EAST COAST CREDIT UNION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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For the Year Ended December 31, 2023

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Halifax, Nova Scotia B3L 0B7

Independent Auditor's Report

To the members of East Coast Credit Union Limited

Opinion

We have audited the consolidated financial statements of East Coast Credit Union Limited (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

BDO Canada LLP

Chartered Professional Accountants

Halifax, Nova Scotia
March 28, 2024

EAST COAST CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	2023	2022
Assets		
Cash and cash equivalents (Note 8)	$ **17,092,969**	$ 12,821,923
Liquidity deposits (Note 10)	**111,858,387**	83,320,836
Investments (Note 13)	**21,341,008**	32,037,077
Members' loans (Note 4)	**1,104,530,627**	1,004,575,470
Other assets (Note 26)	**11,543,526**	4,316,740
Property, plant and equipment (Note 21)	**25,870,104**	22,723,622
Right-of-use assets (Note 22)	**2,332,317**	2,426,707
Intangible asset (Note 24)	**3,482,669**	1,152,308
Goodwill (Note 25)	**2,716,605**	2,411,480
	$1,300,768,212	$ 1,165,786,163
Liabilities and Members' Equity		
Liabilities		
Bank indebtedness (Note 9)	$ -	$ 7,342,261
Accounts payable and accrued liabilities	**6,811,582**	7,450,373
Income taxes payable	**607,462**	968,249
Members' deposits (Note 5)	**1,112,857,326**	998,753,798
Securitized mortgages under administration (Note 14)	**77,605,867**	56,421,162
Deferred income taxes liability (Note 17)	**703,940**	878,907
Pension benefit liability (Note 18)	**2,835,400**	1,884,100
Members' shares (Note 6)	**305,021**	303,811
Lease liabilities (Note 22)	**2,543,341**	2,606,977
Total Liabilities	**1,204,269,939**	1,076,609,638
Members' Equity		
Contributed surplus	**23,340,196**	23,340,196
Class A preferred shares (Note 6)	**16,764,700**	16,790,100
Surplus shares (Note 6)	**2,527,873**	2,583,951
Retained earnings	**51,573,424**	44,175,007
Non-controlling interest	**558,752**	-
Accumulated other comprehensive income	**1,733,328**	2,287,271
Total Members' Equity	**96,498,273**	89,176,525
	$1,300,768,212	$ 1,165,786,163

Approved by the Board:

Director

Director

EAST COAST CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31, 2023

	2023	2022
Interest revenue		
Interest on members' loans	$ 54,478,743	$ 38,326,204
Interest on investments	3,519,081	2,831,140
Other	63,151	35,278
	58,060,975	41,192,622
Interest and loan related expenses		
Interest on members' deposits	19,698,650	7,874,593
Loan impairment expense	1,571,110	1,057,190
Other	349,569	100,492
	21,619,329	9,032,275
Financial margin	36,441,646	32,160,347
Fees and commissions revenue (Note 15)	12,020,856	9,610,171
Other revenue (Note 15)	1,300,456	1,036,350
	49,762,958	42,806,868
Non-interest and operating expenses		
Salaries and employee benefits	20,122,976	16,718,964
General and administrative expenses (Note 16)	14,221,885	12,486,809
Occupancy costs (Note 16)	2,712,725	2,641,800
Members' security (Note 16)	1,142,168	1,016,363
Amortization of intangible assets (Note 24)	308,639	88,639
	38,508,393	32,952,575
Income before income taxes	11,254,565	9,854,293
Provision for income taxes (Note 17)		
Current	3,116,303	2,757,050
Deferred	51,290	8,608
Total provision for income taxes	3,167,593	2,765,658
Consolidated net income	8,086,972	7,088,635
Non-controlling interest portion of net income	(32,065)	-
Controlling interest in consolidated net income	8,054,907	7,088,635
Other comprehensive income		
Remeasurement of pension benefit (Note 18)	(780,200)	(275,100)
Deferred income taxes	226,257	79,779
	(553,943)	(195,321)
Comprehensive income	$ 7,533,029	$ 6,893,314

EAST COAST CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2023

	Accumulated Other Comprehensive Income	Non Controlling Interest	Retained Earnings	Contributed Surplus	Surplus Shares	Class A Shares	Total Equity
Balance on January 1, 2022	$ 2,482,592	$ -	$ 37,086,372	$ 23,340,196	$ 2,676,367	$ -	$ 65,585,527
Net income for the year	-	-	7,088,635	-	-	-	7,088,635
Issuance of Class A preferred shares	-	-	-	-	-	16,790,100	16,790,100
Issuance of surplus shares	-	-	-	-	32,808	-	32,808
Redemption of surplus shares	-	-	-	-	(125,224)	-	(125,224)
Remeasurement of pension benefit, net of deferred income taxes	(195,321)	-	-	-	-	-	(195,321)
Balance on December 31, 2022	$ 2,287,271	$ -	$ 44,175,007	$ 23,340,196	$ 2,583,951	$ 16,790,100	$ 89,176,525
Net income for the year	-	(32,065)	8,086,972	-	-	-	8,054,907
Redemption of Class A preferred shares	-	-	-	-	-	(25,400)	(25,400)
Issuance of surplus shares	-	-	-	-	60,384	-	60,384
Redemption of surplus shares	-	-	-	-	(116,462)	-	(116,462)
Dividends paid during the year	-	-	(688,555)	-	-	-	(688,555)
Acquisition of Alternative Mortgage Solutions Ltd.	-	590,817	-	-	-	-	590,817
Remeasurement of pension benefit, net of deferred income taxes	(553,943)	-	-	-	-	-	(553,943)
Balance on December 31, 2023	**$ 1,733,328**	**$ 558,752**	**$ 51,573,424**	**$ 23,340,196**	**$ 2,527,873**	**$ 16,764,700**	**$ 96,498,273**

EAST COAST CREDIT UNION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2023

	2023	2022
Operating activities		
Net income	**$ 8,086,972**	$ 7,088,635
Adjustments for:		
Depreciation of property, plant and equipment	**1,572,141**	1,480,410
Amortization of intangible asset	**308,639**	88,639
Provision for deferred income taxes	**(174,967)**	(71,171)
Loan impairment expense	**1,571,110**	1,057,190
Depreciation of right-of-use assets	**284,478**	284,478
Interest on right-of-use assets	**89,614**	94,397
	11,737,987	10,022,578
Changes in operating assets and liabilities:		
Other assets	**(7,192,868)**	715,315
Derivative financial instruments	**-**	(54,780)
Accounts payable and accrued liabilities	**(1,111,513)**	1,080,522
Income taxes payable	**(490,013)**	183,007
Employee future benefits liability	**397,357**	442,279
	3,340,950	12,388,921
Changes in member activities (net)		
Increase in members' deposits	**133,802,178**	58,613,839
Increase in members' loans	**(156,605,062)**	(216,586,967)
Loans written-off during the year, net of recoveries (Note 4)	**600,052**	548,052
Total changes in member activities (net)	**(22,202,832)**	(157,425,076)
Cash flows related to interest		
Interest received on members' loans	**54,478,743**	38,326,204
Interest received on investments	**3,519,081**	2,831,140
Interest paid on members' deposits	**(19,698,650)**	(7,874,593)
Total changes in cash flows related to interest	**38,299,174**	33,282,751
Total cash from operating activities	**19,437,292**	(111,753,404)
Financing Activities		
Net decrease of members' shares	**(105,668)**	(94,661)
Proceeds from issuance of Class A preferred shares	**25,400**	16,790,100
Increase (decrease) in bank indebtedness	**(7,342,261)**	4,708,045
Net increase from mortgage securitization	**21,184,705**	15,149,263
Repayment of lease liabilities	**(343,338)**	(337,320)
Dividends paid	**(688,555)**	-
Total cash from financing activities	**12,730,283**	36,215,427
Investing Activities		
Net decrease (increase) in liquidity deposits	**(32,056,632)**	69,808,196
Net decrease in investments	**10,696,069**	4,746,090
Purchase of property, plant and equipment	**(4,711,057)**	(2,052,663)
Acquisition of Alternative Mortgage Solutions	**(1,824,909)**	-
Total cash from investing activities	**(27,896,529)**	72,501,623
Net decrease in cash and cash equivalents	**4,271,046**	(3,036,354)
Cash and cash equivalents, beginning of year	**12,821,923**	15,858,277
Cash and cash equivalents, end of year	**$ 17,092,969**	$ 12,821,923

1. CORPORATE INFORMATION

Reporting Entity

East Coast Credit Union Limited (the "Credit Union") is incorporated under the Companies Act of Nova Scotia. The Credit Union is a member of Atlantic Central and its operations are subject to the Credit Union Act of Nova Scotia. The Credit Union provides a full range of banking services to its members in 18 branches throughout Nova Scotia. The Credit Union operates as two operating segments: East Coast Credit Union Limited and it's wholly owned subsidiary, Yes Capital Atlantic Inc. ("Yes Capital").

The Credit Union's head office is located at 257 Main Street, Antigonish, Nova Scotia Canada.

These consolidated financial statements have been authorized for issue by the Board of Directors on March 26, 2024.

2. BASIS OF PRESENTATION

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

b) Basis of Measurement
These consolidated financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through other comprehensive income ("FVTOCI") and derivative financial instruments measured at fair value through profit and loss ("FVTPL"). The Credit Union's and its subsidiary's functional and presentation currency is the Canadian dollar.

c) Basis of Consolidation
These consolidated financial statements include amounts of the Credit Union's wholly-owned subsidiary, Yes Capital. The non-controlling interest arises from Yes Capital's controlling interest in Alternative Mortgage Solutions Ltd. 100% of the assets and liabilities, revenues and expenses are included in these consolidated financial statements and the non-controlling interest represents the non-controlling shareholder's interest. Intercompany transactions and balances have been eliminated from the consolidated accounts.

d) Judgment and Estimates
The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The determination of impairment of members' loans, assessing whether credit risk on financial assets has increased significantly since initial recognition, and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 4);
- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal interest on the principal amount outstanding (Notes 4 and 12);
- The fair value of certain financial instruments using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows (Notes 4, 5, and 13);
- Whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 25. Significant assumptions and estimates are involved in the annual determination of expected future cash flows and various risk components which comprise the discount rates; and
- The determination of lease term for some lease contracts in which the Credit Union is a lessee that include renewal options and termination options, and the determination whether the Credit Union is reasonably certain to exercise such options and the determination of the incremental borrowing rate used to measure lease liabilities for each lease contract (Note 22).

Actual results will vary from those estimated.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2023 did not materially affect the Credit Union's consolidated financial statements.

Certain new standards, amendments to standards, and interpretations were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2024 or later that the Credit Union has decided not to adopt early. The adoption of the new standards, interpretations and amendments which were issued but are not yet effective are not expected to have a material impact on the Credit Union's financial statements.

4. MEMBERS' LOANS

	2023	2022
Residential mortgages	**$ 545,846,012**	$ 517,882,569
Personal loans	**96,330,839**	90,825,538
Commercial loans	**383,515,612**	330,771,273
Mortgage pools	**1,294,795**	2,575,074
Yes Capital alternative mortgages	**79,605,362**	64,439,765
	$1,106,592,620	$ 1,006,494,219
Accrued interest receivable	**2,715,026**	1,941,095
Allowance for impaired loans	**(4,777,019)**	(3,859,844)
Net members' loans	**$1,104,530,627**	$ 1,004,575,470

Terms and Conditions
Members' loans can have either a variable or fixed rate of interest and they mature within five years.

Variable rate loans are based on a "prime rate" formula, ranging from prime rate to prime plus 13.80%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2023 was 7.20%.

The interest rate offered on fixed rate loans being advanced at December 31, 2023 ranges from 2.25% to 11.40%. The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

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

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

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

Yes Capital is incorporated under federal laws to provide alternative mortgages to borrowers and administer alternative mortgages for investment partners. The alternative mortgages consist of residential and commercial mortgages secured by real properly and are generally repayable monthly with either blended payments of principal and interest or interest only.

Members' loans from mortgage pools earn interest at 1.75% to 9.80%. The Credit Union receives monthly from the mortgage pool administrators blended payments of principal and interest equal to its percentage interests in the loan pools, less an administration fee. The loan pools are comprised of conventional residential mortgages, maturing within five years and secured by residential property.

4. MEMBERS' LOANS (continued)

Average Yields to Maturity

Loans bear interest with the following average yields:

	Principal	**2023 Yield**	Principal	2022 Yield
Variable Rate	**$ 111,634,072**	**9.49%**	$ 122,806,892	8.81%
Fixed rate due less than one year	**275,586,847**	**5.32%**	256,880,823	4.53%
Fixed rate due between one and five years	**719,371,701**	**5.02%**	626,806,504	4.24%
	$1,106,592,620		$ 1,006,494,219	

a) Recognition and initial measurement

The Credit Union initially recognizes members' loans on the date on which they are originated. Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

b) Classification and subsequent measurement

Members' loans are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Members' loans are subsequently reduced by any allowance for loan losses.

c) Derecognition and contract modifications

The Credit Union derecognizes members' loans when the contractual rights to the cash flows from the members' loans expire, or the Credit Union transfers the members' loans.

On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

Credit Risk Management

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

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

4. MEMBERS' LOANS (continued)

Credit Risk Management (continued)

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

- General loan policy statements including approval of lending policies, eligibility of loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Internal audit procedures and processes are in place for the Credit Union's lending activities.

The Credit Union allocates a credit risk grade at initial recognition for its commercial loans based on available information about the borrower. Under this system, the credit risk grades are defined as follows:

1 - undoubted - assigned to undoubted members' loans with virtually no risk
2 – low - assigned to members' loans that have minimal risk of any loss
3 – moderate – assigned to members' loans that have normal risk of any loss
4 – cautionary – assigned to members' loans that are higher risk and that should be placed on a watch list for increased monitoring
5 - unacceptable – assigned to members' loans that are impaired and require immediate action

The Credit Union does not have any commercial loans that originate in a credit risk grade of 4 or 5 except for commercial loans that would originate in a risk grade of 4 under the provincial loan guarantee program. Commercial loans are subject to ongoing monitoring, which may result in the loan being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review of customer files, for example, audited financial statements, data from credit reference agencies, actual and expected significant changes in the regulatory and technological environment of the borrower or in its business activities, payment record including overdue status and existing and forecast changes in business, financial and economic conditions. The Credit Union regularly reviews its members' loan portfolio to evaluate it's exposure to industries impacted negatively by current economic or market conditions.

The Credit Union monitors residential mortgages, personal loans and alternative mortgages primarily by credit rating and/or delinquency status.

The Board of Directors receives quarterly reports summarizing new loans, delinquent loans and overdraft utilitization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful accounts quarterly.

4. MEMBERS' LOANS (continued)

Credit Risk Management (continued)

A large portion of the loan portfolio is secured by residential and commercial property in and around Nova Scotia. Therefore, the Credit Union is exposed to the risk of a reduction of the loan to value ratio cover should the Nova Scotia property market decline. The risk of losses from loans undertaken is primarily reduced by adhering to the lending criteria, with an emphasis on a borrower's ability to pay and ability to obtain insurance coverage on the loan.

A small portion of the loan portfolio is recognized from investments in mortgage pools that are administered by other Credit Unions and are secured by mortgages on real estate property outside of the local property market. The risk of losses on the purchased mortgage portfolios is primarily reduced by performing due diligence on the pool, which includes consideration such as the advertised risk of the pool, credit history of underlying loans and pool historical records of returns. The Credit Union's participation is also contingent on approval of the investment by regulators and the Board.

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

Concentration of credit risk

The Credit Union monitors concentration of credit risk on the basis of similar risk characteristics, based on loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience.

Amounts arising from ECL

The Credit Union recognizes allowance for loan losses for ECL on members' loans.

The Credit Union measures allowance for loan losses at each reporting period date according to a three-stage ECL model as follows:

Stage	1 - No Significant Increase in Credit Risk Since Initial Recognition	2 - Significant Increase in Credit Risk Since Initial Recognition	3 - Credit-Impaired
Definition	From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition.	Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.	When a financial asset is considered to be credit-impaired (i.e. when credit default has occurred).

4. MEMBERS' LOANS (continued)

Stage	1 - No Significant Increase in Credit Risk Since Initial Recognition	2 - Significant Increase in Credit Risk Since Initial Recognition	3 - Credit-Impaired
Criteria for movement	At origination, all members' loans are categorized into stage 1. A commercial loan that has experienced a SICR may migrate back to stage 1 if the increase in credit risk is cured and the movement in the credit risk grading is approved by credit managers. Commercial watch list loans that are considered to be in a high risk industry but show no signs of a deteriorating financial results, potential security shortfalls or adverse developments of the borrower are deemed to be risk level 1, 2 or 3 and classified as Stage 1. For residential mortgages and personal loans, migration back to stage 1 may occur upon approval of loan officers if all signs of previous credit deterioration are remedied.	For commercial loans on the watch list, the Credit Union categorizes their riskiness based on four risk levels. The Credit Union determines a SICR has occurred when a commercial loan moves to a risk level 4 on the watch list due to a number of factors, including deteriorating financial results, potential security shortfalls or adverse developments of the borrower. For residential mortgages, a SICR has occurred if payments are over 30 days past due and the mortgage is uninsured. For personal loans and lines-of-credit, a SICR has occurred if payments are over 30 days past due and not secured by real estate.	A member loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the member loan have occurred: • a breach of contract such as a default or delinquency in interest or principal payments; • significant financial difficulty of the borrower; • payment on a loan is overdue 90 days or more (if the borrower does not participate in the Loan Deferral Program); or • it is becoming probable that the borrower will enter bankruptcy or other financial reorganization. A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

4. MEMBERS' LOANS (continued)

<table>
<tr><th>Stage</th><th>1 - No Significant Increase in Credit Risk Since Initial Recognition</th><th>2 - Significant Increase in Credit Risk Since Initial Recognition</th><th>3 - Credit-Impaired</th></tr>
<tr><td>ECL methodology</td><td>Impairment is estimated based on the expected losses over the expected life of members' loans arising from default events occurring in the next 12 months (12-month expected credit loss)</td><td colspan="2">Impairment is estimated based on the expected losses over the expected life of members' loans arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss)</td></tr>
<tr><td>Collective or individual assessment</td><td colspan="2">Collective assessment of members' loans grouped on the basis of similar risk characteristics based on loan type, type of loan security, the length of time the loans are past due and the historical loss experience. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.</td><td>Each credit-impaired members' loan is individually assessed.</td></tr>
<tr><td>Application of ECL methodology</td><td colspan="2">Expected credit loss on a group of members' loans is measured on the basis of a loss rate approach. The Credit Union develops loss rates for members' loans in stage 1 and loss rates for members' loans stage 2, based on historical default and loss experiences for those types of members' loans, adjusted for current economic conditions and forecasts of future economic conditions. The loss rates are also applied to the estimate of drawdown for undrawn loan commitments (unadvanced loans, unused lines of credit, letters of credit).

For members' loans in stage 1 and 2 with undrawn loan commitments, the estimate of drawdown within 12 months of the reporting date is based on historical drawdown information.</td><td>The probability of default on credit-impaired member loans is 100%, therefore, the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired member loan is measured based on the Credit Union’s best estimate of the difference between the loan’s carrying value and the present value of expected cash flows discounted at the loan’s original effective interest rate.</td></tr>
<tr><td>Key forward-looking information</td><td colspan="3">Local unemployment rates, local housing default rates, local economic outlook, inflation, credit environment, and other relevant economic variables impacting subsets of the Credit Union’s members.

The ECL calculation is sensitive to forward-looking scenarios and their respective probability weightings as at the reporting date. Any information obtained after the reporting period will be reflected in the ECL in future periods. This may cause significant volatility in the ECL.</td></tr>
</table>

4. MEMBERS' LOANS (continued)

Credit Quality Analysis

The following tables set out information about the credit quality of members' loans based on the Credit Union's credit risk rating grade. Personal loans are not rated, therefore, information has been presented by their level of delinquency. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	12-month ECL	Lifetime ECL not delinquent	Lifetime ECL delinquent	2023 Total	2022 Total
Residential Mortgages and Personal Loans					
Current	$ 595,096,269	$ -	$ -	$ 595,096,269	$ 562,410,366
> 30 days past due	-	3,661,299	-	3,661,299	3,953,617
> 90 days past due	-	-	2,685,792	2,685,792	3,471,235
Otherwise impaired	-	42,028,286	-	42,028,286	41,447,963
	595,096,269	45,689,585	2,685,792	643,471,646	611,283,181
Allowance for loan losses	(771,427)	(620,160)	(800,722)	(2,192,309)	(2,080,026)
Carrying amount	594,324,842	45,069,425	1,885,070	641,279,337	609,203,155
Commercial Loans					
1 – undoubted	41,456	-	-	41,456	69,631
2 – low	21,184,387	-	-	21,184,387	14,606,390
3 – moderate	306,433,232	-	-	306,433,232	270,698,792
4 – cautionary	-	53,696,581	-	53,696,581	43,339,597
5 – unsatisfactory	-	-	2,159,956	2,159,956	2,056,863
	327,659,075	53,696,581	2,159,956	383,515,612	330,771,273
Allowance for loan losses	(544,957)	(1,420,562)	(423,768)	(2,389,287)	(1,708,582)
Carrying amount	327,114,118	52,276,019	1,736,188	381,126,325	329,062,691
Yes Capital Alternative Mortgages					
Current	65,528,698	-	-	65,528,698	55,776,215
> 30 days past due	-	13,737,627	-	13,737,627	8,663,550
> 90 days past due	-	-	339,037	339,037	-
Otherwise impaired	-	-	-	-	-
	65,528,698	13,737,627	339,037	79,605,362	64,439,765
Allowance for loan losses	(25,392)	(151,384)	(18,647)	(195,423)	(71,236)
Carrying amount	65,503,306	13,586,243	320,390	79,409,939	64,368,529
Balance at December 31	$ 986,942,266	$ 110,931,687	$ 3,941,648	$ 1,101,815,601	$ 1,002,634,375

The allowance for loan losses in the above table includes amounts related to undrawn loan commitments. The Credit Union has the following undrawn loan commitments to its members at the year-end date on unused and undrawn lines of credit, commitments to extend credit and letters of credit:

	Residential mortgage and personal loans	Commercial	2023 Total	2022 Total
Undrawn lines of credit	$ 99,742,590	$ 40,890,247	$ 140,632,837	$ 126,184,468
Letters of credit	$ -	$ 330,000	$ 330,000	$ 330,000

4. MEMBERS' LOANS (continued)

Allowance for loan losses

The following tables show reconciliations from the opening to the closing balance of the allowance for loan losses by type of member loan. The allowance for loan losses in these tables include ECL on loan commitments for certain members' loans such as unadvanced loans, unused lines of credit and letters of credit, because the Credit Union cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

				2023	2022
	12-month ECL	Lifetime ECL not delinquent	Lifetime ECL delinquent	Total	Total
Residential Mortgages and Personal Loans					
Balance at January 1	$ 624,965	$ 503,818	$ 951,243	$ 2,080,026	$ 1,806,327
Net remeasurement of allowance for loan losses	146,462	625,861	(178,313)	594,010	709,987
Transfer to lifetime ECL	-	(509,519)	509,519	-	-
Loans written off	-	-	(580,706)	(580,706)	(577,796)
Recoveries of amounts previously written off	-	-	98,979	98,979	141,508
Balance at December 31	771,427	620,160	800,722	2,192,309	2,080,026
Commercial Loans					
Balance at January 1	445,197	879,335	384,050	1,708,582	1,548,279
Net remeasurement of allowance for loan losses	99,760	673,440	(130,240)	642,960	272,067
Transfer to lifetime ECL	-	(132,213)	132,213	-	-
Loans written off	-	-	(19,346)	(19,346)	(135,230)
Recoveries of amounts previously written off	-	-	57,091	57,091	23,466
Balance at December 31	544,957	1,420,562	423,768	2,389,287	1,708,582
Yes Capital Alternative Mortgages					
Balance at January 1	19,255	51,981	-	71,236	16,199
Net remeasurement of allowance for loan losses	6,137	118,050	-	124,187	55,037
Transfer to lifetime ECL	-	(18,647)	18,647	-	-
Loans written off	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Balance at December 31	25,392	151,384	18,647	195,423	71,236
Total allowance for loan losses, December 31	$ 1,341,776	$ 2,192,106	$ 1,243,137	$ 4,777,019	$ 3,859,844

4. MEMBERS' LOANS (continued)

Write-off

Members' loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, members' loans written off could still be subject to enforcement activities in order to comply with the Credit Union’s procedures for recovery of amounts due.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

The contractual amount of members' loans outstanding that were written off and that are still subject to enforcement activity are as follows:

	2023	2022
Residential mortgages	**$ -**	$ 84,933
Personal loans	**580,706**	1,064,694
Commercial loans and mortgages	**19,346**	393,329
Yes Capital alternative mortgages	**-**	-
	$ 600,052	$ 1,542,956

Quality of collateral held

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	Residential mortgage and personal	**Commercial**	**2023**
Unsecured loans	**$ 45,638,373**	**$ 180,879**	**$ 45,819,252**
Loans secured by cash, members' deposits	**42,543,744**	**51,250,000**	**93,793,744**
Loans secured by real property	**474,429,313**	**311,633,082**	**786,062,395**
Loans secured by provincial guarantee	**-**	**20,451,651**	**20,451,651**
Residential mortgages insured by government	**160,465,578**	**-**	**160,465,578**
	$ 723,077,008	**$ 383,515,612**	**$1,106,592,620**

	Residential mortgage and personal	Commercial	2022
Unsecured loans	$ 44,732,643	$ 69,992	$ 44,802,635
Loans secured by cash, members' deposits	46,092,895	53,819,855	99,912,750
Loans secured by real property	420,295,608	260,130,281	680,425,889
Loans secured by provincial guarantee	-	20,095,394	20,095,394
Residential mortgages insured by government	161,257,551	-	161,257,551
	$ 672,378,697	$ 334,115,522	$ 1,006,494,219

4. MEMBERS' LOANS (continued)

Foreclosed Collateral

There were $nil (2022 - $484,222) foreclosed loans during the year ended December 31, 2023. Foreclosed properties are sold as soon as is practical and when in management's opinion it is the most advantageous time to mitigate the risk of additional losses. At December 31, 2023, the Credit Union had $nil (2022 - $301,700) in foreclosed properties held for resale which are included in members' loans on the balance sheet.

Fair Value

The fair value of members' loans at December 31, 2023 was $1,047,965,975 (2022 - $953,317,864).

The estimated fair value of variable loans is assumed to be equal to book value as the interest rates are re-priced to market on a periodic basis. The estimated fair value of fixed rate loans is determined using Level 3 valuations by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

For fixed rated loans, the weighted average market interest used in estimating fair value was 5.05% and the weighted average term to maturity was 2.35 years.

5. MEMBERS' DEPOSITS

	2023	2022
Demand accounts	**$ 702,138,627**	$ 742,376,168
Term deposits	**228,559,799**	124,913,018
Registered retirement savings plans	**56,861,387**	50,498,731
Tax free savings accounts	**91,005,799**	56,045,914
Registered retirement income funds	**25,787,886**	22,315,559
	1,104,353,498	996,149,390
Accrued interest payable	**8,503,828**	2,604,408
	$1,112,857,326	$ 998,753,798

Terms and Conditions

Demand accounts are due on demand and bear interest at a variable rate up to 7.20% at December 31, 2023. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued as at December 31, 2023 range from 0.30% to 6.18%.

The registered retirement savings plans ("RRSP") accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 1.90% at December 31, 2023.

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

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above.

5. MEMBERS' DEPOSITS (continued)

Terms and Conditions (continued)

Included in members' deposits are accounts totalling $3,882,000 (2022 - $2,987,000), which are denominated in US dollars.

Average Yields to Maturity

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

	Principal	**2023 Yield**	Principal	2022 Yield
Variable rate	**$ 702,242,501**	**0.67%**	$ 742,376,168	0.58%
Fixed rate due less than one year	**262,776,397**	**4.28%**	131,490,796	2.64%
Fixed rate due between one and five years	**139,334,600**	**4.36%**	122,282,426	2.83%
	$1,104,353,498		$ 996,149,390	

a) Recognition and initial measurement

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

b) Classification and subsequent measurement

Members' deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

c) Concentration of risk

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments. No individual or related groups of members' deposits exceed 5% of members' deposits and capital as at December 31, 2023 and 2022. The majority of members' deposits are with members located in and around Nova Scotia and surrounding areas.

d) Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

The Credit Union is required to maintain 9% of members' deposits in liquid investments of which 90% must be held with Atlantic Central. The Credit Union was in compliance with this requirement at December 31, 2023.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

5. MEMBERS' DEPOSITS (continued)

The Credit Union's exposure to liquidity risk at the reporting date was:

	2023	2022
Qualifying liquid assets on hand		
Cash on hand (Note 8)	$ **8,087,660**	$ 8,753,791
Cash held in Atlantic Central (Note 8)	**9,005,309**	4,068,132
Liquidity deposit	**111,858,387**	83,320,836
Other liquid assets on hand	**1,384,146**	1,292,001
	130,335,502	97,434,760
Total liquidity requirement	**106,695,505**	95,528,228
Excess liquidity	$ **23,639,997**	$ 1,906,532

The maturities of liabilities are shown in Note 11. Liquidity risk has decreased from the prior year due to an increase in excess liquidity.

Fair Value

The fair value of members' deposits at December 31, 2023 was $1,105,323,440 (2022 - $1,003,921,752).

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined using Level 3 valuations by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.

For fixed rated deposits, the weighted average market interest used in estimating fair value was 4.30% and the weighted average term to maturity was 1.37 years.

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

		2023		2022	
	Authorized	**Equity**	**Liability**	Equity	Liability
Membership shares	Unlimited	$ **-**	$ **305,021**	$ -	$ 303,811
Surplus shares	Unlimited	**2,527,873**	**-**	2,583,951	-
Class A preferred shares	500,000	**16,764,700**	**-**	16,790,100	-
Balance - December 31		**$19,292,573**	$ **305,021**	$ 19,374,051	$ 303,811

6. MEMBERS' SHARES (continued)

Terms and Conditions

Membership Shares

Membership shares are classified as a liability and represent all common shares issued. The par value of each share is $5. As a condition of membership, each member is required to hold one voting share. Members are entitled to redeem their shares at par value if they end their membership. Dividends are at the discretion of the Board of Directors in the form of surplus shares. Membership shares available for redemption as at December 31, 2023 total 61,024.

Surplus Shares

Surplus shares have an issue price of $1 per share. They are non-voting and may be redeemed or purchased by the Credit Union at a price per share not to exceed the issue price. Such redemption or purchase is subject to compliance with the Credit Union Act and to approval by the Board of Directors at such time as the member or associate no longer holds membership or associate status with the Credit Union. Dividends are paid at the discretion of the Board of Directors in the form of additional shares. Surplus shares available for redemption as at December 31, 2023 total $2,527,873.

On January 24, 2023, a dividend of $56,236 (2022 - $29,185) on the surplus and membership shares was declared and approved by the Board of Directors.

Class A Preferred Shares

On March 1, 2022, the Board of Directors approved the issuance of up to 300,000 Class A preferred shares with a par value of $100 each. They are non-voting and not redeemable for a period of five years after issuance. After the five year period, redemption is subject to compliance with the Credit Union Act and to approval by the Board of Directors. Non-cumulative dividends are declared and payable annually at the discretion of the Board of Directors at the greater of 2.85% per annum or the Credit Union's then-current five-year term deposit rate, plus 1.25%.

On January 24, 2023 a dividend of $688,555 (2022 - $nil) on the Class A preferred shares was declared and approved by the Board of Directors.

7. CAPITAL MANAGEMENT

Capital is managed in accordance with policies established by the Board and regulators. 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. All of the elements of capital are monitored throughout the year, and modifications of capital management strategies are made as appropriate.

The Credit Union Act of Nova Scotia requires the Credit Union to establish and maintain a level of equity that is not less than 5% of its non-consolidated assets. Management and regulators consider capital to comprise of all components of non-consolidated members’ equity plus members’ shares classified as liabilities which amount to $88,882,813 as at December 31, 2023. As at December 31, 2023, the Credit Union’s equity as a percent of assets was 7.30% (2022 - 7.50%), which exceeds the minimum requirement.

8. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	$ 8,087,660	$ 8,753,791
Cash held at Atlantic Central	9,005,309	4,068,132
Cash and cash equivalents	$ 17,092,969	$ 12,821,923

Cash and cash equivalents includes cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost.

9. BANK INDEBTEDNESS

The Credit Union has pledged all of its assets as security for a $29,153,000 line of credit with Atlantic Central. As at December 31, 2023, $nil (2022 - $7,342,261) was drawn on the line of credit. The line of credit bears interest on the utilized portion at Atlantic Central's prime rate. At December 31, 2023, Atlantic Central's prime rate was 7.20%.

10. LIQUIDITY DEPOSITS

Liquidity deposits include cash held on deposit with Atlantic Central.

The Credit Union must maintain liquidity reserves with Atlantic Central equal to or greater than 6% of total assets at December 31 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Atlantic Central. The liquidity deposits are short-term and come due within one year. They bear interest at rates between 3.00% and 4.95%. For the year-ended December 31, 2023, the Credit Union was in compliance with this requirement.

a) Initial measurement
Liquidity deposits are initially measured at fair value plus transaction costs that are directly attributable to their acquisition.

b) Classification and subsequent measurement
Liquidity deposits are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

c) Credit risk
The Credit Union holds cash held on deposit with Atlantic Central. Liquidity deposits have been determined to have no credit risk and therefore there are no loss allowances recognized on the assets.

d) Fair value measurement
The carrying amounts of liquidity deposits and cash held on deposit with Atlantic Central approximate fair value due to having similar characteristics as cash and equivalents.

11. FINANCIAL MARGIN AND INTEREST

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

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Credit Union Deposit Insurance Corporation of Nova Scotia ("CUDIC") in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with CUDIC as required by Credit Union regulations. For the year-ended December 31, 2023, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Maturity dates	Assets	Yield	Liabilities	Cost	Asset / Liability Gap
Interest sensitive					
Overnight principal	$ 210,800,000	5.59%	$ 331,354,000	1.41%	$ (120,554,000)
Under 1 year principal	303,355,000	5.55%	340,151,000	3.22%	(36,796,000)
1 - 3 years principal	510,569,000	4.85%	257,594,000	1.75%	252,975,000
Over 3 years principal	212,093,000	5.84%	187,925,000	1.02%	24,168,000
Interest sensitive	1,236,817,000		1,117,024,000		119,793,000
Non-interest sensitive	63,951,212		87,245,939		(23,294,727)
Total	$1,300,768,212		$1,204,269,939		$ 96,498,273

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that a 1% increase in rates would result in an increase to net income of 0.55% or approximately $244,200. A 1% decrease in rates would result in a decrease to net income of 0.54% or approximately $242,900.

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

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

13. INVESTMENTS

	2023	2022
Term Deposits held with:		
Concentra (Wyth) Financial	**$ -**	$ 10,000,000
League Savings and Mortgage Company	**-**	2,000,000
Securities held with:		
Atlantic Central - Class A common shares	**10,872,190**	10,568,260
Atlantic Central - NS common shares	**1,624,000**	1,624,000
Community Impact Investment Co-operative Limited	**1,000,000**	-
Concentra (Wyth) Financial Class D, Series 1 Shares	**2,290,000**	2,290,000
League Savings and Mortgage Company	**5,302,992**	5,302,992
League Data Limited	**249,190**	249,190
CU Financial Management Limited	**24**	24
Other investments	**2,612**	2,292,611
	$ 21,341,008	$ 34,327,077

The interest rates offered on investments at December 31, 2023 range from 1.36% to 5.00%.

a) Recognition and initial measurement

The Credit Union recognizes equity instruments on the settlement date, which is the date that the asset is received by the Credit Union. The instruments are initially measured at fair value. Any change in fair value between trade date and settlement date is recognized in net income.

b) Classification and subsequent measurement

The Credit Union classifies its equity instruments as FVTOCI. The equity instruments are subsequently measured at fair value with changes in fair value recognized in OCI. Gains and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

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

13. INVESTMENTS (continued)

b) Classification and subsequent measurement (continued)

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

Atlantic Central NS common shares and securities held in Concentra (Wyth) Financial, League Savings and Mortgage Company, League Data Limited and other various co-operatives are member shares that are redeemable at the discretion of the issuer. There is no separately quoted market value for these shares however, fair value is determined based on a discounted cash flow model using the expected timing of redemption and a market rate of interest. There has been no significant changes in the performance of the investees, no changes to the investees shareholdings or its structures and no changes in the valuations implied by the overall market. Therefore, the cost of the shares approximates their fair value.

c) Derecognition

The Credit Union derecognizes investments when the contractual rights to the cash flows from the investment expires or the Credit Union transfers the investment. On derecognition, any cumulative gain or loss recognized in OCI is not recognized in profit or loss.

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

d) Fair value measurement

All investment valuations are Level 2 valuations as there are no separately quoted market values for the securities. There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2023 and 2022. The maximum exposure to credit risk would be the fair value as detailed above.

14. SECURITIZED MORTGAGES UNDER ADMINISTRATION

For securitization transactions, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method.

During fiscal 2023, the Credit Union securitized residential mortgages of $25,245,692 (2022 - $14,157,799). The Credit Union retains mortgage servicing responsibilities but does not receive an explicit servicing fee for its servicing responsibilities.

Transferred Financial Assets that are recognized in their entirety

The table below sets out the carrying amounts and fair values related to transferred loans to members that are recognized in their entirety and any associated liabilities.

	2023	2022
Carrying amount of assets:		
Members' loans	$ **76,936,806**	57,265,225
Other securitization assets	**1,716,956**	989,841
	78,653,762	58,255,066
Carrying amount of associated liabilities:		
Securitized mortgages under administration	**(77,605,867)**	(56,421,162)
Net position	$ **1,047,895**	1,833,904

The Credit Union does not have the ability to use the transferred assets during the term of the arrangement.

15. FEES AND COMMISSIONS AND OTHER REVENUE

Recognition and measurement

Service fees are charged to members, primarily in the nature of account fees and transaction based service charges. Account fees relate to account maintenance activities and are recognized over the period in which the service is provided. Transaction-based service charges are recognized as earned at a point in time when a transaction is completed. Commission income is generally recognized at a point in time when the transaction is executed.

	2023	2022
ATM surcharges	$ **110,727**	$ 98,215
Canadian Emergency Wage Subsidy	**-**	3,800
Commissions	**1,537,850**	1,250,884
Interac fees	**83,556**	80,875
Mortgage penalties	**400,837**	392,027
Rebates and profit shares	**2,150,265**	1,352,792
CEBA loan administration fees	**50,882**	50,882
Service charges	**4,657,672**	4,527,571
Yes Capital management and other fees	**3,029,067**	1,853,125
Fee and commission revenue	$ **12,020,856**	9,610,171
Foreign exchange gains	$ **634,772**	$ 486,152
Miscellaneous	**392,730**	241,258
Rental income	**272,954**	308,940
Other revenue	$ **1,300,456**	$ 1,036,350

16. OPERATING EXPENSES

	2023	2022
General and administrative expenses		
Advertising and promotion	$ **878,783**	$ 735,378
Atlantic Central	**1,090,179**	898,350
Banking fees	**3,212,735**	2,962,286
Board expenses	**282,089**	198,335
Computer costs	**4,029,169**	3,434,483
Courier and postage	**93,553**	91,512
Depreciation - equipment	**652,909**	642,817
Donations	**(112,202)**	700,000
Education	**232,788**	251,014
Meetings	**407,155**	235,679
Miscellaneous	**23,147**	5,583
Office	**742,670**	600,238
Professional fees	**459,192**	302,509
Staff travel	**213,264**	146,373
Statement preparation	**167,013**	150,605
Yes Capital expenses	**1,849,441**	1,131,647
	$ **14,221,885**	$ 12,486,809
Occupancy costs		
Depreciation - buildings	$ **916,876**	$ 837,593
Depreciation - right-of-use assets	**284,478**	284,478
Interest on right-of-use assets	**89,614**	94,397
Rent	**20,543**	12,578
Repairs and maintenance	**555,485**	587,150
Property taxes	**532,043**	504,463
Utilities	**313,686**	321,141
	$ **2,712,725**	$ 2,641,800
Members' security		
CUDIC	$ **979,540**	$ 874,195
Insurance	**162,628**	142,168
	$ **1,142,168**	$ 1,016,363

17. INCOME TAXES

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

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial Statutory income tax rates to income before income taxes. This difference results from the following items:

	2023	2022
Income before income taxes	**$ 11,254,565**	$ 9,854,293
Statutory income tax rate	**29.00 %**	29.00 %
Expected income tax expense	**3,263,824**	2,857,745
Permanent differences:		
Dividends reported through equity	**(199,681)**	-
Non-deductible expenses and other reconciling items	**103,450**	(92,087)
Provision for income taxes	**$ 3,167,593**	$ 2,765,658

The change in the components of the deferred taxes asset (liability) are as follows:

	Balance as at December 31, 2022	Recognized in comprehensive income	**Balance as at December 31, 2023**
Allowance for impaired loans	$ 458,381	$ 4,611	**$ 462,992**
Property, plant and equipment	(1,130,826)	(140,145)	**(1,270,971)**
Lease obligation	52,278	8,919	**61,197**
Intangible assets	(334,169)	25,705	**(308,464)**
Atlantic Central shares	(470,960)	-	**(470,960)**
Pension benefit obligation	546,389	275,877	**822,266**
	$ (878,907)	$ 174,967	**$ (703,940)**

18. DEFINED BENEFIT PENSION PLAN

The Credit Union pays certain post retirement benefits to its retired employees. The Credit Union recognized these post retirement costs in the period in which the employees render the services. The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimate of retirement ages and turnover. Gains and losses arising from actuarial assessments are recognized through other comprehensive income. Information about the Credit Union's defined benefit plan as determined by the most recent actuarial valuation performed as at December 31, 2023 is as follows:

	2023	2022
Accrued benefit obligation		
Balance on January 1	**$ 20,683,000**	$ 27,189,300
Current service cost	**237,300**	513,300
Interest expense	**1,067,300**	869,500
Benefit payments from plan assets	**(1,070,600)**	(1,999,800)
Employee contributions	**130,300**	147,700
Remeasurements	**1,743,800**	(6,037,000)
Accrued benefit obligation, December 31	**22,791,100**	20,683,000
Deduct plan assets		
Balance on January 1	**18,798,900**	25,942,800
Investment income on plan assets	**926,500**	785,500
Employer contributions	**207,000**	234,800
Employee contributions	**130,300**	147,700
Benefit payments	**(1,070,600)**	(1,999,800)
Remeasurements	**963,600**	(6,312,100)
Plan assets, December 31	**19,955,700**	18,798,900
Pension benefit liability	**$ 2,835,400**	$ 1,884,100

The main actuarial assumptions employed for the valuations are as follows:

General Inflation (CPI rate)	4.60%
Interest (discount) rate	3.00%

The sensitivity to changes in the weighted principal assumptions is as follows:

		Increase (decrease) in pension benefit liability
Discount rate impact of:	1% increase	$2,672,500
	1% decrease	$(3,366,100)
Rate of compensation increases of:		
	0.5% increase	$(259,500)
	0.5% decrease	$240,100

The net remeasurements of the pension benefit liability are included in other comprehensive income.

The Credit Union's pension expense is included in salaries and employees and benefits expense and is computed as follows:

	2023	2022
Current service cost	**$ 237,300**	$ 513,300
Net interest and administrative expenses	**140,800**	84,000
	$ 378,100	$ 597,300

19. DEFINED CONTRIBUTION PENSION PLAN

The Credit Union makes contributions to a pension plan on behalf of members of its staff. The plan is a defined contribution plan, which specifies the amount of contributions to be paid on behalf of the employees based on length of service and rates of pay.

The amount contributed to the plan for 2023 was $854,819 (2022 - $697,768). The contributions were made for current service and are included in salaries and employees and benefits expense.

20. FOREIGN EXCHANGE RISK

The Credit Union's foreign exchange risk is related to US dollar deposits and cash on hand denominated in US dollars. At year end, the Credit Union's holdings in foreign currency were 0.36% (2022 - 0.32%) of the total members' deposits portfolio.

The Credit Union limits its exposure to foreign exchange risk by maintaining only minimal levels of US dollar deposits and cash on hand.

There have been no significant changes from the previous year in the exposure to risk or procedures used to limit the risk.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated deprecation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Land is not depreciated. Depreciation is calculated at the following rates and methods:

Land improvements	10% declining balance
Buildings	4% declining balance
Furniture and equipment	20% - 30% declining balance
Paving	10% declining balance
Leasehold improvements	Straight line term of lease plus 1 renewal

The depreciation methods and useful lives of property, plant and equipment are reviewed and adjusted if appropriate, at each balance sheet date.

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Improvements	Buildings	Furniture and Equipment	Paving	Leasehold Improvements	Total
Year ended December 31, 2022						
Opening net book value	$ 2,300,966	$ 15,771,585	$ 2,473,012	$ 162,087	$ 1,443,719	$ 22,151,369
Additions	-	1,482,408	570,255	-	-	2,052,663
Depreciation	(670)	(613,421)	(623,190)	(19,627)	(223,502)	(1,480,410)
Closing net book value	$ 2,300,296	$ 16,640,572	$ 2,420,077	$ 142,460	$ 1,220,217	$ 22,723,622
At December 31, 2022						
Cost	2,401,738	24,528,643	11,136,005	516,102	2,751,689	41,334,177
Accumulated depreciation	(101,442)	(7,888,071)	(8,715,928)	(373,642)	(1,531,472)	(18,610,555)
Net book value	$ 2,300,296	$ 16,640,572	$ 2,420,077	$ 142,460	$ 1,220,217	$ 22,723,622
Year ended December 31, 2023						
Opening net book value	$ 2,300,296	$ 16,640,572	$ 2,420,077	$ 142,460	$ 1,220,217	$ 22,723,622
Additions	-	4,133,809	578,374	-	6,440	4,718,623
Depreciation	(603)	(683,967)	(672,135)	(17,656)	(197,780)	(1,572,141)
Closing net book value	**$ 2,299,693**	**$ 20,090,414**	**$ 2,326,316**	**$ 124,804**	**$ 1,028,877**	**$ 25,870,104**
At December 31, 2023						
Cost	2,401,738	28,662,452	11,714,379	516,102	2,758,129	46,052,800
Accumulated depreciation	(102,045)	(8,572,038)	(9,388,063)	(391,298)	(1,729,252)	(20,182,696)
Net book value	**$ 2,299,693**	**$ 20,090,414**	**$ 2,326,316**	**$ 124,804**	**$ 1,028,877**	**$ 25,870,104**

22. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

At inception of a contract, the Credit Union assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets (based on the value of the underlying asset when new); and
- Short-term leases with a lease term of twelve months or less.

i) Nature of leasing activities (in the capacity as lessee)

The Credit Union leases branch offices. The leases of their branch offices expire between 2027 and 2038 with extension periods ranging from 5 to 10 years. Extension options are included in the lease term when the Credit Union is reasonably to exercise that option. The lease payments comprise annual payments over the lease term ranging from $14 to $50 per square foot. All leases have either a fixed rate as outlined in the lease agreement or increase based on an inflation adjustment. The Credit Union's obligation under lease are secured by the lessor's title to the leased assets.

ii) Recognition and initial measurement

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally the Credit Union uses its incremental borrowing rate as the discount rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate (e.g. CPI or inflation). In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments that are not dependent on an index or rate are expensed in the period to which they relate.

For contracts that both convey a right to the Credit Union to use an identified asset and require services to be provided to the Credit Union by the lessor, the Credit Union has elected to account for the entire contract as a lease, and therefore the Credit Union does not allocate the amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

iii) Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate. The revised future lease payments are discounted at the same discount rate that applied on lease commencement. Lease liabilities are also remeasured when there is a change in the assessment of the term of any lease (for example, a change in the Credit Union's assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised). The future lease payments over the revised term are discounted at the revised discount rate at the date of reassessment. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset.

22. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Right-of-use assets consist of the following:

Cost	
Balance at December 31, 2022	$ 3,540,911
Modification to lease terms	190,088
Balance at December 31, 2023	$ 3,730,999
Accumulated Depreciation	
Balance at December 31, 2022	(1,114,204)
Depreciation for the year on right-of-use assets	(284,478)
Balance at December 31, 2023	(1,398,682)
Carrying amount at December 31, 2023	$ 2,332,317

Lease liabilities consist of the following:

Balance at December 31, 2022	$ 2,606,977
Interest expense on lease liability	89,614
Variable lease payment adjustment	186,144
Lease payments	(339,394)
Balance at December 31, 2023	$ 2,543,341

iv) Liquidity risk

The Credit Union does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Credit Union's finance function.

The following table sets out the contractual maturities, representing undiscounted contractual cash-flows, of lease liabilities:

	2023
No later than 1 year	$ 349,932
Later than 1 year and not later than 5 years	1,391,234
Later than 5 years	1,449,806
	$ 3,190,972

23. COMPENSATION OF KEY MANAGEMENT

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

Key management, excluding directors

	2023	2022
Salaries, and other short-term employee benefits	**$ 2,179,080**	$ 1,669,752
Pension benefits	**187,252**	150,278
Other	**96,150**	96,150
	$ 2,462,482	$ 1,916,180

Director's remuneration

	2023	2022
Honorarium	**$ 122,065**	$ 94,689
Repayment for expenses	**112,328**	65,719
	$ 234,393	$ 160,408

Loans to directors, key management personnel and their families

Loans to directors and key management personnel are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies.

	2023	2022
Aggregate value of loans advanced	**$ 3,601,472**	$ 3,617,970
Total value of lines of credit advanced	**$ 25,000**	$ 25,500
Undrawn value of lines of credit	**$ 221,327**	$ 67,990
Interest income earned	**$ 139,101**	$ 150,553

No provisions have been recognized in respect of loans given to key management (2022 - $nil). Loans to directors, key management personnel and close family members are repayable over 0-30 years and have interest rates of 1.98% - 11.20%.

Deposits to directors, key management personnel and their families

	2023	2022
Aggregate value of term and savings deposits	**$ 546,997**	$ 521,975
Interest income earned	**$ 11,125**	$ 2,069

24. INTANGIBLE ASSET

On January 1, 2016, the Credit Union acquired all the assets of Bergengren Credit Union Limited. Intangible assets consisting of the value of the core deposits acquired in a business combination, which represent a low-cost source of financing as compared to obtaining funds from the market, are carried at cost, net of accumulated amortization and accumulated impairment losses. Amortization is provided for over its estimated useful life of 20 years, on a straight-line basis.

On February 28, 2023, the Yes Capital acquired 75% of the shares of Alternative Mortgage Solutions Ltd. Intangible assets consist of the value of investor relationships and customer lists. These assets will be carried at cost, net of accumulated amortization and accumulated impairment losses. Amortization is provided for over its estimated useful life of 10 years, on a straight-line basis.

	2023	2022
Net book value - beginning of year	**$ 1,152,308**	$ 1,240,947
Additions during the year	**2,639,000**	-
Amortization for the year	**(308,639)**	(88,639)
Net book value - end of year	**3,482,669**	1,152,308
Cost	**7,457,920**	4,818,920
Accumulated Amortization	**(3,975,251)**	(3,666,612)
Net book value	**$ 3,482,669**	$ 1,152,308

25. GOODWILL

The Credit Union recognized assets for goodwill upon the past acquisitions of Heritage Credit Union Limited, AROI Management Incorporated and the 2023 acquisition of Alternative Mortgage Solutions Ltd. The goodwill is attributable to the synergies and advances gained by an increase in market share and a reduction in total overhead costs needed to manage the consolidated Credit Union. Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Any subsequent impairment in carrying value is charged to net income. No impairment has been recorded for the year ended December 31, 2023.

26. OTHER ASSETS

	2023	2022
Prepaid expenses	**$ 6,108,953**	$ 2,593,266
Accrued interest receivable	**12,460**	81,345
Rebates and other receivables	**5,422,113**	1,642,129
	$ 11,543,526	$ 4,316,740

27. SUBSEQUENT EVENTS

On January 1, 2024, the Credit Union amalgamated with LaHave River Credit Union Limited.

Also, subsequent to year end on January 23, 2024, the Credit Union declared a 2% dividend on common and surplus shares and a 6.1% dividend on Class A preferred shares.