount. The recoverable amount is determined as the higher of the goodwill CGU's fair value less cost of disposal and value in use. If impaired, the Credit Union would recognize an impairment loss in the consolidated statement of net income and comprehensive income.

Leases and right-of-use assets

The Credit Union applies IFRS 16, Leases, to its various building leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and corresponding financial liability as at the date on which the leased asset is available for use by the Credit Union.

Assets and liabilities arising from a lease are initially measured on a present value basis. Finance lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase or extension option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Several of the Credit Union's agreements include extension options, and the Credit Union reviews each option and includes the extension option in the calculation of the right-of-use liability when appropriate. If the Credit Union exercises an extension option in the future that was not assumed to be exercised on initiation, the Credit Union will record a right-of-use asset and right-of-use lease liability at that time. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes. Each lease payment is allocated between the liability and interest expense. The interest cost is charged to the consolidated statement of net income and comprehensive income over the lease period to produce a constant rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are accounted for under IAS 16, Property, Plant and Equipment. Right-of-use assets have the same accounting policies as directly owned assets, meaning the right-of-use assets are depreciated over the lease term, as applicable.

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Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense of any provision is recognized in the consolidated statement of net income and comprehensive income. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Mortgage securitization

The Credit Union periodically securitizes mortgages by participating in the National Housing Authority Mortgage-Backed Securities (NHA MBS) program and the Canada Mortgage Bonds program (CMB).

Participation in the CMB program involves the Credit Union packaging mortgage loan receivables into pools of NHA MBS mortgages and in turn selling the NHA MBS pools to Canada Housing Trust (CHT). The cash flows from the NHA MBS pools sold to CHT require reinvestment activities to meet the coupon requirements of the mortgage bond. As cash flows from the NHA MBS are variable, the Credit Union has engaged a chartered bank to act as a counterparty to interest rate swaps with CHT. The chartered bank assumes all reinvestment risk resulting from NHA MBS pools sold into the CMB program.

All costs incurred in the securitization of mortgages are amortized over the life of the issuance.

When assets have been transferred and substantially all of the risks and rewards of ownership of the assets have also been transferred to a third party during a securitization transaction, the transaction is recorded as a sale and the Credit Union removes the transferred assets from the consolidated statement of financial position. When the risks and rewards of ownership of the assets have not been transferred or sold, the assets are offset by mortgage securitization liabilities in the consolidated statement of financial position.

Members' shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

Members' shares are accounted for in accordance with International Financial Reporting Interpretations Committee (IFRIC) 2, Members' Shares in Co-operative Entities and Similar Instruments (IFRIC 2). In accordance with IFRIC 2, dividends to holders of equity instruments are recognized directly in equity. Interest, dividends and other returns relating to financial instruments classified as financial liabilities are expenses, regardless of whether those amounts paid are legally characterized as dividends, interest or otherwise.

Dividends

Dividends are accounted for when they have been approved by the Board.

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Interest income and expense

Interest income and expense for interest bearing financial instruments are recognized using the effective interest rate method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have become credit impaired, for which interest income is calculated by applying the effective interest rate to their amortized cost.

Other income

Fees and commissions are related to the provision of specific transactions services, and are recognized at a point in time when the performance obligation is fulfilled.

Income taxes

Income tax expense for the period comprises current and deferred income tax.

Current income tax expense is calculated on the basis of the Canadian tax laws enacted or substantively enacted as at the date of the consolidated statement of financial position.

Deferred income taxes are provided for using the liability method. Under this method, temporary differences are recorded using tax rates that have been enacted or substantively enacted as at the date of the consolidated statement of financial position and are expected to apply when the corresponding taxes will be paid or refunded. Temporary differences primarily comprise differences between the carrying amounts and the income tax bases of the Credit Union's loans outstanding, property, equipment and intangible assets, right-of-use assets and members' deposits. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Translation of foreign currencies

All balances denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the consolidated statement of financial position date. Foreign exchange gains and losses are recorded in other income at the rates prevailing at the time of the transaction.

4 Changes in accounting policies

Adoption of new and amended accounting standards

The Credit Union has adopted new accounting standards that are effective beginning on or after January 1, 2024, listed below.

Interest rate benchmark reform

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all remaining tenors of CDOR will permanently cease after June 28, 2024.

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The Credit Union's exposure to Interbank Offered Rate reform is limited to CDOR. Regulators have recommended that markets start to adopt alternative risk-free rates. On December 16, 2021, the Canadian Alternative Reference Rate working group recommended that the administrator cease publication of CDOR settings immediately after June 30, 2024, using a two-stage transition approach. By the end of the first stage on June 30, 2023, they expect all new derivative contracts and securities to have transitioned to the Canadian Overnight Repo Rate Average (CORRA), with the exception of derivatives that hedge or reduce CDOR derivatives or securities transacted before June 30, 2023, or for loans entered into before June 28, 2024. All remaining CDOR exposures have been transitioned to CORRA by June 28, 2024, marking the end of the second stage.

Future accounting standards

The following is an overview of standards issued by the International Accounting Standards Board (IASB) that are effective beginning on or after January 1, 2025, listed below.

Improvements to financial instruments standards

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7, Financial Instruments: Disclosures (IFRS 7) to:

- a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- b) clarify and add further guidance for assessing whether a financial asset meets the SPPI criterion;
- c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- d) update the disclosures for equity instruments designated at FVOCI.

The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18), which will introduce three key new requirements on presentation and disclosures in the financial statements as follows:

- A focus on the structure of the income statement, which will include newly specified totals and subtotals.
- Disclosure of certain income statement-related management-defined performance measures that are reported outside of an entity's financial statements, such as earnings before interest, taxes, depreciation, and amortization (EBITDA).

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- Enhanced requirements for aggregation and disaggregation of financial information that apply to the primary financial statements and the notes.

IFRS 18 will replace IAS 1, Presentation of Financial Statements (IAS 1), and result in consequential amendments to other accounting standards. Existing requirements of IAS 1 are expected to be brought forward into IFRS 18 or other IFRS Accounting Standards with only limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it will affect the way an entity presents and discloses information in those statements. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted, and also applies to comparative information.

5 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions change.

Significant estimates made in the preparation of these consolidated financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy note.

Measurement of the ECL allowance

The Credit Union reviews its loan portfolio to assess the ECL allowance for loans at least on a quarterly basis. The measurement of the ECL allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of members defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 18.

A significant judgment required in applying the accounting requirements for measuring ECL is determining criteria for significant increase in credit risk.

Some other areas of judgment include:

- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

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

Derecognition of financial assets

The Credit Union's securitization activities are complex arrangements that require the Credit Union to make significant judgments about the extent to which the rights to the cash flows of the transferred receivables

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and/or the obligation to pay cash flows have been transferred to third parties in order to determine whether the transfers should be accounted for as a sale for accounting purposes. In making such judgments, the Credit Union needs to assess the extent to which the exposure to the future variability of cash flows was transferred in assessing whether the risks and rewards of the financial assets have been substantially transferred or retained.

Depending on the nature of the transfer arrangements, the Credit Union may carry out quantitative as well as qualitative tests to support its conclusion as to whether the risks and rewards of a financial asset have been transferred to third parties.

The Credit Union determined that its current securitization activities did not meet the accounting requirements for derecognition, and instead recorded a securitization liability for the initial consideration received (see note 13 for further details).

6 Investments

	2024			
	FVTPL	FVOCI	Amortized cost	Total
	\$	\$	\$	\$
Credit Union Central of Manitoba				
Shares	-	72,950	-	72,950
Contract deposit	-	-	10,000	10,000
Connect Manitoba Growth Fund LP	1,435	-	-	1,435
	1,435	72,950	10,000	84,385
Accrued interest receivable	-	-	97	97
Dividend receivable	-	1,861	-	1,861
	1,435	74,811	10,097	86,343

The above contract deposit has an interest rate of 3.12% and matures in March 2027.

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	2023			
	FVTPL \$	FVOCI \$	Amortized cost \$	Total \$
Credit Union Central of Manitoba				
Shares	-	68,817	-	68,817
Contract deposits	-	-	685,000	685,000
Concentra Bank Class A preferred shares	-	5,000	-	5,000
Connect Manitoba Growth Fund LP	1,000	-	-	1,000
	1,000	73,817	685,000	759,817
Accrued interest receivable	-	-	4,505	4,505
Dividend receivable	-	1,919	-	1,919
	1,000	75,736	689,505	766,241

7 Loans to members

As at December 31, 2024, loans to members are presented net of allowances for ECLs totalling \$6,180 (2023 – \$6,435). The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized.

	2024			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Consumer				
Loan	109,089	7,827	298	117,214
Mortgage	2,975,125	154,450	2,281	3,131,856
Line of credit	115,552	18,356	5,459	139,367
Commercial				
Loan	25,882	192	554	26,628
Mortgage	1,759,093	35,879	551	1,795,523
Line of credit	27,629	1,178	303	29,110
Accrued interest	10,209	430	137	10,776
Gross carrying amount	5,022,579	218,312	9,583	5,250,474
Loss allowance	(2,975)	(2,324)	(881)	(6,180)
Carrying amount	5,019,604	215,988	8,702	5,244,294

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	2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Consumer				
Loan	116,758	8,013	248	125,019
Mortgage	2,902,701	130,382	2,300	3,035,383
Line of credit	133,431	7,084	99	140,614
Commercial				
Loan	26,369	186	2,551	29,106
Mortgage	1,706,946	26,906	5,589	1,739,441
Line of credit	13,431	3,169	54	16,654
Accrued interest	9,642	295	693	10,630
Gross carrying amount	4,909,278	176,035	11,534	5,096,847
Loss allowance	(2,173)	(1,512)	(2,750)	(6,435)
Carrying amount	4,907,105	174,523	8,784	5,090,412

Loss allowance

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

- transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- impact on the measurement of ECL due to changes in probability of default (PD), exposure at default (EAD) and loss given default (LGD) in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognized during the period and writeoffs of allowances related to assets that were written off during the period.

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The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Consumer	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$	Lifetime ECL \$	Lifetime ECL \$	\$
Loss allowance as at January 1, 2024	948	1,312	389	2,649
Transfers	248	(238)	(9)	1
Net remeasurement of loss allowance	(130)	389	426	685
New financial assets originated	255	179	27	461
Financial assets derecognized	(126)	(161)	(37)	(324)
Writeoffs	(367)	(219)	(127)	(713)
Loss allowance as at December 31, 2024	828	1,262	669	2,759

Commercial	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$	Lifetime ECL \$	Lifetime ECL \$	\$
Loss allowance as at January 1, 2024	1,225	200	2,361	3,786
Transfers	(10)	5	5	-
Net remeasurement of loss allowance	708	918	276	1,902
New financial assets originated	379	5	3	387
Financial assets derecognized	(145)	(66)	(1)	(212)
Writeoffs	(10)	-	(2,432)	(2,442)
Loss allowance as at December 31, 2024	2,147	1,062	212	3,421

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Consumer	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$	Lifetime ECL \$	Lifetime ECL \$	\$
Loss allowance as at January 1, 2023	825	1,115	361	2,301
Transfers	231	(236)	5	-
Net remeasurement of loss allowance	24	585	271	880
New financial assets originated	310	170	-	480
Financial assets derecognized	(92)	(102)	(51)	(245)
Writeoffs	(350)	(220)	(197)	(767)
Loss allowance as at December 31, 2023	948	1,312	389	2,649

Commercial	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$	Lifetime ECL \$	Lifetime ECL \$	\$
Loss allowance as at January 1, 2023	1,108	78	1,092	2,278
Transfers	(43)	37	6	-
Net remeasurement of loss allowance	(101)	130	1,375	1,404
New financial assets originated	430	-	-	430
Financial assets derecognized	(156)	(45)	(28)	(229)
Writeoffs	(13)	-	(84)	(97)
Loss allowance as at December 31, 2023	1,225	200	2,361	3,786

During the years ended December 31, 2023 and 2024, the Credit Union did not acquire any assets in respect of delinquent loans.

8 Other assets

	2024 \$	2023 \$
Accounts receivable	10,264	10,393
Income tax receivable	244	-
Prepaid expenses	2,493	5,831
Goodwill	7,623	7,623
	<u>20,624</u>	<u>23,847</u>
Current	10,062	10,156
Non-current	10,562	13,691

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The Credit Union completed its annual impairment testing for goodwill as at December 31, 2024 using a value-in-use model, which applies forecasts based on management's best estimate considering historical and expected operating plans. No impairment charges have arisen as a result of the assessment performed. Reasonably possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

9 Property, equipment and intangible assets

	Property and equipment					Intangible assets		Total
	Land \$	Buildings \$	Furniture, equipment and signs \$	Computers \$	Leaseholds \$	Software \$	Core deposit intangible \$	Total \$
January 1, 2023								
Opening net book value	4,967	17,512	2,103	994	5,434	1,289	2,936	35,235
Additions	-	14	723	461	-	28	-	1,226
Depreciation	-	(1,150)	(759)	(472)	(744)	(385)	(326)	(3,836)
Net book value	4,967	16,376	2,067	983	4,690	932	2,610	32,625
December 31, 2023								
Cost	4,967	23,961	9,560	3,986	15,450	8,697	3,262	69,883
Accumulated depreciation	-	(7,585)	(7,493)	(3,003)	(10,760)	(7,765)	(652)	(37,258)
Net book value	4,967	16,376	2,067	983	4,690	932	2,610	32,625
January 1, 2024								
Opening net book value	4,967	16,376	2,067	983	4,690	932	2,610	32,625
Additions	-	-	549	1,164	29	52	-	1,794
Depreciation	-	(1,151)	(750)	(592)	(742)	(337)	(326)	(3,898)
Disposals	-	-	(13)	-	-	-	-	(13)
Net book value	4,967	15,225	1,853	1,555	3,977	647	2,284	30,508
December 31, 2024								
Cost	4,967	23,961	10,019	4,857	15,479	8,588	3,262	71,133
Accumulated depreciation	-	(8,736)	(8,166)	(3,302)	(11,502)	(7,941)	(978)	(40,625)
Net book value	4,967	15,225	1,853	1,555	3,977	647	2,284	30,508

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During the year, fully depreciated furniture, equipment and signs, computers and software with an initial cost of \$77, \$293 and \$161 (2023 – \$563, \$165 and \$48), respectively, were disposed of for no consideration.

10 Leases

Right-of-use assets

	2024 \$	2023 \$
Right-of-use assets – Beginning of year	8,222	9,614
Depreciation	(2,043)	(2,034)
Remeasurement	257	642
	<hr/>	<hr/>
Right-of-use assets – End of year	6,436	8,222

Lease liabilities

	2024 \$	2023 \$
Lease liabilities – Beginning of year	8,921	10,234
Payments of lease liabilities	(2,310)	(2,260)
Interest expense (included in interest paid to members and other)	267	305
Remeasurement	257	642
	<hr/>	<hr/>
Lease liabilities – End of year	7,135	8,921

Contractual maturities of lease liabilities the Credit Union is committed to and future aggregate lease payments are as follows:

	2024 \$	2023 \$
Less than 1 year	1,931	2,306
Between 1 year and 5 years	4,059	4,895
More than 5 years	1,961	2,754
	<hr/>	<hr/>
Total operating lease commitments	7,951	9,955
Less: Impact of discounting at weighted average incremental borrowing rate	(816)	(1,034)
	<hr/>	<hr/>
Lease liabilities – End of year	7,135	8,921

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11 Members' deposits

	2024 \$	2023 \$
Savings	1,384,735	1,449,012
Chequing	906,020	882,298
Term deposits	1,546,685	1,409,203
Registered deposits	1,708,345	1,622,794
Inactive accounts	262	272
Accrued interest payable	66,697	56,173
	<hr/> 5,612,744	<hr/> 5,419,752
Current	4,269,989	4,157,505
Non-current	1,342,755	1,262,247

12 Accounts payable

	2024 \$	2023 \$
Accounts payable and accrued liabilities	<hr/> 29,553	<hr/> 29,107
Current	28,654	28,283
Non-current	899	824

13 Mortgage securitization liabilities

Transfers of financial assets under MBS program

a) Securitized loans to members

The Credit Union securitizes insured residential mortgage loans by participating in the NHA MBS and CMB programs. Through the programs, the Credit Union issues securities backed by residential mortgage loans that are insured against the borrowers' default. Once the mortgage loans are securitized, the Credit Union assigns the underlying mortgages and/or related securities to the Canada Mortgage and Housing Corporation (CMHC). As an issuer of mortgage-backed securities (MBS), the Credit Union is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages.

In these securitizations, the Credit Union retains certain prepayment risk, timely payment guarantee risk and interest rate risk related to the transferred mortgages. Due to the retention of these risks, transferred mortgages are not derecognized and the securitization proceeds are accounted for as secured borrowings. There are generally no ECLs on the securitized mortgage assets, as the mortgages are insured against default. Further, the investors and CMHC have no recourse to other assets of the Credit Union in the event of failure of mortgages to be paid when due.

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The following is the Credit Union's net position on its securitized assets and liabilities:

	2024 \$	2023 \$
Securitized consumer mortgages	115,140	136,192
Mortgage securitization liabilities	115,036	135,809
Net position	104	383

b) Assets pledged as collateral

Mortgage loans are pledged against the MBS issuances. As a requirement of the NHA MBS and CMB programs, the Credit Union assigns and transfers to CMHC all of its rights, title and interest in mortgages included in all mortgage pools. If the Credit Union fails to make timely payment under an NHA MBS security, CMHC may enforce the assignment to CMHC of the mortgages backing the securities issued. If CMHC enforces the assignments, all authority and power of the Credit Union under the terms of the NHA MBS guide, whether with respect to securities issued or mortgages pooled in the contract, shall pass to and be vested with CMHC.

c) Securitization liabilities

Securitization liabilities represent the funding secured by insured mortgages assigned under the NHA MBS and CMB programs. As the securitization of mortgages does not lead to derecognition of the mortgages under accounting standards, proceeds received through securitization of these mortgages are recorded as securitization liabilities on the consolidated statement of financial position.

The breakdown of the securitization liabilities is as follows:

	2024 \$	2023 \$
Mortgage securitization liabilities – Beginning of year	135,809	174,154
Issued securitization	28,977	9,316
Repayment of securitization	(49,750)	(47,661)
Mortgage securitization liabilities – End of year	115,036	135,809
Current	63,019	42,485
Non-current	52,017	93,324

MBS securitization liabilities are reduced on a monthly basis based on principal repayments collected from securitized assets during the month. Interest accrued on MBS liabilities is based on the MBS coupon and is paid monthly to MBS investors.

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14 Income taxes

The significant components of the provision for income taxes included in the consolidated statement of net income and comprehensive income comprise the following:

	2024 \$	2023 \$
Current income taxes Based on current year taxable income	7,555	9,219
	2024 \$	2023 \$
Deferred income taxes Origination and reversal of temporary differences	(347)	(319)

The Credit Union provides for income taxes at statutory rates as determined below:

	2024 %	2023 %
Federal base rate	38.00	38.00
Federal abatement	(10.00)	(10.00)
General rate reduction	(13.00)	(13.00)
Net federal tax rate	15.00	15.00
Provincial tax rate	12.00	12.00
	27.00	27.00

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

	2024 \$	2023 \$
Net income before income taxes for the year	29,527	35,182
Expected provision for income taxes at statutory rates	7,972	9,499
Non-deductible portion of expenses	63	71
Other	(827)	(670)
Total provision for income taxes	7,208	8,900

Per the Income Tax Act (Canada), credit unions are entitled to a deduction from taxable income related to payments in respect of shares and, therefore, any dividends paid or payable by the Credit Union would result in tax savings of 27% (2023 – 27%).

Tax savings on preference share dividends are \$249 (2023 – \$307).

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Components of the deferred tax assets and liabilities are as follows:

	2024 \$	2023 \$
Deferred tax assets		
Loss allowance	2,058	1,772
Tax deduction on goodwill acquired	199	220
Depreciation in excess of capital cost allowance	(1,734)	(1,848)
Other	430	462
	<hr/>	<hr/>
Total deferred taxes	953	606
	<hr/>	<hr/>
Current	-	-
Non-current	953	606

15 Regulatory requirements

Capital is managed in accordance with policies established by the Board. Management regards a strong capital base as an integral part of the Credit Union's strategy. The Credit Union has a capital plan to provide a long-term forecast of capital requirements. Capital is defined within the Act as members' equity, which includes members' shares, the provision for the issuance of preference shares and surplus shares, contributed surplus and retained surplus. All of the elements of capital are monitored throughout the year, and modifications of capital management strategies are made as appropriate. The Board determines annually the extent of any dividend payments on eligible member shares, within the context of its overall capital management plan.

Regulations to the Act establish the following requirements with respect to capital and liquidity reserves.

Capital requirements

Pursuant to Standards of Sound Business Practice issued by the Deposit Guarantee Corporation of Manitoba, the Credit Union must establish and maintain a level of capital that meets or exceeds the following:

- a) retained earnings ratio: 3% of the book value of consolidated balance sheet assets;
- b) regulatory capital ratio: 5% of the book value of consolidated balance sheet assets; and
- c) risk-weighted capital ratio: 10.5% of the risk-weighted value of its assets as defined and calculated in the Standards of Sound Business Practice.

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The Credit Union has met these requirements as at December 31 as follows:

	2024 %	2023 %
Retained earnings	7.44	7.31
Regulatory capital	7.76	7.80
Risk-weighted capital	15.58	15.62

Liquidity reserve

Pursuant to the Standards of Sound Business Practice issued by the Deposit Guarantee Corporation of Manitoba, the Credit Union must establish and maintain liquidity reserves of at least 8% of total deposits in the Credit Union (including interest accrued on those deposits).

Liquidity reserves must consist of cash on hand, amounts deposited by the Credit Union into Central and any other deposit or investment that the Guarantee Corporation of Registrar of Credit Unions considers eligible to satisfy the Credit Union's liquidity requirements.

The Credit Union has met this requirement as at December 31 as follows:

	2024 %	2023 %
Liquidity reserve	15.54	15.45

16 Members' shares

Each member must purchase one common share. No member may hold more than 10% of the issued shares of any class. Each member of the Credit Union has one vote, regardless of the number of shares that a member holds.

Authorized shares

Common shares

Authorized common share capital consists of an unlimited number of common shares, issued and redeemable at \$5 each. The total amount of common shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed the total amount of common shares issued in that year if the Credit Union's equity is, or would by such purchase or redemption be, less than the level of capital pursuant to Standards of Sound Business Practice as defined in note 15. Common shares are redeemable at the request of the member upon closing their accounts. All common shares are classified as a liability.

Surplus shares

Authorized surplus share capital consists of an unlimited number of surplus shares, issued and redeemable at \$1 each. Dividends are payable at the discretion of the Board. The total amount of surplus shares purchased or

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redeemed by the Credit Union in a fiscal year shall not exceed 5% of the amount of surplus shares outstanding at the last fiscal year-end of the Credit Union if the Credit Union's equity is, or would by such purchase or redemption be, less than the level of capital pursuant to Standards of Sound Business Practice as defined in note 15. The Board approved the redemption of all surplus shares during the year. All surplus shares are classified as a liability.

Preference shares

Authorized Class Assiniboine preference share capital consists of 3,000,000 non-voting Class Assiniboine preference shares, having a cumulative dividend rate, if and when declared, of not less than the average one-year guaranteed investment certificate (GIC) rate posted by the Credit Union in that fiscal year, issued and redeemable at \$10 each.

Authorized Class Astra preference share capital consists of 1,000,000 non-voting Class Astra preference shares, having a cumulative dividend rate, if and when declared, of not less than the average one-year GIC rate posted by the Credit Union in that fiscal year, issued and redeemable at \$5 each.

Authorized Class Entegra preference share capital consists of 2,000,000 non-voting Class Entegra preference shares, having a cumulative dividend rate, if and when declared, of not less than the average one-year GIC rate posted by the Credit Union in that fiscal year, issued and redeemable at \$10 each.

Dividends are payable at the discretion of the Board. The total amount of preference shares purchased or redeemed by the Credit Union in a fiscal year shall not exceed 20% of the amount of preference shares outstanding at the last fiscal year-end of the Credit Union if the Credit Union's equity is, or would by such purchase or redemption be, less than the level of capital pursuant to Standards of Sound Business Practice as defined in note 15. Preference shares are redeemable at the discretion of the Board. All preference shares are classified as equity.

Members' shares – classified as liabilities

	2024 \$	2023 \$
Surplus shares		
Surplus shares – Beginning of year	8,999	9,166
Issued during the year from dividends	310	225
Redemption of surplus shares	(9,309)	(392)
Surplus shares – End of year	-	8,999
Common shares		
Common shares – Beginning of year	720	707
Issued on application for membership	23	25
Redemption of common shares	(19)	(12)
Common shares – End of year	724	720
Total members' shares – classified as liabilities	724	9,719

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Members' shares – classified as equity

	2024				2023			
	Class Assiniboine \$	Class Astra \$	Class Entegra \$	Total \$	Class Assiniboine \$	Class Astra \$	Class Entegra \$	Total \$
Preference share capital – Beginning of year	12,386	1,767	4,819	18,972	12,614	1,866	5,813	20,293
Issued during the year from dividends	743	106	-	849	631	93	-	724
Redemption of preference shares	(986)	(219)	(136)	(1,341)	(859)	(192)	(994)	(2,045)
Total members' shares – classified as equity	12,143	1,654	4,683	18,480	12,386	1,767	4,819	18,972

17 Dividends on surplus and preference shares

As a result of all surplus shares being redeemed during the year, no dividend was declared (2023 – \$311). Dividends in 2023 were included in the consolidated statement of net income and comprehensive income.

The Board also declared, and the Credit Union has accrued, a 5% dividend totalling \$924 (2023 – \$1,138) on Class Assiniboine, Class Astra and Class Entegra preference shares. The dividends accrued on preference shares have been reflected as a charge to retained surplus.

18 Risk management

The Credit Union's risk management policies are designed to identify and analyze risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Credit Union follows an enterprise risk management framework with an overall objective of managing risk within acceptable thresholds. The Credit Union regularly reviews its risk management policies and systems to take account of changes in markets, products and emerging best practice.

Responsibility for monitoring the Credit Union's overall enterprise risk management framework is delegated by the Board to the Audit and Risk Committee. Oversight and monitoring of risk management is carried out by a number of delegated committees reporting to the Board. The Board provides written principles for risk tolerance and overall risk management, and management reports to the committees and the Board on compliance with the risk management policies of the Credit Union. In addition, the Credit Union maintains an Internal Audit function, which is responsible for independent review of risk management and the Credit Union's control environment.

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

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

Activity	Risks	Method in managing risks
Investments and cash on hand and on deposit	Sensitivity to changes in interest rates, foreign exchange rates and credit risk	Asset – liability matching, monitoring of investment restrictions and monitoring of counterparty risk
Loans to members	Sensitivity to changes in interest rates and credit risk	Asset – liability matching, periodic use of derivatives and monitoring of counterparty risk
Members' deposits	Sensitivity to changes in interest rates and foreign exchange rates	Asset – liability matching, periodic use of derivatives
Mortgage securitization liabilities	Sensitivity to changes in interest rates, credit and liquidity risks	Monitoring of counterparty risk and maintaining a liquidity reserve

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 fair value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Financial margin reported in the consolidated statement of net income and comprehensive income may increase or decrease in response to changes in market interest rates. Accordingly, the Credit Union sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Credit Union's management and reported to the Board on a quarterly basis.

In managing interest rate risk, the Credit Union relies primarily upon the use of asset-liability matching and interest rate sensitivity models. Periodically, the Credit Union may enter into interest rate swaps to hedge exposure to interest rate risk. The Credit Union enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the consolidated statement of financial position and not for speculative purposes.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in market interest rates over a 12-month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis, but involves a more significant change of 100 basis points or greater in market interest rates. Based on differences between financial assets and financial liabilities as at December 31, 2024, the Credit Union estimates that an immediate and sustained 100 basis point increase in market interest rates would increase financial margin by \$7,672 (2023 – \$1,673) over the next 12 months; while an immediate and sustained 100 basis point decrease in market interest rates would decrease financial margin by \$8,306 (2023 – \$2,401) over the next 12 months.

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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 that have similar but not identical characteristics (for example, the difference between prime rates and the CORRA), and prepayment risk, which is the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans. These risks are also monitored on a regular basis by management.

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

	Financial statement amounts		Interest rate swap agreements		Net asset/ liability gap \$
	Assets \$	Liabilities and members' equity \$	Assets \$	Liabilities \$	
Expected repricing or maturing date					
Less than one year	3,342,058	3,257,628	52,174	-	136,604
1 to 2 years	1,341,272	536,821	-	5,000	799,451
2 to 3 years	772,077	381,084	-	29,130	361,863
3 to 4 years	344,905	322,196	-	18,044	4,665
4 to 5 years	334,139	151,242	-	-	182,897
Over 5 years	28,128	2,623	-	-	25,505
Not interest sensitive	86,694	1,597,679	-	-	(1,510,985)
	6,249,273	6,249,273	52,174	52,174	-

The average rate for interest bearing assets is 4.37% and for interest bearing liabilities is 2.89%.

Interest-sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. One of the roles of the Credit Union is to intermediate between the expectations of borrowers and depositors.

The Credit Union holds a portfolio of long-term fixed rate loans to members and, therefore, is exposed to changes in fair value due to movements in market interest rates. The Credit Union manages this risk exposure by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and, therefore, other risks, such as credit risk, are managed but not hedged by the Credit Union. The interest rate risk component is determined as the change in fair market value of the long-term fixed rate loans to members arising solely from changes in one-month CORRA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair

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value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Credit Union establishes the hedging ratio by matching the notional value of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volume of prepayments, as the Credit Union hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedged item and the hedging instrument;
- hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
- counterparty credit risk, which impacts the fair value of uncollateralized interest rate swaps, but not the hedged items.

The following table contains details of the hedging instruments used in the Credit Union's hedging strategies:

	Notional \$	Carrying amount		Consolidated statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness
		Assets \$	Liabilities \$		
Fair value hedges					
Interest rate swaps	52,174	220	-	Other assets	-

The following table contains details of the hedged exposures covered by the Credit Union's hedging strategies:

	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Consolidated statement of financial position line item	Change in fair value of hedged item for ineffectiveness assessment
	Assets \$	Liabilities \$	Assets \$	Liabilities \$		
Loans to members	51,954	-	-	220	Loans to members	-

Credit risk

The measurement of ECL under IFRS 9 uses the information and approaches that the Credit Union uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed below.

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Credit risk is the risk that a Credit Union member or counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the consolidated statement of financial position date. Significant changes in the economy of Manitoba or deteriorations in lending sectors, which represent a concentration within the Credit Union's loan portfolio, may result in losses that are different from those provided for at the consolidated statement of financial position date. Management of credit risk is an integral part of the Credit Union's activities. Management carefully monitors and manages the Credit Union's exposure to credit risk by a combination of methods. Credit risk arises principally from lending activities that result in loans to members and investing activities that result in cash on hand and on deposit and investments. There is also credit risk in unfunded loan commitments. The overall management of credit risk is centralized in the credit risk management department, with regular reports to the Audit and Risk Committee and the Board.

Concentration of loans is managed by the implementation of sectoral and member-specific limits, as well as the periodic use of syndications with other financial institutions to limit the potential exposure to any one member.

The Board establishes the Credit Union's tolerance for credit exposures and the principles the Credit Union follows in managing credit risk. The Credit Union maintains levels of borrowing approval limits and, prior to advancing funds to a member, a credit quality assessment is made. The Credit Union emphasizes responsible lending in its relationships with members and to establish that loans are within the member's ability to repay, rather than relying exclusively on collateral.

The estimation of credit exposure is complex and requires the use of models as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Credit Union has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Credit Union considers three components: (i) the PD by the member or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Credit Union derives the EAD; and (iii) the likely recovery ratio on the defaulted obligations LGD. The models are reviewed regularly to monitor their robustness relative to actual performance, and amended as necessary to optimize their effectiveness.

The classes of financial instruments that are most exposed to credit risk are cash on hand and on deposit, accounts receivable, investments, consumer loans and commercial loans. The Credit Union does not hold any credit derivatives or similar instruments that mitigate the credit risk.

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The following table contains details of the Credit Union's exposure to credit risk:

	2024		
	Outstanding	Undrawn	Total
	\$	commitments	exposure
		\$	\$
Credit risk exposure			
Cash on hand and on deposit	860,115	-	860,115
Accounts receivable	10,264	-	10,264
Investments	86,343	-	86,343
Consumer loans	3,388,437	461,471	3,849,908
Commercial loans	1,851,261	360,644	2,211,905
Accrued interest	10,776	-	10,776
	6,207,196	822,115	7,029,311
Total exposure			
	6,207,196	822,115	7,029,311
			2023
	Outstanding	Undrawn	Total
	\$	commitments	exposure
		\$	\$
Credit risk exposure			
Cash on hand and on deposit	145,778	-	145,778
Accounts receivable	10,393	-	10,393
Investments	766,241	-	766,241
Consumer loans	3,301,016	419,738	3,720,754
Commercial loans	1,785,201	348,172	2,133,373
Accrued interest	10,630	-	10,630
	6,019,259	767,910	6,787,169
Total exposure			
	6,019,259	767,910	6,787,169

Cash on hand and on deposit and investments

Credit risk arises from the investments in cash on hand and on deposit and 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 management, which reports to the Board. All of the Credit Union's liquidity investments are held with Central. Central invests on behalf of the Credit Union as per the investment policies approved by the Investment Committee of the Board of Directors of Central. The investment policy requires that all investments be highly rated and that all of the assets be readily convertible to cash.

Consumer loans

Consumer loans to members consist of consumer mortgages, loans and lines of credit. Consumer mortgages are fully secured by residential property with 29% in mortgages insured by CMHC and other mortgage insurance providers, and 71% in conventional mortgages with an ongoing maximum advance ratio to 80% of the appraised value. The balance of the consumer loan portfolio consists of loans and lines of credit, which are either secured by residential mortgages or chattels, or are unsecured.

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Commercial loans

Commercial loans to members consist of commercial mortgages, loans and lines of credit. The Credit Union takes security as collateral and maintains guidelines on the acceptability of specific types of collateral. Collateral may include charges over business assets such as premises, inventory and accounts receivable, and mortgages over residential properties. 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.

For commercial business, the risk rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as financial statements. This will determine the updated internal credit rating and PD.

The Credit Union's commercial lending diversification by industry type is as follows:

	2024	2023
	%	%
Real estate, rental and leasing	52.3	52.2
Manufacturing and construction	22.6	22.4
Health care and social assistance	10.7	10.2
Accommodation and food services	5.0	5.2
Arts, entertainment and recreation	2.7	3.0
Business services	2.5	2.3
Retail and wholesale trade	0.8	0.8
Other industries	3.4	3.9

The credit quality of the commercial loan portfolio is assessed by the Credit Union in accordance with the Deposit Guarantee Corporation of Manitoba's risk rating model. The Credit Union assesses the PD using the risk rating model and taking into account statistical analysis, as well as the experience and judgment of the commercial and credit risk management departments. Commercial loans to members are assigned a risk rating and are reviewed regularly and updated as appropriate.

	2024	2023
	%	%
Excellent risk	0.19	0.11
Very good risk	1.14	1.43
Good risk	13.65	14.98
Acceptable risk	78.25	71.24
Caution risk	5.44	11.44
At risk	1.30	0.62
Impaired		
No reserve	0.02	0.08
Reserve	0.01	0.10

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Expected credit loss measurement

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

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

- A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored by the Credit Union.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their ECLs measured at an amount equal to the ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECLs measured based on ECLs on a lifetime basis.

The key judgments and assumptions adopted by the Credit Union in addressing the requirements of the standard are discussed below.

Significant increase in credit risk

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all instruments held by the Credit Union. A watch list is used to monitor credit risk, and this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by management.

The Credit Union considers a financial instrument to have experienced an SICR when one or more of the following quantitative or qualitative criteria have been met:

For consumer loans:

- contractual cash flow obligations are more than 30 days past due; and/or
- an adverse change in the borrower's situation indicates that its ability to fulfill its contractual cash flow obligations has been reduced (e.g. significant deterioration in credit score); and/or
- a significant change in collateral value that is expected to increase risk of default; and/or
- forward-looking information indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

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For commercial loans:

- contractual cash flow obligations are more than 30 days past due; and/or
- an adverse change in the borrower's situation indicates that its ability to fulfill its contractual cash flow obligations has been reduced (e.g. significant deterioration in risk rating, in short-term forbearance, early signs of cash flow/liquidity problems, adverse change in operating results, adverse change in business, financial or economic conditions in which the business operates); and/or
- a significant change in collateral value that is expected to increase risk of default; and/or
- forward-looking information indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

The Credit Union has not used the low credit risk exemption for any financial instruments in the year ended December 31, 2024.

Definition of default and credit-impaired assets

The Credit Union defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower is in long-term forbearance;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- an active market for that financial asset has disappeared because of financial difficulties;
- concessions have been made by the lender relating to the borrower's financial difficulty; or
- it is becoming probable that the borrower will enter bankruptcy.

The criteria above have been applied to all financial instruments held by the Credit Union and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Credit Union's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

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Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis, depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Credit Union expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Credit Union includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Credit Union's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month, LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months, and lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor, which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Credit Union's recent default data.

The 12-month and lifetime LGDs are determined based on the following factors, which impact the recoveries made post-default. These vary by product type.

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- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and expected recovery costs.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Credit Union has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio.

These economic variables and their associated impacts on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the base case scenario) are based on the consideration of a variety of external, actual and forecast information that allows the Credit Union to formulate a base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by government bodies and the Bank of Canada, forecasts by Canadian banks and financial institutions and other selected private-sector and academic forecasters.

The base case represents a most-likely outcome, and is aligned with information used by the Credit Union for other purposes such as budgeting and strategic planning. The other scenarios represent more optimistic and more pessimistic outcomes. The Credit Union has concluded that the three scenarios have appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Credit Union measures ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihood of occurrence are subject to a high degree of inherent uncertainty and, therefore, the actual outcomes may be significantly different to those projected. The

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Credit Union considers these forecasts to represent its best estimate of the possible outcomes, and has analyzed the non-linearities and asymmetries within the Credit Union's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- house price index, given the significant impact it has on mortgage collateral valuations;
- unemployment rate, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments; and
- government bond rates.

Collateral and other credit enhancements

The Credit Union employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Credit Union has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Credit Union prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types and other credit enhancements for loans and advances are:

- mortgages over residential properties;
- mortgage insurance over residential properties;
- charges against chattels;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are either secured or unsecured.

The Credit Union's policies regarding obtaining collateral have not significantly changed during the reporting period, and there has been no significant change in the overall quality of the collateral held by the Credit Union since the prior period.

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Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members and other liabilities. To mitigate this risk, the Credit Union is required to maintain, in the form of cash on hand and on deposit and investments, a minimum liquidity at all times as described in note 15. The Credit Union's own risk management policies require it to maintain sufficient liquid resources to cover cash flow imbalances, to retain member confidence in the Credit Union and to enable the Credit Union to meet all financial obligations. This is achieved through maintaining a prudent level of liquid assets, through management control of the growth of the loan and deposit portfolio, securitizations and asset-liability maturity management techniques. Management monitors forecasts of the Credit Union's liquidity requirements on the basis of expected cash flows as part of its liquidity management. The Credit Union also maintains a borrowing facility with Central as an integral part of its liquidity management strategy.

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

Financial liabilities	Payable on demand \$	Less than 1 year \$	1 to 2 years \$	2 to 5 years \$	More than 5 years \$	Total \$
Members' deposits	2,793,674	1,541,993	573,633	949,998	3,206	5,862,504
Accounts payable	-	28,654	899	-	-	29,553
Lease liabilities	-	1,931	1,335	2,724	1,961	7,951
Mortgage securitization liabilities	-	66,164	12,936	45,012	-	124,112
	<u>2,793,674</u>	<u>1,638,742</u>	<u>588,803</u>	<u>997,734</u>	<u>5,167</u>	<u>6,024,120</u>

Foreign exchange risk

Foreign exchange risk is the risk that arises when future commercial transactions or recognized assets or liabilities are denominated in a foreign currency. Foreign exchange risk is not considered significant as at the date of the consolidated statement of financial position, as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency-denominated financed investments for an extended period.

Price risk

Price risk arises from changes in market risks, other than interest rate, credit, liquidity or foreign exchange risk, such as changes in equity and commodity prices, where these changes cause fluctuations in the fair value or future cash flows of a financial instrument. The Credit Union is not exposed to significant price risk at this time.

19 Fair value of financial assets and liabilities

Differences between carrying value and fair value of investments, loans to members, members' deposits and other financial assets and liabilities are caused by differences between the interest rate obtained at the time of the original investment, loan or deposit and the current rate for the same product. Loans and deposits that are

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priced with variable rates have a fair value equal to their carrying value, as they are priced at current interest rates.

Fair value hierarchy

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique, and the level applied to a particular measurement depends on the level of the lowest ranking significant input.

The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are 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 (unobservable inputs).

The Credit Union's policy is to recognize transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2024, the Credit Union had no transfers between fair value hierarchy levels.

The following tables summarize the fair value measurements recognized in the consolidated statement of financial position or disclosed in the Credit Union's consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

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Recurring fair value measurements

	2024		
	Level 1	Level 2	Total carrying amount
	\$	\$	\$
Financial assets – FVTPL or FVOCI			
Investments	-	76,246	76,246
Interest rate swaps	-	220	220
Total financial assets	-	76,466	76,466
Financial liabilities – FVTPL			
Interest rate swaps	-	-	-
Total financial liabilities	-	-	-

The Credit Union did not have any non-recurring measurements for the year ended December 31, 2024.

Fair values disclosed

		2024		
	Level	Financial assets/ liabilities at cost or amortized cost \$	Estimated fair value \$	Fair value greater (less) than carrying value \$
Financial assets				
Contract deposits	2	10,097	10,097	-
Loans to members	2	5,244,294	5,181,952	(62,342)
Accounts receivable	2	10,044	10,044	-
Total financial assets		5,264,435	5,202,093	(62,342)
Financial liabilities				
Members' deposits	2	5,612,744	5,635,100	22,356
Accounts payable	2	29,553	29,553	-
Mortgage securitization liabilities	2	115,036	113,746	(1,290)
Members' shares	3	724	724	-
Total financial liabilities		5,758,057	5,779,123	21,066

The Credit Union did not have any non-recurring measurements for the year ended December 31, 2024.

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Recurring fair value measurements

	2023		
	Level 1 \$	Level 2 \$	Total carrying amount \$
Financial assets – FVTPL or FVOCI			
Investments	-	76,736	76,736
Interest rate swaps	-	1,624	1,624
Total financial assets	-	78,360	78,360
Financial liabilities – FVTPL			
Interest rate swaps	-	-	-
Total financial liabilities	-	-	-

The Credit Union did not have any non-recurring measurements for the year ended December 31, 2023.

Fair values disclosed

		2023		
	Level	Financial assets/ liabilities at cost or amortized cost \$	Estimated fair value \$	Fair value greater (less) than carrying value \$
Financial assets				
Contract deposits	2	689,505	689,505	-
Loans to members	2	5,090,412	4,922,686	(167,726)
Accounts receivable	2	8,769	8,769	-
Total financial assets		5,788,686	5,620,960	(167,726)
Financial liabilities				
Members' deposits	2	5,419,752	5,391,071	(28,681)
Accounts payable	2	29,107	29,107	-
Mortgage securitization liabilities	2	135,809	128,947	(6,862)
Members' shares	3	9,719	9,719	-
Shares to be issued	3	311	311	-
Total financial liabilities		5,594,698	5,559,155	(35,543)

The Credit Union did not have any non-recurring measurements for the year ended December 31, 2023.

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The fair value measurement of derivative financial assets and liabilities categorized within level 2 of the fair value hierarchy is determined using observable market data inputs. These inputs include forward exchange and interest rates, as applicable, at the measurement date, with the resulting value discounted back to present values.

The fair value measurement of derivative financial liabilities categorized within level 3 of the fair value hierarchy is not based on observable market data. The fair value of these instruments approximates carrying value due to the demand nature of the instruments.

For fair value disclosures, the fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties; the Credit Union normally holds all of its fixed term investments, loans and deposits to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in the market interest rates, and may not be indicative of the net realizable value. Furthermore, as many of the Credit Union's financial instruments lack an available trading market, the fair value of investments, loans and deposits with fixed rates are estimated using discounted cash flow models with discount rates based on current market interest rates for similar types of financial instruments. The inputs to the valuation model for fixed rate loans include scheduled loan amortization rates and estimated rates of repayment with the future cash flows discounted using current market rates for equivalent groups of mortgages or loans. The future cash flows on fixed rate deposits are discounted to their estimated present value using current market rates for equivalent groups of fixed rate deposits. Other inputs may include the addition of an interest rate spread to incorporate an appropriate risk premium. The significant assumptions included in the determination of fair value include estimates of interest rates and discount rates.

The most significant assumption relates to the discount rates utilized. If the forward yield curve of such instruments were to increase by 10 basis points, then the fair value of financial assets would decrease by \$7,050 and the fair value of financial liabilities would decrease by \$4,048. A corresponding decrease of 10 basis points in the forward yield curve would result in a \$7,069 increase in the fair value of financial assets and a \$4,058 increase in the fair value of financial liabilities.

Offsetting of financial instruments

There are no significant financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2024 and 2023.

20 Related party transactions

Credit Union Central of Manitoba

The Credit Union is a member of Central, which acts as a depository for surplus funds from, and makes loans to, credit unions. Central also provides other services for a fee to the Credit Union and acts in an advisory capacity.

The Credit Union has in place a line of credit with Central in the amount of 2.5% of member deposits. The line of credit is secured by an assignment, hypothecation, charge and pledge of its loans to members outstanding,

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except for securitized loans to members. As at December 31, 2024, the balance outstanding was \$nil (2023 – \$nil). The line of credit with Central is payable on demand, with interest payable on a variable rate basis, which was 5.25% as at year-end (2023 – 7.00%). Interest paid on borrowings from Central during the year amounted to \$nil (2023 – \$nil).

Transactions with Central included income earned on cash on deposit and investments in the amount of \$57,908 (2023 – \$61,766) and fees assessed by Central, which include annual affiliation dues in the amount of \$1,346 (2023 – \$1,316).

Deposit Guarantee Corporation of Manitoba

The Deposit Guarantee Corporation of Manitoba (the Corporation) was incorporated for the purpose of protecting the members of credit unions from financial loss in respect of their deposits with credit unions and to ensure credit unions operate under sound business practices. The Corporation guarantees all deposits of members of Manitoba credit unions.

Transactions with the Corporation included assessments of \$4,451 (2023 – \$4,374), and are recorded as member security expense.

Compensation of key management personnel

Key management personnel are defined under IFRS Accounting Standards as persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of the Credit Union. The key management personnel of the Credit Union include executive management and the Board.

The summary of compensation for key management personnel is as follows:

	2024	2023
	\$	\$
Salaries and other short-term employee benefits	3,540	3,641
Post-employment benefits	219	206
	<hr/>	<hr/>
	3,759	3,847

Included in salaries and other short-term employee benefits is remuneration of \$438 (2023 – \$378) paid to directors during the year. Expenses paid by the Credit Union on behalf of the directors were \$27 (2023 – \$69).

The outstanding balances as at December 31 for key management personnel are as follows:

	2024	2023
	\$	\$
Loans outstanding	2,357	3,059
Savings and deposits outstanding	5,346	4,512

No allowances have been recognized in respect of loans issued to related parties in the current year.

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Loans to directors and staff

As at December 31, 2024, outstanding loans to directors, management and staff totalled 0.83% (2023 – 0.66%), in aggregate, of the assets of the Credit Union.

21 Commitments and guarantees

Director and officer indemnification

The Credit Union indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Credit Union to the extent permitted by law. The Credit Union has acquired and maintains liability insurance for its directors and officers.

Investment

The Credit Union entered into an agreement with Connect Manitoba Growth Fund LP to purchase 10,000 partnership units for a total subscription price of \$10,000. As at December 31, 2024, funds in the amount of \$1,350 (2023 – \$1,000) have been disbursed related to the investment.

22 Contingencies

The Credit Union, in the course of its operations, is subject to lawsuits. The Credit Union will accrue for losses in instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated.

23 Pension plan

The Credit Union has a defined contribution pension plan for qualifying employees. The contributions are held in trust by a third party, the Co-operative Superannuation Society, and are not recorded in these consolidated financial statements. The Credit Union matches employee contributions, which range between 5% and 7% of an employee's salary. The payments for the year ended December 31, 2024 were \$1,807 (2023 – \$1,698) and are recorded as an expense within the consolidated statement of net income and comprehensive income. As the pension plan is a defined contribution plan, the Credit Union has no further liability or obligation for future contributions to fund future benefits to plan members.

24 Subsequent events

On January 1, 2025, the Credit Union entered into an amalgamation agreement with Caisse Populaire Groupe Financier Ltee. (CPGF) and Westoba Credit Union Limited (WCU). CPGF is a caisse populaire with 19 branches in Manitoba. CPGF's most recent annual report in 2024 disclosed members' loans of \$1,662,157 and members' deposits of \$1,818,599. WCU is a credit union with 13 branches in Manitoba. WCU's most recent annual report in 2024 disclosed members' loans of \$1,220,457 and members' deposits of \$1,414,138.

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For accounting purposes, an acquirer will be identified and the net assets acquired will be accounted for at fair value. Accounting standards allow for the accounting to be completed no later than 12 months from the date of the transaction.